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Barber B. Conable

President's Council files 03

July 1987

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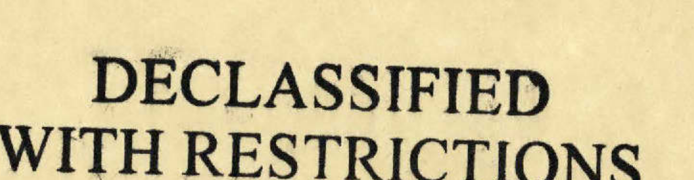
President's Council Records - Meeting records 03



July 29 MEETING

POLICY COMMITTEE MEETING

Wednesday, July 29, 1987

4:30 p.m.

AGENDA

1. Reorganization

   a. Interim Progress Report on the Reorganization (memo from W. Wapenhans dated 7/27/87)

   b. Managerial and Other Structured Positions at Grade 26 and Above (memo from W. Wapenhans dated 7/24/87)

Tuesday

2. Update of 1987 Creditworthiness Review (memo from E. Stern dated 7/24/87)

Finance Committee Tuesday

3. Budget Issues (memos from R. Picciotto dated 7/22 and 7/27/87)

1. Policy Committee: Ideas on Guidance

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 27, 1987

TO: Members, Policy Committee

FROM: W. Wapenhans, SVPAD

EXTENSION: 75656

SUBJECT: Interim Progress Report on the Reorganization

Attached please find a draft progress report on the reorganization. After review and discussion by the Policy Committee, it will be updated and finalized for circulation to the Board.

cc: Ms. Haug
Messrs. Stanton
Cosgrove (o/r)
Hume
Senner/Collins/Groen
Picciotto/Steel/Murli
Whyte

Record Removal Notice

File Title	Barcode No.
President's Council Records - Meeting records 03	1778667

Document Date	Document Type
July 27, 1987	Report

Correspondents / Participants

Subject / Title
Report on the Progress of the Reorganization

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.

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Ann May	March 20, 2018

Archives 01 (March 2017)

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 29, 1987

TO: Members of the Policy Committee

FROM: Moeen A. Qureshi *MAQ*

EXTENSION: 63665

SUBJECT: Update of 1987 Creditworthiness Review

In his "Update" of the Creditworthiness Review, Mr. Stern raises some very important issues that can impact on Operations in a major way. He raises the issue of a possible review of the so-called 10 % exposure limit (which Management had agreed could be raised to 12.5 % in certain cases), a possible stricter application of the preferred credit guidelines (15 % debt service guidelines) and the policies with respect to B loans and Guarantees.

As I undertand it, this "update" note was discussed with the Economic Advisory Staff. I believe, however, that these issues are of great significance for the scope and the nature of the lending program, and they need, in the first instance, to be very carefully considered by me in consultation with the RVPs.

The possible lines of action which Mr. Stern suggests are also somewhat different from the approach which was set out in a joint note which both Mr. Stern and I sent to Mr. Conable in April, just about three months ago.

Labouring under the impression that Mr. Stern's note on Creditworthiness was merely an update and probably brought us current on the arrears situation with which I am familiar, I did not read this note until yesterday and did not have the opportunity to discuss it with my colleagues. I am therefore unfortunately not in a position to discuss this note at today's meeting but I would be prepared to do so next week Wednesday.

I do, however, have a continuing concern about the process to be followed with respect to issues that concern more than one unit, and are of such profound significance. In the period in which I was in charge of Finance, I always rigorously followed the approach that all issues dealing with creditworthiness and portfolio exposure were not only thoroughly discussed with Operations staff in advance but were discussed simultaneously by both the Finance Committee and the Operations Committee (and sometimes jointly by the two Committees), and then virtually all notes embodying the conclusions of these discussions were sent jointly by Mr. Stern and myself to the President and the Management Committee. I hope we can follow a similar approach with these types of issues in the future because that will contribute to a more productive discussion.

cc. Mrs. Haug

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 27, 1987

TO: Mr. Barber Conable

FROM: Robert Picciotto, Director, PBD

EXT: 38440

SUBJECT: FY88 Budget Issues

1. The time has come to close the debate on the FY88 Budget. A list of the appeals together with PBD's recommendations is attached (Annex 1). Based on your decisions, PBD will distribute the budget by the end of the week.

2. Administration has produced a large and unexpected claim (over $7 million). A fraction of this claim relates to differences of judgment regarding External Affairs and ITF tallies prepared by the Reorganization Task Forces. But the major element of the claim relates to transitional costs of Personnel (17 HL and 24 SL positions) "to establish policies, procedure, systems and standards" and General Services (7 HL and 24 SL positions) "to carry out contracting out studies". Pending review of the back-up justification for these claims, we must settle how all claims for justifiable "transitional" or "frictional" requirements of SVP/VP Units should be accommodated. You will recall that Operations had made appeals with respect to its discretionary budget which were related to Mr. Qureshi's concerns with respect to the disruption of the reorganization. Similarly, PPR and Finance had pointed to transitional problems ("forgotten" positions, systems build up, etc.) in their earlier appeals. Thus, Administration's appeal while unusual in its timing (it was received a week after Board approval of the budget) is useful in that it points to a generic budget issue (transitional needs unforeseen by the Steering/Implementation Committees) which must be settled unambiguously and equitably before budget distribution can be completed.

3. The Policy Committee meeting of July 24, 1987 (draft minutes attached) decided, subject to your confirmation, that all reorganization related redundancies should be translated forthwith into abolition of regular positions and the incumbents should be so advised. To the extent that priority transitional needs would require the services of such incumbents, they would be accommodated under special contractual arrangements (in case they wish to sign separation agreements now) or "T slots" (in case they are willing to stay on for possible redeployment later).

4. Current budget rules allow the creation of temporary positions for up to 3% of authorized positions by Unit. This percentage may have to be increased (e.g. to 4%) to take account of bona fide transitional requirements. However, salary budgets need not be adjusted at this stage. The fill ratio embodied in the salary

budget is ample while vacancy rates are currently high and will rise following Round 2: we expect the number of separations to exceed position redundancies by about 70.

5. Nevertheless, we face considerable uncertainties and we need to conserve and if possible enhance the small and uncertain institutional contingency available (about $7.8 million). The Policy Committee meeting of last Friday concluded that it would make sense to transfer the burden of salaries of separated staff until the date of their separation agreements to the (FY87) supplementary reorganization budget. This would provide us with a contingency reserve of about $14-15 million (as against the original $7.8 million) which would be available for redeployment at mid-term in line with Bank-wide institutional priorities.

6. We have a lot of Package A proposals and a great deal of flexibility in Round 2 in terms of the types and separation costs of staff to achieve reorganization objectives (about 390 separations) while reducing the separation budget by $7-8 million. Mr. Shihata has confirmed that subject to informing and getting Board support for this change (which makes a great deal of sense anyway since the salaries of separated staff is more a reorganization than a regular budget claim), there would be no legal problem to this course of action.

7. Only 12 HL positions are still available in the institutional contingency. We recommend that 1 of this be allocated to your office (to back up Ms. Haug for Policy Committee work) and another to OED because a mistake was discovered in our tallies. The issue of financial technical assistance has yet to be settled between Finance and Operations. Mr. Stern is agreeable to having Operations define the scope (and fund the positions) for this work. This leaves 10 HL positions which we recommend should be reserved for allocation at mid-term.

8. With respect to grade inflation, it is clear that we will have a "public perception" problem at the "26+" level - too many senior management and advisory positions were created in the first weeks of the reorganization. However, for a number of positions affected by the reorganization (including all Division Chiefs positions which the Steering Committee had viewed as 25/26 positions), the grading of positions is still subject to confirmation through the grading process. Therefore, it may be possible to attenuate the problem by ensuring that this job is done well. Your guidance on this subject is important but should not be determined by budget considerations alone since, in the short-run at least, the impact is unlikely to be great.

9. It is somewhat early to say whether there is a problem at lower levels. Tentative Round 1 results (to be confirmed by Administration) suggest that junior HL staff account for a smaller share of selections (grade 18-20: 22%) than of non selections (32.7%) while senior HL staff account for a higher share of selections (grade 24-25:36.5%; grades 21-23:40.7%) those of non-selections (grade 24-25:28.8%; grade 21-23:37.5%). Past expressions of concerns on

your part have had their effect and should probably be kept up. But rigid prescriptions are not desirable since it is likely that Round 2 selection decisions will, by and large, be motivated by sound managerial considerations. Careful monitoring of impact on nationality and gender distribution and of budget implications should, however, be continued and, if needed, remedial measures taken by the Management Review Group before selection decisions are final. In other words, Round 2 cannot be entirely left to a decentralized process since it must by design meet a variety of institutional objectives which a fully decentralized process can only satisfy by miracle. A note by Administration on this subject (to which PBD is contributing) should reach the Policy Committee in the next couple of days.

10. A list of the main points you may wish to make to the SVP/VPs is attached (Annex 3).

cc: Ms. M. Haug

(RPicciotto/Conable:dt#7)

FY88 BUDGET DISTRIBUTION

MAJOR APPEALS 1/

OPERATIONS

	POSITIONS			AMOUNT	RECOMMENDATION
	HL	SL	TOTAL	$000	
1. Field Office Post Allowance	-	-	-	2,700	PBD adjustment to FY87 budget based on historical experience. Operations disputes cut and argues overall field office requirements will increase in FY88. PBD has undertaken to to cover overrun if any out of contingency. Mid-term issue.
2. Addback for new initiatives	-	-	-	3,100	PBD's methodology based on zero based reorganization Task Force recommendations Reject appeal.
3. Consultant's fund reduction	-	-	-	1,500	PBD reduced consultants in proportion to reorganization position redundancies in order so as to maintain staff-consultant ratio. Operations argues this leaves them short of consultants. PBD will take up adequacy of consultant resources in context of mid-term review.
4. Position funding - VP Financial Intermediation	-	-	-	200	Operations has disputed the unit cost assumption used by PBD. Agreement reached.
Total Operations	-	-	-	7500	

Percentage of Operations Budget* 1.8%
Percentage of Overall Nominal Decrease proposed from FY87 to FY88. 43.0%

1/ All major appeals by PPR and Finance have been settled although it is understood that "transitional" requirements will be reviewed at mid-term.

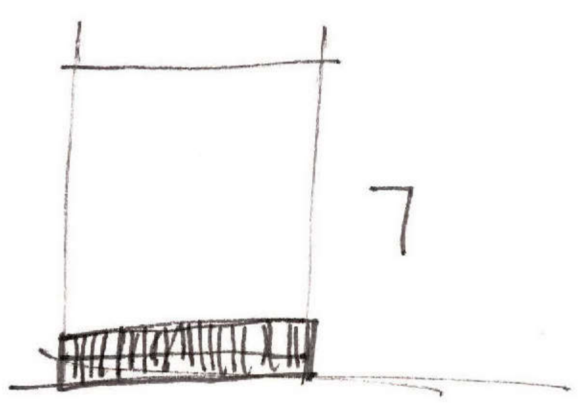
* Including benefits and overhead.

ADMINISTRATION

	POSITIONS			AMOUNT		RECOMMENDATION
	HL	SL	TOTAL	$000	%	
Staffing, Office of SVP, Administration	1	1	2	208		Allocation based on Task Force report. Reject appeal.
Staffing, External Affairs						
- Films Unit	2	1	3	413		Task Force recommendation ambiguous. Contracting out possible. Recommend "T" slots.
- Publication Sales	1	2	3	264		Special positions to be assigned by PBD based on work program justification. (Traditionally, these positions are funded out of publication sales income). No issue.
- Publications	1	-1	-	149		PBD's tally appears accurate, and consistent with the staffing levels for Publications Department agreed by the Institutional Task Force with EXT. Reject appeal.
- Support Level Allocation	-	8	8	308		Error made by PBD in mapping new units in External Affairs will provide 8 positions out of TAP. No issue.
Subtotal (External)	4	10	14	1134		
ITF	7	-	7	959		PBD will review justification of contingency with "T" positions in FY88.

SUBJECT	POSITIONS			AMOUNT		REMARKS
	HL	SL	TOTAL	$000	%	
Transitional needs of VP, Personnel for establishing policies, procedures and standards.	17	24	41	2673		Transitional requirement to be assessed for "T" slot coverage or consultancy contracts. Mid term issue.
Transitional needs of GSD to complete contrac-studies.	7	27	34	2039		Transitional requirement to be assessed for "T" slot coverage or consultancy contracts. Mid term issue.
Total Administration	36	62	98	7013		

Percentage of Administration Budget 9%
Percentage of Overall Nominal Decrease in Budget 40%



THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Date: July 22, 1987

To: Policy Committee

From: Robert Picciotto, Director, PBD

Subject: Budget Distribution (FY88)

1. A draft budget distribution memorandum has been circulated to SVP/VP Units for comments. A summary of the allocations proposed is attached (Annex 1). Unit specific issues will be dealt with separately. This memorandum presents generic issues which must be settled before budget distribution can be completed: (a) disposition of appeals (para 2); (b) position control (para 4); (c) salary accounting (para 5); (d) salary budgeting (para 9); (e) inter-unit support (para 10); (f) contingency management (paras 11-12).

Appeals

2. First and foremost, PBD requests Policy Committee guidance regarding the disposition of appeals rooted in questions about particular design features, efficiency assumptions or downsizing objectives embodied in the reorganization: many of these involve issues already settled by the Steering/Implementation Committees and, in the aggregate, imply incremental funding in excess of the FY88 Budget envelopes submitted to the Board and approved on July 7, 1987. Especially difficult to handle are proposals for incremental funding for transitional arrangements designed to achieve the very economies or redundancies expected to occur during FY88 by the framers of the reorganization. PBD will review with care each and every query pertaining to factual differences, possible inconsistencies or potential errors in budget estimation procedures. But given the decision not to consider a budget supplement and the limited institutional contingency available (para 10), claims for incremental funding can only be considered if corresponding savings can be identified inside or outside the Unit concerned.

Position Control

3. The FY88 Budget, like previous Bank budgets, is driven by the number of HL positions. The architects of the reorganization used a functional allocation of HL positions as the driving wedge of their methodology. By now, the 7.5% reduction in the number of HL positions postulated in the Budget document (287 out of 3,844 HL positions) is a visible undertaking of Bank management and restraint in position management is widely viewed as the lynchpin of administrative cost containment and the key to the recovery of direct reorganization costs over the 2 year period promised to the Board. Annex 2 shows the evolution of T positions from FY85 to FY87 which suggest that T position control may have been lax. Reorganization related problems could exacerbate the situation unless managers make clear decisions on budget priorities within their units and enforce them.

4. This is the context within which PBD recommends continued global position monitoring and reaffirmation of existing rules governing T-slot creation and maintenance. The standing rules of the FY87 Budget Implementation Manual are reproduced in Annex 3. To be sure, the reorganization has created transitional problems which cannot be resolved overnight. Some planned redundancies will require weeks or even months to achieve, e.g. where contracting out studies are involved, where redeployment areas need to be identified more precisely or where replacement systems must be refined and staff trained prior to the transfer or elimination of a particular function. The draft budget distribution memorandum provides for flexibility in the handling of such cases through joint review of T position proposals by Personnel and PBD. Given the need to report to the Board on reorganization budget matters, progress towards the position reduction targets would be tracked and all temporary positions (T slots) justified in a transparent way. Thus, it is proposed that salary claims beyond September 30 for staff assigned to special reorganization related T slots (contracting out, etc.) would be met out of the Reorganization Contingency Account on the basis of agreed programs aimed at consummating the related redundancies within FY88.

Salary Accounting

5. Questions have been raised about salary accounting during the transition. In order to encourage full use of available manpower, it is recommended that salaries of selected staff be charged to their host unit (defined in terms of validated rosters used for Round 1 selection) until the date of their reassignment, if any. Similarly, salaries of staff unselected under Round 1 would be charged to their host unit until the signature of the separation agreement or the effective date of their reassignment under Round 2 to another unit. For the 320 staff separated as a result of reorganization-mandated structural redundancies, the accounts of SVP/VP units would be credited out of the Central Reorganization Implementation Account with an average salary "add back" computed from July 1 to the actual separation date. Finally, accounting for the salaries of the 100 recycled staff during their training period would involve crediting of ADM's (or the receiving Unit's) accounts out of the Supplementary Budget, depending on whether the individual is formally assigned to ADM or his receiving unit for the duration of his training.

Salary Budgeting

6. Since FY88 salary budgets have been constructed by remapping the old organization into the new structure and on the assumption of zero grade inflation, PBD recommends that each SVP/VP Unit take responsibility for living within its nominal salary budget. Round 1 results in Africa and EMENA suggest an average difference of nearly 1 grade level between selected and unselected HL staff. Of course we have yet to assess the grade structure planned for vacancies so that, at this point, there is no firm evidence of grade creep. While the direct short-run budgetary impact of grade creep may not be great, it is desirable to provide appropriate signals to selecting managers in order to contain grade inflation.

7. A nominal salary budget ceiling also means that vacancy management will be similarly influenced by budgetary factors. As in the past, salary savings will be available to meet unforeseen or compensatory discretionary dollar expenses. The fill ratios estimated on the basis of experience with pre-reorganization Units were systematically remapped into the new Units for budget distribution purposes (see Annex 4). The resulting average fill ratio (96.2%) is ample since due to the recruitment freeze, beginning of year vacancies were relatively high (228 vacancies equivalent to a fill ratio of 93.6%) and since under the "most likely scenario", vacancies are expected to rise by another 70 (footnote 2/, para 10) equivalent to a fill ratio of 91.6%.

8. The proposal to lodge nominal salary ceiling controls at the SVP/VP level should not be construed as a recommendation to introduce dollar budgeting at the Division level. It is PBD's judgment that salary budgeting at this level would be premature and that controls exercised at the SVP/VP level would be more effective to help achieve institutional goals in this transitional year. A position paper to implement dollar budgeting will be submitted to the Policy Committee in October.

9. In sum, given the uncertainties created by the reorganization, Policy Committee endorsement of nominal salary ceilings at the SVP/VP level is sought. Alternatively, central monitoring of grades and vacancies may be considered in the context of Round 2.

Inter-Unit Support

10. The design of effective cross-support arrangements is an important budget distribution task. PPR support to Operations is a crucial element of the FY88 Budget (about 60 staff years) since it could be instrumental in protecting vulnerable areas of the lending program and the economic and sector work program. Of lesser size, but highly visible, is the cross-support from Finance to Operations envisaged for the provision of financial technical assistance to member countries still to be agreed between the departments concerned. Regarding charge back services, the Steering Committee has recommended that pricing be such as to make users aware of the costs associated with the service received and that managers who provide services should prepare business plans as part of the budget cycle describing expected demand, the rationale for prices and other steps to meet user needs while breaking even. The Steering Committee having recommended moving towards full-cost pricing for ITF services, PBD has structured budget distribution on the basis of pricing levels designed to achieve a recovery of about 50 % of the benefits and overhead costs of these services during FY88 compared to zero recovery last year. This assumption of the draft budget distribution memorandum is buttressed by market comparison studies which confirm that ITF is competitive (on a full cost basis) for the bulk of the services it supplies. However, Administration has argued that a partial move to full-cost budgeting is undesirable in a year when the rest of the institution will not be on full-cost budgeting. Administration is also fearful that the funds provided to users' accounts by PBD may be diverted to other purposes (e.g. travel) and that PBD's proposal may lead to "some of the money being spent twice before anyone can do anything about it" and that "the prospect of positive results being achieved is outweighed by the disruption and

resentment that will be caused" by not implementing the price levels which have apparently been discussed by ITF with users. Administration further argues that its proposals are in line with PAC's recommendations 1/ and therefore recommends that $2.9 million be removed from users' computing budgets as part of the FY88 budget distribution process and that computing rates be reduced proportionately to allow users to purchase the same volume of services as in FY87. As part of this proposal ITF would provide "free" data communication engineering and electronic mail services to users. Implementing this proposal according to current plans would result in the recovery through price of only 20% of the benefit and overhead costs of computing chargeback. Subject to Policy Committee endorsement of this approach and PBD/Users' review and approval of specific proposals and business plans being finalized by ITF, adjustments in budget distribution would be effected. For translation services, the (free lance) market for translation services involve lower prices than can be expected in-house. However, quality and confidentiality requirements are to be considered as well as price in the contracting out study scheduled for completion in February 1988. Administration argues, and PBD agrees, that contrary to a PAC recommendation, no change in the pricing structure should be envisaged prior to the completion of the study. Policy Committee approval of this position is sought.

Contingency Management

11. Staff separation timing affects the budgetary resources available for redeployment. The only monies available as institutional contingency are the provisions set aside for reorganization uncertainties including the salaries of separated staff beyond the end of September ($7.8 million) together with the residuals, if any, of the salary provisions for the 320 separated staff between July 1 and September 30. 2/ In the context of ADM's for the coming proposals for Round 2 selection procedures, the Policy Committee should consider ways and means of expediting the processing of agreed separations in order to enhance budget flexibility: the average cost of one month of delay for processing a separation is $10-12,000.

12. The uncertainties affecting the aggregate size of the institutional contingency have been noted. The aggregation of Unit claims largely exceeds even the most optimistic estimates of amounts likely to be available for institutional redeployment. Given the disruptive impact of the reorganization on the operations pipeline and the strategic importance of achieving the FY88 and FY89 lending objectives, a specific option to be considered is the provision for consultants' expenditures of an advance to Country Operations and Sector Divisions able to advance appraisals from the second to the first quarter and to strengthen the Operations pipeline. A provision of say $1 million might be transferred to this end. Assuming 6-8

1/ PAC had, however, earlier endorsed full-cost recovery pricing.

2/ Another 70 staff to be separated under the "most likely scenario" are skills mix cases expected to be solved through outside recruitment.

consultant weeks per mission, this would cover the consultants' costs for about 70-80 appraisal and preappraisal tasks. The Policy Committee is requested to consider this option and to confirm that any other contingency distribution should await the results of a detailed review of work programs to be conducted by PBD this fall.

Cleared with: Mr. Hopper

(RPicciotto/Polcom/dt#7)

FY88 BUDGET DISTRIBUTION

	FIN a/	PPR	OPR	ADM	OED	LEG b/	SPC PROG.	OTH c/	SUB-TOTAL	ADM d/ ACCTS.	PBD ACCTS.	TOTAL
1. Authorized Positions	558	771	3023	998	60	131	60	245	5846	278	20	6144
OF WHICH:												
Regular: H/L	332	530	1991	540	39	82	0	31	3545	0	12	3557
Regular: S/L	198	231	922	450	21	49	0	38	1909	150	8	2067
Special: H/L	20	6	87	5	0	0	52	111	281	82	0	363
Special: S/L	8	4	23	3	0	0	8	65	111	46	0	157
Higher Level (Incl. Reg. & Spec. Pos.)												
2. Fill Ratio	0.985	0.970	0.971	0.959	0.963	0.960	0.712	0.935	0.965	0.956	0.970	0.965
3. Staffyears	346.88	519.71	2018.41	522.82	37.56	78.74	37.02	132.83	3693.97	78.39	11.64	3784.00
4. Average Salaries	46.75	55.61	60.60	47.12	68.61	59.92	62.64	60.25	56.76	21.33	48.97	56.01
5. Total Salaries	20871	34177	142884	34255	3096	5857	2507	10243	253890	5895	745	260530
of which H/L	16216	28901	122316	24633	2577	4718	2319	8003	209683	1672	570	211925
6. Total Benefits	14442	23589	98617	20960	2137	3998	1438	6275	171456	4614	461	176531
7. Salaries & Benefits	35313	57766	241501	55215	5233	9855	3945	16518	425346	10509	1206	437061
8. Ratio of Consultant Fees to Higher Level Staff Salaries	0.14	0.39	0.26	0.23	0.28	0.03	0.35	0.08	0.26	0.09		0.25
9. Temporary & Overtime	1209	2211	9399	3573	96	242	659	809	18198	-2680		15518
10. Operational Travel	1484	11002	48905	2703	581	990	571	3308	69544	17		69561
11. Consultant Fees	2257	11236	32158	5663	728	156	813	605	53618	145		53763
12. Contractual Services	4011	3450	3311	7179	92	516	48057	920	67536	146		67682
13. Other Discre. & Direct Costs e/	7517	6086	32584	-5716	295	242	1386	3709	46103	7		46110
14. Reorganization Implementation											7220	7220
15. Reorganization Contingency											7830	7830
16. Compensation Reserves f/											2485	2485
17. Overhead	6028	9873	41274	6785	894	1633	340	2960	69787	1931		71718
18. Total Budget	57819	101624	409132	75402	7919	13636	55771	28829	750132	10075	18741	778948
19. Reimbursements												-32935
20. Net Budget												746013

a/ Includes Pension Fund Investment Unit
b/ Includes ICSID and MIGA
c/ Includes Boards, Executive Offices, Secretary's, Administrative Tribunal, and Ombudsman
d/ Includes Programs Administered by VPP and IAP
e/ Includes Representation/Hospitality, Internal Computing, Language Services and Directly Charged costs (i.e. local staff costs, office occupancy, depreciation, etc.)
f/ Includes compensation adjustment effective May 1, 1988 and compensation survey ($190,000)

July 22, 1987
/LL/LCA/AT

FY88 BUDGET DISTRIBUTION
(Percentage)

ANNEX Ia

	FIN a/	PPR	OPR	ADM	OED	LEG b/	SPC PROG.	OTH c/	SUB-TOTAL	ADM d/ ACCTS.	PBD ACCTS.	TOTAL
1. Authorized Positions	9.1%	12.5%	49.2%	16.2%	1.0%	2.1%	1.0%	4.0%	95.1%	4.5%	0.3%	100.0%
OF WHICH:												
Regular: H/L	9.3%	14.9%	56.0%	15.2%	1.1%	2.3%	0.0%	0.9%	99.7%	0.0%	0.3%	100.0%
Regular: S/L	9.6%	11.2%	44.6%	21.8%	1.0%	2.4%	0.0%	1.8%	92.4%	7.3%	0.4%	100.0%
Special: H/L	5.5%	1.7%	24.0%	1.4%	0.0%	0.0%	14.3%	30.6%	77.4%	22.6%	0.0%	100.0%
Special: S/L	5.1%	2.5%	14.6%	1.9%	0.0%	0.0%	5.1%	41.4%	70.7%	29.3%	0.0%	100.0%
Higher Level (Incl. Reg. & Spec. Pos.)												
2. Fill Ratio												
3. Staffyears	9.2%	13.7%	53.3%	13.8%	1.0%	2.1%	1.0%	3.5%	97.6%	2.1%	0.3%	100.0%
4. Average Salaries												
5. Total Salaries	8.0%	13.1%	54.8%	13.1%	1.2%	2.2%	1.0%	3.9%	97.5%	2.3%	0.3%	100.0%
of which H/L	7.7%	13.6%	57.7%	11.6%	1.2%	2.2%	1.1%	3.8%	98.9%	0.8%	0.3%	100.0%
6. Total Benefits	8.2%	13.4%	55.9%	11.9%	1.2%	2.3%	0.8%	3.6%	97.1%	2.6%	0.3%	100.0%
7. Salaries & Benefits	8.1%	13.2%	55.3%	12.6%	1.2%	2.3%	0.9%	3.8%	97.3%	2.4%	0.3%	100.0%
8. Ratio of Consultant Fees to Higher Level Staff Salaries												
9. Temporary & Overtime	7.8%	14.2%	60.6%	23.0%	0.6%	1.6%	4.2%	5.2%	117.3%	-17.3%	0.0%	100.0%
10. Operational Travel	2.1%	15.8%	70.3%	3.9%	0.8%	1.4%	0.8%	4.8%	100.0%	0.0%	0.0%	100.0%
11. Consultant Fees	4.2%	20.9%	59.8%	10.5%	1.4%	0.3%	1.5%	1.1%	99.7%	0.3%	0.0%	100.0%
12. Contractual Services	5.9%	5.1%	4.9%	10.6%	0.1%	0.6%	71.0%	1.4%	99.8%	0.2%	0.0%	100.0%
13. Other Discre. & Direct Costs e/	16.3%	13.2%	70.7%	-12.4%	0.6%	0.5%	3.0%	8.0%	100.0%	0.0%	0.0%	100.0%
14. Reorganization Implementation												
15. Reorganization Contingency												
16. Compensation Reserves f/												
17. Overhead	8.4%	13.8%	57.6%	9.5%	1.2%	2.3%	0.5%	4.1%	97.3%	2.7%	0.0%	100.0%
18. Total Budget	7.4%	13.0%	52.5%	9.7%	1.0%	1.8%	7.2%	3.7%	96.3%	1.3%	2.4%	100.0%
19. Reimbursements												
20. Net Budget												

a/ Includes Pension Fund Investment Unit
b/ Includes ICSID and MIGA
c/ Includes Boards, Executive Offices, Secretary's, Administrative Tribunal, and Ombudsman
d/ Includes Programs Administered by VPP and TAP
e/ Includes Representation/Hospitality, Internal Computing, Language Services and Directly Charged costs (i.e. local staff costs, office occupancy, depreciation, etc.)
f/ Includes compensation adjustment effective May 1, 1988 and compensation survey ($190,000)

July 22, 1987
/LL/LCA/AT

Annex 2

IBRD/IDA: ANALYSIS OF STAFFING
AUTHORIZED POSITIONS VS VACANCIES AND "T" POSITIONS
REGULAR HIGHER LEVEL
FY85 - FY87

UNIT	END OF FY87						END OF FY86 a/						END OF FY85 a/					
	REV. BUD.	STAFF ON DTY	VACANCIES POS	VACANCIES %	T" POSITIONS POS	T" POSITIONS %	REV. BUD.	STAFF ON DTY	VACANCIES POS	VACANCIES %	T" POSITIONS POS	T" POSITIONS %	REV. BUD.	STAFF ON DTY	VACANCIES POS	VACANCIES %	T" POSITIONS POS	T" POSITIONS %
OPERATIONS	2419	2285	134	5.5	89	3.7	2378	2281	97	4.1	95	4.0	2366	2230	136	5.8	78	3.3
FINCOM	391	362	29	7.4	2	0.5	375	355	20	5.3	10	2.7	363	348	15	4.1	10	2.8
PA	591	559	32	5.4	19	3.2	591	570	21	3.6	18	3.0	612	572	40	6.6	10	1.6
ERS	191	173	18	9.4	2	1.0	190	190	0	0.0	12	6.3	190	172	18	9.5	6	3.2
EXT REL	98	94	4	4.1	1	1.0	98	98	0	0.0	6	6.1	97	95	2	2.1	3	3.1
OES	39	38	1	2.6	1	2.6	39	37	2	5.1	0	0.0	39	34	5	12.8	0	0.0
LEGAL	82	79	3	3.7	0	0.0	81	80	1	1.2	0	0.0	80	76	4	5.0	0	0.0
EXEC	2	2	0	0.0	0	0.0	2	2	0	0.0	0	0.0	2	2	0	0.0	0	0.0
SEC	25	21	4	16.0	0	0.0	25	22	3	12.0	0	0.0	24	22	2	8.3	0	0.0
WBT	2	2	0	0.0	0	0.0	2	2	0	0.0	0	0.0	2	2	0	0.0	0	0.0
CMB	1	1	0	0.0	0	0.0	1	1	0	0.0	0	0.0	1	0	1	100.0	0	0.0
CONTINGENCY	3	0	3	100.0	0	0.0	0	0	0	0.0	0	0.0	0	0	0	0.0	0	0.0
TOTAL IBRD	3844	3616	228	5.9	114	3.0	3782	3638	144	3.8	141	3.7	3776	3552	223	5.9	107	2.8

a/ FY85 and FY86 include old Assistant Level component.
b/ Staff on Board includes "T" positions.

PBD/PR
July 21, 1987
LCA/POSITIONS#11/VAC8587

Annex 3

Temporary ("T") Positions 1/

1. Temporary positions may be established to cover temporary needs -- requirements not expected to exceed six months -- of a department for additional authorized positions, as in cases of reassignment, overlap and replacement of an incumbent. Each MCU is responsible for authorizing the establishment of "T" positions within its units up to a limit of 3% of total authorized positions, provided units can fund the total dollar cost (including benefits, overhead, associated support staff costs, and travel funds, where applicable) of the proposed position from the established budget.

2. Authorization of "T" positions above the 3% limit requires both PBD and PMD approval. The budget unit of the concerned MCU must submit a request to the Budget Policy and Review Division of PBD explaining: (i) reason for exceeding the 3% limit; (ii) expected duration; (iii) source of funding; and (iv) assumption of the responsibility to place the staff member occupying the "T" position by the expiration date. Attachment III provides a sample format for requesting "T" positions which exceed the 3% limit. Each MCU may establish internal rules and procedures with regard to exceeding this 3% limit.

1/ Extract from FY87 Budget Implementation Guide.

ER:eh
(ER#6/tpositns)

Annex 4

FY88 Budget Distribution

Salary Budget Estimation

1. Normally, in previous years, the salary budgets have been re-computed at the start of the fiscal year in order to reflect actual salaries of staff on board on July 1, the number of vacancies on July 1, and a complete year's turnover experience, promotion experience, and average salary for new recruits. Then the salary budgets have been "distributed" in early fall with the proviso that, as long as the unit does not exceed its staffyear budget, fluctuations in the salary cost of those staffyears due to policy changes or unanticipated factors would be covered institutionally. Thus, the objective of the salary budget has been to provide adequate funds for the programmed staffyears.

2. This year, the objective of the salary budgets is to ensure that the reorganization does not increase average salaries (i.e. average grades) from pre-reorganization levels. Therefore, an up-front nominal salary budget policy is proposed. At the SVP/VP level based on salary budget ceilings for units estimated as follows:

(a) With the goal of deriving salary requirements as close as possible to July 1, yet early enough to exclude the possible grade or salary effects due to reorganization, the salary budgets for the "old" units were estimated as of May 1, 1987, to reflect the latest salary structural and merit adjustments, as well as pre-reorganization actual averages, vacancy rates, and "dilution rate": the reduction in average salaries experienced over the past 12-month period due to replacement of departing senior staff with lower-salaried newcomers.

(b) Then positions (Higher-level and Support-level separately) were mapped into their new units, following the Steering Committee recommendations, carrying their pre-organization average salaries. Position redundancies were removed from the new budget base at the average salaries of their "source" units.

(c) The resulting weighted-average salaries of the new units were reviewed against pre-reorganization averages to ensure "reasonableness", i.e., that the FY88 salary budgets would allow the ongoing staffing process to proceed without unrealistic constraints on staff moves.

3. Implicit in the resulting FY88 salary budgets are assumptions that some units have initially questioned. In particular:

(a) The FY88 budget assumes a "fill ratio" (.97) equal to what was budgeted in FY87. Some Units argue that the "fill ratio" in FY88 should be higher than in FY87 to reflect transitional "overstaffing" due to the extended staff re-assignment process; and

(b) The FY88 budget assumes a "dilution factor" equal to the FY87 budget. Some would argue that dilution in FY88 will be less than in FY87 because current Bank staff - not lower-salaried newcomers - would be filling many vacancies.

4. Neither of the above complaints seems to have a solid basis when considered in the <u>total Bank</u> context:

(a) The <u>fill-ratio</u>, which is primarily a function of the average vacancy rate and the average time needed to fill a vacancy, should if anything decrease, not increase: more vacancies will materialize with the reorganization than without, since more staff will be separated than the number of redundant positions; and, with the freeze on external recruitment, only a handful of existing vacancies would be filled. Besides the <u>actual</u> fill ratio in FY87 was .94 not .97.

(b) Regarding the <u>dilution</u> factor, it is still far from clear how many high-salaried staff will separate under the special packages, which would tend to increase dilution; or whether staff turnover <u>after</u> the reorganization process will not continue as normal. Thus, there is no firm basis to dispute the chosen dilution factor.

ER:eh/eej
(ER#6/tnote)

July 27 MEETING

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: August 3, 1987

TO: Members, Policy Committee

FROM: Barber B. Conable

SUBJECT: CHILE: Third Structural Adjustment Loan Initiating Memorandum

1. Based on the discussion of the above loan during the Policy Committee Meeting on July 27, 1987, and the Financial Package agreed upon between the Bank, the Fund and the commercial banks, I have no objection to completing the appraisal of the SAL III for Chile at this time.

2. Upon return of the appraisal mission and prior to negotiations I wish to review the proposed conditionality. In particular, I expect that the release of the second SAL III tranche will be conditioned on satisfactory progress of the macro-economic and sector programs, as well as availability of suitable, complimentary financing.

Barber B. Conable

POLICY COMMITTEE MEETING

MONDAY, JULY 27, 1987

4:00 p.m.

REVISED AGENDA

* 1. CHILE--Third Structural Adjustment Loan
Initiating Memorandum

* 2. Status Report on US Legislation Affecting MDBs
(Memo from M.O. Smith dated July 17)

3. Miscellaneous

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* Papers already distributed

The World Bank
OPERATIONS COMMITTEE

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Minutes of Operations Committee to Consider
CHILE - Third Structural Adjustment Loan
Initiating Memorandum
Held on July 7, 1987 in Conference Room C-1006

July 15, 1987

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A. Present

Committee

Messrs. M. Qureshi (Chairman)
S. Husain (LACVP)
W. Thalwitz (EMENAVP)
I. Goldberg (LEG)
J. Wood (FPBVP)
J. Holsen (PPRCEC)

Others

Messrs./Mss. T. Baudon
S. El Serafy
P. Eigen
P. Bottelier
W. Tyler
M. Selowsky
R. Newfarmer
C. Jones-Carroll
R. Liebenthal
F. Levy
F. Aguirre-Sacasa
R. Harris
A. Steer
C. Loser (IMF)
P. Brenner (IMF)

B. Issues

1. The Operations Committee met on July 7, 1987 to discuss the Initiating Memorandum for a proposed Third Structural Adjustment Loan to Chile in the amount of $250 million. The discussion followed broadly the agenda prepared by the Economic Advisory Staff which raised inter alia the questions of comparative shares in Chile's financial gap and the heavy burden of interest paid on foreign debt; the adequacy of savings and investment; the rationale of a SAL that maintains the adjustment momentum rather than supporting significant new initiatives; whether this operation should be more refocused towards the financial sector; the monitoring of the proposed conditionality and the operation's high risk; and the various studies begun under previous loans.

2. The Region stated that the adjustment process in Chile had been pursued with determination; that there was broad agreement between the Bank and the borrower on policy change; and that this operation would support an ongoing program and its proceeds were part of the financial projections on which was based a refinancing package already agreed between Chile and its creditors. The Chairman expressed doubt about whether the adjustments

supported by this loan had not been "bought" already under previous SALs, and whether the additional reforms being pursued, useful as they may be, are not really peripheral. Is there anything the Chileans might do, he asked, which would reduce the interest burden, the basic fragility of the program, or the risks of this operation? In these circumstances what should the Bank's role be?

3. The Region reiterated the difficulty of Chile's financial situation, with the heavy burden of interest on foreign debt impinging on real progress already made through the exchange rate, liberalizing the trade regime, broadening the export base, increasing agricultural production and exports, rationalizing public investment, and carrying out an impressive program of debt-equity conversions of about $1.3 billion. Economic growth, the Region added, was in the neighborhood of 4-5 percent a year and Bank exposure in Chile was not at all excessive. The first two SALs addressed the macroeconomic framework and the second one in particular focused on reforming the financial sector and its institutions. The proposed operation could reform the pension funds' role in intermediating their considerable savings to finance private sector investments -- a longer term problem of Chile's financial sector. It was thought appropriate, the Region said, that SAL III should support continuity of macroeconomic adjustment, while extending the reforms to the social sectors. This being a politically transitional period, it was more important than ever to keep the adjustment on course while addressing the social cost of adjustment. Coverage of the social sectors in the Initiating Memorandum may need improvement, but reforming the social sectors was of great importance. A study has been undertaken to develop a program of reforms in the health sector in particular where the Government lacked such a program. The Region added that SAL III was likely to be the last structural adjustment loan; that the emphasis in the lending program would shift to sectoral loans; and that the Chileans were already informed of this.

4. The Chairman stated that the social sectors were indeed important, and should be properly covered, with conditionality clearly defined on the basis of a deeper dialogue. Although the Region said that the financial sector had been rehabilitated, he still saw great need for reforms, particularly to mobilize savings and rationalize investment allocations. Reform of the pension funds and the social security system were key elements, but he found missing a broad thrust to strengthen savings performance.

5. A speaker, while accepting that a SAL could be an appropriate tool to sustain adjustment, questioned the overall size and quick-disbursing character of this operation. The projected pattern of net disbursements from the Bank to Chile over the next few years did not seem to fit into any medium-term assistance strategy. It was not obvious why this loan had to disburse so quickly. Were not the required reforms in the social sectors longer-term in nature, to be pursued over a longer disbursing period? His understanding was that this loan was not necessary for triggering any inflows from other sources. The Region said that the Bank's contribution was an integral part of the financial package for 1987 and 1988, and that the loan was needed if the Chileans were to meet IMF targets.

6. The speaker questioned the share of the Bank in the financial package. The commercial banks are not increasing their exposure, and the IMF is taking funds from Chile. With the various risks elaborated in the Initiating Memorandum, the speaker continued, are we justified in proceeding with this size of operation and the proposed speed of disbursements? Should not adjustment lending be made contingent on the commercial banks doing more?

7. Another speaker returned to the issue of a SAL operation being justified on the grounds of balance of payments support and maintaining ongoing reforms. He was afraid the proposed approach might set a precedent. The intention to shift to sector loans suggested that there must be sectoral reforms which needed to be addressed through adjustment lending. The Region replied that sector investment loans were the alternative they were considering after completion of the proposed SAL. While sector reforms would be explored, it was essential that policy gains on foreign exchange, the trade regime, and public sector investment should be consolidated and not be allowed to be reversed. The Region added that although the long-term debt problem should be the center of the adjustment process, a point emphasized by another speaker, Chile had already completed its 1987-88 restructuring negotiations, and the Bank should await progress on Brazil, which is currently negotiating with its creditors, before considering new debt approaches.

8. The Chairman thought that we might be morally committed to proceed with the loan if an agreement had already been reached on the Bank's contribution to Chile's financial needs, especially as our exposure was low. But the Region should let him have a note on the specific commitment made. He thought that the Debt Management and Financial Services Department should also look at Chile's debt restructuring and burden-sharing.

9. The Region then gave an account of the studies financed under previous loans. Two studies had been completed and a third was progressing satisfactorily, and virtually all of them were yielding useful results. One study, that of management of public enterprises, was overtaken by the Government's speedy program on privatization, and has thus been rendered unnecessary.

C. Conclusion

10. In the light of the foregoing discussion the Committee gave sanction for the Region to proceed with appraisal, taking into account the reservations made. In particular the Chairman directed that the reforms in the social sectors should be pursued in depth, and be part of a comprehensive program that should be better presented and articulated with appropriate conditionality. He expected a note from the Region clarifying the Bank's commitment towards filling the financial gap. He also directed that because of the various issues raised this operation should be discussed by the Policy Committee, but that appraisal should nonetheless proceed as planned.

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 20, 1987

CONFIDENTIAL

TO: Mr. Moeen A. Qureshi

FROM: S. Shahid Husain

EXTENSION: 72283

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WBG ARCHIVES

SUBJECT: CHILE: Bank Commitments regarding SAL III

1. At the Operations Committee meeting on the SAL III Initiating Memorandum, you asked for details of the Bank's prior commitments to provide a Third Structural Adjustment Loan to Chile. In summary, we can say that discussions over the last two years among the Government, commercial banks, other external creditors and the Bank created a climate of expectation bordering on commitment. Project design and timing of disbursements were left open to negotiation.

2. A series of three SALs were discussed from the beginning and affirmed in the context of SAL II negotiations. The SAL II President's Report circulated in October 1986 makes reference to the expectation of a third SAL. Last August, in negotiating SAL II, we insisted Chile get a commitment from commercial banks to finance the 1987-88 financial gap (before second tranche). This was reiterated during the 1986 Annual Meetings. To meet this condition, the Chileans developed their financial projections by October, which were then revised by the IMF, and subsequently accepted, in early November, by the commercial bank Steering Committee economists.

3. At each of these stages, the Bank made clear its intention to support the structural adjustment program through the period under consideration, which involved a third SAL. The general amount of $250 million from the World Bank was incorporated into the financial projections of all four parties (Chile, Fund, banks, Bank) from which the remaining gap was calculated. The commercial banks in turn through their Steering Committee relayed to the Bank their expectation to reach an understanding on meeting the remaining financial gap. In the final version of the Financial Package, a condition to effectiveness of rescheduling of 1988-1991 Chilean public sector debt is full compliance with a third World Bank SAL or equivalent loan, if approved by January 1, 1988.

4. A third SAL operation was discussed by the Bank (SVPO) with the Chilean Finance Minister during the visit of the latter to Washington this April. These understandings were the basis upon which senior management authorized the May identification mission for SAL III.

5. It should also be noted that in the protracted rescheduling negotiations of November 1986-February 1987, the Government, the Bank and the Steering Committee considered several variations of a B-Loan--over and above the third SAL--to cover the approximately $400-450 million of the gap ultimately filled from the controversial retiming mechanism. These options were eventually discarded.

Cleared with and cc: Mr. Bottelier, LA4DR
cc: Messrs. Eigen (o/r), Tyler, Newfarmer, LA4CO

CJones-Carroll:ab

THE WORLD BANK INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 6, 1987

TO: Operations Committee

FROM: for Vinod Dubey, Director, Economic Advisory Staff

EXT: 78051

SUBJECT: CHILE: Structural Adjustment Loan III - Initiating Memorandum - Agenda

1. The Operations Committee will meet on Tuesday, July 7, 1987 at 4:00 p.m. in Room C-1006 to consider the Initiating Memorandum (IM) for a proposed Third Structural Adjustment Loan to Chile in the amount of $250 million.

Bank Lending and the Commercial Banks

2. The proposed amount of the loan is equal to each of the two former two SALs which were approved, respectively, in October 1985 and November 1986. Adjustment lending in FY88 would constitute 82 percent of the lending program as compared with 55 percent and 68 percent in FYs 86 and 87, respectively. Total lending was $456 million in FY86 and $366.5 million in FY87, and is projected at an average of about $320 million in FY88-92. The IM (para. 65) draws attention to the projected increase between 1986 and 1992 in the share of the Bank in net disbursements, and in total debt and its servicing. By contrast, Annex 3, page 2 shows negative net inflows from the IMF in every year from 1987 until the end of the projection period. As with previous SALs and the 1985 B-loan, the current operation is important for bridging the 1987-88 financial gap, but perhaps more important by its policy provisions for rallying the international financial community's assistance to Chile. However, the commercial banks continue to be reluctant to increase their exposure. The Committee may wish to take up the following issues:

- Is the Bank assuming too high a share in Chile's financial gap?

- "What will the Bank do in Chile if, despite the best economic policies, the commercial banks steadfastly refuse to increase their exposure in 1989-90?" [A question raised by Mr. Husain in his covering memorandum.]

- As the partial IBRD guarantee of a US $300 million B-loan had been pivotal in bringing in the commercial banks on the 1985-86 financial package, is there scope for a similar initiative in 1987?

- Would the Region clarify the "alternative focus of interest rate relief" which it is proposing for Chile and Brazil?

The Macroeconomy and Loan Rationale

3. The adjustment program begun in 1985 and supported by the two previous SALs has resulted in a gradual improvement of key indicators including the trade balance, non-copper exports, and domestic savings, but the heavy debt burden, particularly the service interest which absorbs some 10 percent of GDP as well as the precarious terms of trade, provide grounds for concern. The second tranche of SAL II was released last month after a mixed, but on the whole satisfactory performance. Certain aspects of the macroeconomy remain obscure and the Region may wish to throw light in particular on the following:

a) Savings remain depressed, and private investment which was 15.6 percent of GDP in 1980, became about 7 percent in each of 1984, 1985 and 1986, and is projected to rise gradually to 10.5 percent by 1992 [Annex 3, page 1]. Why does private investment remain depressed if the policy framework has improved and contains "no major disincentives" to such investment (para. 17)? The constraints on investing private pension funds described in paras. 43 and 44 appear too great to be left to "developing a program" for them by tranche release.

b) How much of the 7.2 percent growth in agriculture in 1986 (para. 7) can be attributed to the adjustment program and how much to exogenous factors?

c) The IFS shows that consumer prices rose at an annual average rate of 21.5 percent between September 1986 and March 1987. A provision under SAL I was that the Government would complement the fiscal austerity measures with a monetary policy capable of lowering inflation from 23 percent in 1984 to 15 percent in 1987. What is the record of inflation in 1987 and why does it remain problematic?

4. The IM makes a case for the need to sustain previous efforts at adjustment through the proposed loan which, rather than begin new initiatives, seeks to consolidate the achievements already secured and support the momentum for policy change that is already in train.

- The Committee might consider the merit of the argument that though this loan does not support any new policy changes it is justifiable on the grounds that it fills part of the financial gap and sustains already initiated reforms. In other words, does the Region see an end to this seemingly unending process of adjustment lending to Chile?

Monitorability and Risk

5. As described in the IMF, SAL II program represents a continuation of undertakings already in place with detailed provisions to sustain improvements in public health and the social security system. No firm conditionality emerges from either the text or the matrix on policy changes contained in Annex 2. This, taken together with the high risks elaborated

candidly in the nine paragraphs 58-66, particularly those associated with the Central Bank's foreign debt obligations and the fragility of the financial system, suggest the following questions:

- o Should not the focus of this operation shift significantly to the financial sector, with emphasis on improving the incentives to savers and rationalizing the allocation of funds for investment?

- o Are there too many details in the provisions proposed for the social sectors? Can these be translated into monitorable actions so that conditionality can be clarified and better serve implementation?

- o Are the risks of this operation altogether too high?

Studies

6. Under previous loans several studies were initiated or endorsed to guide later policy change. These included under SAL I (a) a study of the most exportable products in the short term and measures to promote their exports; (b) two employment generation studies -- one to recommend reforms for cost-effectiveness and prepare an action plan to reduce the two emergency employment programs, and the other to analyze the composition of the labor force and explore possible interventions to enhance employment; (c) a study to improve public administration focusing on design and implementation of organization and information systems that would lead to improving control and management of public enterprises; and (d) a study of Chile's competitiveness in the international sugar market. Under SAL II a condition of second tranche release was the completion of a study on public enterprise management financed under the FY85 public sector management technical assistance loan; and of another on the likely growth of pension fund resources; and satisfactory progress of a study of the health sector.

- o The Region may wish to give a brief progress report on the status of these studies and indicate what steps, if any, are to be taken under the present operation to expedite their completion and translate their conclusions into action programs; and whether in retrospect these studies appear to have been warranted.

cc: Messrs. Eigen, Scherer, Bottelier, Wessels, Selowsky

Messrs. Baneth, Holsen, Lee, Rao, Shakow
Baudon, El Serafy

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: June 29, 1987

CONFIDENTIAL

TO: Mr. Moeen A. Qureshi

FROM: S. Shahid Husain

EXTENSION: 72283

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SUBJECT: CHILE: Initiating Memorandum, SAL III

1. Attached is the SAL III Initiating Memorandum for Chile. Customarily SALs are designed to support broad reforms in economic policy as well as provide balance of payments support. Viewed in light of these purposes, the proposed operation raises several issues.

2. First, this loan does not support fundamental changes in policy. This is because Chile's foreign exchange rate regime, its trade regime, fiscal, financial, and pricing policies closely mirror the Bank's advice on macroeconomic management. The operation does support an excellent macroeconomic program and extends reforms into selected sectors (i.e. exports, capital markets, health, and social security). Maintaining good policies over a sustained period may be as difficult as enacting them in the first place; Chile's history of policy instability is a sad reminder of the vulnerability of good programs to demands for increased consumption. Also, the fact that the Government shares our views on macroeconomic management should not obscure the sacrifices implicit in the mutually agreed objectives and targets of the proposed program. The process of structural change begun with the first two SALs can only continue if the policy framework is consolidated and remains in place for some years.

3. The Bank tentatively committed the loan to the financial package of 1987-88 early in the year to fill a US$250 million gap. The commercial banks were adament in their opposition to a new money facility; they finally did agree to an interest repricing (providing relief of US$65 million) and a retiming scheme (US$450 million), but without any increase in their exposure. This raises a second issue: What will the Bank do in Chile if, despite the best of economic policies, the commercial banks steadfastly refuse to increase their exposure in 1989-90?

4. Finally, in the last section of the IM, staff has candidly analyzed the risks associated with this operation. Given the unpredictable international environment confronting Chile and the fact that the country has one of the heaviest relative interest burdens in the world, staff feels that the Bank should begin exploring systematically alternative forms of interest rate relief. This effort should be undertaken in parallel with work on Brazil on the same subject, and care should be taken to insure consistency of approach. Nonetheless, the Bank would be remiss of its fiduciary responsibilities if we did not begin internal work on this problem.

June 26, 1987

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CHILE - SAL III INITIATING MEMORANDUM

I. INTRODUCTION

1. After the severe depression of 1982-83, the Chilean economy has begun a strong and apparently sustainable recovery. During the depression, GDP fell by 15 percent and unemployment rose to over 25 percent. Average per capita private consumption fell to levels prevailing in 1960. The economy began to recover in 1984 and, after the initiation of a consistent adjustment program in 1985, the pace of expansion has quickened to nearly 6 percent in 1986 and 1987. Per capita consumption grew modestly in 1986 and unemployment has fallen to under 10 percent.

2. Economic policy since 1985 has been to maintain international competitiveness and forego increases in consumption to raise savings for investment and debt service. These policies have increased both public and private domestic savings, funding a strong recovery of investment (about 10 percent annually in 1986-87) and steady servicing of the country's US$20 billion debt. They also permitted the economy to grow despite continued unfavorable terms of trade and persistently high real international interest rates.

3. The World Bank's Structural Adjustment Program has been central to support from the international financial community since 1985. The first two SALs of US$250 million each were approved in October 1985 and in November 1986, respectively. In addition, the IBRD provided a partial guarantee of a $300 million B-Loan in 1985, a key to the 1985-86 financial program. Concurrently, the IMF provided a three-year EFF worth SDR 750 million beginning August 1985. The commercial banks and creditor governments rounded out the support with various forms of debt relief (paras. 9-10).

4. The Bank and the Government have consistently shared the view that Chile's structural problems require a sustained program over several years. Overdependence on copper and historically low savings and investment rates had caused repeated cycles of boom and bust, broadly correlated with movements in the terms of trade. Internal policies often aggravated these trends or were themselves the basic impetus to instability. Excessive reliance on foreign savings had increased debt to over 100 percent of GDP and, by 1986, interest payments absorbed 10 percent of GDP. Maintaining the present policy framework is thus essential to continuing the pace of structural change and servicing the debt. In May 1987, a Bank mission visited Chile to discuss the Government's program and a third SAL. This operation is designed to support a solid ongoing program--as distinct from supporting programatic change--as well as strengthening programs in health and social security.

II. ADJUSTMENT AND RECOVERY

5. The adjustment program had to address the short-term crisis--manifest in high unemployment and an insolvent financial system--as well as the structural problems of an enormous debt burden, a copper-based economy and low private savings and investment. The economy was heavily battered after 1979 by the steep oil price increases, falling copper prices, surging real interest rates and subsequent deep international recession. Between 1980 and 1985, Chile's terms of trade fell 22 percent, among the severest losses for any Latin American country. The adjustment program therefore took broad actions in several areas concurrently: balance of payments and debt management, fiscal policy, savings and investment, financial rehabilitation, and the social sectors.

Balance of Payments and Debt Management

6. The adjustment program begun in 1985 put heavy emphasis on accelerating exports and efficient import-substitution. During 1985, the uniform import tariff rate, which had been raised in 1984, was reduced from 35 percent to 20 percent. The currency--already on a crawling peg adjusted with domestic inflation--was depreciated progressively to accumulate a 25 percent real devaluation relative to July 1984. The Government also strengthened export incentives in 1985, and in January 1986, established a Copper Stabilization Fund to avoid future overvaluation of the currency due to volatile copper prices. The Fund ensures that part of CODELCO's revenues from higher-than-budgeted copper prices are sterilized in a reserve fund through budget adjustments. The Government also changed investment laws to promote exports from small-size producers and to facilitate joint ventures in the energy sector between private firms and the state petroleum firm (ENAP).

7. This program had positive results. During 1985-86, noncopper exports grew at a real rate of 13 percent annually; imports declined 1.2 percent. Import substitution occurred at a strong pace. Industry grew by 4.6 percent annually and agriculture grew by 7.2 percent.

8. In spite of a 10 percent deterioration of its terms of trade, Chile's trade surplus almost quadrupled between 1984 and 1986, rising to US$1.1 billion (Table 1). Lower-than-expected international interest rates and the repricing obtained through external debt negotiations complemented Chile's trade effort. The current account deficit was reduced from US$2 billion in 1984 to US$1.1 billion in 1986 as programmed. Chile's reserves registered a small increase in 1986.

Table 1: CHILE - BALANCE OF PAYMENTS, 1981-1986
(In US$ Millions)

	1981	1982	1983	1984	1985	1986
Exports of Goods and NFS	5,009	4,642	4,629	4,494	4,469	5,030
Imports of Goods and NFS	8,386	5,134	4,095	4,635	3,958	4,319
Merchandise Balance	-2,676	63	986	293	849	1,100
Net Factor Income	-1,463	-1,921	-1,748	-2,018	-1,901	-1,888
Current Account	-4,732	-2,304	-1,117	-2,060	-1,329	-1,092
Capital Account	4,631	2,380	1,049	1,961	1,332	1,140
Reserve Change (- = increase)	67	-1,165	-541	17	-99	-227

Source: Central Bank; see Annex 3 for details.

9. Prudent management of Chile's external debt shaped performance in the capital account. The first SAL, IMF EFF, and the partial IBRD guarantee of a US$300 million B-Loan opened the way for a favorable agreement with the commercial banks on the 1985-86 financial package. Chile and its commercial creditors agreed to restructure US$5.7 billion of maturities due in 1985-87; the banks provided US$1.1 billion of new money for 1985-86. In July 1985, eight creditor governments agreed to reschedule US$145 million, representing 65 percent of principal payments due during July 1, 1985-December 31, 1986.

10. The Government reached an agreement on its 1987-88 financial program with the Bank Advisory Committee in February 1987, formally signed on June 17, 1987. Maturities in 1988-91 worth US$12.4 billion were rescheduled leaving an anticipated financial gap of US$650 million. The agreement consolidated interest payments into one annual payment, which will defer the July 1988 payment of about US$450 million to January 1989. Also, current spreads on past new money facilities (1983, 1984, 1985 and the co-financing agreement) were reduced to 1-1/8 percent over LIBOR, while those on restructured maturities (1988-91) were reduced to one percent, producing savings of US$65 million in 1987-88. In April 1987, creditor governments rescheduled 85 percent of maturities falling due between July 1987 and end-year 1988, providing relief of US$140 million.

11. This debt management strategy was complemented by a scheme to encourage the conversion of discounted foreign debt to equity; by end-1986 the program had converted US$1.3 billion of foreign debt.

Fiscal Policy and Public Finances

12. A conservative fiscal policy has markedly improved public finances, making an important contribution to the balance of payments and recovery. The Government increased collections by 1.2 percent of GDP between 1984 and 1986 through improvements in administration of the value-added tax. It has made a sustained effort to restrain expenditures by holding increases in salaries and pensions at or below the rate of inflation; the fall in open unemployment permitted lower transfer payments for unemployment; the Government also cut other subsidies. Operational surpluses of the public enterprises also contributed to the increase in public savings; they were three percentage points higher as a share of GDP in 1986 than in 1984. Finally, lower foreign and domestic interest rates helped keep expenditures down. Public savings increased from 0.5 percent in 1984 to 4.4 percent in 1986.

13. With capital expenditures increasing slightly (para. 16), these efforts led to improvements in the consolidated public finances. The overall deficit of the consolidated nonfinancial public sector shrunk from 4.4 percent of GDP to 2.2 percent in 1986.

Savings and Investment

14. Gross national savings rose to 7.7 percent of GDP in 1986, up from 2.6 percent in 1984. Public savings led this effort. Private savings continued to hover around 3 percent, dipping to 1.3 percent in 1985 but rebounding to 3.3 percent in 1986. To improve private corporate savings, a major tax reform initiated in 1984 provided fiscal incentives for the retention and reinvestment of corporate profits.

15. To increase traditionally low household savings, the tax reform also provided incentives for individuals that increased their contributions to the private pension fund systems. With the social security reform of 1981, pension funds may play an important role in raising the future national savings rate. In 1986, the capital of the private pension funds amounted to 12 percent of GDP, and about 50 percent of the total deposits in the financial system. By late 1986, the pension funds had bought 50 percent of the value of the shares sold of the privatized state enterprises. With taxation on consumption and positive real interest rates that are internationally competitive, policies strongly favor savings.

16. Total investment as a share of GDP continued to hover around 14 percent in 1984-86 after strong recovery from the depression nadir of 9.8 percent in 1983. Public sector investment rose to 7.6 percent of GDP in 1986, up from 6.4 percent in 1984. A Bank evaluation in December 1986 found public investment to be generally consistent with the adjustment program. Most projects have either IBRD or IDB financing. Mining absorbs about one-quarter of public investment. CODELCO's investment program of $300 million was directed to upgrading processing facilities to maintain production levels in the face of declining ore grades. Energy, power, and water account for another quarter. ENAP continued its ambitious exploration program to counteract a 9 percent production drop due to well depletion. Housing and transportation each absorbs about one-fifth of the investment budget.

17. Private fixed investment has grown by more than 10 percent annually since 1984. There are no major disincentives in the policy framework facing either foreign or domestic investors. But overall rates of investment are only now reaching those recorded in the mid-1970s; gross private domestic investment as a share of GDP averaged about 8.6 percent of GDP in 1975-76 compared to about 7 percent in 1985-86. Full recovery of former investment levels is a major challenge facing the country, and could eventually push total investment to over 18 percent of GDP.

Financial Sector

18. The Central Bank reacted to the severe liquidity crises of private firms and banks in 1983 by introducing a subsidized debt rescheduling program, a preferential exchange rate for debt service, an interest subsidy program to retain dollar deposits, and purchasing the bad portfolio of the commercial banks; it also placed Chile's largest private banks and the two largest corporate groups in receivership. The cumulative losses of the Central Bank through 1986 from these rescue operations are estimated at about US$6 billion--over one-third of 1986 GDP.

19. To reduce these losses and return credibility to the banking system, the Government gradually phased out by end-1986 the preferential exchange rate for all-but-small debtors and the dollar swap and deposit subsidies by early 1987. These policies reduced the operational deficit of the Central Bank to 3.2 percent of GDP in 1986; the Central Bank expects to reduce losses to 1.3 percent in 1987, and below one percent from the remainder of the decade.

20. The recapitalization program begun in mid-1985 for the two major intervened banks, the Banco de Chile and Banco de Santiago, provided for the conversion into shares of the Central Bank's emergency loans. By February 1987, the net equity position for both banks had improved, and the Government sold these banks back to the private sector through stock sales in 1985-86. All domestic banks were permitted to restructure the liabilities of heavily indebted domestic productive companies and, in some cases, to capitalize debts. By end-1986, the restructuring program was terminated.

21. The efforts helped improve the loan portfolio of the financial system. By end-1986, 82 percent of the portfolio was classified "A" or "B" compared to 63 percent two years before. Recapitalization and reprogramming measures allowed the financial system to make an overall profit in 1985 for the first time since 1982 and to renew lending to viable firms. Net profits of the financial system rose slightly in 1986. The longer-term profits of the banking system will depend on the continued growth of the economy so that the size of the bad portfolio will shrink relative to income-generating business and on greater operating efficiency of the banks. The system is still vulnerable to interest rate shocks and recession.

Social Policies

22. The 1982-83 depression forced the Government to compress all outlays; by 1986, expenditures of the central government were 5 percent lower than in 1982. The Government responded by minimizing cuts in social expenditures while concentrating on maintaining expenditures in the productive spheres. Social expenditures (excluding social security) fell 9 percent in real terms; decreases in health and education expenditures made room for substantial increases in emergency employment programs. The Government sought to maintain the quality of social services by targeting expenditures on low income groups, and most of the cuts were obtained by holding wages and salaries at or below the rate of inflation. This strategy has proven successful in preserving basic health status. Nonetheless, the massive increase in unemployment and the severe cuts in the Chilean standard of living have meant unavoidable hardship and a postponement of improvements in the condition of the absolute poor.

23. The employment problem became acute with the onset of the depression. By 1983, the Government's emergency employment programs provided employment to nearly 500,000 persons, about 13 percent of the labor force. After this peak, the employment situation improved substantially because of restraint on wages and reactivation of the economy. By May 1987, the rate of unemployment had fallen to 9.1 percent. Public employment in the emergency programs had decreased to about 150,000. The strong growth expected for most of the productive sectors during 1987 should translate into a continued reduction of unemployment.

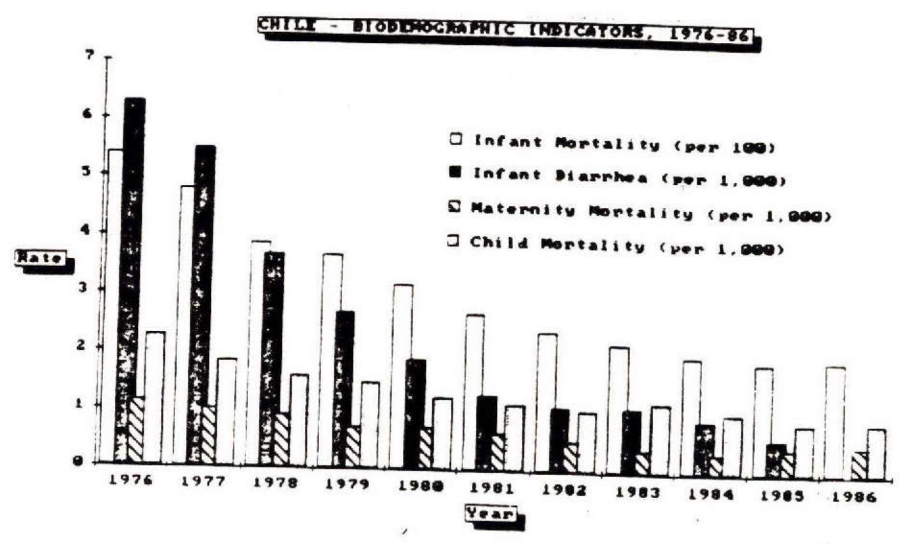
24. Expenditures on housing were also increased. Chile's housing program provided an additional 115,000 houses to low-income families during 1984-1986. With a Bank loan in support of the program, approximately 575,000 people below the urban poverty threshold may obtain new housing during the next three years.

25. The 15 percent fall in educational expenditures was accommodated through wage and salary cuts and continued transfer of schools to the cities. Some portion of these cuts was offset by increased municipal expenditures, increased user fees for universities, and the largely self-financed private sector.

26. Because of fiscal constraints, the Government was forced to cut back public sector health care by 16 percent in constant terms between 1981 and 1986, primarily by capping salaries. The contribution of the national government to the sector's revenue decreased 36.4 percent in 1981-86. This was partially offset primarily through increases in payroll deductions from 4 percent to 7 percent. Salaries remain low, but investment was increased substantially in 1986 and has regained pre-crisis levels in real terms; nonetheless, it has not kept pace with growth in the population served.

27. The targeting effort and emphasis on maternal and child health care has prevented major deterioration in mortality and other indicators. Rates of infant mortality, child mortality, and maternal mortality have continued to fall or at least hold constant despite the depression (Figure 1). After temporary contractions in 1983 and 1984, distribution of milk and cereal to children under six and to pregnant and nursing women reached a peak in 1986. These programs, dating back to the 1920s, have kept malnutrition in check. Malnutrition in children under six enrolled in the program dropped from 15 percent in 1977 to 8 percent and then increased slightly to 9 percent in 1986.

Figure 1



28. But poverty-related health problems remain. Studies indicate: (i) a doubling of the rates of typhoid fever and hepatitis in the years 1975-82 partly due to a neglect of basic sanitation and food quality control; (ii) an estimated 15 to 18 percent of the adult population suffers from hypertension and limited screening is being done; (iii) less than 20 percent of adult women in the Santiago metropolitan area have ever been tested for cervical cancer; (iv) mental illness, including drug use and alcoholism, is on the increase; and (v) the increase in life expectancy has leveled off. The apparent deterioration in adult health affects mostly the poor and the 80 percent of the population which depends on the public sector for their medical care. Several factors are impeding improvements in the country's health: a marked reduction in total public sector health expenditures on a per capita basis, the high cost of screening for and treating chronic diseases, the minimal investment in buildings and biomedical equipment, severe shortages of medical supplies and drugs, and long waiting periods for diagnostic services.

III. GROWTH OBJECTIVES AND SAL III

Adjustment Priorities

29. The main obstacle to growth is Chile's enormous debt burden. With interest payments absorbing 33 percent of export earnings, the policy path for continued growth is narrow, and, as projections below show, policies must be maintained to avoid sharp deviations that could plunge Chile into eventual recession and even default. The sharp drop in per capita

consumption since 1981 and the low income levels necessitate at least a modest increase in consumption and employment to ensure the social sustainability of Chile's adjustment program. This will require GDP growth rates of 4 to 5 percent over the medium term; the scenario described below assumes a growth rate of 4.5 percent, which could increase consumption per capita at 2.0 percent annually while increasing national savings sufficiently rapidly to fund both debt service and required investment. By 1992, average per capita consumption, although well above the 1986 level, would still be below their 1970 level; Chile in effect would have to sacrifice potential output and consumption growth to pay interest on its debt.

30. A slower rate of GDP growth or a lower level of foreign exchange earnings for more than temporary periods would probably result in unsustainably slow growth in consumption and/or interruption in debt service. Higher growth, if predicated on higher borrowing levels than those estimated in our scenario, appears neither feasible nor desirable because of the country's excessively high debt service burden.

31. This growth scenario is possible if--in addition to restraining consumption--exports grow rapidly and international interest rates do not rise sharply. Noncopper exports could well grow by 6 percent between 1987 and 1992, reducing the share of copper exports from 42 percent to just over 37 percent of goods. The projected growth would require a moderate increase of copper output; public investments in a waste removal conveyor system and concentrator facilities are intended to produce a 12 percent output increase of copper in 1989, boosting production from 1.5 to 1.7 million metric tons by 1991; real copper prices are assumed conservatively to grow by 1.2 percent over the period. If LIBOR holds steady at 8.5 percent (our assumption), then this export expansion would lower Chile's total interest payments/export ratio to 22 percent by 1992, about two-thirds the 1986 ratio.

Table 2: CHILE - RECENT PERFORMANCE AND GROWTH PROSPECTS
(Percent Annual Average Real Growth Rates)

	Actual 1980-1985	Preliminary 1986	Projected 1987-1992
GDP	-0.4	5.7	4.5
GNY	-2.6	6.9	5.0
Consumption	-1.1	3.8	3.6
Total Investment	-10.6	14.1	8.0
Exports (GNFS)	1.8	9.8	5.9
Copper	5.0	1.2	4.2
Noncopper Goods	4.5	13.9	6.1
Imports (GNFS)	-8.3	9.7	6.1
ICOR	neg.	2.8	3.8
Marginal Savings Rate	0.1	0.4	0.4

32. Growth in exports and efficient import substitution will require growth in investment of about 8 percent annually. The ratio of investment to GDP would have to rise from 15 percent in 1986 to about 18 percent by 1992. Moreover, private investment projects in sectors where Chile's comparative advantage exists (mining, fruits, semi-processed fish, wood, and pulp and paper) should be supported by public investments in infrastructure to increase exports and import substitution.

33. Financing this effort will have to come primarily through increased savings. National savings would need to double by 1992--from 7.7 percent of GDP in 1986 to 16.2 percent. The corresponding increase in domestic savings would, however, be eased by the decreasing ratio of interest payments to GDP by 1992. Public sector savings--after interest payments--would have to increase gradually, from 4.4 percent of GDP in 1986 to 5.6 percent by 1990, an effort comparable to that undertaken and achieved in the 1970s. Private savings would need to surpass 10 percent of GDP by 1992 with the private social security system complementing the traditional banking role in attracting savings. The necessary increase in corporate savings may soon materialize as profitable firms increase production and reinvest in highly profitable internationally competitive sectors.

Table 3: CHILE - INVESTMENT AND SAVINGS, 1980-1992
(As Percent of Current GDP)

	1980-83	1984-86	1987	1988	1989	1990	1992
Investment	16.2	14.2	15.3	15.6	16.1	16.6	17.9
Foreign Savings	9.1	8.7	5.4	4.5	3.1	2.4	1.7
National Savings	7.1	5.5	9.9	11.1	13.0	14.2	16.2
of which:							
Public Sector	3.8	2.9	4.7	5.0	5.3	5.6	5.6
Private Sector	3.3	2.6	6.2	6.1	7.7	8.6	10.6

34. In the meantime, a significant inflow of external savings will be required. In 1987-88, the cumulative current account deficit of roughly US$1.8 billion will be financed through foreign investment (roughly US$200 million), the interest retiming and repricing from the commercial banks (US$560 million), multilateral lending (US$830 million), bilateral reschedulings (US$140 million) and suppliers' credits (US$100 million) (see Annex 3, page 3). 1/

35. For 1989-92, current account deficits would average roughly US$530 million per year under the assumptions above. Foreign direct investment would fill about US$120 million. The commercial banks will probably continue to exhibit reluctance to augment their exposure and, because of recent trends to provision Latin American loans, may be in a stronger position to withstand pressure to do so. This would leave the bulk of financing to come from suppliers' credits and multilateral institutions. Suppliers' credits could well approach $150 million per year because of the large hydroelectric and other public projects (e.g., Pehuenche, investments in mining, etc.). Given current flows projected from our lending program and the IDB, the net flows from multilateral sources will average about US$180 million in the 1989-92 period. The share of total debt (DOD) owed to preferred creditors (including IMF) would rise from 16 to 18 percent. Nonetheless, these efforts would still leave some unidentified financing requirements. In 1989-90, the amounts are sufficiently small that they could be covered with additional policy-based

1/ The debt conversion program nets out to zero since its accounting inflow of US$800 million in 1987 is offset by an accounting outflow of the same amount of private debt; the main balance of payments impact of the program is in the current account, where interest payments are reduced and new dividend payments postponed for five years under the terms of the program.

lending from the Bank or other sources. After that, the rescheduling of commercial bank amortization could cover the shortfalls--though it should be recognized that some of these payments have already been rescheduled once and are part of new money packages put together in 1983-85 (including the 1985 US$300 million B-Loan partially guaranteed by the Bank).

36. This exercise suggests the importance of a strongly supportive international environment. It also illustrates the importance of maintaining and consolidating the structural adjustment policy framework for the medium term, for without increasing exports, savings, and investment, achieving even the modest increases in per capita consumption will probably be out of reach.

IV. POLICY ISSUES AND PROPOSED PROGRAM FOR SAL III

37. The proposed third SAL would continue Bank support for maintaining the sound framework of economic policy but would place special emphasis on the health and social security sectors to ensure actions needed for the long-term success of the adjustment program. The program then would support the Government efforts to: (i) maintain macroeconomic policies that preserve international competitiveness and promote diversification of production and exports; (ii) increase public sector savings and improve the efficiency of public investment; (iii) complete the rehabilitation of the financial system and develop more fully long-term markets; and (iv) improve efficiency in the health care system and pension program to contribute to public and private savings and help sustain the adjustment program. The following paragraphs outline the elements of the SAL III program summarized in Annex 2. Some of the specifics of the program might be modified during the appraisal process.

International Competitiveness and Diversification

38. The Government intends to maintain strict limits on increases in domestic consumption to raise savings over a sustained period. It also intends to maintain an incentive framework favoring diversification into new export activities and efficient import substitution. While the current policies were put in place in 1985 with the support of the first two structural adjustment loans, history suggests a rising copper price and three years of growth will soon translate into increased demands for consumption and pressure to change policy. This is even more true in light of the modest political opening attendant to the probable plebiscite in 1988 or 1989. The Bank's efforts to help the Government consolidate the macroeconomic adjustment policies thus have particular importance.

39. The Government's provisional program contains measures to maintain the competitiveness of nontraditional exports and import-substitution activities, measures to offset the 20 percent uniform tariff, and measures to promote nontraditional exports. To maintain competitiveness, the **Government will** (a) maintain the as-yet-inactive copper stabilization fund; under its provisions, changes in budget resources due to movement in copper prices outside a predetermined band are partially sterilized to avoid undesirable exchange rate changes and inhibit or supplement public consumption. The Government will also (b) maintain current exchange rate policy that is directed at preserving the real exchange rate; and will (c) review the whole export incentive framework if nontraditional exports fail to grow in real terms by at least 6 percent in 1987-88. To offset the uniform

tariff, the **Government intends** to (a) revise Decrees 409 and 224 to allow duty-free importation of inputs for export production; (b) expand the duty suspension provision under the present drawback system to replace the rebate system; and (c) increase the 30 percent of value-added maximum eligible for duty-free treatment. To actively promote nontraditional exports, **it intends** to establish export credit insurance and enhanced access of small- and medium-sized firms to investment credits with partial guarantees. While the Bank supports the objectives of these measures, the effectiveness of each will be carefully reviewed during the appraisal mission.

Public Finances and Investment

40. Increasing domestic savings requires a concerted effort of the Government to continue increasing public savings. This will require continued austerity, especially in the public sector wage bill, and efficiency in certain costly sectors, including the social sectors (paras. 45-49). The **Government has committed** itself (a) to increase public savings to 5 percent of GDP in 1988; (b) maintain its target of 5.6 percent by 1990; and (c) limit the overall public sector deficit to 1.6 percent of GDP in 1987 and less in 1988.

41. Public investments will also have to increase (after netting out the effects of privatization) to contribute to the required increase in overall investment, and it must continue to have the highest social return possible. At this stage there appear to be no major distortions in its US$1.3 billion budget. We have communicated some minor reservations in selected sectors; for example, the Government has sharply increased housing investments and wishes to spend approximately US$10 million (or about 10 percent) of its housing subsidies on middle class families; it wishes to continue construction of the Austral road (at a low level); and the investment program in selected public enterprises, such as railroads and energy, may not be optimal. The **Government has agreed** to review with the Bank the 1988 investment program in the context of its overall program as well as execution of the 1987 program. To maintain performance of the overall public sector consistent with public savings and investment levels in the 1987-88 financial package, the **Government has agreed** to review with the Bank progress of the program in the second quarter of 1988. This would be a condition of the release of the second tranche. The IMF EFF program would continue its monitoring and conditionality of the overall public deficit and monitoring program. These actions would strengthen our own conditions.

Financial System

42. The Government has made considerable strides in placing the financial system on firm footing since the 1982-83 collapse. **It proposes** to continue those efforts by (a) augmenting its monitoring of reprogrammed debt; and (b) exploring ways to improve the operating efficiency of the banks and therefore repurchase of bad portfolio sold to the Central Bank. It also wished (c) to make clearer to depositors the limits to state guarantees so as to avoid creating the false impression of complete guarantees.

43. With the rehabilitation of the banking system on the verge of completion, the Government can now turn its attention to medium-term questions. The system put in place after 1983 and formalized in the new banking law of 1986 was designed to minimize risk, speculation, and related-party trading, especially in long-term markets. Bank managers were made more legally accountable for deteriorations in new portfolio; the Superin-

tendency of Banks is setting up an elaborate supervision mechanism to ensure that banks do not make loans to firms related by ownership, directly or indirectly; and, as part of the social security reform, the Government set up stringent tests for risk classification of borrowers, including a five-year track record for earnings (except for the privatized state enterprises), and no private firm has been given the "least risk" designation. At the same time, on the supply side of funds to the market, the private pension funds, which today comprise over 20 percent of gross domestic private savings and a much larger share of investible savings, face severe restrictions on where they can invest funds. They may hold only assets classified as least risk; they can place only 5 percent of their funds in equity issues on the stock market, though this will be permitted to rise to 30 percent by 1991; the companies in which they invest cannot have any one stockholder with more than 20 percent control; and they cannot place any more than 20 percent of their funds in any single firm. This situation creates an anomaly in long-term markets: the demand for investment capital will probably increase and the domestic supply of private savings will increase at an even more rapid rate, but because of the history of financial instability the Government has created barriers to private intermediation by creating incentives to minimize risk regardless of the cost.

44. The latent danger in this system is that pressures to increase Government spending will occur at the same time the pool of funds in the pension system is growing larger with limited investment outlets. This situation could translate into increased consumption, either through increased public expenditures financed with government bond issues to the funds, or because the Government someday might repress the prices of the regulated privatized public enterprises, which could take recourse to the captive financial markets. The **authorities agreed** to begin a dialogue on these problems during appraisal; developing a program should be made a condition of the release of the second tranche.

Social Sectors

45. The health and pension programs are important to both public and private savings generation, and hence the macroeconomic program. Health expenditure and the publicly funded portion of the pre-reform pension system accounted for one-third of the non-interest current expenditures of the general government in 1986, and sectoral efficiency can affect public savings. Similarly, the private pension funds account for a large--57 percent--share of private savings. Both programs are essential to the social sustainability of the adjustment program.

46. **Health.** The Government is interested in improving the efficiency of the public and private health care systems, consolidating progress it has already made in improving preventive health care and broadening its preventive actions to include chronic diseases. The Government wishes to maintain its real level of public expenditures in the sector while altering its composition gradually from current to capital expenditures. In primary and preventive health care, the **Government intends** to (a) maintain present level of food distribution in nutrition and maternal-child programs on per capita basis and improve targeting; and (b) expand preventive care to adults to decrease incidence of chronic conditions through increased efforts at health education, screening, and community education.

47. The Government in 1981 began regionalizing the national public health service, which serves about 85 percent of the populace. To date about 60 percent of the 2,484 facilities--mostly rural clinics--have been

transferred to municipal administration. By end-1987, all primary health care facilities should be under the control of the municipalities. Hospitals and their specialty outpatient clinics will remain under central control. Authorities have a general idea of actions to improve decentralization, but they still must meld the components into a comprehensive program. They initiated a study of the health sector earlier this year as part of SAL II, and the results--to be presented in July--will heavily influence sector policy. The Bank has been working closely with the Government's consultant. The **Government will** by the end of the appraisal mission (a) have prepared a program of decentralization that expands on past efforts at regionalization, including improvements matching health programs to regional health problems, planning and execution of service, information and reporting, budget administration, and reimbursement systems; and (b) improve allocation and development of human resources to more closely correspond to regional needs and long-term requirements.

48. The 1981 health reform also transformed the informal private sector transactions into a formally organized private system, and adopted measures which favored the expansion of the private sector as a viable alternative to the Government run health system. The Government created private prepaid health insurance plans (known by the acronym ISAPRES). The law allows the ISAPRES to receive directly the percentage of the payroll deduction earmarked for health from those workers who are willing to purchase insurance, now 7 percent. In 1986, 8 percent of the population was enrolled in one of 20 ISAPRES. Nonetheless, many private insurers offer only policies which are cancellable in the event of chronic illness. This has sometimes led to consumer misunderstanding and dissatisfaction. Also, current regulatory powers for the private sector reside with the National Fund for Health (FONASA), the repository of the 7 percent wage tax for the national health system. The Government wishes to eliminate any conflict of interest that might impede the growth of the private sector. The **Government intends** to (a) improve rules regarding cancellation of policies for chronic illness (e.g. information/regulation); and (b) separate regulatory role of FONASA from its financial role.

49. Levels of investment in the sector might be increased by collecting and providing information on capacity and utilization in the private sector; the latter is now reluctant to invest because of the stock of beds available in the public sector and uncertainty regarding the continuity of health policy beyond 1989. Second, the Government agrees that priorities for investment in the public sector should be first on maintenance of existing plant and equipment and second on replacing outmoded machinery and equipment. To improve efficiency of investment in health, the **Government will** (a) improve information available to the public to encourage private sector; (b) accord first priority of public investment to maintenance of existing plant and equipment; (c) next priority of public investment to machinery and equipment; and (d) maintain 1987 levels of real investment in the health sector. It will consider (e) reallocation of any savings through improvements in efficiency in the current budget to increase investment resources.

50. **Social Security.** The Government intends to undertake adjustments to its 1981 social security reform. These are intended to protect the security of the funds, enhance the members' sense of identity with their chosen pension fund, reduce pension fund costs, and increase the long-term coverage of the system. Affirming principles of portfolio management appears necessary because there is a groundswell of public opinion that

favors investment of funds in mortgages, privileges extant under the pre-1981 system. No less of a danger is earmarking funds for investment in specialized assets marketable only to the pension funds; this could take the form of special government paper or special stock issues of the privatized public companies. These proposals could undermine the viability of the reform by reducing the flexibility and earnings potential of the funds while perhaps raising the risks. The **Government will** ensure that (a) pension fund assets should only be invested in marketable assets; (b) investments should be in a diversified portfolio; (c) pension funds will not lend directly to members (e.g., in mortgages); and (d) they will not invest in securities restricted to particular investors.

51. The introduction of the voluntary savings account to be managed by the pension funds and automatically deducted from payroll checks is an attempt to deflect the demand for mortgages as well as increase the members' identification with funds so as to increase the responsiveness of the pension funds to depositors. It may also increase savings of low-income groups. Nonetheless, the mission had considerable reservations about the wisdom of this strategy since it could open the door to lending directly to members and would probably raise operating costs considerably (since funds would have to manage deposit windows and an increased level of interaction with consumers). As a second best approach, we concluded that the voluntary accounts might work as long as they received no tax preferences relative to the banking system and the principles for their management were clearly specified. This will be given greater consideration at appraisal. The **Government will** therefore (a) permit separate accounts financed by supplementary contributions; (b) give the same treatment to supplementary accounts as those in the banking system with regard to taxation and guarantees; (c) regulate assets of supplementary accounts in same way as those in the pension fund; (d) permit withdrawals from supplementary accounts up to four times per year; and (e) encourage development of more pension funds through (i) reduced capital requirements, (ii) changes in the Ley de Sindicatos, (iii) encouraging formation of pension funds for individual firms, and (iv) permitting members to buy pension shares.

52. Reducing costs could be achieved through increasing competition, and the Government wishes to introduce new measures to ensure greater consumer knowledge through simplified commission structures to increase entry, and to increase choice of insurance companies. Specifically, the **Government is considering** (a) simplifying the pension commission system to permit greater transparency and choice; (b) improving presentation of information to the public to provide clear comparative information on commissions and returns; (c) permiting members rather than the funds to choose insurance company for disability and survival coverage; (d) action to insure that those retirees who elect to receive the "programmed" pension will not increase burden on the fisc of minimum pension; and (e) measures to improve mobility of affiliates among pension funds with corresponding entry and/or exit charges.

53. These might also help increase the coverage of the system, which now extends to only about 60 percent of the employed work force. To expand coverage, the **Government is considering** offering automatic continuation of disability and survival insurance to qualifying temporarily unemployed or part-time workers.

V. OPERATIONAL CONSIDERATIONS

The Size

54. Because of the steady progress made by the Government in implementing the policies supported in SAL I and II, the magnitude of Chile's requirement for quick-disbursing capital to finance the adjustment program, we recommend a SAL of $250 million. The size would assist the Government in financing the significant near-term imports generated by the ongoing export-led investments in the agricultural, forestry and industrial sectors. A first tranche of $125 million would be disbursed immediately after Board approval in December 1987. This first tranche disbursement is part of the 1987-88 external financial package. According to the rescheduling agreement with the commercial banks, if the World Bank approves a third SAL before January 1, 1988, Chilean compliance with the structural adjustment program as evidenced by disbursement of the first tranche would be a condition of effectiveness for the 1988 restructuring of commercial bank loans.

Processing Schedule

55. The SAL processing schedule will largely be determined by the speed with which the Government develops its program in health. Preliminary proposals for policy actions under SAL III were reviewed in May 1987 and we expect the Government to be ready for their discussion in late July 1987. Confirmation of the three-year targets on public savings, an acceptable monetary program indicating the Central Bank projections to finance the completion of the financial rehabilitation, preliminary review of the 1988 investment program and export targets for 1987-88 would be conditions for Board presentation. Provided that the necessary preparatory work is completed expeditiously, Board presentation could take place by early December 1987.

SAL-Related Projects

56. Lending operations recently approved or at the appraisal stage were designed to assist in the formulation and implementation of the adjustment program. Our recently-approved five-year lending program (Annex 1) includes several project and subsector loans which complement and expand policy actions that would be supported under SAL III. Sector loans would improve export incentives for the forestry, agriculture and energy sectors.

Coordination with the IMF

57. As was the case for the first two SALs, we have worked closely with the IMF during the preparation stage of this operation. The May identification mission was concurrent with an IMF mission to review 1987 performance under the EFF. Exchange of documents continues to go beyond normal requirements. We are in general agreement on policy recommendations, but have some differences on projections as in the past. Targets of both programs are fully discussed between the staff and agreements reached before talks start with the Chilean authorities. We would continue to liaise closely with the IMF staff during the appraisal and elaboration of the third SAL.

Risks

58. There are substantial risks to the scenario of modest growth and enhanced creditworthiness sketched out above. The external environment continues to be precarious. As noted at the outset, interest rates, OECD

growth, protection, and commodity prices are all key forces which make a difference on whether the Chilean strategy is ultimately viable. For example, an increase in international interest rates of one percent costs Chile US$200 million per year, and a three percentage point increase would erase the entire improvement in the resource balance achieved in the adjustment program thus far. The situation would be further complicated because of the effects on the fragile financial system. The Central Bank is vulnerable to external interest rate increases and real devaluations since it must service foreign loans on a "LIBOR plus" basis while it receives its cash flow primarily on the basis of peso-denominated assets; a one percent increase in the international interest rate implies a 0.6 percent of GDP increase in the quasi-fiscal deficit of the Central Bank. With sharply rising international interest rates, Central Bank losses would increase substantially, requiring increases in taxation and/or heavy public borrowing; many firms would not be able to continue servicing their debt to the banks and they in turn might not be able to continue their repurchases of portfolio from the Central Bank. Suspension of foreign interest payments would almost certainly follow.

59. Similarly, a decrease of US 7 cents in the nominal price of copper costs Chile US$100 million per year; while copper prices have risen lately, the medium-term price may be less than the 16 cent nominal rise projected by 1992 (equivalent to a 1.2 percent average annual real increase) in our scenario. If the industrial countries do not maintain their current rates of expansion (and already the present US recovery is the second longest in post-war history), the effects will be felt with the price and volume of all Chilean exports. Protectionist measures in the industrial countries, such as the US action on Chilean table grapes or the European measures on cut flowers, have as yet had marginal impact on Chilean exports, but this situation could change. Finally, a more entrenched reluctance on the part of the commercial banks to provide additional finance or at least rescheduling would precipitate a substantial balance of payments problem.

60. A second set of risks concerns the problem of amortizing the foreign debt of the Central Bank, which accounts for 22 percent of the total debt. To date, the Central Bank has met its foreign obligations through domestic and foreign borrowing to pay interest and rescheduling its principal repayments. In the long run, the Treasury must generate resources to transfer to the Central Bank to meet operating expenses and amortize its foreign debt. If the Treasury cannot generate a surplus and the Central Bank has to borrow indefinitely, domestic interest rates might follow an explosive path and speculation about monetization of the Central Bank's debt might reach a critical level.

61. The political situation also constitutes risks. The constitution of 1980 provides for a plebiscite before March of 1989 to vote on the candidate unanimously proposed by the commanders of the four branches of the Chilean military. If the four military leaders cannot unanimously agree on a candidate, the decision reverts to the National Security Council (comprised of the four commanders, the head of the Supreme Court, the head of the Council of State, and the Controller General). If no candidate emerges from this process or if the proposed candidate loses the plebiscite, the constitution provides for direct elections within one year. In either case, elections for a limited number of legislators are also provided for in 1990 (although the rules are set up so that any new congress will be under the control of the executive). The Government passed the new law permitting political parties in early 1987 as a first step toward this transition.

62. Given the current constitutional framework, the most likely scenario is that the current regime or some close descendant will continue. Nonetheless, the political campaign could well threaten the policy framework as the Government strives to mobilize a majority in the plebiscite; the temptation to increase consumption, especially if copper prices are rising, will be great. Also, social turmoil cannot be ruled out if a widespread majority perceives the ensuing regime as illegitimate.

63. Regardless of the politics of the transition or even the actual course of policy, uncertainty itself surrounding these events may affect private savings and investment in ways sufficiently strong to derail the adjustment process. For the growth scenario to materialize, the private savings rate must double during precisely this period and private investment must grow by 8 percent annually. These are some indications that the private sector perceives a substantial risk that a smooth growth scenario might not occur. 2/.

64. Uncertainty over future policy also affects investment in particular sectors where reforms are supported by this or other Bank operations. For example, the social security reforms are still controversial; a new centrist administration might radically alter the reform. The decentralization reforms of the health sector are also controversial, and uncertainty over future policy dampens the willingness of the private sector to invest in new facilities. Similarly, uncertainty stemming from the reluctance of the opposition to accept privatization of the state-owned utilities may eventually lead private investors to shy away from investments.

65. The Bank's exposure under the current lending program is to increase from its end-1986 position of US$850 million to nearly US$1.5 billion at end-1992. This would mark a rise from 4.7 percent of total outstanding and disbursed debt (excluding IMF) to 7.5 percent. The IBRD share of total debt service would rise from 1.8 percent to 8.4 percent over the same period. Bank disbursements would amount to about one quarter of all gross disbursements in 1987-90, falling to about half that level in the out years. If events unfold as in the growth scenario, these numbers would be acceptable as the medium- and long-term debt to GDP would fall from 106 percent to 75 percent by 1992, and the interest burden (MLT) on exports would fall from 33 percent to 22 percent.

66. This operation therefore entails high risks. In our judgement, the growth scenario is surrounded by uncertainties, and it seems unlikely to transpire with the continuity of performance implicit in the numbers. On the other hand, it is clear that without continued policy-based operations to attack structural problems and to support a solid program, Chile would almost certainly not be able to avoid recession and/or an interrupted debt service in the next few years. Nonetheless, given the high risk, the Bank may wish to move judiciously toward a detailed consideration of alternative ways to reduce Chile's debt burden.

Cleared with: Messrs. Eigen, Tyler, LC1PA

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2/ For example, the Frost and Sullivan annual report (December 1986) gave Chile a "D+" rating for their five-year assessment of investment climate as compared with the favorable "B" rating the report gave it for the near term (18 months.)

THE STATUS OF BANK GROUP OPERATIONS IN CHILE

A. STATEMENT OF BANK LOANS AND IDA CREDITS (as at March 31, 1987)

Loan or Credit Number	Fiscal Year	Borrower	Purpose	Amounts (less cancellations) US$ million Bank	IDA	Undisbursed
28 loans and one credit fully disbursed				652.6	22.9 1/	-
1832	1980	Chile	Water Supply	32.4	-	0.4
2297	1983	Chile	Highway Recon. II	128.0	-	33.0
2481	1983	Chile	Agri. Serv./Credit	56.0	-	46.3
2482	1983	Chile	Housing	80.0	-	16.4
2504	1985	Chile	Public Sector Mgt.	11.0	-	10.0
2589	1985	Chile	Road Sector	140.0	-	113.2
2606	1985	Chile	Ind. Fin. Rest.	100.0	-	87.7
2613	1986	CORFO	Small & Med. Ind.	40.0	-	36.0
2651	1986	EMOS	Sant. Wat. Supply	60.0	-	59.6
2652	1986	ESVAL	Val. Wat. Supply	6.0	-	6.0
2767	1987	Chile	SAL II	250.0	-	100.0
Total				1,556.0	22.9	
of which has been repaid				255.8	5.9	
Total now outstanding				1,300.2	17.0	
Amount sold			7.2			
of which has been repaid			7.2			
Total now held by Bank and IDA				1,300.2	17.0	
Total undisbursed						508.4

1/ Includes exchange rate adjustments. The original amount of the credit was US$19.0 million.

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CHILE - DISBURSEMENTS/REPAYMENTS/NET FLOWS
(Calendar Years)

LOAN #	PROJECT NAME	AMOUNT LOAN COMMIT.	ACTUAL 1982	1983	1984	1985	1986	PROJECTED 1987	1988	1989	1990	1991	1992	1993	1994	1995
IBRD DISBRUSEMENTS:																
			Ongoing Loans Disbursements													
	ONGOING LOANS	1,188.0	32.3	24.0	39.9	230.8	364.6	225.5	164.9	94.4	46.2	27.0	20.4	18.2	7.0	0.0
			Lending Program Disbursements													
PA057	SAL III C L	250.0						125.0	125.0							
PA064	RAILWAY REHAB. L	35.0							2.5	6.7	7.4	6.0	4.6	2.5	1.4	2.5
PA066	PEHUENCHE HYDROELECTRIC	95.0							2.0	9.3	18.1	20.9	19.0	14.2	11.5	0.0
PA069	TRANSMISSION PROJECT	21.5							0.5	2.1	4.0	4.6	4.2	3.6	2.5	0.0
PA045	MINING S	20.0							1.4	3.8	4.2	3.4	2.6	1.4	0.8	1.4
PA054	INTRMODAL/PRT. REHAB S	80.0								5.6	15.2	16.8	13.6	10.4	5.6	3.2
PA058	INDUSTRIAL SECTOR II L	150.0								10.5	28.5	31.5	25.5	19.5	10.5	6.0
PA050	HOUSING II C L	80.0								5.6	15.2	16.8	13.6	10.4	5.6	3.2
PA068	URBAN MAINTENANCE	75.0								5.3	14.3	15.8	12.8	9.8	5.3	3.0
PA060	FORESTRY C S	50.0								3.5	9.5	10.5	8.5	6.5	3.5	2.0
PA067	HIGHWAY SECTOR L	150.0								10.5	28.5	31.5	25.5	19.5	10.5	6.0
PA055	PULP & PAPER L	100.0									7.0	19.0	21.0	17.0	13.0	7.0
PA063	SOCIAL SECTOR ADJUSTMENT	100.0										7.0	19.0	21.0	17.0	13.0
PA046	WATER & SEWERAGE II L	75.0										5.3	14.3	15.8	12.8	9.8
PA036	IRRIGATION REHAB. S	40.0										2.8	7.6	8.4	6.8	5.2
PA061	SEC. VALPARAISO WATER SUPPLY	25.0									1.8	4.8	5.3	4.3	3.3	1.8
	TOTAL ONGOING & PROGRAMED	2,534.5	32.3	24.0	39.9	230.8	364.6	350.5	296.3	157.2	199.8	223.5	217.3	182.3	117.0	64.0

CALENDAR YEARS: 1./	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
COMMITMENTS	74.0	42.0	0.0	128.0	136.0	541.0	316.0	250.0	171.5	585.0	125.0	215.0	0.0	0.0	0.0	0.0
GROSS DISBURSEMENTS	14.1	30.0	32.3	24.0	39.9	230.8	364.6	350.5	296.3	157.2	199.8	223.5	217.3	182.3	117.0	64.0
AMORTIZATIONS	9.2	12.4	12.9	11.3	21.9	20.4	20.2	31.3	38.1	100.7	109.9	132.8	148.1	193.4	204.2	217.2
NET FLOWS	4.9	17.6	19.4	12.7	18.0	210.4	344.4	319.2	258.1	56.5	89.9	90.7	69.2	(11.0)	(87.3)	(153.3)
INTEREST PAYMENTS	15.6	13.8	15.2	16.5	17.4	17.8	22.8	59.4	84.0	96.4	110.6	125.6	138.4	146.7	147.3	142.7
NET TRANSFERS	(10.7)	3.8	4.2	(3.8)	0.6	192.6	321.6	259.8	174.1	(39.8)	(20.6)	(34.9)	(69.2)	(157.7)	(234.6)	(296.0)
DEBT OUTSTANDING & DISBURSED	162.9	180.5	199.9	212.5	230.5	440.9	808.3	1,127.5	1,385.6	1,442.1	1,532.1	1,622.8	1,691.9	1,680.9	1,593.6	1,440.3

1./ Including pipeline activity, excluding IDA credits.

(IBRD_LDG.WK1) 06/26/87

CHILE - PROPOSED STRUCTURAL ADJUSTMENT PROGRAM: ISSUES AND SCOPE

Structural Issues	Measures Taken by Government	Measures to be Taken	Related IBRD Project Lending and IMF EFF
International Competitiveness and Diversification			
Maintain competitiveness of exports, especially non-traditional exports.	Attractive real exchange rate.	Continue present policy of monthly nominal adjustments in the exchange rate to maintain the present real exchange rate.	
	Renewal of Copper Stabilization Fund established in 1985.	Maintain Copper Stabilization Fund; Establish 1988 budget target by December 1, 1987.	
Promote nontraditional exports to continue efforts of diversification.	Legislation that provides incentives to small nontraditional exporters.	Modify incentive framework if nontraditional eports grow by less than 6 % in real terms.	Pulp and Paper. Forestry. Small Mining. Industrial Credit.
		Establish working system of export credit insurance for Chilean exporters.	
		Create a fund for partial guarantees for small and medium sized exporters to production & investment credit at competitive interest rates.	Small & Medium Industry. Public Sector Management.
Offset disadvantage of tariff system for exports.	Unified 20% tariff rate for imports.	Allow unrestricted, automatic and duty free importation of inputs for export production through revision of Finance Ministry Decrees 409 and 224.	
	Established limited drawback program for exports.	Expand the duty suspension provision under the present drawback temporary admission system to replace the rebate system.	
Public Finances & Investment			
Increase the contribution of the public sector to domestic savings.	Publication of 1987-88 development program.	Increase public savings to 4.8% in 1987 and 5% in 1988.	Public Sector Management.
Improve social returns to public investment.	Social security reforms to enhance household savings.	Program investment levels of 7.5% of GDP in 1987 and 1988 consistent with sustainable increases in overall investment.	
	Prepared public investment program 1987-89.	Prepare a public investment program for the years 1988-90.	
		Review with the Bank the execution of the 1987 public investment program (Jan. 1988).	

CHILE - PROPOSED STRUCTURAL ADJUSTMENT PROGRAM: ISSUES AND SCOPE

Structural Issues	Measures Taken by Government	Measures to be Taken	Related IBRD Project Lending and IMF EFF
Maintain performance of overall public sector consistent with sustainable growth.	Income tax reform to encourage reinvestment of corporate profits and private savings.	Maintain current program of public expenditure restraint to limit overall deficit of nonfinancial public sector to 1.6 % of GDP for 1987 and less for 1988.	
Financial System			
Continue rehabilitation of the financial system.	Recapitalization process for intervened banks. New corporate legislation improving transparency of controlling stockholders and reducing cross-participation between firms. Completed privatization of intervened banks.	Strengthen loan collection and initiate new measures to ensure repayment consistent with firms' ability to pay.	
Facilitate reduction of operating costs of banks.	Established some indicators of operational efficiency.	Improve indicators of banking efficiency and review possible policy options.	
Insure that depositors have complete information to avoid public presumption of state guarantee.	Enacted deposit insurance scheme.	Improve public disclosure of deposit insurance limits.	
Improve efficiency of intermediation in long-term financial markets.	Pass banking law of 1986.	Review the institutional and policy framework affecting the allocation of savings for productive private investment.	
Social Sectors			
Health System:			
Consolidate gains of past health investments, especially in primary and preventive health care	Focusing program on lowest income groups.	Maintain present level of food distribution in nutrition and maternal-child programs on per capita basis.	Second Santiago Water/Sewerage. Valparaiso Water Supply.
Expand preventive care to adults to decrease incidence of chronic conditions.		Increased efforts at: health education, screening, and community education for adult deseases.	
Improve efficiency in use of resources allocated to SNSS.	Partial municipalization of health system beginning in 1981.	Initiate program of decentralization and continue regionalization efforts.	

CHILE - PROPOSED STRUCTURAL ADJUSTMENT PROGRAM: ISSUES AND SCOPE

Structural Issues	Measures Taken by Government	Measures to be Taken	Related IBRD Project Lending and IMF EFF
Improve efficiency of the private health care system.		Improve rules regarding cancellations of polices for chronic illness.	
Improve efficiency of investment in health.		Maintain 1987 levels of real investment in the health, and reallocation of any savings through improvements in efficiency in the current budget to increase investment resources.	
Social Security System:			
Protection and security of pension funds.	Pension system reform of 1981. Prepared draft law of proposed changes.	Pension funds assets should only be invested in marketable assets in diversified portfolio.	
		Pension Fund Administrators (AFPs) will not lend directly to members.	
		AFPs will not invest in securities restricted to particular investors.	
Enhance members' sense of identity with AFPs.		Permit separate accounts financed by supplementary contributions.	
		Accounts to be given the same treatment as in the banking system with regard to taxation and guarantees.	
		Assets of supplementary accounts to be regulated in same way as those in pension fund.	
		Withdrawals from supplementary accounts to be permitted up to four times per year.	
		Encourage competition by lowering minimum capital requirement from US$330,000 to US$80,000.	
Reduce costs and increase competitiveness of AFPs.		Simplify AFPs commission system and improve presentation of information to the public to provide clear comparative information on commissions and returns.	
		Permit members of AFPs to choose insurance company for disability and survival coverage.	
Increase long-term coverage of system.		Modify income base for disability survival pensions to reduce early retirement' incentives.	

CHILE - KEY ECONOMIC INDICATORS

Population: 12,075 (mid-1985 thousands)
1985 GNP per Capita: US$ 1,440

	Actual			Est.	Projected					
	1980	1984	1985	1986	1987	1988	1989	1990	1991	1992
Growth Rates (percent):										
GDP	7.8	6.3	2.5	5.7	4.6	4.5	4.5	4.5	4.5	4.5
GNP	7.4	4.0	4.3	6.1	5.6	5.1	4.8	4.7	4.4	4.7
GNY	7.1	1.7	3.7	6.9	5.6	4.9	5.0	5.4	4.8	4.8
GNP per capita	5.6	2.3	2.6	4.4	3.9	3.5	3.1	3.0	2.9	3.1
Private consumption per capita	5.2	-0.4	-2.6	3.2	2.3	2.3	1.9	3.3	2.5	2.0
Debt Indicators 1./:										
DOD MLT (Million US$)	9,413	16,963	17,650	17,789	17,436	17,707	18,169	18,498	18,753	18,969
IMF CREDIT (Million US$)	123	782	1,085	1,328	1,289	1,189	918	603	529	440
Total DOD MLT, icl. IMF (Million US$)	9,536	17,745	18,735	19,117	18,725	18,896	19,088	19,101	19,282	19,410
DOD MLT/Exports GS (%)	150.0	352.4	378.0	338.4	310.0	279.0	251.9	234.4	215.6	200.5
DOD MLT/Current GDP (%)	34.1	88.4	110.3	105.8	96.6	91.1	86.7	81.9	77.0	72.3
Debt service (Million US$)	2,380	2,513	2,445	2,445	2,825	2,147	2,360	2,367	3,377	3,441
Debt service/Current GDP (%)	8.6	13.1	15.3	14.5	15.7	11.0	11.3	10.5	13.9	13.1
Debt service/Exports GS (%)	37.9	52.2	52.4	46.5	50.2	33.8	32.7	30.0	38.8	36.4
Interest MLT (Million US$) 4./	932	1,793	1,703	1,740	1,694	1,744	1,776	1,785	1,895	1,916
Interest MLT/Exports GS (%) 4./	14.8	37.2	36.5	33.1	30.1	27.5	24.6	22.6	21.8	20.3
Interest MLT/Current GDP (%) 4./	3.4	9.3	10.6	10.3	9.4	9.0	8.5	7.9	7.8	7.3
National Accounts as % of Current GDP:										
Investment	21.0	13.6	13.7	14.6	15.3	15.6	16.1	16.6	17.0	17.9
Domestic Savings	16.8	12.6	16.5	18.4	19.0	19.4	20.9	21.8	22.8	23.7
National Savings 3./	13.9	2.6	5.0	7.7	9.9	11.1	13.0	14.2	15.0	16.2
Public Investment	5.4	6.4	7.0	7.6	7.5	7.4	7.4	7.4	7.4	7.4
Public National Savings	10.5	0.5	3.7	4.4	4.7	5.0	5.3	5.6	5.6	5.6
Private Investment	15.6	7.2	6.7	7.0	7.8	8.2	8.7	9.2	9.6	10.5
Private National Savings	3.4	2.1	1.3	3.3	5.3	6.1	7.7	8.6	9.4	10.6
Ratio of Public/Private Investment	34.7	88.5	104.3	109.6	96.1	90.1	85.3	80.7	77.2	70.2
Non Financial Public Sector as % of Current GDP:										
Current Revenues 2./	35.0	31.2	33.3	31.5	32.0	30.1	29.9	30.1	30.1	30.1
Current Expenditures	24.5	30.7	29.6	27.1	27.3	25.1	24.6	24.5	24.5	24.5
Deficit (-) or Surplus	10.5	0.5	3.7	4.4	4.7	5.0	5.3	5.6	5.6	5.6
Overall Deficit (-) or Surplus	5.5	-4.4	-2.6	-2.2	-1.6	-1.3	-1.0	-0.7	-0.7	-0.7
External Trade Indicators (percent):										
Copper exports real growth rate	5.0	-0.5	10.9	1.2	0.9	7.5	12.5	-0.3	2.1	0.0
Exports GNFS real growth rate	14.3	6.8	6.9	9.8	4.7	7.3	8.9	4.0	5.2	4.6
Exports of GNFS/Current GDP	22.8	24.3	29.1	30.6	29.5	30.6	32.5	33.3	34.1	34.5
Imports GNFS real growth rate	18.7	16.5	-11.0	9.7	4.2	7.3	7.3	5.6	5.0	5.3
Imports of GNFS/Current GDP	27.0	25.3	25.7	25.8	26.8	27.7	28.1	28.3	28.7	29.2
Current Account (Million US$)	(1,970)	(2,060)	(1,328)	(1,092)	(974)	(869)	(640)	(542)	(475)	(447)
Current Account/Current GDP	-7.1	-10.7	-8.3	-6.5	-5.4	-4.5	-3.1	-2.4	-2.0	-1.7
Terms of Trade Index (1980 = 100)	100.0	83.2	78.5	85.3	83.0	82.6	84.0	86.3	87.7	88.0

1./ Excludes use of IMF credit, except where otherwise indicated.
2./ Includes operational surplus of public enterprises and net transfers.
3./ Includes current transfers.
4./ Data on MLT interest payment from the Central Bank of Chile. It includes IMF interest. It may differ from DRS data.
LC1PA, June 16, 1987

Population: 12,075 (mid-1985 thousands)
1985 GNP per Capita: US$ 1,440

CHILE - BALANCE OF PAYMENTS

(Million U.S.$)

	Actual						Est.	Projected					
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Export of Goods & NFS	5,969	5,009	4,642	4,629	4,494	4,469	5,030	5,331	5,948	6,803	7,511	8,306	9,057
Merchandise (F.O.B)	4,706	3,837	3,706	3,831	3,650	3,804	4,199	4,480	4,998	5,717	6,259	6,922	7,485
Non Factor Services	1,263	1,172	936	798	844	665	831	851	950	1,086	1,252	1,384	1,572
Import of Goods & NFS	(7,122)	(8,386)	(5,134)	(4,095)	(4,635)	(3,958)	(4,319)	(4,659)	(5,217)	(5,797)	(6,337)	(6,898)	(7,536)
Merchandise (F.O.B)	(5,469)	(6,513)	(3,643)	(2,845)	(3,357)	(2,955)	(3,099)	(3,393)	(3,780)	(4,201)	(4,592)	(4,998)	(5,461)
Non Factor Services	(1,653)	(1,873)	(1,491)	(1,250)	(1,278)	(1,003)	(1,219)	(1,265)	(1,437)	(1,596)	(1,745)	(1,899)	(2,075)
Resource Balance	(1,153)	(3,377)	(492)	534	(141)	512	711	672	731	1,006	1,174	1,408	1,521
Net Factor Income	(930)	(1,463)	(1,921)	(1,748)	(2,018)	(1,901)	(1,888)	(1,736)	(1,689)	(1,736)	(1,821)	(1,993)	(2,078)
Factor Receipts	308	606	512	202	320	200	228	294	400	410	379	391	403
Factor Payments	(1,238)	(2,069)	(2,433)	(1,950)	(2,338)	(2,101)	(2,115)	(2,030)	(2,089)	(2,145)	(2,200)	(2,384)	(2,481)
(MLT interest) 5./	(932)	(1,434)	(1,750)	(1,349)	(1,793)	(1,703)	(1,740)	(1,694)	(1,744)	(1,776)	(1,785)	(1,895)	(1,916)
Net Current Transfers	113	108	109	97	99	61	84	90	90	90	105	110	110
Transfer Receipts	194	193	186	161	165	125	130	--	--	--	--	--	--
Transfer Payments	(81)	(85)	(77)	(64)	(66)	(64)	(46)	--	--	--	--	--	--
Current Account Balance	(1,970)	(4,732)	(2,304)	(1,117)	(2,060)	(1,328)	(1,092)	(974)	(869)	(640)	(542)	(475)	(447)
Direct Foreign Investments	170	362	384	132	67	62	57	88	105	110	120	130	135
Debt Conversion 1./	--	--	--	--	--	379	989	800	0	0	0	0	0
Net MLT Loans	2,073	3,220	1,297	2,283	1,142	672	116	(353)	272	462	328	255	217
Other Net MLT	(1)	(3)	0	(40)	0	294	(6)	325	426	0	0	0	0
Net Short Term Capital 2./	923	1,119	(466)	(1,867)	769	19	183	124	76	118	144	140	145
Errors and Omissions	49	101	(76)	68	99	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)
Change in Reserves (() = increase)	1,244	67	(1,165)	(541)	17	(98)	(227)	(10)	(10)	(50)	(50)	(50)	(50)
Net Credit from IMF	(52)	(64)	(40)	625	221	205	115	(39)	(100)	(271)	(315)	(74)	(89)
Shares of current GDP (percent):													
Resource Balance	-4.2	-10.3	-2.0	2.7	-0.7	3.2	4.2	3.7	3.8	4.8	5.2	5.8	5.8
MLT Interest Payments 5./	-3.4	-4.4	-7.2	-6.8	-9.3	-10.6	-10.3	-9.4	-9.0	-8.5	-7.9	-7.8	-7.3
Current Account Balance	-7.1	-14.5	-9.5	-5.7	-10.7	-8.3	-6.5	-5.4	-4.5	-3.1	-2.4	-2.0	-1.7
Total MLT Capital Inflow	7.5	9.9	5.3	11.4	6.0	6.0	0.7	-0.2	3.6	2.2	1.5	1.0	0.8
Net Credit from IMF	-0.2	-0.2	-0.2	3.2	1.2	1.3	0.7	-0.2	-0.5	-1.3	-1.4	-0.3	-0.3
Foreign Exchange Reserves:													
International Reserves (US$ million)	4,074	3,775	2,578	2,023	2,056	1,867	1,778	1,788	1,798	1,848	1,898	1,948	1,998
Reserves as Months of Imports	6.9	5.4	6.0	5.9	5.3	5.7	4.9	4.6	4.1	3.8	3.6	3.4	3.2
Gross Res. inc. Gold (US$ million)	4,086	3,873	2,471	2,630	2,843	2,990	2,891	--	--	--	--	--	--
Exchange Rates:													
Pesos per US$ (period average)	39.0	39.0	50.9	78.8	98.7	161.1	193.0	222.0	248.4	278.2	311.6	347.4	387.4
Pesos per SDR (December)	49.7	45.4	81.0	91.6	125.7	202.0	250.4	--	--	--	--	--	--
Real Effective X-Rate (1980=100) 3./	100.00	86.20	98.44	117.34	119.10	132.92	173.99	--	--	--	--	--	--
GDP in Current US$ (million) 4./	27,571	32,644	24,339	19,758	19,191	15,996	16,817	18,044	19,445	20,955	22,583	24,340	26,233

1./ Includes conversion of external liabilities to domestic assets (articles XIX and related transactions) and prepayment of debt through purchase abroad of Chilean external debt (article XVIII and related transactions). The contra-account of the debt conversion entry, is reflected in the increase of amortization payments under Net MLT Loans. In 1986, debt conversion includes adjustment for valuation changes.
2./ From 1985 on, excludes short term external liabilities of the Central Bank.
3./ Trade weighted real effective exchange rate using period averages nominal exchange rates and period averages consumer price indices. Trading partners include: US, Canada, France, Germany, Italy, Spain, UK, Venuezuela, Japan, Argentina, Brazil, Peru and Ecuador.
4./ Translated from pesos to US$ using average annual nominal exchange rates.
5./ Data on MLT interest payment from the Central Bank of Chile. It includes IMF interest. It may differ from DRS data.
LC1PA, June 16, 1987

Table 4: CHILE - DEBT AND PROJECTED NET CAPITAL FLOWS

(Millions of US$)

Capital Source	Stock of Debt end 1986	Projected Flows					
		1987	1988	1989	1990	1991	1992
Direct Foreign Investment	n.a.	88	105	110	120	130	135
Debt Conversion 1./	n.a.	800	0	0	0	0	0
World Bank	850	183	173	22	89	90	69
I.D.B	1,088	313	162	255	151	42	22
Bilaterals	609	(38)	(31)	(49)	(61)	(30)	(28)
Commercial Banks, Total	16,003	(745)	(6)	10	(1)	(972)	(967)
of which MLT	14,858	(893)	(84)	(123)	(145)	(1,112)	(1,112)
Guaranteed	10,103	(84)	(76)	(118)	(142)	(782)	(1,054)
Nonguaranteed 1./	4,754	(809)	(8)	(4)	(3)	(330)	(58)
Short-term	1,145	149	78	132	145	140	145
Suppliers, Total	488	57	50	53	206	195	175
Official	314	111	114	120	128	106	89
Private	71	(29)	(61)	(52)	79	89	86
Short-Term 2./	104	(25)	(3)	(14)	(1)	0	0
Unidentified	0	0	(0)	289	87	1,070	1,090
TOTAL 4./	19,038 3./	658	452	690	592	525	497

1./ Debt convertion includes transformation of external liabilities to domestic assets (articles XIX and related transactions) and prepayment of debt through purchase abroad of Chilean external debt (articles XVIII and related transactions).
The contra-account of the debt convertion entry, is reflected in the increase of extraordinary amortization payments under non guaranteed commercial banks.
For 1986, extraordinary amortizations include net $315 mln. adjustment for valuation changes.
2./ Excludes short term external liabilities of the Central Bank.
3./ Includes reduction of DOD through debt convertion schemes. Note 1./.
4./ Excludes IMF.
n.a.: not applicable.

7-13-87
7-17

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 17, 1987

TO: Mr. Basil Kavalsky, Director, RMD

FROM: Mary Oakes Smith, Chief Officer

EXTENSION: 74731

SUBJECT: U.S. Congressional Bills Affecting MDBs

Attached are three amendments to the U.S. Trade Bill which threaten protectionist action by the U.S. Tony Cholst has reviewed each to find two of the three amendments totally inhibiting to Bank Group activities. The first restricts MIGA from guaranteeing any investment competing with U.S. producers or taking away U.S. jobs. The second states that if the U.S. Executive Director votes against any project involving "surplus" commodities and is overriden by the Bank's board, the U.S. would be prohibited from agreeing to a GCI, replenishment or borrowing in U.S. dollars. The Congressional Record shows that the latter amendment was supported by 58 votes and opposed by 34 votes. Thus, there is a question as to whether we can ignore these initiatives by Congress on the basis that similar amendments in the past have been voted down in Conference Committee.

Attachments

cc: Messrs. Stern, Wood, Stanton, Cholst, and Nicholas
Ms. Maguire

MOSmith:efs

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 17, 1987

TO: Mary Oakes Smith, Chief Officer

FROM: Tony Cholst, RMD

EXTENSION: 74750

SUBJECT: U.S. Protectionism and the MDBs

1. Three amendments have now been included in legislation before Congress, all of which seek to ensure that MDBs will not support projects which could compete with U.S. producers. All three are attached for your information.

2. The first amendment, included in the Senate version of the Trade Bill, authorizes U.S. participation in MIGA, but requires that before the U.S. can fund MIGA, the regulations of MIGA would need to be revised to prevent MIGA from guaranteeing any investment which would compete with U.S. producers or take away U.S. jobs. The MIGA office of the Legal Department has taken the initial view that if this language stands as is, MIGA could not accept the funds.

3. The second relevant amendment, also included in the Senate version of the Trade Bill, is the "FAIR" amendment, which requires the U.S. Executive Directors at all MDBs (except IFAD) to vote against any project involving "surplus" commodities; and if the Bank funds the project over the U.S. negative vote, the U.S. would be prohibited from agreeing to any new GCI, replenishment, or U.S. dollar borrowing. Further, a portion of not yet paid funds under old agreements would be withheld until corrective action is taken. These "retaliation" clauses go well beyond previous Congressional language, which has only required the U.S. ED to vote in certain ways, pursue certain policies, and report back to Congress. The language in the "FAIR" Amendment would make it almost impossible to operate the Bank against a U.S. vote, but agreeing to such "terrorist" tactics could be unacceptable to Bank management and other member countries.

4. However, the House version of the Trade Bill contains neither of the two amendments. Because Conference participants will be selected by the Congressional leadership, and language can be revised or deleted in Conference without line item votes, it is hoped that more acceptable language can be found when the Trade Bill goes to Conference. If the Conference language remains unacceptable, the President may attempt to veto the Bill, although it looks as if Congress may have the votes to override a Presidential veto.

5. The third relevant amendment, the so-called "Bereuter" Amendment, has been added to the House Banking Committee's mark-up of the MDB Authorization Bill. The "Bereuter" amendment is essentially a toned-down "FAIR" without retaliatory requirements. It instructs U.S. Executive Directors to vote against projects involving surplus commodities. It is

P-1866

the same kind of language which Congress has used on past issues of concern and would appear acceptable to the Bank. In fact, it adds very little to legislation passed into law last year (Attachment 4). However, there is some fear that if the "FAIR" language is dropped from the Trade Bill, proponents might seek to add retaliatory requirements to the "Bereuter" Amendment.

Attachments

ACholst:efs

ATTACHMENT 1

"MIGA" AMENDMENT

(Included in the Senate Version of the Trade Bill)

SUBSTITUTE AMENDMENT BY SENATOR SANFORD
FOR THE ADAMS-EVANS AMENDMENT

VIZ: In lieu of the language proposed to be inserted, substit[illegible] the following:

"(D)(1) Notwithstanding subsections (A) and (B), the secretary may not deposit instruments of ratification, become a member of the Agency, obligate or otherwise make available any funds as payment of the U.S. share of the subscribed capital stock, until such time as the secretary has determined that the Agency has incorporated the following prohibitions into the rules and regulations which will govern the operations of the Agency with respect to the issuance of insurance and guarantees--

(i) No insurance or guarantees shall be issued, provided, or otherwise made available to any investor, for any investment in a member country, if such investment is likely to result in the investor reducing the number of U.S. employees which the investor employs in the United States because such other investment is intended to replace current U.S. production.

(ii) No insurance or guarantees shall be issued, provided, or otherwise made available for any investment in member countries, if such investment is likely to result in the production of goods for export to the United States, where such goods are likely to be in direct competition with similar goods produced in the United States; or if such investment is likely to result in the production of goods for export to third countries, if such goods are likely to compete directly with U.S. exports to such countries.

(iii) No insurance or guarantees shall be issued, provided, or otherwise made available for any investments in a member country if such member country imposes performance requirements as a condition of permitting the establishment, expansion, or maintenance of investments owned by nationals or companies of another member country;

(iv) No insurance or guarantees shall be issued, provided, or otherwise made available for any investment in any member country if such member country has failed to take steps to adopt and implement laws that extend internationally recognized workers' rights, as defined in section 502(a)(4) of the Trade Act of 1974 (19 U.S.C. 2462(a)(4), to workers in that member country.

New provision

(v) The U.S. shall support any other member country's request for similar protection for its trade balance and domestic economy as provided in subsections (i) and (ii) hereinabove.

(vi) The aforementioned requirements shall be incorporated into the rules and regulations which will govern the Agency in order to establish them as policy of the Agency without a requirement that they be included in the Agency's Convention.

(2) The secretary may not deposit instruments of ratification provide funds, or otherwise participate in the Agency, until he has determined that the Agency has adopted the prohibitions specified in subsection (1) as part of its rules and regulations, and he has so reported, in writing, to the Committee on Foreign Relations of the Senate and the Committee on Banking, Finance and Urban Affairs of the House."

ATTACHMENT 2

"FAIR" AMENDMENT

(Included in the Senate Version of the Trade Bill)

AMENDMENT NO.________________ Ex.______ Calendar No.__________

Purpose: To oppose assistance by international financial institutions for the production of commodities or minerals in surplus, and for other purposes.

In the Senate of the United States - 100th Cong., 1st Sess.

S. 1420

To authorize negotiations of reciprocal trade agreements, to strengthen United States trade laws, and for other purposes.

Intended to be offered by Mr. Nickles (for himself and Mr. Symms, Mr. Grassley,

Viz:

1 At the appropriate place, insert the following new

2 sections:

3 SECTION __. SHORT TITLE.

4 This Act may be cited as the "Foreign Agricultural In-

5 vestment Reform (FAIR) Act".

1 SEC. __. LIMITATIONS ON INTERNATIONAL FINANCIAL
2 ASSISTANCE.

3 (a) The Secretary of the Treasury (hereafter in this Act
4 referred to as the "Secretary") shall instruct the United
5 States Executive Directors of the International Bank for Re-
6 construction and Development, the International Develop-
7 ment Association, the International Finance Corporation, the
8 Inter-American Development Bank and the Fund for Special
9 Operations, the International Monetary Fund, the Asian De-
10 velopment Bank, the Asian Development Fund, the Inter-
11 American Investment Corporation, the African Development
12 Bank, and the African Development Fund to use the voice
13 and vote of the United States to oppose any assistance by
14 these institutions, using funds appropriated or otherwise
15 made available pursuant to any provision of law, for the pro-
16 duction or extraction of any commodity or mineral, unless the
17 Secretary—

18 (1) determines, in consultation with the Secretar-
19 ies of Agriculture, Energy and Interior as appropriate, that
20 such commodity or mineral, as the case may be, is not
21 in surplus on world markets;

22 (2) certifies that assistance from sources other
23 than those institutions listed in this section accompa-
24 nies the proposed assistance by such institutions, and is
25 provided in an amount sufficient to demonstrate the

1 economic viability of such production or extraction of
2 the commodity or mineral:
3 (3) determines, in consultation with the Secretar-
4 ies of Agriculture, Energy and Interior as appropriate, that the
5 production, marketing, or export of commodities or
6 minerals due in part or in whole to such assistance is
7 not subsidized as described within the Agreement on
8 Interpretation and Application of Articles V, XVI, and
9 XXIII of the General Agreement on Tariffs and Trade
10 and the annex relating thereto, done at Geneva on
11 April 12, 1979; and
12 (4) submits to the Congress a report detailing the
13 justification for his determinations.
14 (b) If any international financial institution described in
15 this section approves financial assistance for the production
16 or extraction of any commodity or mineral which would re-
17 quire the opposition of the United States Executive Director
18 to that institution pursuant to this Act, the Secretary or his
19 designees acting as the governor to that institution shall not
20 agree to—
21 (1) any increase in the capital share of that
22 institution;
23 (2) any replenishment of funding for that institu-
24 tion; or

1 (3) the letting of any instrument or note of credit
2 by that institution either in the United States or de-
3 nominated in the currency of the United States.
4 until he obtains a written commitment from the management
5 of the institution that no future assistance will be proposed
6 which would require the opposition of the United States Ex-
7 ecutive Director to that institution pursuant to this Act.

8 **SEC._. REDUCTION OF UNITED STATES CONTRIBUTIONS.**

9 (a) The amount of payments which the United States
10 may make to the paid-in capital of an international financial
11 institution described in section 2 during any capital expansion
12 or replenishment of such institution may not exceed the
13 amount of funds which the United States agreed to pay for
14 paid-in capital under such expansion or replenishment minus
15 an amount which bears the same proportion to the aggregate
16 amount of assistance described in subsection (b) furnished by
17 such institution as the United States share of the expansion
18 or replenishment bears to the total amount of the expansion
19 or replenishment.

20 (b)(1) The aggregate amount of assistance referred to in
21 subsection (a) is the amount of assistance furnished by an
22 international financial institution which, pursuant to this Act,
23 would have been opposed by the United States Executive
24 Director to that institution during the period described in
25 paragraph (2).

1 (2) The period referred to in paragraph (1) is the same
2 number of years as the capital expansion or replenishment
3 period, which immediately preceded the first year of the ex-
4 pansion or replenishment period.

5 (c) Any funds withheld from payment to an international
6 financial institution pursuant to this section shall be used to
7 reduce the public debt in the manner specified in section
8 3113 of title 31, United States Code.

9 **SEC._. NOTIFICATION.**

10 The secretary shall notify the institutions described in
11 section 2 of the provisions of this Act upon its date of enact-
12 ment.

13 **SEC._. USE OF COMMODITIES IN LIEU OF CASH.**

14 (a) Chapter 4 of part II of the Foreign Assistance Act of
15 1961 is amended by adding at the end thereof the following
16 new section:

17 "SEC. 535. SUPPORT FOR COMMODITY IMPORT PRO-
18 GRAMS.—(a) The President shall provide assistance under
19 this chapter to a country for commodity import programs
20 whenever he determines that the needs of such country and
21 of the United States would be better met through such pro-
22 grams rather than through cash transfers. The President
23 shall evaluate each country proposed to receive assistance
24 under this chapter with respect to the needs described in the
25 preceding sentence.

1 "(b)(2) Wherever practicable, each country receiving a
2 cash transfer under this chapter shall use such transfer to pay
3 for goods produced or grown in the United States, including
4 agricultural commodities, and for services performed by a na-
5 tional of the United States.

6 "(c) The Comptroller General of the United States shall
7 monitor and audit, to the extent practicable, the expenditures
8 of cash transferred under this chapter in each country receiv-
9 ing such cash.

10 "(d) For purposes of this section, the term 'national of
11 the United States' means (1) a natural person who is a citizen
12 of the United States or who owes permanent allegiance to
13 the United States, and (2) a corporation or other legal entity
14 which is organized under the laws of the United States, any
15 State or territory thereof, or the District of Columbia, if nat-
16 ural persons who are nationals of the United States own,
17 directly or indirectly, more than 50 percent of the outstand-
18 ing capital stock or other beneficial interest in such legal
19 entity. Such term does not include aliens.".

20 (b) The amendment made by subsection (a) shall take
21 effect on October 1, 1987.

○

ATTACHMENT 3

"BEREUTER" Amendment
(Included in the House Committee Mark-up of the MDB Authorization Bill)

17 **SEC. 304. MDB POLICIES RELATING TO AGRICULTURAL AND COMMODITY**

18 **PRODUCTION.**

19 The International Financial Institutions Act (22 U.S.C.

20 262c et seq.) is amended by adding after title XIV (as added

21 by section 303 of this Act) the following new title:

22 ``**TITLE XV--MULTILATERAL DEVELOPMENT BANK POLICIES RELATING**

23 **TO AGRICULTURAL AND COMMODITY PRODUCTION**

24 ``**SEC. 1501. FINDINGS.**

25 ``The Congress hereby finds the following:

1 ``(1) The financing of certain programs and projects
2 by multilateral development banks has been of great
3 concern insofar as the programs and projects have been
4 detrimental to the interests of American farmers and the
5 agribusiness sector.

6 ``(2) An increase in rural income in developing
7 countries will generally result in an increase in exports
8 of United States agricultural and food products.

9 **``SEC. 1502. SUPPORT FOR INCREASES IN RURAL INCOME AND**
10 **DIVERSIFICATION.**

11 ``The Secretary of the Treasury, after consultations with
12 the Secretary of Agricultural and the Secretary of the
13 Interior (to the extent appropriate) on markets and prices
14 for commodities, shall periodically instruct the United
15 States Executive Director of each multilateral development
16 bank to work with other executive directors of the respective
17 bank to continue to--

18 ``(1) support activities which result in broad
19 increases in income and employment and enhance purchasing
20 power in developing countries, particularly among the
21 rural poor; and

22 ``(2) encourage diversification away from single crop
23 or product economies in developing countries to help
24 reduce wide fluctuations in commodity prices and the
25 adverse impact of abrupt changes in the terms of trade.

1 ``SEC. 1503. OPPOSITION TO LENDING IN SUPPORT OF SUBSIDIZED
2 PRODUCTION OR PRODUCTION OF SURPLUS
3 COMMODITIES.

4 ``(a) IN GENERAL.--The Secretary of the Treasury shall
5 take all appropriate steps to discourage multilateral
6 development banks from financing projects which will result
7 in the production of commodities, products, or minerals for
8 export that will be in surplus in world markets at the time
9 such production begins.

10 ``(b) DIRECTIONS TO UNITED STATES EXECUTIVE DIRECTORS OF
11 THE MDBS.--The Secretary of the Treasury shall instruct the
12 United States Executive Directors of the multilateral
13 development banks to use the voice and vote of the United
14 States in the respective banks--

15 ``(1) to oppose financing by the respective bank of
16 projects which produce, or will produce, commodities,
17 products, or minerals for export if--

18 ``(A) the commodity, product, or mineral is
19 subsidized in a manner which is inconsistent with
20 Article XVI.3 of the General Agreement on Tariffs and
21 Trade or Article 10 of the Agreement on
22 Interpretation and Application of Articles VI, XVI,
23 XXIII of the General Agreement on Tariffs and Trade;
24 and

25 ``(B) support from financial sources other than

1 multilateral development banks does not accompany
2 such financing; and
3 ``(2) to oppose financing by the respective bank for
4 production of a commodity, product, or mineral for export
5 which--
6 ``(A) is likely to be in surplus on world markets
7 at the time such production begins; and
8 ``(B) when exported, is likely to cause injury to
9 United States producers within the meaning of Article
10 6 of the Agreement on Interpretation and Application
11 of Articles VI, XVI, XXIII of the General Agreement
12 on Tariffs and Trade.''.

CURRENT LAW
(Section 522 of the 1987 C.R.)

SEC. 522. The Secretary of the Treasury shall instruct the United States executive directors of the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the Inter-American Development Bank, the International Monetary Fund, the Asian Development Bank, the Inter-American Investment Corporation, the African Development Bank, and the African Development Fund to use the voice and vote of the United States to oppose any assistance by these institutions, using funds appropriated or made available pursuant to this Act, for the production of any commodity for export, if it is in surplus on world markets and if the assistance will cause substantial injury to United States producers of the same, similar, or competing commodity.

July 24 MEETING

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 27, 1987

TO: Files

FROM: Marianne Haug

EXT: 73585

SUBJECT: Minutes of Policy Committee Meeting Friday, July 24, 1987

1. It was agreed that all outstanding budget appeals should be settled forthwith and budget distribution completed by July 31, 1987. Decisions made by the Steering/Implementation Committees would not be reversed.

2. All reorganization redundancies should be translated immediately into abolition of regular positions and the incumbents so advised. To the extent that continued services are needed from incumbents of abolished positions during a transitional period, special contractual arrangements should be made if the staff concerned have elected to separate. Should, on the other hand, incumbents of abolished positions needed for transitional purposes agree to stay on the payroll, they should be placed on "T" positions, until the time of their separation (or redeployment). Their situation should be regularized as soon as practicable and normally within the fiscal year.

3. Other transitional problems, such as contracting out cases where the 'target' is still not certain or temporary staffing requirements to set up systems and procedures prior to functional shifts, should also be accommodated under special contractual arrangements or transitional "T" slots. All "T" slots should be validated by Personnel and PBD with specific expiry dates.

4. Given the uncertainties of financial and operating programs and the transitional needs referred to above, the FY88 central reorganization/contingency accounts should be conserved for mid-term redeployment to the extend practicable. Accordingly, Round 2 (and the associated staff separation program) should be managed to achieve the structural and skill mix requirements of the new Bank at minimum budgetary cost. This should allow coverage of salaries paid to separated staff (until signature of their separation agreements) under the special reorganization budget instead of the FY88 Central Reorganization Implementation/Contingency accounts. This disposition is justified by the fact that the salaries of staff in process of separation is an integral cost of the reorganization. The Board would be informed of this arrangement in the context of regular reorganization reporting.

5. Subject to the minimum requirements of the separation program, this arrangement should enhance the central contingency account by about $7.8 million which would be available to meet a variety of contingent discretionary costs including potential shortfalls in regular salary budgets arising out of transitional "T" positions.

6. The proposal of PBD to impose nominal salary ceilings to SVP/VP Unit budgets was not approved. However, it was agreed that Administration and PBD would monitor position numbers, grades and fill ratios to help ensure that human resources management is in line with the objectives of the reorganization, that no significant grade inflation takes place and vacancy management remains well within budgetary ceilings.

7. Finally, it was agreed that charge-back pricing should not be reduced. Instead, progress should be made towards full cost recovery of benefits and overhead costs after removal of strategic institutional services from the base and after taking account of expected efficiency improvements. FY88 budget distribution between ITF and users would be set accordingly. It was also pointed out that "free" provision of services should not be encouraged since this would undermine users' perception of the true cost and value of new services.

POLICY COMMITTEE MEETING

FRIDAY, JULY 24, 1987

2:30 p.m.

AGENDA

1. Grading, Position & Budget Issues
   Preliminary Discussion
   Memo from Mr. Robert Picciotto dated July 22, 1987
   Budget Distribution (FY88)

7/28 8:30 bfg

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Date: July 22, 1987

To: Policy Committee

From: Robert Picciotto, Director, PBD

Subject: Budget Distribution (FY88)

1. A draft budget distribution memorandum has been circulated to SVP/VP Units for comments. A summary of the allocations proposed is attached (Annex 1). Unit specific issues will be dealt with separately. This memorandum presents generic issues which must be settled before budget distribution can be completed: (a) disposition of appeals (para 2); (b) position control (para 4); (c) salary accounting (para 5); (d) salary budgeting (para 9); (e) inter-unit support (para 10); (f) contingency management (paras 11-12).

Appeals

2. First and foremost, PBD requests Policy Committee guidance regarding the disposition of appeals rooted in questions about particular design features, efficiency assumptions or downsizing objectives embodied in the reorganization: many of these involve issues already settled by the Steering/Implementation Committees and, in the aggregate, imply incremental funding in excess of the FY88 Budget envelopes submitted to the Board and approved on July 7, 1987. Especially difficult to handle are proposals for incremental funding for transitional arrangements designed to achieve the very economies or redundancies expected to occur during FY88 by the framers of the reorganization. PBD will review with care each and every query pertaining to factual differences, possible inconsistencies or potential errors in budget estimation procedures. But given the decision not to consider a budget supplement and the limited institutional contingency available (para 10), claims for incremental funding can only be considered if corresponding savings can be identified inside or outside the Unit concerned.

Position Control

3. The FY88 Budget, like previous Bank budgets, is driven by the number of HL positions. The architects of the reorganization used a functional allocation of HL positions as the driving wedge of their methodology. By now, the 7.5% reduction in the number of HL positions postulated in the Budget document (287 out of 3,844 HL positions) is a visible undertaking of Bank management and restraint in position management is widely viewed as the lynchpin of administrative cost containment and the key to the recovery of direct reorganization costs over the 2 year period promised to the Board. Annex 2 shows the evolution of T positions from FY85 to FY87 which suggest that T position control may have been lax. Reorganization related problems could exacerbate the situation unless managers make clear decisions on budget priorities within their units and enforce them.

4. This is the context within which PBD recommends continued global position monitoring and reaffirmation of existing rules governing T-slot creation and maintenance. The standing rules of the FY87 Budget Implementation Manual are reproduced in Annex 3. To be sure, the reorganization has created transitional problems which cannot be resolved overnight. Some planned redundancies will require weeks or even months to achieve, e.g. where contracting out studies are involved, where redeployment areas need to be identified more precisely or where replacement systems must be refined and staff trained prior to the transfer or elimination of a particular function. The draft budget distribution memorandum provides for flexibility in the handling of such cases through joint review of T position proposals by Personnel and PBD. Given the need to report to the Board on reorganization budget matters, progress towards the position reduction targets would be tracked and all temporary positions (T slots) justified in a transparent way. Thus, it is proposed that salary claims beyond September 30 for staff assigned to special reorganization related T slots (contracting out, etc.) would be met out of the Reorganization Contingency Account on the basis of agreed programs aimed at consummating the related redundancies within FY88.

Salary Accounting

5. Questions have been raised about salary accounting during the transition. In order to encourage full use of available manpower, it is recommended that salaries of selected staff be charged to their host unit (defined in terms of validated rosters used for Round 1 selection) until the date of their reassignment, if any. Similarly, salaries of staff unselected under Round 1 would be charged to their host unit until the signature of the separation agreement or the effective date of their reassignment under Round 2 to another unit. For the 320 staff separated as a result of reorganization-mandated structural redundancies, the accounts of SVP/VP units would be credited out of the Central Reorganization Implementation Account with an average salary "add back" computed from July 1 to the actual separation date. Finally, accounting for the salaries of the 100 recycled staff during their training period would involve crediting of ADM's (or the receiving Unit's) accounts out of the Supplementary Budget, depending on whether the individual is formally assigned to ADM or his receiving unit for the duration of his training.

Salary Budgeting

6. Since FY88 salary budgets have been constructed by remapping the old organization into the new structure and on the assumption of zero grade inflation, PBD recommends that each SVP/VP Unit take responsibility for living within its nominal salary budget. Round 1 results in Africa and EMENA suggest an average difference of nearly 1 grade level between selected and unselected HL staff. Of course we have yet to assess the grade structure planned for vacancies so that, at this point, there is no firm evidence of grade creep. While the direct short-run budgetary impact of grade creep may not be great, it is desirable to provide appropriate signals to selecting managers in order to contain grade inflation.

7. A nominal salary budget ceiling also means that vacancy management will be similarly influenced by budgetary factors. As in the past, salary savings will be available to meet unforeseen or compensatory discretionary dollar expenses. The fill ratios estimated on the basis of experience with pre-reorganization Units were systematically remapped into the new Units for budget distribution purposes (see Annex 4). The resulting average fill ratio (96.2%) is ample since due to the recruitment freeze, beginning of year vacancies were relatively high (228 vacancies equivalent to a fill ratio of 93.6%) and since under the "most likely scenario", vacancies are expected to rise by another 70 (footnote 2/, para 10) equivalent to a fill ratio of 91.6%.

8. The proposal to lodge nominal salary ceiling controls at the SVP/VP level should not be construed as a recommendation to introduce dollar budgeting at the Division level. It is PBD's judgment that salary budgeting at this level would be premature and that controls exercised at the SVP/VP level would be more effective to help achieve institutional goals in this transitional year. A position paper to implement dollar budgeting will be submitted to the Policy Committee in October.

9. In sum, given the uncertainties created by the reorganization, Policy Committee endorsement of nominal salary ceilings at the SVP/VP level is sought. Alternatively, central monitoring of grades and vacancies may be considered in the context of Round 2.

Inter-Unit Support

10. The design of effective cross-support arrangements is an important budget distribution task. PPR support to Operations is a crucial element of the FY88 Budget (about 60 staff years) since it could be instrumental in protecting vulnerable areas of the lending program and the economic and sector work program. Of lesser size, but highly visible, is the cross-support from Finance to Operations envisaged for the provision of financial technical assistance to member countries still to be agreed between the departments concerned. Regarding charge back services, the Steering Committee has recommended that pricing be such as to make users aware of the costs associated with the service received and that managers who provide services should prepare business plans as part of the budget cycle describing expected demand, the rationale for prices and other steps to meet user needs while breaking even. The Steering Committee having recommended moving towards full-cost pricing for ITF services, PBD has structured budget distribution on the basis of pricing levels designed to achieve a recovery of about 50 % of the benefits and overhead costs of these services during FY88 compared to zero recovery last year. This assumption of the draft budget distribution memorandum is buttressed by market comparison studies which confirm that ITF is competitive (on a full cost basis) for the bulk of the services it supplies. However, Administration has argued that a partial move to full-cost budgeting is undesirable in a year when the rest of the institution will not be on full-cost budgeting. Administration is also fearful that the funds provided to users' accounts by PBD may be diverted to other purposes (e.g. travel) and that PBD's proposal may lead to "some of the money being spent twice before anyone can do anything about it" and that "the prospect of positive results being achieved is outweighed by the disruption and

resentment that will be caused" by not implementing the price levels which have apparently been discussed by ITF with users. Administration further argues that its proposals are in line with PAC's recommendations 1/ and therefore recommends that $2.9 million be removed from users' computing budgets as part of the FY88 budget distribution process and that computing rates be reduced proportionately to allow users to purchase the same volume of services as in FY87. As part of this proposal ITF would provide "free" data communication engineering and electronic mail services to users. Implementing this proposal according to current plans would result in the recovery through price of only 20% of the benefit and overhead costs of computing chargeback. Subject to Policy Committee endorsement of this approach and PBD/Users' review and approval of specific proposals and business plans being finalized by ITF, adjustments in budget distribution would be effected. For translation services, the (free lance) market for translation services involve lower prices than can be expected in-house. However, quality and confidentiality requirements are to be considered as well as price in the contracting out study scheduled for completion in February 1988. Administration argues, and PBD agrees, that contrary to a PAC recommendation, no change in the pricing structure should be envisaged prior to the completion of the study. Policy Committee approval of this position is sought.

Contingency Management

11. Staff separation timing affects the budgetary resources available for redeployment. The only monies available as institutional contingency are the provisions set aside for reorganization uncertainties including the salaries of separated staff beyond the end of September ($7.8 million) together with the residuals, if any, of the salary provisions for the 320 separated staff between July 1 and September 30. 2/ In the context of ADM's for the coming proposals for Round 2 selection procedures, the Policy Committee should consider ways and means of expediting the processing of agreed separations in order to enhance budget flexibility: the average cost of one month of delay for processing a separation is $10-12,000.

12. The uncertainties affecting the aggregate size of the institutional contingency have been noted. The aggregation of Unit claims largely exceeds even the most optimistic estimates of amounts likely to be available for institutional redeployment. Given the disruptive impact of the reorganization on the operations pipeline and the strategic importance of achieving the FY88 and FY89 lending objectives, a specific option to be considered is the provision for consultants' expenditures of an advance to Country Operations and Sector Divisions able to advance appraisals from the second to the first quarter and to strengthen the Operations pipeline. A provision of say $1 million might be transferred to this end. Assuming 6-8

1/ PAC had, however, earlier endorsed full-cost recovery pricing.

2/ Another 70 staff to be separated under the "most likely scenario" are skills mix cases expected to be solved through outside recruitment.

consultant weeks per mission, this would cover the consultants' costs for about 70-80 appraisal and preappraisal tasks. The Policy Committee is requested to consider this option and to confirm that any other contingency distribution should await the results of a detailed review of work programs to be conducted by PBD this fall.

Cleared with: Mr. Hopper

(RPicciotto/Polcom/dt#7)

FY88 BUDGET DISTRIBUTION

ANNEX I
(revised)

	FIN a/	PPR	OPR	ADM	OED	LEG b/	SPECIAL c/ PROGRAMS	OTH d/	SUB-TOTAL	ADM e/ ACCTS.	PBD ACCTS.	TOTAL
1. Authorized Positions	558	771 c/	3023 c/	998	60	131	60	245	5846	278	20	6144
OF WHICH:												
Regular: H/L	332	530	1991	540	39	82	0	31	3545	0	12	3557
Regular: S/L	198	231	922	450	21	49	0	38	1909	150	8	2067
Special: H/L	20	6	87	5	0	0	52	111	281	82	0	363
Special: S/L	8	4	23	3	0	0	8	65	111	46	0	157
Higher Level (Incl. Reg. & Spec. Pos.)												
2. Fill Ratio	0.985	0.970	0.971	0.959	0.963	0.960	0.712	0.935	0.965	0.956	0.970	0.965
3. Staffyears	346.88	519.71	2018.41	522.82	37.56	78.74	37.02	132.83	3693.97	78.39	11.64	3784.00
4. Average Salaries	46.75	55.61	60.60	47.12	68.61	59.92	62.64	60.25	56.76	21.33	48.97	56.01
5. Total Salaries	20871	34177	142884	34255	3096	5857	2507	10243	253890	5895	745	260530
of which H/L	16216	28901	122316	24633	2577	4718	2319	8003	209683	1672	570	211925
6. Total Benefits	14442	23589	98617	20960	2137	3998	1438	6275	171456	4614	461	176531
7. Salaries & Benefits	35313	57766	241501	55215	5233	9855	3945	16518	425346	10509	1206	437061
8. Ratio of Consultant Fees to Higher Level Staff Salaries	0.14	0.39	0.26	0.23	0.28	0.03	0.35	0.08	0.26	0.09		0.25
9. Temporary & Overtime	1209	2211	9399	3573	96	242	659	809	18198	-2680		15518
10. Operational Travel	1484	11002	48905	2703	581	990	571	3308	69544	17		69561
11. Consultant Fees	2257	11236	32158	5663	728	158	813	605	53618	145		53763
12. Contractual Services	4011	3450	3311	7179	92	516	48057	920	67536	146		67682
13. Other Discre. & Direct Costs f/	7517	6086	32584	-5716	295	242	1386	3709	46103	7		46110
14. Reorganization Implementation											7220	7220
15. Reorganization Contingency											7830	7830
16. Compensation Reserves g/											2485	2485
17. Overhead	6028	9873	41274	6785	894	1633	340	2960	69787	1931		71718
18. Total Budget	57819	101624	409132	75402	7919	13636	55771	28829	750132	10075	18741	778948
19. Reimbursements												-32935
20. Net Budget												746013

a/ Includes Pension Fund Investment Unit
b/ Includes ICSID and MIGA
c/ Includes CGIAR, McNamara Fellowship, SPAAR (administered by PPR—14 HL & 7 SL), Riverblindness, Special Technical Assistance (administered by Operations —38 HL & 1 SL).
d/ Includes Boards, Executive Offices, Secretary's, Administrative Tribunal, and Ombudsman
e/ Includes Programs Administered by VPP and TAP
f/ Includes Representation/Hospitality, Internal Computing, Language Services and Directly Charged costs (i.e. local staff costs, office occupancy, depreciation, etc.)
g/ Includes compensation adjustment effective May 1, 1988 and compensation survey ($190,000)

July 22, 1987
/LL/LCA/AT
(FY88dis4)

FY88 BUDGET DISTRIBUTION
(Percentage)

ANNEX Ia

		FIN a/	PPR	OPR	ADM	OED	LEG b/	SPC PROG.	OTH c/	SUB-TOTAL	ADM d/ ACCTS.	PBD ACCTS.	TOTAL
1.	Authorized Positions	9.1%	12.5%	49.2%	16.2%	1.0%	2.1%	1.0%	4.0%	95.1%	4.5%	0.3%	100.0%
	OF WHICH:												
	Regular: H/L	9.3%	14.9%	56.0%	15.2%	1.1%	2.3%	0.0%	0.9%	99.7%	0.0%	0.3%	100.0%
	S/L	9.6%	11.2%	44.6%	21.8%	1.0%	2.4%	0.0%	1.8%	92.4%	7.3%	0.4%	100.0%
	Special: H/L	5.5%	1.7%	24.0%	1.4%	0.0%	0.0%	14.3%	30.6%	77.4%	22.6%	0.0%	100.0%
	S/L	5.1%	2.5%	14.6%	1.9%	0.0%	0.0%	5.1%	41.4%	70.7%	29.3%	0.0%	100.0%
	Higher Level (Incl. Reg. & Spec. Pos.)												
2.	Fill Ratio												
3.	Staffyears	9.2%	13.7%	53.3%	13.8%	1.0%	2.1%	1.0%	3.5%	97.6%	2.1%	0.3%	100.0%
4.	Average Salaries												
5.	Total Salaries	8.0%	13.1%	54.8%	13.1%	1.2%	2.2%	1.0%	3.9%	97.5%	2.3%	0.3%	100.0%
	of which H/L	7.7%	13.6%	57.7%	11.6%	1.2%	2.2%	1.1%	3.6%	98.9%	0.8%	0.3%	100.0%
6.	Total Benefits	8.2%	13.4%	55.9%	11.9%	1.2%	2.3%	0.8%	3.6%	97.1%	2.6%	0.3%	100.0%
7.	Salaries & Benefits	8.1%	13.2%	55.3%	12.6%	1.2%	2.3%	0.9%	3.8%	97.3%	2.4%	0.3%	100.0%
8.	Ratio of Consultant Fees to Higher Level Staff Salaries												
9.	Temporary & Overtime	7.8%	14.2%	60.6%	23.0%	0.6%	1.6%	4.2%	5.2%	117.3%	-17.3%	0.0%	100.0%
10.	Operational Travel	2.1%	15.8%	70.3%	3.9%	0.8%	1.4%	0.8%	4.8%	100.0%	0.0%	0.0%	100.0%
11.	Consultant Fees	4.2%	20.9%	59.8%	10.5%	1.4%	0.3%	1.5%	1.1%	99.7%	0.3%	0.0%	100.0%
12.	Contractual Services	5.9%	5.1%	4.9%	10.6%	0.1%	0.6%	71.0%	1.4%	99.6%	0.2%	0.0%	100.0%
13.	Other Discre. & Direct Costs e/	16.3%	13.2%	70.7%	-12.4%	0.6%	0.5%	3.0%	8.0%	100.0%	0.0%	0.0%	100.0%
14.	Reorganization Implementation												
15.	Reorganization Contingency												
16.	Compensation Reserves f/												
17.	Overhead	8.4%	13.8%	57.6%	9.5%	1.2%	2.3%	0.5%	4.1%	97.3%	2.7%	0.0%	100.0%
18.	Total Budget	7.4%	13.0%	52.5%	9.7%	1.0%	1.6%	7.2%	3.7%	96.3%	1.3%	2.4%	100.0%
19.	Reimbursements												
20.	Net Budget												

a/ Includes Pension Fund Investment Unit
b/ Includes ICSID and MIGA
c/ Includes Boards, Executive Offices, Secretary's, Administrative Tribunal, and Ombudsman
d/ Includes Programs Administered by VPP and TAP
e/ Includes Representation/Hospitality, Internal Computing, Language Services and Directly Charged costs (i.e. local staff costs, office occupancy, depreciation, etc.)
f/ Includes compensation adjustment effective May 1, 1988 and compensation survey ($190,000)

July 22, 1987
EL-LCA-HT

Annex 2

IBRD/IDA: ANALYSIS OF STAFFING
AUTHORIZED POSITIONS VS VACANCIES AND "T" POSITIONS
REGULAR HIGHER LEVEL
FY85 - FY87

UNIT	END OF FY87						END OF FY86 a/						END OF FY85 a/					
	REV. BUD.	STAFF ON DTY	VACANCIES POS	VACANCIES %	"T" POSITIONS POS	"T" POSITIONS %	REV. BUD.	STAFF ON DTY	VACANCIES POS	VACANCIES %	"T" POSITIONS POS	"T" POSITIONS %	REV. BUD.	STAFF ON DTY	VACANCIES POS	VACANCIES %	"T" POSITIONS POS	"T" POSITIONS %
OPERATIONS	2419	2285	134	5.5	89	3.7	2378	2281	97	4.1	95	4.0	2366	2230	136	5.8	78	3.3
FINCOM	391	362	29	7.4	2	0.5	375	355	20	5.3	10	2.7	363	348	15	4.1	10	2.8
PA	591	559	32	5.4	19	3.2	591	570	21	3.6	18	3.0	612	572	40	6.6	10	1.6
ERS	191	173	18	9.4	2	1.0	190	190	0	0.0	12	6.3	190	172	18	9.5	6	3.2
EXT REL	98	94	4	4.1	1	1.0	98	98	0	0.0	6	6.1	97	95	2	2.1	3	3.1
OES	39	38	1	2.6	1	2.6	39	37	2	5.1	0	0.0	39	34	5	12.8	0	0.0
LEGAL	82	79	3	3.7	0	0.0	81	80	1	1.2	0	0.0	80	76	4	5.0	0	0.0
EXEC	2	2	0	0.0	0	0.0	2	2	0	0.0	0	0.0	2	2	0	0.0	0	0.0
SEC	25	21	4	16.0	0	0.0	25	22	3	12.0	0	0.0	24	22	2	8.3	0	0.0
WBT	2	2	0	0.0	0	0.0	2	2	0	0.0	0	0.0	2	2	0	0.0	0	0.0
OMB	1	1	0	0.0	0	0.0	1	1	0	0.0	0	0.0	1	0	1	100.0	0	0.0
CONTINGENCY	3	0	3	100.0	0	0.0	0	0	0	0.0	0	0.0	0	0	0	0.0	0	0.0
TOTAL IBRD	3844	3616	228	5.9	114	3.0	3782	3638	144	3.8	141	3.7	3776	3552	223	5.9	107	2.8

a/ FY85 and FY86 include old Assistant Level component.
b/ Staff on Board includes "T" positions.

PBD/PR
July 21, 1987
LCA/POSITIONS#11/VAC8587

Temporary ("T") Positions 1/

1. Temporary positions may be established to cover temporary needs -- requirements not expected to exceed six months -- of a department for additional authorized positions, as in cases of reassignment, overlap and replacement of an incumbent. Each MCU is responsible for authorizing the establishment of "T" positions within its units up to a limit of 3% of total authorized positions, provided units can fund the total dollar cost (including benefits, overhead, associated support staff costs, and travel funds, where applicable) of the proposed position from the established budget.

2. Authorization of "T" positions above the 3% limit requires both PBD and PMD approval. The budget unit of the concerned MCU must submit a request to the Budget Policy and Review Division of PBD explaining: (i) reason for exceeding the 3% limit; (ii) expected duration; (iii) source of funding; and (iv) assumption of the responsibility to place the staff member occupying the "T" position by the expiration date. Attachment III provides a sample format for requesting "T" positions which exceed the 3% limit. Each MCU may establish internal rules and procedures with regard to exceeding this 3% limit.

1/ Extract from FY87 Budget Implementation Guide.

ER:eh
(ER#6/tpositns)

Annex 4

FY88 Budget Distribution

Salary Budget Estimation

1. Normally, in previous years, the salary budgets have been re-computed at the start of the fiscal year in order to reflect actual salaries of staff on board on July 1, the number of vacancies on July 1, and a complete year's turnover experience, promotion experience, and average salary for new recruits. Then the salary budgets have been "distributed" in early fall with the proviso that, as long as the unit does not exceed its staffyear budget, fluctuations in the salary cost of those staffyears due to policy changes or unanticipated factors would be covered institutionally. Thus, the objective of the salary budget has been to provide adequate funds for the programmed staffyears.

2. This year, the objective of the salary budgets is to ensure that the reorganization does not increase average salaries (i.e. average grades) from pre-reorganization levels. Therefore, an up-front nominal salary budget policy is proposed. At the SVP/VP level based on salary budget ceilings for units estimated as follows:

(a) With the goal of deriving salary requirements as close as possible to July 1, yet early enough to exclude the possible grade or salary effects due to reorganization, the salary budgets for the "old" units were estimated as of May 1, 1987, to reflect the latest salary structural and merit adjustments, as well as pre-reorganization actual averages, vacancy rates, and "dilution rate": the reduction in average salaries experienced over the past 12-month period due to replacement of departing senior staff with lower-salaried newcomers.

(b) Then positions (Higher-level and Support-level separately) were mapped into their new units, following the Steering Committee recommendations, carrying their pre-organization average salaries. Position redundancies were removed from the new budget base at the average salaries of their "source" units.

(c) The resulting weighted-average salaries of the new units were reviewed against pre-reorganization averages to ensure "reasonableness", i.e., that the FY88 salary budgets would allow the ongoing staffing process to proceed without unrealistic constraints on staff moves.

3. Implicit in the resulting FY88 salary budgets are assumptions that some units have initially questioned. In particular:

(a) The FY88 budget assumes a "fill ratio" (.97) equal to what was budgeted in FY87. Some Units argue that the "fill ratio" in FY88 should be higher than in FY87 to reflect transitional "overstaffing" due to the extended staff re-assignment process; and

(b) The FY88 budget assumes a "dilution factor" equal to the FY87 budget. Some would argue that dilution in FY88 will be less than in FY87 because current Bank staff - not lower-salaried newcomers - would be filling many vacancies.

4. Neither of the above complaints seems to have a solid basis when considered in the <u>total Bank</u> context:

(a) The <u>fill-ratio</u>, which is primarily a function of the average vacancy rate and the average time needed to fill a vacancy, should if anything decrease, not increase: more vacancies will materialize with the reorganization than without, since more staff will be separated than the number of redundant positions; and, with the freeze on external recruitment, only a handful of existing vacancies would be filled. Besides the <u>actual</u> fill ratio in FY87 was .94 not .97.

(b) Regarding the <u>dilution</u> factor, it is still far from clear how many high-salaried staff will separate under the special packages, which would tend to increase dilution; or whether staff turnover <u>after</u> the reorganization process will not continue as normal. Thus, there is no firm basis to dispute the chosen dilution factor.

ER:eh/eej
(ER#6/tnote)

July 20 MEETING

FORM NO. 89
(2-83)

THE WORLD BANK

ROUTING SLIP

Date: July 17, 1987

OFFICE OF THE PRESIDENT

Name	Room No.
Members, Policy Committee	

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

Attached is the Agenda for the Policy Committee Meeting on Monday, July 20, at 9:30 a.m. Please note that papers for this meeting have already been distributed.

Marianne Haug

From

OFFICE MEMORANDUM

DATE: July 20, 1987

TO: Members, Policy Committee

FROM: Ernest Stern

SUBJECT: Terms of Reference--Management Review Group (MRG)

Based on our discussion during the Policy Committee meeting this morning, it was agreed that the SVPADM/VPPER will finalize the terms of reference after consultation with the VP Legal and taking into account the following points:

(a) The SVPAD will chair the MRG.

(b) All Senior Vice Presidents will be members and the VPP will attend as Secretary to the Committee.

(c) Appointments and promotions within the Legal Department will not be dealt with by the MRG. The Secretary's Department and OED VP/Director will have access as needed.

(d Delete Page 2, para. 3, sentence "Candidates at the VP level...", and Page 5, last paragraph; modify Page 3, para. 3.

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 21, 1987

TO: Files

FROM: Marianne Haug

SUBJECT: Minutes of the Policy Committee Meeting
Monday, July 20, 1987

Attending:

Members

Messrs. Stern (Chairing), Hopper, Ryrie, Shihata,
Thahane, Wapenhans

Acting

Mr. Thalwitz

Others

Messrs. Cosgrove & Senner

1. Management Review Group

Mr. Thalwitz reported on the major issues Mr. Qureshi had with the terms of reference for the Management Review Group. These were, in particular:

(a) the rotating Chairmanship;

(b) the membership, in particular representation by the Vice Presidents;

(c) the involvement of the Committee in both the policy guidelines and the individual decisions for Division Chiefs.

Mr. Qureshi wished to set up a strong personnel function in his front office in order to ensure the appropriate development of the people within his Complex. Mr. Hopper felt that it was very important to have a Sub-Committee established which would review, maybe every quarter, the Division Chiefs as most of the Senior Vice Presidents may not know any longer the Divison Chiefs involved. The proposal was, however, not seconded by the other Policy Committee Members. Mr. Thahane stressed the need to have a Panel and lists of promotable people across Complexes instead of relying only on an OMRG type of system. Mr. Shihata was wondering to what extent the Legal Department

is really involved in this process and it was agreed that neither appointment nor the selection of Legal personnel would be subject to MRG. However, appointments to Secretary's Department or OED would be able to rely on the lists established as part of the MRG process.

A discussion ensued at length whether the review process would include only Level 28 Senior Manager positions or also Level 27/28 Advisor positions. It was agreed that the President would receive from Personnel, as in the past, a post-mortem of salary increases and adjustments with special attention to increases for Advisors.

2. Reorganization Update

Mr. Wapenhans distributed the attached item showing that a total of 712 people will seek positions in Round 2. 76 people have opted for Package B and 190 people, Package A.

The question of re-entry guarantee was raised. It was decided that all Complexes would be treated equally, i.e. people in the Field can either be given a specific re-entry guarantee by their complexes or they are going to be told that every effort will be made upon their return to place them at their existing Level. If such re-entry guarantee is not sufficient to the staff members they will have a chance to be considered in Round 2 and subsequently, if necessary, to take Package B.

ROUND 2

PRELIMINARY ESTIMATES OF STAFF AVAILABLE FOR ROUND 2 SELECTIONS AND OF NUMBER OF VACANICES AVAILABLE IN ROUND 2 1/

Senior Vice Presidency	Higher Level		Support Level	
	People	Positions	People	Positions
Operations	247	195	146	77
PPR	65	90	65	40
Finance	30	18	20	20
Administration	94	64	45	45
TAP	--	--	--	150
TOTAL	436	367	276	332

1/ Based on summary analysis prepared by Senior Personnel Officers, July 17/87. Currently being analyzed by VPPER staff.

Package B 76
Package A 190

1) move it
2) reentry guarantee
3) Reentry Guarantee

1) [illegible] every all night

POLICY COMMITTEE MEETING

MONDAY, JULY 20, 1987

9:30 a.m.

AGENDA

* 1. Terms of Reference--Management Review Group (MRG)

* 2. Reorganization Update

---

* Papers already distributed

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 10, 1987

TO: Members, Policy Committee

FROM: W. A. Wapenhans

SUBJECT: Proposed Operation of New Management Review Group (MRG)

1. One of the recommendations of the Reorganization Task force was to streamline the operation of the various management groups used for the review and clearance of candidates for managerial and other higher level appointments in the Bank. The attached draft terms of reference follow closely the Steering Committee's recommendations for a new MRG, though they are more specific on responsibilities and detailed on process. For ease of reference the Steering Committee's terms of reference are also attached.

2. Among the items in the draft terms of reference which may merit your particular attention are:

(a) the proposal that for division chief selection the MRG focus mainly on the development and review of an overall candidate roster and on forecast openings, but only in limited circumstances on short lists for individual positions;

(b) the proposal that for higher level managers the MRG would have responsibility for candidate lists at Director level and for identificacion of candidates for promotion to VP level appointments; candidate lists at VP level would be the responsibility of the Policy Committee;

(c) the proposed process for external recruitment of managers, which should assure objectivity while maintaining timeliness in selection; and

(d) the membership and the proposal for rotating chairmanship of the Management Review Group.

3. We will shortly be developing an agenda for the MRG. Identification of suitable candidates and external recruitment against remaining management positions are clearly of high priority. Processes and criteria for review of candidacies for

advanced professional growth promotions or senior advisory positions are also urgently needed. The review of the management succession plan should be completed in time to feed into the annual review of the Human Resources Strategy.

4. I suggest that the terms of reference be reviewed and discused at an early meeting of the Policy Committee. Meanwhile I would appreciate receiving nominations for membership of the MRG other than SVPs not later than July 24.

Attachments

DRAFT

TERMS OF REFERENCE

FOR

THE MANAGEMENT REVIEW GROUP (MRG)

MEMBERSHIP

Chair: - SVP (rotating)

Members: - Senior Vice Presidents

- A Vice President Level Representative from each complex, except ADM

- The Vice President and General Counsel

- The Vice President, Personnel (ex-officio)

The VP level representative would be nominated by the SVP concerned and would be subject to periodic rotation.

SECRETARIAT

Vice President, Personnel, who will make arrangements for the agenda, documentation and Personnel staff attendance as needed. The VPP will also be responsible for the recording and safekeeping of decisions made and for such measures as are necessary to protect the confidentiality of the proceedings.

RESPONSIBILITIES

The MRG would be the unique Bank-wide body chartered to establish and monitor the processes for the development, selection and, as needed, recruitment of staff for all positions at the level of Division Chief and

above throughout the Bank. Its responsibilities would include the following:

Normal Managerial Selection Processes

** It would approve and periodically evaluate broad selection criteria for all managerial and structural positions at grade 26 and above and guidelines for identification of management potential. At regular intervals and timed to provide input to the annual review of management succession plans it would initiate preparaion work for such a review, discuss its findings and report its conclusions to the Policy Committee.

** For managerial selections at the level of Director and above, the MRG would periodically review and approve candidate lists for Director appointments and identify candidates for promotion to VP level appointments. Candidates at the VP level will be reviewed by the Policy Committee and approved by the President.

- For Director-level appointments, the MRG would review and approve the candidate lists for each position. Selection would be the responsibility of the SVP or VP concerned, subject to confirmation of the choice by the President.

- The MRG would periodically review projected forecasts of planned openings or reassignments.

- MRG would also review career development issues and succession continuity issues arising specifically at this level.

** <u>For Division Chief positions</u>, the MRG would periodically review and approve the roster of suitable candidates and short and medium term forecasts of position openings at this level.

- The Division Chief candidate roster would be developed and updated in VPP based on specific and detailed evaluations and recommendations arising from the Performance Planning and Review process, and consultations with respective managers and Senior Personnel Officers. It would be organized to reflect the candidates' professional and managerial skills, his/her availability for new assignment, and such other factors (e.g., nationality, gender, etc.) which selecting managers may need to consider in reaching broad institutional objectives in their units.

- The Division Chief candidate roster would be generic, i.e., a "long list" against which respective SVP Units and selecting managers make their choices. The roster (or updates to it) would be subject to MRG review and discussion on a semi-annual basis.

- The MRG will <u>not</u> review short lists for each position (a responsibility of the VP concerned, the selecting manager, the Management Succession Specialist in VPP, and the Senior Personnel Officer), but would meet only if the need for an exception dictates (e.g., inability to make selection from the approved long list and, hence, need to consider a person not on the list or to recruit outside; the process for external recruitment is discused separately below). The MRG would periodically, at the same time it reviews updates of the roster, review Division Chief selections made over the previous period. (A further mechanism for monitoring whether managerial selections made in a particular Vice Presidency over time were in line with institutional objectives would be in the annual development and review of Human Resource Development Plans of each Vice Presidency. These Plans, covering all key human resource development matters and plans in the Vice Presidency, would be subject to agreement with VPP.)

- The MRG would also be provided with periodic (probably quarterly) updates of expected openings at the Division Chief level over the short and medium term, and of issues (e.g., candidate availability) which may be emerging or predicted. These "forecasts" could be organized to highlight expected "sure" openings (e.g., related to retirements) but also separately presenting more subjective estimates relating to openings which might occur in line with explicit career plans or be desirable as a result of time-in-position considerations.

- The MRG would also review and decide upon processes and guidelines which would be developed in VPP to improve the planning of middle management careers and development.

External Recruitment of Managers

** Whenever a managerial vacancy at or above the Division Chief level is deemed by the SVP unit concerned to require external recruitment, the MRG would review the job description, detailed selection criteria, recruitment process, and final short list, all proposed by the selecting SVP unit.

- The selecting unit would, through the respective SVP, submit to the MRG a detailed job description, with selection criteria and a recruitment process (developed in consultation with VPP).

- Upon MRG approval of the above, the selecting senior manager, in collaboration with VPP, would undertake initial candidate screening (and preliminary interviewing) and would prepare a short list of candidates with supporting information, all for confirmation by the MRG.

- From the approved short list, final approval of the selection would, in the case of Division Chief appointments, be the responsibility of the VP or SVP concerned. In the case of Director appointments, the President would be consulted as with internal selections, and in any Vice President appointment, the President would take a major role.

Other Responsibilities

** As and when deemed appropriate for purposes of achieving overall management development and succession objectives which may emerge, the MRG would oversee organization and execution of simultaneous reassignments of selected groups of managers at the level of Division Chief or above.

** The MRG would annually undertake a Bank-wide review of the salary adjustments of managers at the level 27 and 28.

** The MRG would approve and periodically evaluate the core curriculum for management training and development.

** MRG would review and approve: criteria for senior advisory positions and for professional growth promotions to the level 26 through 28; and processes for the review of candidates.

** MRG would review periodically analyses provided by VPP on the higher level position structure of the institution.

Decision-Making

** The MRG is expected to operate on a consensus-basis. In case of opposing views the Chairman will seek a final ruling from the Policy Committee.

discussion

President ?

July 15 MEETING

FORM NO. 89
(2–83)

THE WORLD BANK

ROUTING SLIP	Date July 14, 1987

OFFICE OF THE PRESIDENT

Name	Room No.
Members of the Policy Committee	

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

Re: Policy Committee Meeting:
Wednesday, July 15 - 9:30 a.m.

You should be aware of the attached data as background to Item 2 of the Agenda.

Marianne Haug

From

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 15, 1987

TO: Members, Policy Committee

FROM: Ernest Stern, SVPFI

SUBJECT: Policy Committee Meeting of July 15
Positions Lists and Grade Structure

1. During the discussion of the Policy Committee this morning, it was agreed that we must urgently reconcile the approved budget, number of positions authorized, and approved grade structure.

2. It is, therefore, imperative that each Senior Vice Presidency provide to the VPPER by c.o.b. Friday, July 17, a comprehensive list of positions (including managerial and structural advisory positions) for each work unit (down to Division level). More specifically:

(a) the list should include the expected grade level and title of each position; those cases in which the position grading has not yet been confirmed by the relevant grading committee should be indicated;

(b) the detailed list of positions should be accompanied by a summary of the number of positions by grade level by Vice Presidential Unit (or Directorate where the Director reports to an SVP).

I understand that most of this information is largely available. In case your staff has not yet compiled the requested data, you might want to use the attached format.

3. I would suggest that you channel the completed lists through your respective Senior Personnel Officers directly to Mr. Mike Collins, The Head of the HR Audit Unit in the Personnel Complex.

cc: VPs
Directors reporting directly to SVPs

SAMPLE FORMAT

POSITIONS BY GRADE LEVEL, BY UNIT

VPU: ______________________

Department: ______________________

Dept/Div. No: ____/____ Division/Unit Name: ______________________

Position Title Higher Level	Grade Level	Whether Grade Confirmed by Grading Committee (Y/N)
(a) Managerial		
:		
(b) Structured Advisory		
:		
(c) Other Higher Level		

Support Level

SUMMARY GRADE PROFILE FOR UNIT

Higher Level

	Tot	30	29	28	27	26	25	24	23T	23	22	21	20	19	18	U
No. of Pos.:																
of which filled:																
Vacancies:																

Support Level

	Tot	17	16	15	14	13	12	11	U
No. of pos.:									
of which filled:									
Vacancies:									

Record Removal Notice

File Title		**Barcode No.**
President's Council Records - Meeting records 03		1778667
Document Date	**Document Type**	
July 20, 1987	Minutes	

Correspondents / Participants

Subject / Title
Minutes of the Policy Committee Meeting Wednesday, July 15, 1987

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.

Withdrawn by	**Date**
Ann May	March 20, 2018

Archives 01 (March 2017)

POLICY COMMITTEE MEETING

WEDNESDAY, JULY 15, 1987

9:30 a.m.

AGENDA

1. **Pension Fund**
   Memo from Mr. Stern dated July 10, 1987

2. **Update--Reorganization Implementation**

3. **Proposed Operation of New Management Review Group (MRG)**
   Memo from Mr. Wapenhans dated July 10, 1987

4. **Policy on the Location of Staff not selected in Round 1**
   Memo from Mr. Wapenhans dated July 8, 1987

5. **Miscellaneous**

POLICY COMMITTEE MEETING

WEDNESDAY, JULY 15, 1987

9:30 a.m.

AGENDA

1. **Pension Fund**
   Memo from Mr. Stern dated July 10, 1987

2. **Update--Reorganization Implementation**
   — swap Note
   — B. Picciotto

3. **Proposed Operation of New Management Review Group (MRG)**
   Memo from Mr. Wapenhans dated July 10, 1987

4. **Policy on the Location of Staff not selected in Round 1**
   Memo from Mr. Wapenhans dated July 8, 1987

5. **Miscellaneous**

— budget
— swap
— T slot
— grade control
— task force to prepare report
— prepare reports
— follow up, meeting objectives
— evaluation 12 months from now

Record Removal Notice

File Title		Barcode No.
President's Council Records - Meeting records 03		1778667
Document Date	**Document Type**	
July 10, 1987	Memorandum	

Correspondents / Participants

Subject / Title
Pension Fund

Exception(s)
Corporate Administrative Matters

Additional Comments

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Withdrawn by	Date
Ann May	March 20, 2018

Archives 01 (March 2017)

Record Removal Notice

File Title	Barcode No.
President's Council Records - Meeting records 03	1778667

Document Date	Document Type
July 6, 1987	Memorandum

Correspondents / Participants

Subject / Title
Reorganization Implementation Activities

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.

Withdrawn by	Date
Ann May	March 20, 2018

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 10, 1987

TO: Members, Policy Committee

FROM: W. A. Wapenhans

SUBJECT: Proposed Operation of New Management Review Group (MRG)

1. One of the recommendations of the Reorganization Task force was to streamline the operation of the various management groups used for the review and clearance of candidates for managerial and other higher level appointments in the Bank. The attached draft terms of reference follow closely the Steering Committee's recommendations for a new MRG, though they are more specific on responsibilities and detailed on process. For ease of reference the Steering Committee's terms of reference are also attached.

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(d) the membership and the proposal for rotating chairmanship of the Management Review Group.

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Attachments

DRAFT

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- A Vice President Level Representative from each complex, except ADM

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- The Vice President, Personnel (ex-officio)

The VP level representative would be nominated by the SVP concerned and would be subject to periodic rotation.

SECRETARIAT

Vice President, Personnel, who will make arrangements for the agenda, documentation and Personnel staff attendance as needed. The VPP will also be responsible for the recording and safekeeping of decisions made and for such measures as are necessary to protect the confidentiality of the proceedings.

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Decision-Making

** The MRG is expected to operate on a consensus-basis. In case of opposing views the Chairman will seek a final ruling from the Policy Committee.

Record Removal Notice

File Title	**Barcode No.**
President's Council Records - Meeting records 03	1778667

Document Date	**Document Type**
July 8, 1987	Memorandum

Correspondents / Participants
From: Wapenhans
To: Members of the Policy Committee

Subject / Title
Policy on the location of staff not selected in round 1

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.

Withdrawn by	**Date**
Ann May	March 20, 2018

July 8 MEETING

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 21, 1987

TO: Files

FROM: Marianne Haug

SUBJECT: Minutes of the Policy Committee Meeting
Wednesday ~~Monday,~~ July 8, 1987

Attending:

Members

Messrs. Conable, Hopper, Qureshi, Ryrie, Shihata, Stern
Thahane, Wapenhans

Others

Messrs. Baneth, Shakow, Stanton

1. Annual Meeting Speech

Messrs. Shihata and Stern argued whether it was reasonable to first appoint a Task Force, then develop policy, and then speak about it, or whether a Policy Agenda should be drawn up first. Messrs. Hopper and Qureshi agreed that such discussion was not the point--that the Annual Meeting Speech was to put on the table a substantive work program and a meaningful operational strategy for the years ahead and not to develop new policy.

Mr. Wapenhans fully agreed, stressing that the analysis had to be put in the context of the burden sharing issue. Mr. Conable agreed that a focal point was necessary as to what the future would be like even if, as Mr. Thahane noted, the WDR had already undertaken such a review. Mr. Ryrie made two points: (i) the report needed a specific focus, i.e. what can the Bank do specifically; and (ii) the issue of private flows had to be stressed.

2. Debt Management in Middle-Income Countries
Options and New Initiatives

Mr. Stern felt that the paper was inadmissible. It made the point that debt relief could not any longer be avoided and therefore it discouraged developing countries to undertake better resource use but encouraged working level people to seek, as a matter of course, debt relief. There was a clear practical issue, i.e. no debt relief was forthcoming. Also, Mr. Stern stressed the point that the nature of the debt problem was not clear. On the contrary, by lumping together so many countries, the problem was so obscured that the differentiating initiatives could not be taken. It was agreed that better analysis of the underlying problem was urgently needed and progress could be revisited in four weeks time.

POLICY COMMITTEE MEETING

WEDNESDAY, JULY 8, 1987

9:30 a.m.

AGENDA

1. Outline - Annual Meeting Speech
   Memo from Mr. Shakow dated July 2, 1987

2. Debt Management in Middle Income Countries
   - Options and New Initiatives

3. Miscellaneous

Attachment: Outline - Annual Meeting Speech
Memo from Mr. Shakow dated July 2, 1987

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 2, 1987

TO: The Policy Committee
(through: Mr. V. Rajagopalan, Acting SVP/PPR)

FROM: Alexander Shakow, Director, SPR

EXTENSION: 78812

SUBJECT: Draft Outline for President Conable's Annual Meeting Speech (For Consideration on July 8, 1987)

1. Attached is a draft outline for the President's Annual meeting speech. It attempts - however inadequately - to reflect suggestions received from members of the Policy Committee and others with whom I have consulted.

2. There are many ways to approach such a speech, and a consensus is not easy to find. The Policy Committee's guidance is sought on the appropriateness of this approach and on the issues to be addressed. Some may believe it should be focussed on a single message - the urgent need for resources for development, for example, or for a major attack on the debt problem. While more focus is always desirable, would such a different structure be the best way to achieve it? Are we prepared to propose any sufficiently significant new initiatives that the speech can be organized around them? As it stands, initiatives are highlighted within a broader development-oriented structure.

3. Policy Committee agreement is also sought on the designation of several 2-3 person task forces to prepare "technical notes" on the substance of each major section. If the general approach or the outline is agreed to, I suggest a group for Africa (one person from Operations, one from PPR); a group on the middle-income countries (one person each from Operations, Finance and PPR); a group on the "other countries" category (one person each from Operations and PPR); and a group on the Bank resources issues (one person each from Finance, Operations and PPR.) These individuals should be named immediately and work begun (on the basis of the Policy Committee's recommendations) to permit completion of a technical note by July 24 or sooner. A rough draft of the speech could then be prepared by August 5 for informal circulation to the Policy Committee and others, with a revised draft considered by the Policy Committee on August 24.

Attachment

cc: Mr. Hopper o/r

AShakow/eb

DRAFT:SPR:AS

7/2/87

Draft Outline
Barber B. Conable
Annual Meeting Speech

I. INTRODUCTION

A. The objective of speech is to spell out the President's vision for the contribution the World Bank can make now that we have reorganized. The central theme is that we have put our own house in order, now let us turn our energies toward the real task of helping our members to accomplish their goals of growth and poverty alleviation.

B. The Bank is a development institution. Today's speech focusses on development issues - and how a restructured, more flexible and adaptable Bank will confront the varied problems of the next decade; it will emphasize that we are building on the Bank's strong base of experience and that we are increasingly able and prepared to innovate in response to the changing world situation (e.g., re. Africa, debt, etc.).

C. We should not imply that a quick fix of current problems is possible. The global economy provides a poor environment for the Bank's work; the speech should stress the need for actions by all key participants - especially the industrialized countries - to improve it, although this speech is not the place to address the subject at length.

D. To help focus on this more flexible, differentiated and adaptable Bank approach, the speech will examine the Bank's development role in three major country groupings (recognizing that no division of this kind is really adequate). Important themes from last year's speech - poverty, environment, women in development - will be emphasized in various sections of the text, as will any new initiatives we may propose on debt, an expanded role for NGOs, or other subjects.

II. LOW-INCOME SUB-SAHARAN AFRICA

A. This region offers the greatest development challenge. The basic issue is how to reestablish the conditions for growth.

B. African nations are undertaking major changes in policies. These must continue and be internalized by governments. Adjustment needs and special debt problems are urgent matters. Highlight Bank's debt and resource initiative for SSA (follow-up to Bank/IMF Paris meeting, etc.) for which shareholder's support is sought.

C. But we must recognize that the problems in this region cannot be resolved quickly; SSA's pervasive poverty - reflecting weak insitutions, rapid population growth, human resource problems, etc. - means that lasting solutions are long-term in character, especially given global economic environment.

D. Thus, adjustment and the achievement of longer-term goals should be considered mutually reinforcing. The need for adjustment is the need for good policies undertaken with urgency. They are not alternatives. We need to seek a balanced approach, between orderly balance of payments finance and adjustment, between growth and social political aspects of adjustment, between agricultural production and environmental protection, etc. (Will need to address Bank/IMF link here as well.)

E. We will help African nations in their search for a more integrated approach to African development. In this context the Bank will need to put increased attention on agriculture and human resource development.

F. The Bank's efforts should place special stress on agriculture as a critical basis on which African development is built.

1. African agriculture is very complicated, and we should acknowledge that donors have not done a good job of adapting knowledge to African realities - whether technical, administrative or social.

2. Yet tremendous scope exists for increased productivity with existing technologies if resources - human, physical, financial - are managed well.

3. To sustain production increases will require policy changes and other short-term actions while pursuing investment in agricultural research, extension, increased transfer of technology, etc.

G. Human resource development is an essential complementary effort which requires increased Bank effort. (Impact of AIDS on social and economic development should be mentioned.)

III. Heavily-Indebted Middle-Income Countries

A. Basic development issue - how can these countries continue the process of modernization of their economies in an increasingly complex and competitive world?

B. What development strategies will be followed? The greatest need is for more open economies, although there is no simple solution and policies and approaches must be adapted to the range of country circumstances. Need to reiterate the importance of industrialized country actions to improve environment for such policy changes by developing countries.

1. Review how far these countries have gone in adjustment programs. Discuss both the major changes and indications of the possible onset of adjustment fatigue in some cases.

2. What more lies ahead? Suggest the need for a deepening of domestic reform measures which will, if properly supported, help overcome additional burdens imposed by persistent weaknesses in the global economy.

3. Describe what is needed to strengthen domestic policies, including concern for protection of poor during process of adjustment. Describe Bank/IMF links.

4. Indicate how Bank technical and policy assistance, provided in the context of a careful and sensitive dialogue based on wide-ranging Bank experience, can be of critical value to nations struggling with these problems. Reorganized country-focussed Bank should help this process as well as the establishment of PPR policy and research capability.

C. For these countries in particular, improved domestic policies and expanding trade will have a positive impact on both growth and the capacity to service debt. Thus, the need to stress the importance of GATT Uruguay Round and other measures to combat protectionism.

D. But trade expansion will not be enough, especially as substantial export growth for most countries will not come immediately. Thus, capital flows and more effective approaches to the debt problem loom large in determining whether modernization will take place in an orderly, constructive and socially responsible fashion. (Review Bank's earlier assumptions about the requirements for implementation of the Baker plan; indicate the need for increased external resource flows given more pessimistic export and OECD growth projections.)

1. Spell out Bank's strategy for addressing most serious debt problems. This should reflect a more ambitious and flexible approach, including significant new initiatives in the "menu" of options, especially given recent actions by commercial banks. Assert that we are particularly well placed to determine key aspects of the menu, and indicate why. Be as specific about initiatives as possible.
2. Indicate clearly how much we are already doing (increased disbursements, etc.) but how much more could be done, especially if we are prepared to take additional risks.

3. Bank lending program should grow in support of both adjustment <u>and</u> investment (Spell out commitment for

major expansion in lending, including willingness to increase exposure and risk where countries are undertaking major policy shifts. Confront country creditworthiness issue. This should provide a significant part of the argument for early action on a substantial GCI.

4. Highlight increasingly important role of IFC (debt-equity conversions, securitization proposals etc.) and any new IFC initiatives.

IV. Large Asian Countries et al

A. This is a diverse group of countries which have generally avoided severe debt problems. India and China are sui generis, the others are essentially export-oriented NICs. They are well placed to use resources effectively to grow more rapidly and reduce poverty.

B. Changing Bank role as generally these countries have greater capacity to address their own problems - but there are still important opportunities for Bank to provide intellectual support as well as major resource contributions.

C. For most of these countries, the pressing issue will be how the Bank can assist their integration into the world economy -- particularly for the largest nations.

D. Bank's role is important as both a catalyst and source of critical finance -- both concessional and non-concessional -- and of ideas. [SPELL OUT]

V. Resource needs of Bank/IDA/IFC/MIGA.

A. Stress that total resource flow picture to developing countries is depressing. Explain briefly the various parts of the picture and what is needed to finance development in the next decade, including role of private investment.

B. Describe briefly how Bank group fits into this total resource flow picture - i.e., critical catalytic role of Bank -- and need for a strong expression of shareholder support through approval of IDA-8, MIGA, IFC and substantial GCI to finance the role described above. Leave no doubt about the urgency of a GCI.

VI. Summary - Conclusion

NOTE: Plan would be to establish small working groups of 2-3 persons each to develop technical notes on major topics for speech. These would form basis for speech writer's work.

Mr. Conable

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

~~CP. an extra copy - B has one. L.~~

P.C. file

DATE: July 7, 1987

TO: Members of Policy Committee

FROM: W. David Hopper

EXTENSION: 75678

SUBJECT: Debt Paper for the Policy Committee: July 8, 1987

Herewith a note on debt issues prepared by the International Economics Department. The topic is for discussion on July 8.

I realize that only a short time is available, but you need read only Part I and glance at its tables before the meeting. Part II describes the measures taken and schemes proposed since the inception of the debt crisis, and is for background only.

Attachment/-

Mrs. M. Haug, EXC w/o att.
cc. Mr. Baneth, IECDR; Mr. R. Meyers, SVPPR w/o att.

Paper for the Policy Committee
for discussion 8 July 1987

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THE DEBT PROBLEMS OF MIDDLE-INCOME COUNTRIES: TIME TO REAPPRAISE.

International Economics Department
Development Economics VPU

PART I. Issues for Bank Policy

1. For over thirty years after the second World War, development became a reality. Social progress followed economic growth. Many middle-income countries seemed on their way to catching up with the industrial countries, or at least with the levels the industrial countries had reached a generation ago. Since 1980, many of the earlier gains have been lost. While recent difficulties have multiple causes, the one increasingly seen as dominant is the burden of debt accumulated earlier.

Decline in the highly indebted countries

2. Tables 1 through 7 (pp.6 - 9) present a stark picture of the evolution of the highly indebted middle-income countries. Between 1965 and 1980, their *per capita* incomes had nearly doubled; they fell back by 20 percent since then, by almost 30 percent if one excludes Brazil, whose recent spurt of growth was clearly unsustainable, and also involved unilateral suspension of debt service payments. Investment was even more seriously affected, falling back by 40 percent *per capita*, by almost half if Brazil is again excluded. Looking at it in terms of elapsed time, per capita investment levels (excluding Brazil) are back to where they were a generation ago. These numbers refer to gross investment. Net investment data are not available and are difficult to estimate; but it is likely that in most of these countries the net growth of the capital stock is slower than that of the population; equipment is deteriorating; the conditions for further declines are being prepared.

3. Tables 2 through 7 show key historical indicators for 17 highly indebted middle-income countries. They show that in most cases these countries had experienced considerable progress until 1980 (Jamaica and, to a more limited extent, Bolivia and Chile are the two exceptions). All of them have suffered greatly since 1980. Yet despite their adjustment policies, not directly shown in the tables but in most cases substantial, and partly reflected in the decline in import, consumption and investment levels, their debt service problems have continued to worsen.

4. This worsening is partly reflected in Tables 6 and 7, which show rising debt service ratios despite very limited increase in commercial bank exposures. That is only part of the story, however. While debt-service ratios were continuing to increase (and debt to GNP ratios even more so, in many cases), creditors were reducing their estimates of the level at which these ratios cease to be tolerable. With debt-service ratios increasing and the levels considered tolerable by commercial banks falling, the return to creditworthiness is farther than ever.

Provisioning and new relief schemes

5. Adequate global economic growth was always seen as a precondition for resolving the debt crisis within the framework of broadly conventional rollover and refinancing measures. It was certainly one of the pillars on which the Baker initiative rested. Since 1984, global growth rates declined in each year, and this trend is not expected to be reversed soon. Consequently, skepticism has grown about the capacity of broadly conventional debt relief measures to do the job. This has shown up in US commercial banks' (often reluctantly) making provisions for losses on their loans to developing countries, amounting to about 25 percent of their claims. Considering the much higher provisions of continental European banks, the overall average for the global banking system is now higher than that (see Appendix A for details).

6. Growing belief in the need for new departures is also showing up in the second wave of grand debt relief schemes hitting the marketplace of ideas. The most notable of these schemes are reviewed in Section III of Part II of this paper. They all rest on analyses which indicate the need for radical departures from the solutions hitherto pursued.

7. Most of these schemes present some advantages, but all of them suffer from drawbacks. Our reason for describing them is in part because they do constitute a storehouse of ideas to which actual solutions will at least have to refer. More importantly, however, we think it significant that after the spurt of schemes which appeared right after the inception of the debt crisis in 1982 there followed a long period of quiescence, which has given place to another series of debt relief proposals.

8. Most schemes make three closely related statements (of facts or assumptions):

> some of the highly indebted developing countries will not be able to regain growth momentum unless their debt burdens are effectively lightened, instead of just being postponed through rollovers and "new money" financing;
>
> it is no longer possible to arrange new money financing in adequate amounts for those countries that most need it;
>
> unless the debt burden is effectively lightened through a cooperative scheme, either it will be reduced through confrontational unilateral actions, or many highly indebted countries will continue into economic decline and ultimately social breakdown, and political hostility to the creditor countries; probably both.

9. Given full political commitment both to economic efficiency and

to respect of debt service obligations, and support from the World Bank and other public sources, most middle-income developing countries might be able to return to adequate growth while respecting their debt service obligations, within the constraints of the rollovers and other financing arrangements consented by commercial banks. This involves depressing domestic consumption further, and keeping it low enough long enough (while also reallocating incomes between sectors) to generate adequate savings; creating new capital, and using existing equipment, with great efficiency; greatly increasing penetration of industrial country markets despite slow growth there and strong competition from other developing countries following the same strategy.

10. That debt service efforts have mostly continued despite the extraordinary decline in consumption shows that political commitment and efficiency were both greater than could have been expected a few years ago. However, it would be unrealistic to build adjustment scenarios on a disregard of the limits to what governments are willing and able to impose.

11. Given present perspectives for world growth over the next few years, we believe that a major departure from the present framework of rollovers and new money packages is necessary and unavoidable. Some earlier analyses showing how specific countries could grow out of their debt problems within the framework of such financial arrangements, thanks to improved development policies, often rested on expectations about the global economy which ignored downside risks, now realized; optimistic assumptions about the speed and extent of the impact of policy improvements; and excessive hopes about the ability of governments to keep on imposing unpopular policies, however necessary, when the payoff is merely the retardation of decline, and hopes of reversal in the future.

Quantitative dimensions

12. Relief is needed. We have made a few preliminary calculations, based on broad assumptions. We have assumed full rollover of existing debts by commercial banks, plus reasonable amounts of lending by the World Bank and other public agencies. We have not fixed high growth targets: indeed, GDP growth rates do not exceed those of the WDR "Low-Case" scenario; and investment requirements are commensurately low. Based on these assumptions (and on realistic forecasts of global economic growth), we have examined the minimal grant infusions (or equivalent debt write-offs) needed to allow modest consumption growth to resume in the highly indebted developing countries.

13. What we have found is a total of about $100 billion grant-like debt relief needed over the next 8 years, a discounted present value of about $75 billions. This is well below half the present value of interest payments due from these countries to commercial banks. Needs, of course, vary. Mexico and Brazil would only need relatively modest amounts, beyond rollovers, mostly in early years. Other countries,

however, need much more radical relief; in extreme cases, like Bolivia, even total cancellation of past interest charges and rollover of principal would need to be supplemented by further aid if there are to be reasonable prospects for resuming growth.

14. The numbers look reasonable, both for major individual countries and in the aggregate. It is worth noting that the discounted present value of the grant-like relief required over the years is about the same as the provisions already made by commercial banks against losses on their loans to developing countries. In proportion to total loans, it is about the same as the provisions recently constituted by US banks and by National Westminster in the UK, and very substantially lower than that of other European banks (although higher than the provisions of Japanese (and some UK) banks. Naturally, equivalent relief could be granted in a variety of other ways, including partial interest rate concessions and new loans on concessional terms.

15. As noted earlier, these calculations are preliminary, and they cannot serve as the basis for concrete debt relief proposals. A reliable assessment of each country's debt servicing ability can only be made by operational staff, in light of each country's economic potential and political circumstances. However, it is important that this examination should not be constrained by the assumption that debt relief measures must be limited to new money on market terms, and should not accordingly be forced to bend policy assumptions and behavioral coefficients in order to arrive at solutions feasible even within that constraint. Rather, the examination should be based on fully realistic hypotheses about policies, and about their impacts; and establish the amounts, terms and conditions of debt relief needed for such policies to reestablish growth. Even then, conclusions will be purely indicative. Actual debt relief needs will be only established case by case, through negotiations.

16. Part II of this paper reviews the history of the debt crisis, the actions taken by commercial banks to deal with their claims, and the main new concepts and proposals for debt relief schemes. These reviews are presented for background only.

Issues for the Policy Committee

17. Neither this Part I nor the rest of the present paper are intended to serve as a basis for a final decision on the way in which the Bank should deal with the debt problems of middle-income countries. The paper's aims are more modest:

to draw attention to the problem;

to indicate that, in our judgment, the present framework for dealing with debt issues is too constrained to allow growth to resume in many of the highly indebted countries, and to avoid confrontational defaults;

to obtain instructions to explore alternative scenarios in some detail and depth, in cooperation with the operational, financial and legal staffs.

18. Such action is urgent. The Bank now finds itself increasingly isolated in its attachment to debt workout solutions which a growing number of observers think unrealistic. Without a new initiative, the contractual relationship between debtors and creditors may break down in a confrontation from which the Bank's own financial position is bound to suffer. But there is also the reverse danger: that an important shareholder or another international institution will take a major new initiative, reducing the Bank to the role of follower. In either case, the Bank might have to commit its intellectual and financial resources to playing to another's tune, and thus endanger both.

Table 1

PER CAPITA INDICATORS FOR DEVELOPING COUNTRIES

income	1965	1973	1980	1985	1986	1987	1990
ALL DEVELOPING COUNTRIES	57.3	79.0	100	103.7	105.0	106.8	110.3
LDCs EXCL.CHINA INDIA KOREA BRAZIL	59.7	80.2	100	91.0	88.7	89.2	90.0
subSaharan AFRICA	75.9	90.5	100	84.4	77.8	76.0	74.8
HIGHLY INDEBTED COUNTRIES (HIC)	54.1	78.1	100	82.1	80.1	80.8	80.7
HIC EXCL. BRAZIL	57.7	78.5	100	77.0	71.8	72.6	72.9
15 DEBT BURDENED AFRICAN COUNTRIES	121.2	115.5	100	83.3	82.6	80.5	80.1

consumption	1965	1973	1980	1985	1986	1987	1990
ALL DEVELOPING COUNTRIES	62.7	80.9	100	104.2	105.0	105.5	109.2
LDCs EXCL.CHINA INDIA KOREA BRAZIL	67.2	83.9	100	96.2	95.1	92.7	93.6
subSaharan AFRICA	85.1	92.4	100	90.5	85.4	85.7	81.8
HIGHLY INDEBTED COUNTRIES (HIC)	58.9	80.9	100	91.9	91.0	87.6	86.9
HIC EXCL. BRAZIL	66.3	83.8	100	87.7	84.4	80.6	80.2
15 DEBT BURDENED AFRICAN COUNTRIES	115.7	111.7	100	92.9	92.3	86.7	82.2

investment	1965	1973	1980	1985	1986	1987	1990
ALL DEVELOPING COUNTRIES	47.0	72.2	100	99.5	103.8	101.7	105.3
LDCs EXCL.CHINA INDIA KOREA BRAZIL	51.3	73.8	100	75.9	75.6	74.5	75.2
subSaharan AFRICA	53.8	85.6	100	55.5	50.8	51.5	49.1
HIGHLY INDEBTED COUNTRIES (HIC)	49.8	72.1	100	59.6	64.3	59.7	59.2
HIC EXCL. BRAZIL	53.5	71.6	100	56.4	57.9	54.3	54.1
15 DEBT BURDENED AFRICAN COUNTRIES	87.0	106.2	100	62.8	60.6	61.0	57.8

imports	1965	1973	1980	1985	1986	1987	1990
ALL DEVELOPING COUNTRIES	60.3	75.3	100	96.2	95.2	94.1	101.1
LDCs EXCL.CHINA INDIA KOREA BRAZIL	64.9	76.6	100	86.5	83.9	81.7	85.8
subSaharan AFRICA	76.0	73.2	100	63.2	53.8	54.1	47.7
HIGHLY INDEBTED COUNTRIES (HIC)	57.1	77.8	100	62.7	60.5	62.6	65.4
HIC EXCL. BRAZIL	59.8	69.8	100	63.8	58.2	59.0	54.1
15 DEBT BURDENED AFRICAN COUNTRIES	119.6	120.8	100	68.6	65.4	63.5	52.6

DEBT SERVICE RATIO	1965	1973	1980	1985	1986	1987	1990
ALL DEVELOPING COUNTRIES	NA	13.6	11.9	21.4	22.2	23.3	24.0
LDCs EXCL.CHINA INDIA KOREA BRAZIL	NA	13.1	14.7	21.9	23.2	24.0	23.6
subSaharan AFRICA	NA	9.0	8.4	23.6	29.6	30.0	32.2
HIGHLY INDEBTED COUNTRIES (HIC)	NA	23.0	27.0	33.5	37.4	40.9	49.5
HIC EXCL. BRAZIL	NA	22.2	22.1	33.2	40.6	40.6	45.5
15 DEBT BURDENED AFRICAN COUNTRIES	NA	14.7	14.8	16.8	40.1	48.0	47.6

DEBT SERVICE RATIO (INCL. INTEREST ON SHT. TERM DEBT	1965	1973	1980	1985	1986	1987	1990
ALL DEVELOPING COUNTRIES	NA	NA	19.4	23.8	24.0	25.8	26.3
LDCs EXCL.CHINA INDIA KOREA BRAZIL	NA	NA	18.1	24.3	25.1	26.6	26.0
subSaharan AFRICA	NA	NA	10.6	26.2	31.9	33.2	35.1
HIGHLY INDEBTED COUNTRIES (HIC)	NA	NA	32.7	37.0	40.1	44.7	53.0
HIC EXCL. BRAZIL	NA	NA	27.7	36.8	41.2	44.7	49.1
15 DEBT BURDENED AFRICAN COUNTRIES	NA	NA	18.5	19.8	42.4	51.5	50.8

Table 2

GNY PER CAPITA INDEX /a
Selected Countries
(1980 = 100)

	1965	1973	1980	1985	1986
17 Highly Indebted Countries					
ARGENTINA	84.3	98.6	100.0	78.0	78.2
BOLIVIA	78.0	93.3	100.0	69.7	62.5
BRAZIL	45.2	76.9	100.0	98.5	104.6
CHILE	93.5	100.3	100.0	78.1	84.4
COLOMBIA	58.0	79.8	100.0	96.0	97.5
COSTA RICA	68.0	89.6	100.0	86.0	89.4
COTE D'IVOIRE	69.2	86.0	100.0	81.5	78.4
ECUADOR	53.9	62.2	100.0	85.1	75.6
JAMAICA	100.1	132.8	100.0	83.2	92.5
MEXICO	55.9	78.1	100.0	86.8	77.9
MOROCCO	67.9	81.3	100.0	97.1	101.4
NIGERIA	52.2	75.5	100.0	75.3	62.3
PERU	81.4	96.5	100.0	77.4	82.8
PHILIPPINES	65.5	85.0	100.0	84.0	86.6
URUGUAY	67.9	83.0	100.0	75.5	81.1
VENEZUELA	..	40.2	100.0	69.4	65.1
YUGOSLAVIA	49.0	70.6	100.0	96.8	99.8

Table 3

IMPORTS PER CAPITA INDEX
Selected Countries
(1980 = 100)

	1965	1973	1980	1985	1986
17 HIGHLY INDEBTED COUNTRIES					
ARGENTINA	74.1	66.2	100.0	37.3	41.4
BOLIVIA	100.6	86.4	100.0	76.5	72.1
BRAZIL	45.7	112.7	100.0	57.6	70.4
CHILE	67.5	64.4	100.0	53.9	52.2
COLOMBIA	47.7	54.3	100.0	86.9	87.0
COSTA RICA	72.8	94.0	100.0	66.0	57.3
COTE D'IVOIRE	69.0	81.3	100.0	46.9	50.6
ECUADOR	58.0	51.8	100.0	67.1	55.7
JAMAICA	144.9	180.1	100.0	98.7	97.0
MEXICO	48.0	70.6	100.0	65.5	52.3
MOROCCO	65.8	79.2	100.0	93.3	93.5
NIGERIA	30.9	29.4	100.0	54.3	30.9
PERU	135.6	103.6	100.0	58.1	65.5
PHILIPPINES	85.2	83.9	100.0	63.6	63.1
URUGUAY	64.7	55.8	100.0	43.0	48.6
VENEZUELA	66.7	64.2	100.0	64.9	52.0
YUGOSLAVIA	42.4	92.6	100.0	87.3	101.6

Table 4

CONSUMPTION PER CAPITA INDEX
Selected Countries
(1980 = 100)

17 HIGHLY INDEBTED COUNTRIES	1965	1973	1980	1985	1986
ARGENTINA	82.0	95.3	100	83.6	87.0
BOLIVIA	77.8	89.1	100	73.2	64.0
BRAZIL	44.4	75.6	100	100.9	105.1
CHILE	86.9	108.1	100	87.0	88.5
COLOMBIA	58.6	80.6	100	102.0	99.2
COSTA RICA	73.8	86.7	100	85.7	87.1
COTE D'IVOIRE	57.7	79.2	100	76.0	73.5
ECUADOR	56.1	66.4	100	92.3	87.9
JAMAICA	87.6	112.1	100	93.6	93.0
MEXICO	62.8	81.0	100	94.0	87.6
MOROCCO	63.9	76.6	100	101.4	103.0
NIGERIA	61.9	79.7	100	86.3	74.9
PERU	76.8	94.7	100	87.7	98.0
PHILIPPINES	75.3	86.4	100	97.1	95.7
URUGUAY	64.7	86.5	100	79.7	84.5
VENEZUELA	58.0	69.9	100	62.9	56.8
YUGOSLAVIA	45.0	71.1	100	107.3	95.3

Table 5

INVESTMENT PER CAPITA INDEX
Selected Countries
(1980 = 100)

17 HIGHLY INDEBTED COUNTRIES	1965	1973	1980	1985	1986
ARGENTINA	67.7	87.0	100	41.2	42.1
BOLIVIA	105.3	134.2	100	68.9	65.2
BRAZIL	38.6	73.7	100	69.8	84.1
CHILE	60.7	53.3	100	52.7	59.8
COLOMBIA	56.4	77.8	100	96.9	99.0
COSTA RICA	43.3	68.2	100	65.7	66.3
COTE D'IVOIRE	51.6	66.3	100	26.5	28.6
ECUADOR	44.4	55.5	100	63.0	61.9
JAMAICA	177.4	312.5	100	108.2	110.8
MEXICO	43.4	63.8	100	66.5	58.0
MOROCCO	40.3	62.9	100	75.9	78.2
NIGERIA	36.5	73.2	100	37.9	30.0
PERU	119.6	93.5	100	41.7	42.8
PHILIPPINES	47.6	55.1	100	41.7	34.6
URUGUAY	31.8	37.0	100	37.5	39.1
VENEZUELA	76.7	102.1	100	51.3	51.5
YUGOSLAVIA	50.3	65.8	100	65.2	100.3

Table 6

LONG-TERM DEBT SERVICE RATIO /a
Selected Countries
(percent)

	1965	1973	1980	1985	1986
17 HIGHLY INDEBTED COUNTRIES					
ARGENTINA	..	36.7	26.3	52.0	49.8
BOLIVIA	..	17.1	30.5	35.3	82.9
BRAZIL	..	27.0	56.5	34.8	34.0
CHILE	..	16.1	37.9	44.1	42.5
COLOMBIA	..	19.4	9.2	31.6	31.2
COSTA RICA	..	19.2	26.7	38.3	41.4
COTE D'IVOIRE	..	7.6	25.4	23.5	31.7
ECUADOR	..	9.9	30.3	32.4	35.9
JAMAICA	..	41.0	15.4	38.5	33.9
MEXICO	..	38.6	38.0	48.2	48.6
MOROCCO	..	10.4	37.6	33.4	68.1
NIGERIA	..	5.7	2.8	32.1	34.1
PERU	..	56.0	36.9	16.0	35.0
PHILIPPINES	..	19.1	13.9	19.5	29.2
URUGUAY	..	24.9	15.8	36.5	31.4
VENEZUELA	..	7.4	20.0	15.1	36.5
YUGOSLAVIA	..	24.3	25.0	20.9	20.6

Table 7

TOTAL DEBT SERVICE RATIO /a
Selected Countries
(percent)

	1965	1973	1980	1985	1986
17 HIGHLY INDEBTED COUNTRIES					
ARGENTINA	..	36.7	36.2	58.0	54.1
BOLIVIA	..	17.1	36.0	39.1	87.7
BRAZIL	..	27.0	63.1	38.1	36.2
CHILE	..	16.1	42.6	47.3	45.0
COLOMBIA	..	19.4	14.1	36.6	33.6
COSTA RICA	..	19.2	31.9	38.5	41.8
COTE D'IVOIRE	..	7.6	29.1	25.3	33.0
ECUADOR	..	9.9	36.7	36.2	40.2
JAMAICA	..	41.0	16.4	40.0	34.7
MEXICO	..	38.6	44.9	49.9	50.0
MOROCCO	..	10.4	40.8	37.2	71.1
NIGERIA	..	5.7	4.3	35.6	38.2
PERU	..	56.0	42.2	18.8	37.3
PHILIPPINES	..	19.1	25.2	29.3	35.7
URUGUAY	..	24.9	18.1	40.4	35.2
VENEZUELA	..	7.4	28.7	20.4	43.2
YUGOSLAVIA	..	24.3	27.0	21.5	21.2

a. Debt service paid on long-term and short-term debt as a percentage of goods and services. In most cases, 1986 numbers correspond to debt service due but not always actually paid.

PART II: DEBT SCHEMES

I. THE CHANGING DEBT CRISIS

1. The critical nature of debt problems was clear by 1983. The proposals made then by **Bailey, Kenen, Rohatyn, Lever, Zombanakis** and others had two concerns: (a) that the interruption to normal commercial financing flows would be lasting, and (b) that it would be damaging both to the debtor countries and to the international financial system. Individually, they embraced a broad range of ideas that reflected the central dispute then current -- was the crisis one of liquidity or solvency?

2. Proponents of a liquidity crisis, notably Lever, concentrated on strengthening the provision of new money; proponents of solvency focussed more on ways in which the burden of the accumulated debt could be permanently reduced. Rohatyn, in February 1983, was the first to suggest a new international agency to take over loans owed to the commercial banks and adjust the terms. Although in 1983 it was already clear that the position of some countries, particularly those of sub-Saharan Africa, reflected more intense problems, there was no general acceptance that these were qualitatively different or required special treatment.

3. In the second half of 1983, the liquidity argument won the day. The world economy was recovering from the 1981/82 recession, and a consensus emerged that OECD growth would average above 3 percent through the 1983-86 period, dollar interest rates would decline, world trade would reestablish its favorable relationship to GDP growth, and developing countries' terms of trade was expected to improve through a recovery in commodity prices. After the initial new money packages, there was also optimism that net new financing of the order of 6-8 percent of existing debt could be mobilized annually to support debtor countries' adjustment efforts. Faster US growth in 1984 appeared to confirm hopes that the debt crisis would be resolved by a recovery of market access for those debtors that made sufficient adjustment efforts.

4. There was another strong consideration in 1982/83. The debt crisis was seen chiefly as a crisis for the international financial system: a collapse of the world's major banks would have been just as serious for the industrialized countries as for the debtors. By comparison, concern with debt problems as a "development crisis", with potentially long-lasting consequences for economic welfare in the debtor countries, was less widespread.

5. "Buying time", as the 1982/83 measures were often termed, meant buying time to avert a financial collapse, whose consequences would have been a catastrophe for the global economy. That priority was accomplished. The international financial system proved impressively robust in the event, and commercial banks have made full use of the respite to reshape their balance sheets, strengthen their capital ratios and generally make themselves less vulnerable to losses on their developing country debt portfolios. Table 8,

Table 8

U.S. BANK EXPOSURE TO DEVELOPING COUNTRIES

(as a percentage of capital)

	1980	1981	1982	1983	1984	1985	1986
ALL BANKS							
ALL DEVELOPING COUNTRIES	159.7	183.3	177.1	159.5	134.4	108.6	91.3
LAC	109.4	125.2	118.8	106.0	93.5	77.3	68.0
9 LARGEST MONEY CENTER BANKS							
ALL LDCS	246.0	275.8	271.2	249.2	212.7	173.2	146.9
LAC	163.3	179.9	176.5	162.9	146.4	124.2	110.2

SOURCE: FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL, "STATISTICAL RELEASE", VARIOUS ISSUES.

which shows the loan exposure of US banks' to developing countries as a percentage of their capital, illustrates the progress made; without such progress the extraordinary provisioning exercise initiated in May/June 1987 could not have occurred.

6. Avoidance of financial crisis was a major achievement. However, the assumptions that would have made this approach effective for dealing with the problems of the debtor economies did not materialize. The economic upswing was not sustained beyond 1984, commodity prices resumed their decline, and new financing flows did not reach the initial 6-8 percent target increase. Indeed, they fell short of the revised 4-6 percent increase on which many adjustment programs were predicated. In every year since 1982, financing flows to the developing countries, and more especially to those suffering debt problems, have undershot the levels projected in the global forecasting exercises of the major international institutions; and in almost all years world economic performance has also undershot.

7. By 1985, it was evident that the strategy, measured by its own yardstick, was not working. The problem countries were not moving towards creditworthiness. Optimism encouraged by Mexico's multiyear rescheduling agreement of 1984 was dashed by the falling oil price and Mexico's deteriorating economy, and the debt and debt service ratios of the problem debtors continued to deteriorate. Commercial lending packages became increasingly difficult to put together. The announcement of the "Baker Initiative" at the IMF/World Bank annual meetings in Seoul in early October 1985 marked official concern over this problems.

8. The Baker initiative was important for two reasons. It acknowledged a qualitative difference in the problems of SSA countries, in effect recognizing them to be solvency problems in many cases. And it proclaimed publicly that the problems of the middle income debtors would not be satisfactorily solved, either for themselves or for their creditors, unless their economies were helped to grow again.

9. Whereas previous calls for change in Paris Club procedures, for more coordination among creditors and aid donors, and for restructuring much of the debt onto highly concessional terms had been strongly resisted, for SSA countries the Baker initiative was a turning point. The establishment of the IMF's Structural Adjustment Facility (SAF) and the success of the IDA-8 replenishment, both in 1986, gave a new impetus to SSA debt relief efforts, which now promise to achieve real progress. The communique of Western leaders following their Venice Summit in June 1987 reflects the shift in official views:

> "We recognize that the problems of some of the poorest countries, primarily in sub-Saharan Africa, are uniquely difficult and need special treatment... For those of the poorest countries that are undertaking adjustment effort, consideration should be given to the possibility of applying lower interest rates to their existing debt... We urge a conclusion on discussions on these proposals within this year."

10. For the HICs, Baker in effect endorsed the strategy pursued since 1982. While emphasizing the need for growth and prescribing a larger role for the Bank, however, the initiative was unable to assure the conditions needed for debtor countries to resume growth. In addition to continued adjustment in the countries themselves, these conditions were adequate financing and opportunities for exports to grow.

11. For the 15 countries specified under the initiative (the HICs less Costa Rica and Jamaica), net new commercial bank lending of $20 billion was deemed necessary over a 3-year period, representing an increase in commercial bank exposures of around 2.5 percent yearly, too little for those who believed "debt-increasing" solutions for the HICs' problems were still possible at that point.

12. Since neither the OECD growth nor the new money assumptions contained in the Baker initiative have occurred, the debtors are now in an increasingly difficult bind: pessimism over global prospects has made recovery of their creditworthiness less likely and creditors less willing to lend. But less financing has enforced difficult political choices: between retention of domestic consumption, already severely squeezed; commitment to necessary adjustment, including some restoration of investment levels; and continued servicing of external debt. Prior to Brazil's decision to discontinue commercial debt service early in 1987, an increasing number of debtor countries had already resorted to the accumulation of arrears as the only means of financing left to them. Among the HICs, Bolivia, Brazil, Costa Rica, Ecuador, Ivory Coast and Peru are currently failing to meet scheduled interest payments.

13. This is the background against which Citicorp initiated its move on debt provisions that proved impossible for other major US and British banks not to follow. In the second quarter of 1987, US banks raised their provisions against losses on developing country loans from around 10 percent to 25 percent. Among British banks, National Westminster increased its provisions to 30 percent. Other national banking groups, with the notable exception of the Japanese, are known to have had much higher provisions for several years. Exact figures are not available, but Continental European countries are believed by have maintained provisions in the region of 30-60 percent (see Appendix A).

14. Citicorp's move has been controversial in its implications for future new lending agreements, but it was generally applauded by supervisors and others in the official sector as an appropriate response to the impaired quality of the underlying loans. <u>In plain language, the risk of loss is now seen to be higher after two years of the Baker plan</u>.

15. This higher risk of loss, perceived by virtually all major international banks, combined with the growing consensus that the world economy and trade will not be buoyant in the next few years has led to a renaissance of debt proposals. While none of these seem politically viable or feasible on their own, they do contain many elements that will be very useful

Table 9

COMMERCIAL BANKS
ESTIMATED PROVISIONS AGAINST LOANS
TO DEVELOPING COUNTRIES

CREDITOR COUNTRY	RESERVES AS % OF LDC EXPOSURE	RESERVES (BILLION, US$)
UNITED STATES		
15 Largest Banks	25	26.0
Other Regional Banks	25	4.0
JAPAN		
22 Largest Banks	5	1.5
UNITED KINGDOM	5-10 /a	4.0 /b
FRANCE	35-45	10.0
GERMANY	30-70	13.0
CANADA	10-15	2.0
SWITZERLAND	30-60	3.0
OTHERS	n.a.	6.5
TOTAL		70.0

a. National Westminster recently increased reserves to 30% of their exposure to developing countries; other banks are expected to follow soon.
b. Includes National Westminster's recent addition to reserves.

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to a final resolution. Before reviewing the specific proposals, however, it may be well to understand the generic concepts often used by many of the proposers.

II. THE UNDERLYING CONCEPTS OF DEBT SCHEMES

16. Debt relief schemes fall into two basic categories: (a) those aimed at increasing the flow of new finance; and (b) those aimed at reducing the servicing burden of existing debt. The latter have been emphasized most recently, but new money advocates still abound.

A. Mobilizing New Money

17. Proposals for overcoming the problems associated with existing new money flows to debtor countries fall into the following categories:

i) additional or new sources of funds
ii) guarantees for new commercial lending
iii) creation of new instruments

Creation of Additional Sources of Funds

18. Most proposals for creating additional funds focus on providing existing IFIs with additional resources to expand their traditional activities or to undertake new lending functions. Some proposals have already been implemented (e.g., SAF for the IMF); others are under consideration (e.g., GCIs for the World Bank and the Inter-American Development Bank). Proposed new functions for existing institutions have included an IMF compensatory financing facility for interest rate fluctuations, World Bank lending to finance *ex post* a shortfall in commodity prices or economic growth (e.g. "contingency lending"), as was done in the Mexico agreement, and sector lending by the IDB.

19. A major problem with these proposals for IFIs is that they involve greatly increased exposure to the most heavily indebted countries, thus risking these institutions' own credit ratings.

20. Other proposals call for the creation of new institutions whose lending would substitute for the involuntary lending of the commercial banks, and so spread the risk. Such proposals have not prospered; they would not only duplicate the functions of existing institutions, they generally require appropriation of public funds for carrying out politically unpopular objectives.

21. A more fundamental issue is whether the additional resources would, in fact, be additional (i.e., they may merely substitute for commercial banks' involuntary lending). Related to this is who benefits and who pays. Only if there is additionality, and if the resources are used efficiently, will benefits be broadly distributed between the country (accelerating its recovery), creditors (improving the quality of their assets) and industrial countries (strengthening their financial institutions and the growth of their exports).

Guarantee of Commercial Bank Lending

22. Guarantees would help maintain the flow of resources to debtor countries while protecting commercial banks' portfolios from the deterioration that occurs through involuntary lending. This was the underlying idea behind the original Lever Proposal. Proposed guarantors include industrial country central banks, the World Bank/IMF, and new international institutions, but the lender of last resort would ultimately be the governments of industrial countries. This would probably require creation of expanded arrangements for assistance between their central banks.

23. Critics of guarantees focus on the moral hazard to the lenders. They point out that a de facto lender of last resort already exists in the industrial countries where the banks with the largest exposure in sovereign debt are concentrated. If institutions such as the World Bank played a larger role in providing guarantees in addition to their own expanded lending, their capacity to carry out their traditional functions could quickly be impaired.

24. Proponents point out that guarantees are cheap in terms of the immediate demand they place on public funds. Additionally, they can be designed so that beneficiaries (i.e., the banks) pay a premium which fully covers the cost. However it is not clear that the flow of resources to the debtor countries would increase on this basis, since the attractiveness of such lending would decline relative to other lending alternatives. If the insurance cost were passed on to the borrower it would be highest for those least able to pay, raising serious doubts about the viability of the proposal.

Creation of New Instruments

25. At the April 1987 meeting of the IMF Interim Committee, Secretary Baker called on the banks to develop a "menu of financing alternatives" to increase lending to the HICs. Similar suggestions have been made in other quarters, including some debtor countries. The proposal envisages a diversity of instruments with different security, risk and term characteristics that would attract more support from banks taking different objectives and perceptions of a country's prospects, thus mobilizing increased commercial lending. It is also argued that such instruments would help to reduce the "free-rider" problem. "Menu" instruments include:

i) country bonds;
ii) interest capitalization;
iii) convertible notes for swaps; and
iv) on-lending by the participating commercial banks.

Country Bonds

26. Bonds could be an effective way of mobilizing new money if they were assured a senior or preferred position as compared to the existing debt stock (see details of the Sachs Proposal on page 21). Bonds have the additional advantage of being readily tradeable in secondary markets. They could also

facilitate future concessional treatment of old debt, should this be required, because of their differentiated status. Loan subordination would achieve the same objective, but with bonds this would involve less disruption of established institutional practice. However, some prior rescheduling arrangements, i.e., Costa Rica, did not differentiate bonds from other debt, particularly when held by commercial banks, thus greatly reducing their utility.

Interest Capitalization

27. Some proposals favor meeting new money requirements through capitalization of a portion of interest, on the argument that it would eliminate free-riders (countries would simply send all banks a check for a portion of interest due and capitalize the rest; alternatively interest could be capitalized for free-riders only). This would strengthen the weakest link in the concerted lending approach. Banks are skittish of such an approach, however; their only prior experience (Nicaragua) was not favorable, and interest capitalization might put a powerful weapon into debtors' hands that they might be tempted to use unilaterally.

Convertible Notes

28. The growth of swaps of external debt for internal debt (hereafter called debt-debt swaps) and debt-equity swaps suggests that some banks might be attracted to new money packages if their claims could be converted to internal debt or equity. This option would allow the banks to buy a floating- or fixed-rate note convertible into the debtor's currency for acquiring equity or portfolio investments. Debt-equity conversions raise important issues regarding macroeconomic management and national ownership -- most HICs have private external debts astronomically higher than their equity market turnover. On balance, however, convertible notes would appear to be attractive to some banks and countries, and could play a somewhat larger but not overwhelming role. The greater the role they play, however, the harder it will be to raise new money unless they are treated as alternatives to new money, as discussed below.

On-Lending

29. On-lending would give banks the option of channelling their new money loans into internal loans to private sector clients in the debtor country. In fact, many international banks began lending to developing countries solely to service multinational firms' subsidiaries with headquarters in their own country. Unfortunately, onlending mortgages to these multinational firms much of the permissible domestic credit expansion, thus making it either politically and economically unattractive or -- if even greater domestic credit expansion is followed -- inflationary.

B. Reducing Debt-Service Payments on Old Debt

30. A number of mechanisms have been proposed for reducing the debt-service payments stemming from old debt. These include:

i) Direct debt-service relief for debtor countries;
ii) Commercial bank escape instruments which extinguish debt outstanding; and
iii) Creation of new institutions for intermediating debt relief.

Direct Debt-Service Relief

31. Since 1982, debt rescheduling (mainly relief from amortization payments) has been the principal vehicle for providing debt relief. Initially, it was normal to reschedule year-by-year, but by 1985 rescheduling principal falling due over a number of years had become common. As a result, most HICs have not made amortization payments on their outstanding medium- and long-term commercial bank debt in recent years. Some reschedulings have also been accompanied by provision of new money, commonly equivalent to between 1/4 and 1/2 of interest payments due; and banks have been increasingly willing since 1985 to reduce interest rate spreads, grant longer grace periods and lengthen maturities, particularly when it ends or reduces the need for new money.

32. Direct debt relief proposals have been made to deal with cases where the debt-service burden nevertheless remains unmanageably high. Several link future interest payments to a portion of actual export earnings. This shifts the risk arising from adverse developments in the world economy from the debtor to the creditor. Proponents argue that commercial banks are better equipped than debtors to hedge against commodity price fluctuations. Critics argue that a moral hazard would be created for the debtor, but this would appear to be a real problem if interest service payments are the same as exports or greater.

33. Many proposals for reducing interest assume that foregone interest would be capitalized. U.S. banks have opposed interest capitalization strongest (despite the fact that new money is a de facto form of capitalization) because of its potential unilateral use. Banks also argue that interest capitalization would adversely affect their earnings, but banking regulators in most countries now permit banks to accrue interest when capitalization is taking place, provided the ultimate collectibility of the loan is not in question (e.g., FASB15 in the U.S.). Dr. Herrhausen of Deutsche Bank has put forward a more elaborate debt relief scheme based on the principle of interest rate capping (see page 21).

34. Proposals for unilateral action on the part of debtors to relieve the burden of debt service are beyond the scope of this paper, though their growing incidence (e.g., Peru, Ecuador, Brazil, Bolivia, Nicaragua, Zambia, etc.) must be recognized.

Commercial Bank Escape Instruments

35. Banks unwilling to participate in new money agreements may nevertheless be willing to accept one of a number of alternative exit options that would preserve the integrity of new money agreements. Such options are

different from escape options that do not involve an agreement with the debtor country (e.g., sales in the secondary market) and which result in no reduction in debt or benefit to the debtor country. They include:

i) Exit bonds;
ii) Discounted debt/debt or debt/equity conversions; and
iii) Discounted loan repurchases.

Exit Bonds.

36. This instrument, as introduced in the April 1987, Argentina agreement, permits banks to convert their outstanding claims (up to $5 million) to 25-year bonds, yielding 4% interest. The bonds have a grace period of 12 years. Swapping its claims for exit bonds exempts a bank from future new money packages, and so allows smaller U.S. regional and European banks to opt out of the renegotiation/new money process altogether. These bonds have a discounted present value roughly equivalent to the current secondary market value of the debt. It remains to be seen how many banks will accept these exit bonds since many of them do not consider participation in new money packages binding on them.

Discounted Debt/Debt or Debt/Equity Conversions.

37. Voluntary exit consistent with equitable burden sharing can be achieved by permitting banks to convert their claims (at an appropriate discount) into local currency for investing in internal debt or equity approved by the government. Conversion of claims at a discount could be treated as equivalent to support which other banks provide through new money. Chile had proposed this alternative, but its steering committee ultimately opted for a retiming of amortization. The committee may have disliked the necessary control of the Chilean Central Bank on the volume of transactions (to avoid inflationary money creation).

Discounted Loan Repurchases.

38. The debtor could also purchase its debt directly from the creditor at a discount. Ignoring the moral hazard issue, this approach is unlikely to be widely used since countries experiencing debt-service difficulties are unlikely to have the foreign exchange to buy back their own discounted debt. Exceptions to this could be extreme cases: countries doing so well (e.g., from windfall gains) that they have the resources to enter the market (but the price of their debt would be likely to rise) or by countries with very severe problems and large debt discounts (e.g., Bolivia) who could be assisted to repurchase their debt as a form of organized relief.

Creation of Institutions for Intermediating Debt Relief.

39. Paradoxically, many of the above instruments are weakened by the existence of the secondary market. Banks will tend to be indifferent between (i) exchanging their claims in the secondary market and (ii) reaching an agreement with the debtor country which extinguishes the claims at a similar

discount. Only the latter would benefit the debtor country.

40. An increasing number of debt relief proposals therefore involve the creation of a special institution to intermediate debt relief. Rohatyn and Kenen pioneered this approach among the earlier relief proposals, and their ideas have been used as the basis for many current proposals. Typically, such an institution would acquire a portion of a country's outstanding external debt from commercial banks at a discount in exchange for a bond guaranteed by creditor and debtor countries (i.e., similar to World Bank bonds). These bonds would have a present discounted cash value somewhat greater than the banks could obtain from secondary market sales. The institution would then provide relief to the debtor country by converting the loans acquired into long-term (perhaps 30 years) fixed rate loans. The amount of debt relief provided through such conversions would be based on the debtor country's external financing requirements as agreed under an economic recovery program. Only those debtor countries willing to undertake appropriate adjustment measures would be eligible. Many schemes structure the relief so that it would be tranched annually conditional upon progress in implementing the agreed programs.

41. Critics have argued that such relief would have an adverse impact on future flows of new money to the debtor country. Since the mechanism would be used only for countries unable to attract adequate new money and committed to measures aimed at strengthening future creditworthiness, this objection seems unreasonable. If debt relief takes place under an official framework, the banks' future decision to lend will depend on creditworthiness, not on whether a country had received concessional relief in the past. The fact that the debt has been reduced and the problem managed in a non-confrontational, non-unilateral way may enhance the country's creditworthiness.

42. Critics are also concerned at the moral hazard in such an approach; it might encourage countries to introduce policies aimed at driving up the discount on their debt. Since the intermediary institution would not acquire the debt of a country unless it supported that country's efforts to strengthen its creditworthiness, this fear may be exaggerated.

43. A more practical drawback is the political support such an institution would need to get established, and the financial commitments it would need from governments, especially creditor governments. Some argue, to the contrary; that such a function could be carried out by the banks themselves, without need to create a new institution. Indeed, action recently taken by Japanese banks to exchange, at a discount, their non-performing developing country debt for shares in a debt holding company suggests that banks can act together to create an institution which achieves at least the first stage of what such an intermediary would do (i.e., acquiring old debt from the banks). However, no debt relief has been provided to debtor countries under the new Japanese arrangement, and the amounts transferred so far remain small ($500 million). Commercial banks have, thus far, not been convinced that relinquishing or substantially reducing their claims on a debtor country will be in their interest.

III. **SPECIFIC PROPOSALS**

44. The common theme of the latest round of debt proposals is an acknowledgement that the value of the commercial banks' claims on highly indebted developing countries is significantly impaired, and that many of these countries cannot be expected to service the debt on fully commercial terms. All insist upon a strong commitment to a negotiated longer-run development program as a key to the proposal.

The Bradley Proposal

45. Senator Bradley made his "Proposal for Third World Debt Management" on June 29, 1986. He proposed a combination of principal and interest relief for the 15 Baker countries to be agreed during annual meetings between commercial banks and official creditors chaired by the World Bank. Over a three-year period, countries would be eligible for annual relief equal to 3 percentage points off interest rates plus a 3 percent writedown of principal on outstanding commercial and bilateral official loans. Since his figures were illustrative, the exact amount of relief would be negotiated on a case-by-case basis, conditioned by the country's need and by its willingness to adopt approved adjustment programs. In this sense, the Bradley proposal is similar in concept to the Baker Plan, but involves explicit debt relief in place of new financing. Bradley suggested that full participation by LAC debtors could well result in debt relief of $42 billion over the period.

46. In subsequent testimony to a Congressional Subcommittee, Bradley appears to have discarded the framework of annual meetings between official and bank creditors as being unworkable, substituting the idea that governments should, in effect, direct their national banks to provide the approved levels of relief.

The LaFalce Proposal

47. Rep. John LaFalce proposed the establishment of an International Debt Adjustment Facility in March 1987. How the Facility would be capitalized was not spelled out in detail: the scheme would "explore the possibility of using existing resources at the World Bank and especially the IMF" (with emphasis on the IMF's gold holding) as collateral for the Facility's debt instruments. Operationally, the Facility would become involved following a request from the debtor country, accompanied by "a detailed plan for future economic management of the country". After negotiations, the Facility would commence a multi-year program of purchasing the debtor's loans in the secondary market, restructuring them to pass on the benefit of the discount to the debtor. In addition, the Facility would also "seek to lower the debtor's interest burden still further on the now-discounted debt through a number of different strategies", including promotion of debt-equity swaps and issue of commodity-linked bonds.

48. LaFalce's proposal thus combines several elements of earlier discount facility proposals (e.g., Rohatyn and Kenen), with subsequent developments and ideas. His Facility would not negotiate directly with the banks but would

purchase through the market, and would also seek to exploit the possibilities opened up by new instruments and swap techniques. In this sense, LaFalce's proposal is the most comprehensive of all those put forward, but the least specific in detail.

The Sachs Proposal

49. Jeffrey Sachs, Professor of Economics at Harvard, has put forward a proposal based on the subordination of existing sovereign debt (testimony to the Congressional Subcommittee on International Finance, Trade, and Monetary Policy, March 1987). His proposal focuses on the "major debtor countries", which he sees as still being in liquidity rather than solvency difficulties. Under this proposal, all existing bank debt would be subordinated to new marketable lending instruments that would have wider investor appeal (asset funds, multinational corporations, private wealthholders). To encourage the banks to subordinate their debt in this way, the scheme would be monitored by the IMF and World Bank, and a debtor's right to participate would be "conditioned on an internationally supervised adjustment program". In addition there would be a limit to the amount of new borrowing that would qualify for senior status, up to about 5 percent of existing debt per year. Principal repayments on existing debt would meanwhile continue to be rescheduled.

The Herrhausen Proposal

50. Dr. Herrhausen, the CEO of Deutsche Bank, has proposed the creation of an Interest Compensatory Fund (ICF) in order to stabilize and limit interest payments of eligible developing countries. Eligibility, as in other schemes, would be determined case-by-case on assessed need and on the debtor's commitment to an approved adjustment program. The ICF would be managed by the IMF, and would cap debtor's interest payments at a pre-agreed level through the life of the loan. Financing for the ICF would be provided by grants or participations provided by governments, international financial institutions and commercial banks on the basis of their respective exposure in the highly indebted countries. The ICF would have a claw-back capability if, after capping interest, rates subsequently fell below the agreed interest reference level, but during the life of the loan debtors would not be required to pay above this level. The difference between the agreed and market interest rate, if any, would be converted into a long-term (IDA-type) concessional loan. Given the continued operation of rescheduling to relieve principal repayments, however, such conversion would be likely to be postponed to the indefinite future.

The Mistry Proposal

51. Percy Mistry's contribution has been to make detailed proposals for the financing of a new intermediary institution, which he calls a Debt Restructuring Facility (DRF), built on the original Rohatyn and Kenen proposals. The arithmetic, however, appears ambitious. His DRF would be financed in a fashion similar to the capital structure of the World Bank, but subscribed only by the industrial countries. It would be capitalized at a

level of $30 billion, with 10 percent paid-in and 90 percent callable, with the paid-in element spread over 5 years. In principle, therefore, the budget cost to participating countries would be small. The $30 billion capital would allow for public borrowing on a 10:1 gearing ratio (making a 100:1 ratio between total assets and paid-in capital) providing the DRF with funds of up to $300 billion over 5 years with which to purchase HIC debt at a discount. Like LaFalce's scheme, Mistry would aim to supplement the DRF's resources by securitizing and selling off a part of the assets acquired, and by facilitating debt-equity swaps.

52. The mechanics of converting the discount on purchased debt into benefits for the debtor country, and the conditions for the country to be eligible for such benefits are much the same as in other schemes of this type. They would involve commitment to "appropriately structured policy reform packages", and monitoring of performance by the World Bank and IMF.

The de Carmoy Proposal

53. Mr. Herve de Carmoy, CEO of Midland Bank International and co-author of the Trilateral Commission report on international debt problems, has made more sweeping proposals for debt relief. His report calls for a political solution directed by an Action Committee of US, European and Japanese representatives. This Committee would have $30 billion of new financing to dispose of each year for 10 years to heavily indebted countries pursuing approved, growth-oriented adjustment programs. The $30 billion would comprise contributions of approximately $8 billion from commercial banks in low-margin new money (coupled with continued rescheduling of existing debt); $8 billion from multilateral development banks; and $15 billion of new concessional lending by governments.

Appendix A

Provisioning Against Foreign Loan Losses by OECD Banks

1. While debt rescheduling and "new money" packages have become common place since 1982, the commercial bank steering committees have recently found it increasingly difficult to arrive at unanimous proposals to put to the 200 to 400 individual commercial bank creditors of each debtor country. In part, this difficulty stems from different perceptions of a debtor country's program or prospects, but a more fundamental cause is the different provisioning approaches that both national custom and legislation require. In particular, these differences affect attitudes over the choice between "new money" and the alternative approach of interest deferral. There is little doubt that provisioning reduces a bank's interest in new money packages, since the new loans would immediately have to be provisioned against. European banks with higher provisioning have been more amenable to debt relief; until recently the thinly provisioned U.S. banks have (except for Citibank) been more amenable to new money. Table 9 (pg.14) gives a summary estimate of the state of provisioning against developing country debt in major countries.

U.S. Banks

2. Most large U.S. banks are regulated by the Federal Reserve Board or Office of the Comptroller of the Currency; most state-regulated banks have only a limited exposure in sovereign debt. Because of its insurance role, the FDIC is also important, and the Fed, FDIC, and Comptroller of the Currency have jointly agreed on some key provisioning issues.

3. Under current regulations a U.S. bank must hold reserves (provisions or contingencies) of at least 5.5 percent of total assets and capital equal to at least 6 percent of these assets. Beyond these ratios, there are no regulatory presumptions as to how banks should make general provisions for bad loans. Until recently, regulations would allow annual general provisions to be tax deductible costs if they were not overly generous and based on the bank's portfolio risk. The 1986 Federal tax law, however, withdrew this general provisioning allowance for "large" banks (assets over $500 million); only specific provisions or actual losses are allowable for these banks.

4. The federal regulatory agencies may require specific provisioning for loans to individual problem countries, called allocated transfer risk reserves (ATRR). The initial year's ATRR is 10 percent of the loans; for subsequent years it is 15 percent. The ATRR is chargeable to income and is, of course, tax deductible. Nevertheless, the regulators have been very reluctant to announce these ATRRs, since the country (debtor) is then publicly informed of the writedown and amount. So far only wilful and consistent nonpayers like Peru and Nicaragua have been so declared.

5. As a result, until recently most large U.S. banks, carried only 5-10 percent provisions on their HIC debt. Citibank and other banks have made recent general provisions against their portfolio. While this may make their assets more realistic in value, their ability to charge these provisions to tax-deductible costs remains in question. Indeed, Mr. Volcker raised exactly

that question publicly in late June.

European Banks

6. In the U.K., the Netherlands, and some other EEC countries, the Treasury (in the Netherlands, the Central Bank) has to give advance agreement even to specific loan provisions for these provisions to be counted against taxable profit. British banks seem to have provided few provisions until quite recently: from 5 to 10 percent for Argentina and Brazil, through 40-50 percent for Zaire. More recently, National Westminster Bank has raised the average level of its provisions for loans to debt-burdened developing countries to 30 percent.

7. According to confidential information, despite the case-by-case prior approval required for fiscal benefits in the Netherlands, the level of provisions there matches the German. German legislation invites their "merchants" to make a "careful evaluation" of the value of their assets. If the merchant feels that the nominal or purchase value overstates the true value, he is invited to correct this overvaluation in his books. Any resulting loss is properly deductible from his taxable profits. Banks have been encouraged by the financial authorities to be particularly prudent in evaluating the true value of their claims on developing countries. German banks have provisioned; about 70 percent in the case of Deutsche Bank and probably the others. Provisions are treated as a capital loss, properly deducted from taxable profits. Provisioning levels are believed to be comparable or higher in Switzerland.

8. France follows an intermediate practice. Banks are encouraged to be prudent in evaluating their assets; however, when provisions are made against sovereign debt, they can be deducted from taxable profits only if the debtor country is on a list established by the Banking Commission; this list now comprises 41 countries. Once a country is on the list, provisions are deductible from taxable profits up to 100% of the face value of the loan. According to confidential information, BNP has constituted provisions for about 45% of the total value of its loans to the 41 countries; other major banks for about 40%. These are <u>averages</u>, higher provisioning for some of the HICs are likely. In addition, banks have provisioned some of their loans to countries not on the list of 41.

Japanese Banks

9. Japanese banks are not allowed to deduct their provisions from taxable profits, and are permitted by law to provide for only 5 percent of their loans. During 1986, due to the balance sheet effect of dollar weakness, many Japanese banks were in fact obliged to write back to income a part of their international loan provisions in order to maintain the total at not more than 5 percent. To get around the stringency of these regulations, they have recently constituted a joint factoring subsidiary which would buy their loans at a discount, thus allowing them to realize their losses. However, so far they have reportedly only sold to this subsidiary loans for a nominal value of about $500 million equivalent. The capital of the subsidiary is constituted

by the loans transferred to it; so that no cash transaction is initially involved, merely the exchange by the constituent banks of their claims (valued at a discount) for equity.

July 6 MEETING

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 8, 1987

TO: Members, Policy Committee

FROM: Barber B. Conable

SUBJECT: Modalities for the General Capital Increase (GCI) - Outline

Following the July 6 discussion by the Policy Committee of the above outline, I agree that the paper for the Committee of the Whole should:

(a) present illustrative scenarios of between $40 and $80 million; and

(b) stress, inter alia, the risks the Bank faces (arrears, exchange rate fluctuations) and the implications of these risks for the adequacy of any given increase in the Bank's capital expressed in dollar terms.

Barber B. Conable

P-1867

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 14, 1987

TO: Files

FROM: Marianne Haug

SUBJECT: Minutes of the Policy Committee Meeting
Monday ~~Wednesday~~, July 6, 1987

GCI Modalities - Outline Paper

Mr. Stern summarized the first part of the discussion noting that there were two issues: (i) are we pushing hard enough to get the appropriate capital increase? and (ii) what impact will liberalization of terms for low income borrowers have? In particular, should this be a temporary measure?

Mr. Qureshi made the following points:

(a) A $60 million capital increase is required but will be very difficult to get if we submit only a $40 and $60 million scenario.

(b) The paper should point out the worsening situation the Bank finds itself in and the need for an even higher capital increase.

(c) The overall approach to selective capital increase should not be confused with GCI but would be handled under a special umbrella.

A general discussion ensued about the value of liberalization of terms and the type of mechanisms to be used to harden the terms. It was recognized that in the medium term a change of terms will have an impact on about half of our debt portfolio but little impact will be shown for the next three to five years. Mr. Shihata pointed out that: (a) the Bank should not overemphasize the possibility of liberalizing of terms as this will weaken our point; (b) for the first year our capital is denominated in dollars and this further increases our exposure risk; (c) the assumption of the sustainability of our lending levels have been consistently too optimistic as allocated shares are not subscribed and reserve level has not been established. Clearly the Bank cannot play the role it should play both in size and quality if the capital increase is not provided. Mr. Wapenhans underscored that the $40 million case was really a minimum and would challenge our sustainable level within a very short period of time. Therefore, a third scenario of about $100 million was urgently needed. Mr. Stern noted that there was clearly a trade-off between a higher GCI or going back in less time and achieving a quick approval and possible term liberalization. This is a strategic issue of how we want to handle the matter.

Mr. Hopper brought up the issue of paid-in capital. The U.S. would clearly prefer zero paid in capital while most of the the other Part I countries wish to have choices to see at least an initial percentage paid in up front in order to test the commitment of the country involved. Developing countries have never seen the difficulty to get payment made on GCI.

POLICY COMMITTEE MEETING

MONDAY, JULY 6, 1987

9:30 a.m.

AGENDA

1. GCI Modalities
   Memo from Mr. Stern dated June 29, 1987: PCFIN87-3

2. FY88 Budget

   - Preliminary ED Reaction to FY88 Budget
   - Outstanding issues

Attachment: GCI Modalities
Memo from Mr. Stern dated June 29, 1987: PCFIN87-3

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Ms. Marianne Haug — June 29, 1987

FROM: Ernest Stern *ES.*

SUBJECT: GCI Modalities - Outline

Attached is an outline of the paper on GCI Modalities, which is scheduled for discussion in the Committee of the Whole on July 30. I would appreciate it if this could be circulated to the members of the Policy Committee for discussion on July 6.

Attachment

P-1867

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

PCFIN87-3

TO: Members, Policy Committee June 29, 1987

FROM: Ernest Stern, SVPOP ES.

SUBJECT: Modalities for the General Capital Increase (GCI) - Outline

We are scheduled to meet in the Committee of the Whole on July 30 to discuss the Modalities of GCI paper. Since we reached agreement on the calendar for discussions only recently, and have to deal with several other aspects of the GCI and headroom issues at the same time, the drafting and review process has had to be condensed---hence, the relatively short lead time.

The attached outline spells out the approach we are planning to take in the paper, which is under preparation. Our discussion should focus on the principal parameters so that staff can be guided in the drafting. The paper is intended to present alternatives, not to state management's views on these matters at this stage. From the CoW discussion, and subsequent consultations, we will formulate a specific set of proposals to be considered later in the year.

Attachment

cc: Ms. Haug

Draft Outline

MODALITIES FOR THE GENERAL CAPITAL INCREASE

I. Introduction

This section will point out that the sustainable level of lending (SLL) is now $14.2 billion (without the membership shares) and $14.9 billion (with membership shares), which may be compared to proposed commitments of $14 - 15.5 billion for FY88. This section refers briefly to the September 1986 CoW discussion on the earlier Modalities Paper, the April Meeting of the Development Committee, the June 10 meeting of the CoW on the capital adequacy, the July 2 meeting on the Membership Shares, and the SCI paper to be discussed on July 21. It will also introduce the structure of the Paper.

II. Scenarios

This section will present the issues addressed in the earlier Modalities paper in the context of two illustrative scenarios: a $40 billion increase (42 percent) and a $60 billion increase (63 percent). The paper will examine the implications of each scenario, under a set of assumptions,[1] for the sustainable level of lending (SLL), for the Bank's ability to provide liberalized repayment terms to low-income and adjustment countries, and for the flexibility that the Bank would have to use innovative instruments and/or undertake an increased role on external debt management (e.g. debt swaps). The two scenarios will be presented as reference points for member governments to use in determining the response capacity the Bank should have over the next few years.

Scenario I ($40 billion)

With no change in lending terms, SLL would increase to $21.5 billion. If the share of fast disbursing loans were to stabilize around 20 percent, SLL would increase by $0.5 billion.

If permanent liberalization of terms (permanent level annuity) to low-income borrowers is provided, SLL would decline to $19.5 billion.

1/ These assumption include reserve level of 15 percent, annual lending of $630 million to IFC, no cancellations and a 25 percent share of fast-disbursing loans in new commitments.

Under this scenario, the SLL could be reached in less than five years. According to the planning assumptions,[2] commitment levels for FY91 are projected at $20.5 billion in the base case, and $22.5 billion in the high case. Liberalization of terms may not be feasible under this scenario in view of other needs. A $40 billion increase would not protect the Bank's lending plans against vulnerability to exogenous factors (e.g. high rates of inflation). It would also be inadequate in terms of providing the Bank additional flexibility for increased catalytic role and/or for increased role in external debt management (e.g. swaps). Thus, scenario I could put shareholders in the position of having to consider a new capital increase in the early 1990s.

Scenario II ($60 billion)

Without any change in lending terms, SLL would increase to $24.8 billion under scenario II. If the share of fast-disbursing loans were 20 percent, SLL would be $25.5 billion.

With permanent liberalization of terms for low-income borrowers, SLL would be somewhat lower, at about $22.5 billion.

This scenario would allow some protection against vulnerability; allowing for flexibility to maintain the projected expansion of commitments in real terms should the inflation be higher than anticipated presently. It will also provide the capital base to introduce innovative financial instruments and/or expanded risk sharing with other sources of external finance. Assuming the same average life for these instruments, a $60 billion increase could sustain an annual commitment level of $21 billion for traditional lending and $1.5 billion for the new initiatives. Under this scenario, the need for a new capital increase might not arise before mid-1990s.

III. Allocation of Shares

This section will illustrate how the overall GCI might be divided among the following four categories:

(a) selective component (SCI) - 10 percent of existing shares will be used as illustration (as in Criteria Paper);

(b) membership share component - size will be set so as to leave Part II voting power at 42.36 percent;

2/ Review of World Bank Financial and Operating Programs and FY88 Budget, June 15, 1987 (R87-92)

(c) set aside for new members - 15,000 shares will be used as illustration; and

(d) general component - this will be treated as residual.

IV. Other Issues

This section will make the point that the percentage of paid-in is not crucial for the Bank's financial operations. The key question is whether (or to what extent) it is regarded as an index of shareholders' support for institution by the financial community. Illustrative examples will use 7.5 percent and 3.75 percent paid-in portion.

V. Summary Points of Discussion

Directors' views will be sought on:

a. desired capacity and flexibility of the Bank, in terms of both lending and innovative instruments, through mid-1990s;

b. the fraction of new capital stock allocated on a selective basis and "set-aside" for new members. Confirmation of decisions on the membership shares will also be sought; and

c. the portion of paid-in element recognizing that definitive decisions may not be attainable until members are clear about the size and country-by-country allocation of the capital increase.

June 26, 1987

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 2, 1987

TO: Policy Committee

FROM: R. Picciotto, Director, PBD

SUBJECT: FY88 Budget: Board Meeting of July 7, 1987

1. There is widespread recognition that management has been responsive to Board concerns, that the budget represents a turning point and that a 4.7% decline in real terms in the dollar budget (combined with the output targets proposed for the financial and operating programs) would be an impressive achievement. Some Directors (Altman, Haxthausen) may question an allegedly excessive emphasis on cost reduction as an objective in itself. But the more serious concerns likely to be expressed revolve around the tentative tone of the document and the uncertainties resulting from the reorganization. For example, the US Executive Director's Office asked whether the budget could be characterized as "dead on arrival" given the numerous caveats of the document, or whether, as hoped, it could be said to represent the best judgment of Bank management as to what can be achieved.

2. A related concern is whether management already expects to present a supplementary budget in the course of the year. The US Chair shudders at the impact which such news would produce "down the street" and stresses that any political gain achieved through this budget would be dissipated even if a modestly sized supplementary budget request specifically geared to "good things" were to be presented to the Board. The thought of adding to the reorganization budget is viewed as even more abhorrent. The UK Chair is also nervous on this point and even expresses concern about the statement of para 2.05 that "some increase in staffing and budgetary resource is anticipated in FY90 and beyond". The Policy Committee might discuss whether the concept of a supplementary budget is at all realistic and if so, when and under what circumstances.

3. It may be difficult to keep detailed questions on the implementation of the reorganization (especially those related to the staff selection process) out of the debate but we should try to do so, e.g. by ruling it out of order when it first comes up and offering a special discussion after Round 1 selection results are in, i.e. by the end of July. Obviously, the concerns in this

area vary. For example, Mr. Keating wonders whether we will underachieve the "reduction of positions" target and end up spending too much on retraining. Others (Al Sultan) believe that we will overshoot the target and that there are abuses (staff being let go at great expense and rehired as consultants, wrong people separated, etc.)

4. Regarding the treatment of operating programs, we should anticipate many questions about the realism of the lending program, given the disruption due to the reorganization. In addition, there are questions about the actual impact of proposed programs on poverty alleviation (decrease in agriculture lending), the share of IDA likely to go to SubSahara Africa (Altman, Haxthausen), the justification of cutting resources allocated to economic and sector work (Al Sultan), and the rationale for cutting research staff while increasing the dollar resources allocated to research and attempting to enhance the Bank's intellectual leadership role (Al Sultan). All of these points were dealt during the interactions we had with Board members and their assistants but the questions may well resurface again.

6. There are contradictory concerns about "contracting out". The US Chair gives great importance to achieving (and if possible overachieving) the related redundancies. Others (Altman, Al Sultan) highlight the risks involved in contracting out work which may be laden with "Bank culture" requirements (translation), involve delicate aspects of clients relations (confidentiality), or would be difficult to farm out given quality or loyalty requirements.

7. Despite the recent Board papers on "loan charges" and "headroom" and the promise of further discussions of currency composition of lending and borrowing, there may remain questions (Draghi, Potter) on such topics as SLL, net income, non performing loans and liquidity policy although there were handled in the course of this week with the help of Finance staff. Questions can also be expected on loan cancellations and projections of net transfer and resources from IBRD to borrowing countries.

8. Operations, Administration and PBD staff have reviewed the Budget Committee Report on Consultants which forms part of the background for the budget discussion.

9. I attach a draft introductory statement for your review and approval.

Attachment

cc: Messrs. Thahane, Rajagopalan, Challa, Murli
Ms. Haug

Introduction of FY88 Budget Discussion by
the Board of Directors (July 7, 1987)

MR. CHAIRMAN, LADIES AND GENTLEMEN:

1. This is a landmark budget. It combines continued growth and diversification of development services with major organizational restructuring and reduced expenditures.

2. The operating programs, built from the ground up, reflect a diverse, complex and ever-changing mix of needs and opportunities. They are affected by more than the usual degree of uncertainty. For the middle income countries, the global environment provides a hazardous prospect of growing protection and reduced capital flows superimposed on a burdensome debt load. For the low income countries, skills shortages, institutional shortcomings and commodity price stagnation hamper recovery. Within this context, the economic and social penalties of inadequate domestic policies are more evident than ever before, and development financing needs to be fashioned to take explicit account of the country context of each intervention.

3. Given these uncertainties, the level of Bank/IDA activities in the coming years is not easy to predict. Nevertheless, we believe that there

is a potential for annual IBRD/IDA commitments to rise from $17.5 billion in FY87 to $24.1 billion over the next three years. Lending is expected to shift increasingly towards the poorest countries. In all borrowing countries, the Bank Group will emphasize the advisory support and the financing required to put in place integrated, tailor-made country assistance programs aiming at economic recovery and sustainable development.

4. The qualitative changes in country assistance programs are as important as the quantitative aspects. During FY87-90, adjustment lending is expected to absorb about 25% of lending compared to 15% during FY83-86. This reflects the need to deepen policy adjustment and institutional reform, especially at sector level. The share of sector investment and financial intermediation lending is forecast to decline from 38% in FY83-86 to 25% in FY87-90, a trend explained by continued macroeconomic constraints on public and private investment expenditures. By contrast, we visualize an increase in the share of IBRD/IDA commitments allocated to specific investment (project) lending -- the development financing equivalent of classic Coke -- from 44% in FY83-86 to 50% in FY87-90.

5. We will also be increasing our emphasis on programs to improve public sector management, to promote private enterprise to protect the environment and to increase the opportunities for women to contribute to development. Efforts to mobilize external resources through aid coordination, cofinancing and innovative financial technical assistance and intermediation services will be intensified.

6. As in previous years, the FY88 budget was designed as a planning vehicle to redeploy resources from low priority to high priority uses. But this year's cycle is unique in that the plans and budgets were prepared within the context of a comprehensive reorganization and "downsizing". No institutional restructuring of this magnitude could be expected to be put in place without substantial costs and even disruption. The process involves realignment of functions, redeployment of skills, separation of staff and familiarization of managers and staff with their new duties and relationships. Our pipeline in FY87 has suffered from the changes. Nevertheless, after the digestion period is over, we can anticipate a more responsive, more accountable, more cost-effective Bank, and, hence, a healthy rebound in work output.

7. To recoup the direct and indirect costs of the reorganization, the budget has been kept tight. The dollar budget is expected to decline by 4.7% in real terms from the FY87 level. If the full measure of work expected is taken into account, efficiency is targeted to go up by 6-7%. But we have not regarded penury in expenditures as a goal in itself. In addition to reducing expenditure, the budget, under the new organization, provides for major shifts in resource allocation to emphasize redeployment towards client oriented services. It is also conceived as an instrument to ensure (a) that the activities of the new units reflect the strategic goals set by the President and this Board; (b) that decision making is distributed widely throughout the organization to better tap the energy and innovation of the staff; (c) that managers are kept accountable for results; and (d) that both expenditures and achievements are monitored to allow timely corrective action and redeployment, where required.

8. In sum, this budget is demanding and forms part of a process similar to the programs we often advise our clients to adopt. It aims at growth with adjustment. It involves substantial intersectoral shifts. And it must be viewed in the context of a medium-term adaptation to a changing environment.

9. Finally, it needs to be said that the volatility of the external environment, combined with the uncertainties created by a complex reorganization, may demand greater than usual flexibility and interaction between the management and the Board as the budget year progresses. In the weeks and months ahead, the planning and budgeting staff will do their best to facilitate this interaction.

10. Thank you very much.

PBD
7/2/87

(rp#2/intro)

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

DATE: July 2, 1987

TO: Policy Committee

FROM: Robert Picciotto, Director, PBDDR

EXTENSION: 72557

SUBJECT: FY88 Budget Appeals

1. Part of the explanation for the unusually large number of budget appeals has to do with the unique situation created by the reorganization. The FY88 budget was put together on the basis of Steering Committee recommendations which were fluid by the time the budget document had to be printed. However, the Steering Committee has by now delivered rulings on most contentious issues which were brought before it. Furthermore, the aggregate budget envelope is fixed: the Board will consider the President's budget proposals on July 7. Therefore, even though the consultation process may have been less than perfect, there is no possibility whatsoever to relax the total resources envelope. Neither is it possible to entertain revisions in budget methodology which were settled by the Policy Committee when the budget framework was approved in mid-May.

2. Taken individually the logic of each appeal appears compelling although detailed examination and the total picture suggests otherwise (Annex 3). Taken together, however, the appeals amount to a retreat from the basic budget objectives of the reorganization. This is largely because units tend to point out instances where budget increases can be justified, but remain silent on areas where further savings can be accomplished. Three fundamental problems emerge from the tenor of the budget appeals:

(a) cost consciousness has yet to permeate our culture;

(b) there is a myriad of constraints hampering resources redeployment within this year's constrained budget environment; and

(c) inter-unit cooperation (as reflected in the reluctance to accept cross support budgeting) leaves much to be desired.

3. Position tallies mapping out the numbers of the Board document and subsequent Implementation Committee adjustments appear in Annex 1. A summary of the appeals received and their disposition so far appear as Annex 2. The outstanding requests amount to 1.7% of the operating budget and 13.1% of the expected reduction in positions due to the reorganization (42 out of 320 positions). Should the appeals be granted the nominal budget decrease of $17 million (FY88 compared to FY87) would shrink to $6 million. Moreover, the full year savings would decline from $45.0 million to $33.5 million. This is not an acceptable outcome. Annex 3 reviews the

justification of each appeal.

4. The only institutional reserve remaining at the disposal of the President amounts to 12 HL positions. The following options are available:

(a) allocate positions now based on review of available evidence;

(b) reserve positions in a central account until a full review of work programs has taken place.

5. Whatever the decision and given the uncertainties of the external environment and the inevitable disruptions created by the reorganization, it is clear that substantial resource redeployment both within and across units will need to be effected during FY88 and in the FY89 budget as well. Without redeployment from low priority to high priority uses, our plans will not be achieved either in FY88 or beyond. A shift in managerial attitudes regarding budgetary matters is therefore needed to encourage greater transparency, cost-consciousness and willingness to redeploy resources in the institutional interest.

cc: Messrs. Challa, Murli, Mrs. Haug

RPicciotto/rmf

POSITION TALLY

(Authorized Regular Positions) a/

Unit	Board Document HL	Board Document SL	Implementation Committee/PBD Adjustments HL	Implementation Committee/PBD Adjustments SL	Current Tally HL	Current Tally SL	Explanations (HL Positions)
Operations	1986	921	5	1	1991	922	4 additional positions for FIS per Implementation Committee (also 2 SL). 1 position regraded to HL from SL to record the result of a Job Grading decision clarified during the Task Force review of PPD functions.
Finance	328	170	4	28	332	198	1 position associated with London Office moved to Administration. 1 additional position associated with Paris Office moved from Administration. 18 positions are reallocated to CTR for the administrative expense functions that had been previously assumed to be delegated to Administration. Surplus of 14 positions between Budget Framework and Steering Committee recommendations (see Mr. Picciotto's memo of 6/9/87) held back in Central Contingency, 8 from SVPF & 6 from CTR.
Administration	556	486	-16	-36	540	450	1 position associated with London Office moved from Finance. 1 position associated with Paris Office moved to Finance. 13 positions (previously transferred out of CTR's for administrative expense functions) moved back to CTR. 3 surplus positions (6/9/87 memo) held back from External Affairs in Central Contingency.
PPR	535	233	-5	-2	530	231	Net surplus of 5 positions (6/9/87 memo) held back in Central Contingency.
Other	151	108	1		152	108	One position previously cut from Secretary's has been reinstated based on Implementation Committee's recommendation.
Central Contingency			12	8	12	8	22 surplus positions originally held back from Finance, Administration and PPR (see Mr. Picciotto's 6/9/87 memo), less: 5 positions added to CTR for administrative expense functions, 1 reinstated in Secretary's, and 4 added to Operations for FIS.
Secretarial Pool		150			0	150	
Total IBRD/IDA	3556	2068	1	-1	3557	2067	

a/ Excluding Special Positions.

PBD/PR
July 2, 1987

APPEALS MADE AND OUTSTANDING
(Authorized Regular Positions a/ and Budgets)

	Original Appeals			Settled			Outstanding		
	HL	SL	$000	HL	SL	$000	HL	SL	$000
Finance									
Financial Tech. Asst.	4	2	469	-	-	-	4	2	469
Systems	6	3	704	-	-	-	6	3	704
Front Office	2	3	327	-	-	-	2	3	327
	12	8	1,500	-	-	-	12	8	1,500
Operations									
Financial Intermediation (FIS)	8	4	1,491	4	2	745	-	-	-
Efficiency Tax b/	-	-	3,500	-	-	-	-	-	3,500
Post Allowances (Field Offices)	-	-	2,700	-	-	-	-	-	2,700
Consultants									
- Operations c/	-	-	1,900	-	-	-	-	-	1,900
- Cross Support	-	-	1,400	-	-	-	-	-	1,400
	8	4	10,991	4	2	745	-	-	9,500
PPR									
'Forgotten' Positions	13	7	2,414	13	7	2,414 d/	-	-	-
Administration									
Contracting Out e/	16	6	454	-	-	-	16	6	454
Other									
Secretary's	1	-	125	1	-	125	-	-	-
TOTAL	50	25	15,459	18	11	3,259	28	14	11,454

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a/ Excluding Special Positions.
b/ Bank-wide Unit cost adjustment unrelated to position reductions.
c/ Consultant reduction associated with HL 102 position redundancies.
d/ Implementation Committee confirmed these positions were included in staffing plans for PPR. PPR has agreed to review continued need for positions and accomodate those which remain within the PPR envelope.
e/ The 22 contracting out redundancies are tentatively assumed to consist of 16 HL and 6 SL. The dollar amount includes only the incremental cost of carrying the positions beyond the first quarter.

Annex 3

Review of Budget Appeals

Operations Complex

1. Operations considers that the efficiency gains postulated in the budget document are excessive and do not take account of the "friction" factor resulting for the reorganization. A number of specific parameters are challenged:

(a) the $3.1 million reduction from the FY87 base budget postulated by PBD; (b) a $2.7 million reduction for the field office "post allowance" account; (c) the downsizing of the consultant budget in proportion to position reductions which Operations alleges to be $3.3 million. 1/ Operations views these adjustments as arbitrary and excessive.

2. At this stage, there is no reason to reopen these issues in PBD's estimation. With respect to item (a), the $3.1 million reduction off the FY87 base has been applied consistently and equitably across the Bank to ensure deliberate efficiency gains (unrelated to position reductions) which were considered feasible. The origin of this principle pre-dates the reorganization. The specific approach was endorsed by the Policy Committee in mid-May. With respect to (b) above, there have been discussions on the topic of field office allowances over the years and consistent over-estimation by Operations of these allowances. It is improbable that the removal of what PBD judges to be "fat" will jeopardize the conduct of resident mission work (an area under investigation by the Board Budget Committee) especially in view of PBD's stated assurances that it will cover justified overruns under this specific buget head. Finally, with respect to point (c), the cut in the consultant budget flows from the same underlying factors justifying the redundancies in the positions secured through the reorganization. PBD confirmed with the Operations Task Force at the time that the methodology applied specifically assumed maintenance of the staff/consultant ratio, and explicitly incorporated it into the budget framework agreed upon at the mid-May Policy Committee discussion. The reduction is therefore an integral element of the FY88 Budget now before the Board.

1/ In actual fact, the reduction applied to Operations' consultant budget as a result of position reductions is about $1.9 million.

3. Operations has requested additional positions for the new Vice Presidency for Financial Intermediation Services. A decision has been made by the Implementation Committee to provide 4 HL positions as "seed money" for this new initiative which I will be accompanied by a program to firm up a demand-based program at the CAM level and to set up a chargeback system which is expected to be in place by FY89.

4. Finally, Operations has agrued that the lending program will suffer unless additional resources are provided. This hypothesis needs to be confirmed through a careful examination of the status and prospects of the lending programs of individual country departments. Given the uncertain impact of the reorganization on business processes and the volatility of the lending environment, it is not obvious that additional budget resources provided now would necessarily lead to quality lending on a larger scale. Furthermore, until Operations has conducted a review of lending prospects and the reorganization settles down, the optimum areas for incremental budget injections will not be easy to determine.

Administration Complex

5. The FY88 Budget Memorandum assumes a net reduction of about 22 higher-level and support-level positions in FY88 on account of contracting out of services for the Administration Complex. The reduction in authorized positions is scheduled to take effect on July 1, 1987 with the proviso that we would ask the Board to approve additional positions in FY89 if studies indicate that contracting out would not be cost effective. The Administration Complex prefers to complete the studies first and, depending upon their outcome, give up positions later.

6. PBD recommends continuation of the approach outlined in the Budget Memorandum for three reasons. First, improvement in cost effectiveness through contracting out is at the center of the reorganization proposals for support services. The proposed reduction of 22 positions in FY88 represents a modest start as compared to the potential envelope of 290 position reductions 1/ over FY88-90 derived from the Support Unit Task Force report. Ignoring this as a source of position savings in FY88 would require adjusting our target position reductions in FY88 from 320 (as promised to the Board) to about 300. Second, there are concrete possibilities for contracting out the levels postulated for FY88.

1/ Includes about 230 positions in General Support Services, 50 in Information, Technology and Facilities, and 10 in Human Resource Management.

Immediate contracting out possibilities can be found in Interior Design, Facilities, Parking management, Chauffeur Services, Telephone Operators, and Art and Graphics. Some of these do not require elaborate studies. PBD's own estimate is that up to 40 contract-out possibilities could readily be identified in the first half of FY88, even if other substantial targets of opportunity are set aside for the time being (mail handling, printing, language services, and plant maintenance). Third, the Administration Complex is assured that the costs associated with any delays in the completion of studies and implementing the contracting out option are covered from the institutional contingency account. Moreover, if some of the contracting out possibilities do not turn out to be cost effective, we would be in a better position to justify additional positions to the Board in FY89 on the basis of concrete analyses and experience.

Financial Complex

7. The Reorganization Steering Committee has recommended that all technical assistance to borrowers should be the responsibility of the Operations Complex. Based on the Steering Committee recommendations, PBD had assumed that the staffing and financial resources are subsumed in the overall Operations budget, which covers a wide range of technical assistance activities. Operations agrees with this idea but claim additional resources for Financial Technical Assistance work. Finance argues that the staff for the financial technical assistance work should be allocated to the Finance Complex since they cannot afford, within the overall staff allocated to them, to create additional capacity for this demand-driven service.

8. Like other client-driven 'cross-support' services, the resources for financial technical assistance work should be driven by Operations. Operations should, within the overall resources allocated to them, find ways to reimburse Finance for the services rendered by them during FY88.

9. Finance is also claiming six higher-level staff and three support-level staff for sundry financial systems activities. Based on work program requirements, the Steering Committee had recommended allocation of only one higher-level and associated consultant staff to Finance.

10. It should be noted that in FY87 the base budget of Finance was increased by $2.5 million to replace all major financial systems. This allocation was then considered sufficient to take care of their computing systems needs in the near future. To be sure, there are potential systems activities reflecting the "fresh" look of the new management team in Finance. However, a detailed work program and budget for this work has yet to be developed. When available, it should be considered as part of the normal budget process.

11. The Steering Committee has also recommended relocation in FY88 of certain administrative expense functions (payroll, taxes, benefits, travel and accounts payable) to the Administration Complex. PBD originally

assumed that the process was well in hand and that the positions should be transferred as of July 1, 1987. However, this does not seem to be the case. Obviously the relocation of these important functions require careful planning and readiness on the part of Administration. We cannot afford to have any lapses since the output of most of these functions affect the welfare of Bank staff. The issue basically is one of timing.

12. The transfer of functions should be geared to the preparedness of Administration to receive them. It is recommended that the implementation of the Steering Committee's recommendations be postponed to a time to be mutually convenient to both Finance and Administration complexes. In the meantime, PBD agrees that the positions and the budgetary resources for these functions should stay in Finance. This approach is agreeable to Messrs. Stern and Wapenhans. Based on the preliminary notes from the Institutional Services Task Force, PBD has allocated 13 higher-level and 37 support level positions for this work. However, the latest decision from the Implementation Committee Staff is that this work will require 18 higher-level and 28 support level positions.

13. Finance has requested two higher-level and three support-level staff <u>above</u> the level recommended by the Steering Committee. These higher-level positions are for a Special Financial Advisor and one additional position for the program coordinator. The Implementation Committee did not endorse this request.

<u>Planning, Policy and Research (PPR) Complex</u>

14. PPR had approached the Implementation Committee about a number of positions which are said to have been forgotten. The Task Force was alleged to have overlooked the existence of five units with 13 higher-level and 7 support-level staff. PPR argued that the position allocations for PPR should be increased to accommodate these "forgotten positions".

15. The Implementation Committee has rejected the appeal. None of the positions was forgotten in the sense that all were included in the overall base number of positions from which the new PPR organization was created. The units were either in Operations/OPS or in ERS. PPR should absorb these units--if they are judged to remain a priority use of resources - within current overall position allocations for PPR, specifically those portions of PPR which are successors to the parent organizations of these units, i.e. within PPR's VP/Sectors and VP/Chief Economist. Thus, the sector library, the satellite imagery group, the reconstruction assistance advisory office, the living standards investigation group and the staff devoted to office technology support functions in former ERS should either be fully absorbed within the PPR envelope or disbanded.

PBD
7/2/87

(rp#2/appeals)

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: June 25, 1987

TO: Mr. Barber B. Conable

FROM: R. Picciotto, Director, PBD

SUBJECT: FY88 Budget

1. There has been a steady flow of budget appeals. All four SVP Units have contributed to this. Some requests have been sent to the Implementation Committee secretariat. Others have been submitted to the Planning and Budgeting Department. Still others have been forwarded to you directly. And some have gone in all directions at once. More appeals may be in the works. Hence, the overview which follows must be viewed as tentative. But the cumulative budget impact of the requests already in hand is bothersome and the processes through which they are being handled need streamlining.

2. Some of the budget issues raised have to do with the desirability and timing of transfer of functions from one unit to the other. Most of these have been settled in principle (e.g. delayed transfer of functions from Finance to Administration regarding payroll and benefits administration) and only require detailed validation and confirmation. Cross-unit support issues are still being negotiated 1/ between the units concerned either in terms of the likely level of demand or of the mechanics of inter-unit contracting (PPR/Operations; Finance/Operations; Administration/Operations). There remain differences of views regarding the FY88 timing of redundancies related to "contracting out" and, hence, with the budget treatment of these redundancies. Finally, there remain challenges to the basic methodology of budget estimation for certain core functions of SVP Units even though these had been settled earlier in the budget process. The large number of appeals is to an extent understandable since the documentation left behind by the Task Forces is not always exhaustive and the technicalities of budgeting in the flux of a complex reorganization are necessarily complicated. The bottom line is that firm Presidential leadership needs to be asserted soon to avoid valuable time being wasted in sterile disputes and to minimize the uncertainties which stand in the way of getting on with the business of the Bank.

1/ In particular, the proposal for financial services technical assistance cross support from Finance to Operations needs to be examined and resolved in the overall context of the emerging financial intermediation work program of Operations.

P-1867

3. Three things are clear from the tenor of the budget appeals:

(a) cost consciousness has yet to permeate our managerial culture;

(b) there remains great managerial reluctance to take the tough decisions needed to redeploy resources within a constrained budget environment; and

(c) inter-unit cooperation (as reflected in the reluctance to accept cross-support budgeting) leaves much to be desired.

4. A summary of the potential budget impact of the appeals follows:

	Positions HL	Positions SL	$000 1/
Operations			
1. Financial Intermediation Services	8	4	1,491
2 Productivity Tax			3,300
3. Post Allowances (Field Offices)			2,700
4. Consultants			3,300
			10,791
Administration			
1. Contracting Out Redundancies	16	6	454
Finance			
1. Financial TA	4	2	469
2. Systems	6	3	704
3. Front Office	2	3	327
	12	8	1,500
PPR			
1. "Forgotten" Positions	13	7	2,414
TOTAL	49	25	15,159

1/ Details are in Attachment 1.

5. The aggregate magnitude of the incremental requests amount to 2.2% of the operating budget and to 23% of the expected reduction in positions due to the reorganization (74 out of 320 HL positions). Should all appeals be granted the reduction of the FY88 budget compared to FY87 would be insignificant, $2 million, instead of the $17 million promised the Board. Moreover, the estimated full year savings of the reorganization would decline from $45.0 million to $29.8 million. This would translate into a 3.4 years pay-back period for the reorganization supplementary budget investment instead of the 2.3 year pay-back period estimated in the FY88 budget document.

6. Taken individually and in isolation, the appeals may appear convincing although detailed examination suggests otherwise (Attachment 2). Taken together however, they amount to a retreat from the basic budget objectives of the reorganization. In part this is because units tend to point out instances where budget increases can be justified, but remain silent on areas where further savings can be accomplished. Considering the uncertainties which still lie ahead, it would not be wise to grant budget relief to the SVP Units at this particular time, except where clear mistakes have been unearthed by the Implementation Committee/Secretariat or where you have determined that important institutional interests are at stake.

7. Operations has argued that the lending program will suffer unless additional resources are provided. This hypothesis needs to be confirmed through a careful examination of the status and prospects of the lending program. This review has only just started. Given the uncertain impact of the reorganization on business processes and the volatility of the lending environment, it is not obvious that additional budget resources provided now would necessarily lead to quality lending on a larger scale. Furthermore, until Operations has conducted a review of lending prospects and the reorganization settles down, the optimum areas for incremental budget injections will not be easy to determine.

8. In conclusion and given the uncertainties still plaguing the budget estimates (potential grade creep, etc.) I recommend that you stay the course and reserve judgment on all appeals not already decided by the Implementation Committee. PBD has set aside 22 HL positions for your use at that time, over and above a small contingency. Out of this, I understand that 4 HL positions have already been granted by the Implementation Committee for Financial Intermediation work in Operations. (I suggest that PBD be included in future Implementation Committee meetings where these have budget implications.) There are a number of anomalies in the organization structure - large Front Offices, overlapping units, etc. - which will have to be remedied once the dust has settled. And it is crucial that the small remaining reserve be applied to maximum advantage and that it be combined with suitable efficiency enhancing action. This cannot be designed, let alone implemented, at this stage.

cc: Mr. David Hopper
Mr. V. Rajagopalan
Ms. Marianne Haug
Mr. K. Challa

Attachment 1

Staffing and $ implications of Unit Proposals

Proposals from Complexes	Additional Staffing Implied		Total number of positions in Complexes		Additional Dollars Implied 2/	% of $ Allocations to the Complex
Operations	HL	SL	HL	SL	$ 000	
1. Additional Positions for the Financial Intermediation Services.	8	4			1490.56	
2. Restoration of cuts related to consultants.		-			3300.00	
3. Restoration of cuts based on productivity gains tax and post-allowances.		-			6000.00	
Sub-total	8	4	1986	921	10790.56	2.64
Administration						
4. Contracting out 1/ redundancies to be put into effect after completion of studies.	16	6			454.01 3/	
Sub-total	16	6	556	486	454.01	0.50
Finance						
5. Additional Positions for financial technical assistance.	4	2			469.41	
6. Additional Positions for Decentralization of Controllers functions.	6	3			704.12	
7. Additional positions in the office of the Senior Vice President.	2	3			326.80	
Sub-total	12	8	328	170	1500.32	2.72
Planning, Policy & Research						
8. Additional Positions						
a. Sector Library.	2	1			367.88	
b. Living Standards unit.	3	2			574.45	
c. Office Tech.Staff.	2	2			413.14	
d. Disaster Relief.	1				161.31	
e. Earth Resources Analysis.	5	2			897.06	
Sub-total	13	7	535	233	2413.82	2.35
Total	49	25	3405	1810	15158.70	2.31

1/ The 22 contracting out redundancies are tentatively assumed to consist of 16 Higher level and 6 Support level positions.

2/ Dollar calculations are based on HL and SL positions multiplied by full unit costs for individual Complexes

3/ Only the incremental discretionary costs of carrying positions beyond the first quarter are considered here

PBDBP
6/25/87
ACore/Attch2/dt.

Attachment 2

PBD ASSESSMENT OF FY88 BUDGET APPEALS

A. Operations Complex

1. Financial Intermediation Services

Issue:

The Operations Task Force visualized the new Vice Presidency for Financial Intermediation Services (FIS) as including 16-19 positions, of which 9 were to originate from the VP Cofinancing establishment, 3 from Finance and the remaining 4-7 positions from "unknown sources". Operations wishes to kick off the FIS initiative with up to 8 positions over and above the positions which had to be retained by the Vice Presidency for Cofinancing (COF). Further, Operations argues that the "unknown source" for the needed complement of 8 positions should be found outside of Operations. PBD's original interpretation of the Operations Task Force intent was that the positions should originate from redeployment within the Operations Complex. This is termed "untenable" by Operations because of the demanding efficiency targets already imposed on Operations and the requirements of the work program. An appeal has been heard by the Implementation Committee.

Analysis

Clearly, the documentation on the subject is murky and interpretation of intent is by now a matter of speculative judgment. PBD's interpretation had been strictly constructionist: services rendered to client countries in the financial intermediation area are closely linked with debt management tasks, medium-term financial work-out strategies and cofinancing activities which are normally budgeted under country budgets. While the type of service provided is innovative, PBD saw no reason to treat it differently from other new initiatives, i.e., through absorption and internal redeployment - possibly backed up by a chargeback system between VPFIS and the Regions. The decision reached by the Implementation Committee to provide 4 HL positions as "seed money" for this new initiative should be accompanied by a clear effort to firm up a demand-based program at the CAM level and to set up a chargeback system which should be in place for FY89.

2. Dollar Budget

Issue

Operations has approached Mr. Hopper to challenge three additional items: (a) the $3.1 million reduction from the FY87 base budget postulated by PBD; (b) a $2.7 million reduction for the field office "post allowance" account; (c) the downsizing of the consultant budget in proportion to position reductions which Operations alleges to be $3.3 million. 1/ Operations views these adjustments as arbitrary and excessive.

Analysis

There is no reason to reopen these issues in PBD's estimation. With respect to item (a), the $3.1 million reduction off the FY87 base has been applied consistently and equitably across the Bank to ensure deliberate efficiency gains (unrelated to position reductions) which were considered feasible. The origin of this principle pre-dates the reorganization. The specific approach was endorsed by the Policy Committee in mid-May. With respect to (b) above, there have been discussions on the topic of field office allowances over the years and consistent over-estimation by Operations of these allowances. It is improbable that the removal of what PBD judges to be "fat" will jeopardize the conduct of resident mission work (an area under investigation by the Board Budget Committee) especially in view of PBD's stated assurances that it will cover justified overruns under this specific buget head. Finally, with respect to point (c), the cut in the consultant budget flows from the same underlying factors justifying the redundancies in the positions secured through the reorganization. PBD confirmed with the Operations Task Force at the time that the methodology applied specifically assumed maintenance of the staff/consultant ratio, and explicitly incorporated it into the budget framework agreed upon at the mid-May Policy Committee discussion. The reduction is therefore an integral element of the FY88 Budget now before the Board.

3. Cross-Support from PPR

Issue

Historically, Operational work in the regions received about 60 staffyears of support from central operations and policy departments. The

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1/ In actual fact, the reduction applied to Operations' consultant budget as a result of position reductions is about $1.9 million.

Operations Task Force recommended the maintenance of cross-support systems to enhance horizontal linkages and facilitate cross-fertilization. To ensure that this actually occurs during FY88, 20 staffyears would be "supply-driven". Operations prefers that salary funding for the 40 "demand-driven" staffyears should be allocated to Operations.

Analysis

PBD proposes to retain the 40 staffyear equivalent budget in a central pool to ensure that these staffyears are non-fungible in the PPR budget until work program tasks have been formalized. This arrangement has been agreed by Mr. Hopper. Operations has accepted the principle and is working out a detailed proposal for work program definition.

B. Administration Complex

1. Contracting Out Redundancies

Issue

The FY88 Budget Memorandum assumes a net reduction of about 22 higher-level and support-level positions in FY88 on account of contracting out of services. The reduction in authorized positions is scheduled to take effect on July 1, 1987 with the proviso that we would ask the Board to approve additional positions in FY89 if studies indicate that contracting out would not be cost effective. The Administration Complex prefers to complete the studies first and, depending upon their outcome, give up positions later. (Mr. Wapenhans' memo of June 10, 1987 to Mr. Hopper).

Analysis

PBD recommends continuation of the approach outlined in the Budget Memorandum for three reasons. First, improvement in cost effectiveness through contracting out is at the center of the reorganization proposals for support services. The proposed reduction of 22 positions in FY88 represents a modest start as compared to the potential envelope of 290 position reductions 1/ over FY88-90 derived from the Support Unit Task Force report. Ignoring this as a source of position savings in FY88 would require adjusting our target position reductions in FY88 from 320 (as promised to the Board) to about 300. Second, there are concrete possibilities for contracting out the levels postulated for FY88.

1/ Includes about 230 positions in General Support Services, 50 in Information, Technology and Facilities, and 10 in Human Resource Management.

Immediate contracting out possibilities can be found in Interior Design, Facilities, Parking management, Chauffeur Services, Telephone Operators, and Art and Graphics. Some of these do not require elaborate studies. PBD's own estimate is that up to 40 contract-out possibilities could readily be identified in the first half of FY88, even if other substantial targets of opportunity are set aside for the time being (mail handling, printing, language services, and plant maintenance). Third, the Administration Complex is assured that the costs associated with any delays in the completion of studies and implementing the contracting out option are covered from the institutional contingency account. Moreover, if some of the contracting out possibilities do not turn out to be cost effective, we would be in a better position to justify additional positions to the Board in FY89 on the basis of concrete analyses and experience.

C. Financial Complex

1. Financial Technical Assistance

Issue

The reorganization Steering Committee has recommended that all technical assistance to borrowers should be the responsibility of the Operations Complex. Based on the Steering Committee recommendations, PBD had assumed that the staffing and financial resources are subsumed in the overall Operations budget, which covers a wide range of technical assistance activities. Operatins agrees with this idea but they are claiming net additional resources for the Financial Technical Assistance work. Finance argues that the staff for the financial technical assistance work should be allocated to the Finance Complex since they cannot afford, within the overall staff allocated to them, to create additional capacity for this demand-driven service to the borrowers.

Analysis

Like other client-driven 'cross-support' services, the resources for financial technical assistance work should be driven by Operations. Operations should, within the overall resources allocated to them, find ways to reimburse Finance for the services rendered by them during FY88. One practical way to resolve the position issue would be to allocate tentatively 1-2 higher level staff to Finance, subject to confirmation by Operations of the volume of cross-support required for this purpose by budget distribution time.

2. Systems Work

Issue

Finance is claiming six PBD higher-level staff and three support-level staff for sundry financial systems activities. Based on work program requirements, the Steering Committee had recommended allocation of only one higher-level and associated consultant staff to Finance and six higher-level systems staff to PBD. The PPR Task Force members recently confirmed that the removal of PBD's systems capability to Finance would not be in line with their vision of the new planning and budget functions.

Analysis

PBD's recommendation is strictly in line with the Steering Committee's views. Furthermore, it should be noted that in FY87 the base budget of Finance was increased by $2.5 million to replace all major financial systems. This allocation was then considered sufficient to take care of their computing systems needs in the near future. To be sure, there are potential systems activities reflecting the "fresh" look of the new management team in Finance. However, a detailed work program and budget for this work has yet to be developed.

3. Decentralization of Controller's Functions

Issue

The Steering Committee has recommended relocation in FY88 of certain administrative expense functions (payroll, taxes, benefits, travel and accounts payable) to the Administration Complex. PBD originally assumed that the process was well in hand and that the positions should be transferred as of July 1, 1987. However, this does not seem to be the case. Obviously the relocation of these important functions require careful planning and readiness on the part of Administration. We cannot afford to have any lapses since the output of most of these functions affect the welfare of Bank staff. The issue basically is one of timing.

Analysis

The transfer of functions should be geared to the preparedness of Administration to receive them. It is recommended that the implementation of the Steering Committee's recommendations be postponed to a time to be mutually convenient to both Finance and Administration complexes. In the meantime, PBD agrees that the positions and the budgetary resources for these functions should stay in Finance.1/ This approach is agreeable to Messrs. Stern and Wapenhans and the President has intimated approval of the arrangement.

4. Staffing Level of the Office of SVP, Finance

Issue

Finance has requested two higher-level and three support-level staff above the level recommended by the Steering Committee. These higher-level positions are for a Special Financial Advisor and one additional position for the program coordinator. Finance also states that it may require additional increases in the office of Mr. Stern in the course of FY88 to operate effectively.

1/ Based on the preliminary notes from the Institutional Services Task Force, PBD had allocated 13 higher-level and 37 support level positions for this work. However, the latest guidance from the Implementation Committee Staff is that this work will require 18 higher-level and 28 support level positions. We plan to use these revised estimates in making the adjustments.

Recommendation

Unfortunately, there appears to be very little flexibility in the Bank's overall budget at this time (both positions and dollars) to accommodate these requests except for redeployment within the Financial Complex. However, it may be necessary to review the matter in the "institutional interest" at the Presidential level.

D. Planning, Policy and Research (PPR) Complex

Issue

PPR has approached the Implementation Committee about a number of positions which are said to have been forgotten. The Task Force is alleged to have overlooked the existence of five units with 13 higher-level and 7 support-level staff. PPR argued that the position allocations for PPR should be increased to accommodate these "forgotten positions".

Recommendation

No increase in positions for PPR is recommended by PBD, and we understand that the Implementation Committee has rejected the appeal. None of the positions was forgotten in the sense that all were included in the overall base number of positions from which the new PPR organization was created. The units were either in Operations/OPS or in ERS. PPR should absorb these units--if they are judged to remain a priority use of resources - within current overall position allocations for PPR, specifically those portions of PPR which are successors to the parent organizations of these units, i.e. within PPR's VP/Sectors and VP/Chief Economist. Thus, the sector library, the satellite imagery group, the reconstruction assistance advisory office, the living standards investigation group and the staff devoted to office technology support functions in former ERS should either be fully absorbed within the PPR envelope or disbanded.

PBD
6/25/87
RPicciotto:eej

(rp#2/appeals)

July 1 MEETING

FORM NO. 89
(2-83)

THE WORLD BANK

ROUTING SLIP	Date July 1, 1987

OFFICE OF THE PRESIDENT

Name	Room No.
Members of Policy Committee	
Mr. Vinod Dubey	
Mr. Edward V.K. Jaycox	
Mr. Caio K. Koch-Weser	
Mr. Alexander Shakow	

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

Marianne Haug

From

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 8, 1987

TO: Members, Policy Committee

FROM: Barber B. Conable

SUBJECT: Net Income Allocation

Following the discussion of the above draft paper during the meeting of the Policy Committee on July 1, 1987, and after further consultations, I have asked Mr. Stern to finalize the paper recommending to the Board no distribution of FY87 net income to IDA for this specific year.

I most appreciated your thoughtful comments and advice.

Barber B. Conable

P-1867

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: July 14, 1987

TO: Files

FROM: Marianne Haug

SUBJECT: Minutes of the Policy Committee Meeting
Wednesday, July 1, 1987

The Committee discussed the allocation of net income for FY87. Mr. Stern, in the absence of Mr. Wood, stressed that the Financial Complex recommends that for the first time no net income be allocated to IDA. This was needed as long as the GCI was not yet decided. The headroom problems remain worrisome and would even have a downside risk considering the possibility of further decline of the dollar and the arrears situation might even get worse. The policy had assumed that the Bank maintain a reserves to outstanding loans ratio of 8.5/10.0 and a clear declining trend was now noticeable. It was clear that the proposed action was only symbolic as $100 million did not make such an important difference as to its impact on the relevant ratios. The decision, thus, was purely psychological and will raise debate among the Part II countries.

Mr. Qureshi noted that the paper was sloppy and he felt that this type of paper should be reviewed by the Finance Sub-Committee before being brought to the Policy Committee. It is now urgent that a mechanism be set up which would assure appropriate consultation among Complexes before bringing it to the Policy Committee. He did not believe that the stop of transfer of net earnings to IDA would provide a positive signal to the financial markets as the rating agencies did not look at the reserve to loan ratios but primarily to net income toremain stable at least for the time being. Mr. Qureshi was violently opposed to changing (for the first time) the policy of the Bank and believed that it would not be worth the difficulties to take such a decision.

Mr. Shihata reviewed the legal obligation of the case. He noted that the articles specified that the Board of Governors can decide what portion of net income is allocated. Since 1974 it was agreed that they can therefore allocate net income on grant basis and this would be equivalent to formal distribution. The Board of Governors had delegated this right to the EDs. The allocation should not be made if it would impair the financial standing of the institution.

On the substance of the matter there is a question of image. By not allocating net income to IDA the Bank will give the image of a well discipliined institution who will take the right decisions when in trouble even if it has to set precedents.

P-1867

Mr. Shihata proposed that the Board be given options of either distributing all or portion of net income or allocating resources to reserves.

Mr. Wood confirmed Mr. Qureshi's note that the reserve levels in themselves were not important. However, the trend of reserve levels are of importance and there was a clear need to arrest the downward trend.

A discussion ensued about loan charges and the relationship between loan charges and allocation of net income. In particular the Brazilian ED might not accept the proposed constant loan charges which are paid by IBRD borrowers if these are transferred by net income to IDA countries.

Mr. Wapenhans seconded the opinion of the Financial Complex. He felt that the perception in the market was crucial as further slippages on exchange rate headroom and arrears, etc.

Mr. Thahane reiterated that the amount was marginal. The Board still perceives that we are in the time of raising income levels and the question will have to be asked whether the present situation has reached such a drastic stage that we would stop the transfers to IDA. Also, it is not quite certain whether the message on arrears has been made loud enough.

Mr. Rajagopalan noted that the paper will be a rather unpleasant one and will raise the temperature of everyone involved. The President should be aware that he will have to take a lot of "flak" on this issue.

Mr. Conable

POLICY COMMITTEE MEETING

WEDNESDAY, July 1, 1987

9:30 a.m.

AGENDA

1. Allocation of FY87 Net Income

2. Criteria for Special Share Allocations

3. Miscellaneous
   Technical Note on Review of IBRD Lending Plans and Capital Requirements

Attachments

MHaug:im

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

PCFIN87-2

TO: Mr. Barber B. Conable

June 26, 1987

FROM: Ernest Stern

SUBJECT: Bank Net Income

Attached for consideration is a draft Board paper on the distribution of FY87 net income. The subject is scheduled for Board discussion on July 28. It will be issued in final form early in July, once we have a reasonably firm preliminary estimate of net income.

In considering the disposition of the FY87 net income, we reviewed the financial situation of the Bank, the growing problems of arrears, and the concern in the market and among our underwriters due to the delay in decisions about the GCI, the headroom problem, and the perceived increased riskiness of our portfolio.

One alternative which we considered was to reduce this year's net income by, say, $100 to $150 million in order to set up a contingency reserve that could be used to dampen the impact on future net income, in case we have to provision for countries other than Nicaragua in FY89 or subsequent years.[1] Although we concluded that we should not recommend this approach, we have recommended that all of the net income be allocated to reserves. This means a break with past practice of allocating $100-$200 million to IDA.

The reasons for our recommendation are set out in the paper. The recommendation will be controversial and, if you agree to it, we will have to consult extensively with the EDs in advance. The Bank is clearly in a more tenuous position than a year or two ago---the headroom problem is one aspect; the growing arrears, another. To proceed on a business-as-usual basis will not be seen as an appropriate or prudent response to developments. Moreover, in my view, the Articles require it, since they give priority to meeting the financial needs of the Bank. This also gives us the basis for alleviating any opposition, since we are not proposing a termination of transfers to IDA as a matter of principle, but an action relating solely to FY87 income. The situation next year should again be reviewed on the merits.

cc: Members of the Policy Committee

1/ Our present policy is to start provisioning when arrears reach two years. Guyana would reach that point on June 1, 1988, but the amount outstanding is small ($83.8 million), so that the impact of provisioning on FY88 net income is not a major concern. FY89 is another story because several countries could be affected, some of which (e.g., Peru, Romania) have exposures of more than $1 billion.

DRAFT
SRajasingham/RBhan/kav
June 25, 1987

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: Allocation of FY87 Net Income

A. Introduction

1. IBRD net income in FY87 is estimated at [$1075] million equivalent after allowing for [$100] million of loan arrears.[1] The Executive Directors are required to decide on the amount to be allocated to the Bank's General Reserve and to make a recommendation regarding the disposition of the balance, if any.

2. Net income is in line with the projection made at the time of the mid-year review. As expected, it is below the FY86 earnings level (which was boosted by large one-time gains in the investment portfolio) but is nevertheless strong. A key factor contributing to FY87 profitability is the lower Bank borrowing costs and the consequently higher spread on loans; as a result key financial ratios that are linked to profitability continue to be relatively high.

3. At the same time, however, the Bank's reserves position in relation to the balance of disbursed and outstanding loans has not improved. A year ago it was noted that the continuing erosion in the Bank's reserves to loan ratio would be reversed by the end of FY87. However, the exchange rate movements during the course of the year have had a greater impact on the institution's outstanding loans than on its reserves. As a result the end-FY87 reserves to loan ratio has remained unchanged from the end-FY86 level, at the low end of the target range.

4. The Bank also experienced an increase in loan arrears during FY87. Net income was reduced, as a result of four Bank borrowers in non-accrual status, by $[100] million. Management believes that while the current situation remains manageable in relation to the Bank's overall income and reserve position, it is of the utmost importance that the arrears be firmly contained if the Bank's standing in the financial markets is to be maintained.

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1 Exact figure subject to audit.

5. In consideration of these two factors, Management recommends that the entire amount of FY87 earnings should be allocated to the Bank's General Reserve. Section B also discusses the consequences for IDA of the recommendation to allocate the entire amount of net income to the Bank's reserves. In Section C, as a somewhat separate matter, the currency management of past IBRD transfers to IDA is taken up. It is recommended that the Bank be enabled to convert the currency composition of its past transfers in order to minimize IDA's currency risk, thereby reducing the risk of future resource shortfall.

B. Allocation to Reserves

7. Article V, Section 14(a) of the Bank's Articles of Agreement provides that the Board of Governors shall determine annually what part of the Bank's net income shall be allocated to reserves and what part, if any, shall be distributed. The authority to determine reserve allocation has been delegated to the Executive Directors.

8. The function of reserves is to protect the Bank's shareholders against impairment of capital as a result of possible loan write-offs, and to assure the financial markets of the Bank's risk-bearing capacity and financial strength. Past reviews of the Bank's reserve policy have established a 8-10% target range for the reserves to loan ratio and have affirmed that allocations to reserves should be planned so that the ratio does not fall below that range. More recently, given the continuing decline in the ratio and the mismatch in the currency composition of loans and reserves that leaves the measure vulnerable to erosion from exchange rate movements, it has been concluded that it would be reasonable to aim for a level slightly higher than the top of the range in order to ensure that the actual ratio remains not far below 10%.[2]

9. In the light of the sharp decline in the reserves to loan ratio to the lower end of the 8-10% target range at the end of FY86, a large allocation to reserves was recommended out of that year's earnings. It was expected, as a result of the allocation of about $960 million equivalent and barring further adverse fluctuations in foreign exchange rates, that a turnaround in the trend of the ratio, raising it to 9.5% at end of FY87, could be effected.[3] However, the continuing decline of the US dollar against other major currencies has resulted in the reserves

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[2] 'Review of IBRD Reserve Policy and Criteria for the Allocation of Net Income' R83-39 dated February 10,1983. 'Review of Net Income Risks and Targets' R85-220 dated June 28, 1985.

[3] 'Allocation of FY86 Net Income and Review of IBRD and IDA Loan Charges' R86-93 dated July 9, 1986.

to loan ratio being largely unchanged despite last years's large allocation to reserves; according to preliminary estimates, at the end of FY87 the reserves to loan ratio remained at [8.5%].

10. As noted earlier, the reserves signal to the financial markets the capacity of the Bank to absorb risks and its financial strength. Given the continuation of this ratio at the low end of the target range and the concerns that are arising in the financial markets about the Bank's capital situation, it is essential that firm action be taken to ensure that the agreed policy objective be achieved (i.e., a ratio in the upper-end of the 8-10% range). Moreover, as the recent discussions of the headroom problem have highlighted, the Bank should be prepared for the possibility that there will be further exchange rate changes in the future. This consideration alone would suggest that the allocation of the available net income to reserves would be financially prudent.

11. The desirability of adhering to the policy objective is reinforced by the state of arrears on IBRD loans. Over the course of FY87, the number of borrowers in non-accrual status has increased from one to four. The cost to net income in 1987 was $[100] million, and total loans outstanding to those countries total $[849] million. In addition, arrears on loans to Peru and Zambia reached five months and four and a half months respectively on June 30. Unless payments are received shortly, these members will also be placed in non-accrual status. Total loans outstanding to these two countries as of June 30 are $[1512] million. But the arrears situation is seen by the market not only in terms of borrowers having been placed in non-accrual status but also, and perhaps more importantly, in the trend of arrears. This has been as follows:

	Arrears 1/ as of				
	Jun 30 1985	Dec 31 1985	Jun 30 1986	Dec 31 1986	Jun 30 1986
Arrears 1-2 months	12.0	29.5	77.6	78.6	[153.7]
Arrears over 2 months	2.6	0.8	60.1	26.6	[48.0]
Total	14.6	30.3	137.7	105.2	[201.7]

1/ Excludes countries already in non-accrual status (Guyana, Liberia, Nicaragua, Syria)

Twelve borrowers account for most of the $200 million arrears (of one month or more) due, as of June 30, from countries that are not in non-accrual status. While protracted non-payment of countries such as Zambia can be explained on the grounds of extreme distress which makes

them unable to pay any creditors of medium- and long-term debt, the failure of middle-income countries to stay current is more difficult to explain. This is particularly so for countries [such as Peru and Romania] which continue to service other creditors. (This is seen as a potentially serious erosion of the Bank's preferred creditor status.)

12. In the light of these developments, it is important that firm steps be taken to ensure that the Bank's income and reserve-generating capacity is adequate. It was this potential eventuality that prompted the Bank to defer any action on a reduction in loan charges. To demonstrate the continued concern of the Bank with regard to the arrears situation and its resolve to take all appropriate measures to protect its reserves and income-building capacity, the allocation of the whole of net income to reserves is recommended this year.

13. This recommendation means that the traditional transfer to IDA from the IBRD will not occur this year. Since this transfer has been a practice for many years, careful consideration was given to the recommended change. Four reasons led us to conclude that the suspension of the transfer this year is warranted. First, as required by the Bank's Articles, the primary consideration in allocating net income must be given to building adequate reserves. Second, IDA will, after many years of deficits, will show a surplus in FY87 of [$46 million] primarily due to an increase in investment income. In part, this increase in investment income has resulted from the proceeds of the transfer from IBRD FY85 net income that was made on a cash basis[4] Financial projections for the Association shows that these surpluses (which will augment the Association's commitment authority) will increase over the next few years. Third, repayments to IDA are increasing substantially. They are expected to increase from about $160 million in FY87 to $230 million in FY90 and $510 million in FY95. Until 1990, they are required to offset accumulated losses but they will, thereafter, increase the Association's commitment authority.

14. Finally, the transfer of Bank net income to IDA has become increasingly less significant as the size of IDA has grown. A transfer of $100 million will amount to little more than 2% of the estimated credit approvals in FY88. In FY76, the $100 million transfer represented 6% of IDA's credit approvals in that year; it still represented 3% in FY81. While the decreasing financial relevance is generally accepted, it is often argued that the transfer has important symbolic value. However, the perceived symbolic value of the transfer is also less relevant today than in the past. IDA is a well-established institution with a proven record of achievement. The number of donors has increased regularly. Moreover, the Bank's support of IDA objectives and operations is reflected in the close integration of the two institutions, and cannot be measured by the size of the net income transfer.

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[4] The corresponding income forgone by the Bank in FY86 and FY87 as a result of the transfer being made on a cash basis is estimated to be about $25 million.

15. The Management believes that it is appropriate for the Bank to contribute to IDA from its net income whenever circumstances warrant. Current conditions require that we give the highest priority to maintaining the financial strength of the Bank. In summary, both the Articles and prudent financial management require that we allocate total FY87 net income to reserves. The allocation to reserves over the past ten years and the recommended allocation for FY87 is shown below:

Allocation to Reserves FY76 to FY86 and Proposed FY87

	Actual											Proposed
	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
Net Income($M):	220	209	238	406	588	610	598	752	600	1137	1244	[1075]
Additions to Reserves in following year ($M):	120	109	138	306	470	509	473	552	500	837	963	[1075]
Reserves as a Percentage of Loans Outstanding:	14.2	12.9	11.6	10.9	10.8	11.0	10.7	10.2	9.9	9.7	8.5	[8.5]

C. Currency Composition of Past IBRD Transfers to IDA

16. At present, IDA is exposed to considerable foreign exchange risk because of the mismatch in currency composition between its resources and its credit commitments. IDA resources consist of (i) donor subscriptions and contributions; (ii) IBRD net income transfers; and (iii) free funds (credit repayments and net income). Donor subscriptions and contributions account for the largest proportion of these resources, and are generally denominated in the currencies of the various donor countries. IDA credit repayments are denominated in US dollars (for credits under IDA replenishments through IDA5) and in SDR's (for credits made under IDA replenishments IDA6 and IDA7); repayments are made in dollars, sterling and French francs without reconstitution of SDR values upon repayment. IDA credit commitments on the other hand are denominated in SDRs.

17. Because of the difference in currency composition between IDA's resources and credit commitments and the considerable lag between commitment and the drawdown on credits, the exposure that the Association faces to a resource shortfall from adverse movements in exchange rates is large. The risk of such a shortfall can be greatly reduced by matching the currency composition of the Association's resources to the denomination of its credits. One action that has been identified as a means of reducing IDA's foreign exchange risk is to change the currency composition of IBRD transfers to IDA that remain undrawn.[5]

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[5] Except for the FY86 Net Income transfer which was denominated in SDRs, all previous transfers to IDA were denominated in dollars. As of June 1987, about $725 million in previous transfers remained undrawn by IDA. Of this amount, about $525 million consists of dollars and the balance is a mix of DM, Yen, French franc, and Pound sterling.

18. It is therefore recommended that the Executive Directors request the Governors to authorize the Bank to convert the currency composition of undrawn transfers in a manner that would reduce IDA's currency risk. Depending on the currencies to be converted and the market conditions over the period prior to IDA's withdrawal of these funds, such conversions could affect IBRD net income through lower earnings on the amount due to IDA.[6] Conversions would not, however, be undertaken until the Executive Directors have approved the Management's specific recommendations regarding the new currency mix to be established.

D. Recommendation

19. This memorandum recommends that the entire amount of FY87 net income, estimated at [$1075 million] equivalent, be allocated to reserves. It also recommends that the Bank be authorized to make currency conversions in the amounts due to IDA and remaining undrawn in order to minimize the Association's exposure to exchange rate movements.

20. A draft resolution for adoption by the Executive Directors of the Bank and a draft report to the Board of Governors of the Bank (along with draft resolution to be submitted to the Board of Governors) attached as Annexes I and II.

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6 It is expected that the conversions would be made out of US dollars and Japanese Yen to Deutschemark, Pound sterling and other currencies that carry different interest rates and thus may result in less investment earnings for the IBRD. Rough estimates show that such currency conversions would lower IBRD net income by about $[20] million dollars per year.

ANNEX I

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

(DRAFT RESOLUTION FOR ADOPTION
BY THE EXECUTIVE DIRECTORS)

RESOLUTION NO. 87-__

Allocation of FY87 Net Income to General Reserve

RESOLVED:

That the entire amount of the net income of the Bank for the fiscal year ended June 30, 1987 be allocated to the General Reserve.

ANNEX II

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

(DRAFT)

REPORT OF THE EXECUTIVE DIRECTORS

Allocation of FY87 Net Income

1. The Bank's net income available for allocation for the fiscal year ended June 30, 1987 amounts to $ [ ]* million. A net translation adjustment due to exchange rate changes of $ [ ]* million has been credited directly to the General Reserve. As of June 30, 1987, the Special Reserve created under Article IV, Section 6 of the Bank's Articles of Agreement totaled $ [ ]* million and, without regard to the 1987 fiscal year's income, the General Reserve amounted to $ [ ]* million. Total reserves including accumulated net income therefore amounted to $ [ ]* million, of which the $ [ ]* million in the Special Reserve is kept in liquid form, the remainder being used in the business of the Bank.

2. The Executive Directors have allocated the entire amount of such net income to the General Reserve.

3 The Executive Directors have concluded that it is desirable that the Bank be authorized to change the currency denomination of the amounts to be transferred from the Bank's net income to the International Development Association pursuant to past Board of Governors' Resolutions, but not yet drawn down by the Association, in order to provide it with greater flexibility to match the currency composition of its resources with that of its credit commitments.

4. Accordingly, the Executive Directors recommend that the Board of Governors note with approval the present Report and adopt the draft Resolution attached as Attachment A.

Attachment

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* All square-bracketed amounts represent estimates which are still

Attachment A

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

(DRAFT RESOLUTION FOR SUBMISSION
TO THE BOARD OF GOVERNORS)

RESOLUTION NO. ___

RESOLVED:

1. THAT the Report of the Executive Directors dated ___________, 1987 on "Allocation of FY87 Net Income" is hereby noted with approval;

2. THAT the allocation of the entire amount of the net income of the Bank for the fiscal year ended June 30, 1987 to the General Reserve is hereby noted with approval; and

3. THAT Resolutions No. 362, 372, 386, 393 and 401, adopted by the Board of Governors on October 3, 1980, October 2, 1981, September 9, 1982, September 30, 1983 and September 27, 1984, respectively, are hereby amended by adding a proviso at the end of the second paragraph of each of the above-mentioned Resolutions and Resolution No. 415, adopted by the Board of Governors on October 3, 1986 is hereby amended by adding a proviso at the end of the third paragraph, which proviso shall read as follows:

> "provided, however, that the Executive Directors shall be authorized to change at any time the amount of such grant into an equivalent amount in any other currency."

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

File

PCFIN-87-1

TO: Members of the Policy Committee June 26, 1987

FROM: Ernest Stern, SVPFI ES.

SUBJECT: Criteria for Selective Capital Increases

A Board meeting on this subject is scheduled for July 21. The attached draft Board memorandum has been prepared as the basis for that meeting. I do not believe the memorandum raises policy questions that we need to discuss at the Policy Committee, but, if there are any that you feel need to be taken up, I would hope that this could be done at our meeting on July 1.

Comments of a technical or editorial nature can be sent in writing or taken up with Ms. Artus (ext. 74743) or Mr. Kavalsky (ext. 78342).

Our aim is to circulate a revised draft, taking into account any comments received by the end of next week.

cc: Ms. Haug

Reaction
willingness to [illegible]!
10%

DRAFT/JWood/KArtus/BKavalsky:vcc

June 25, 1987

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: Criteria for Special Share Allocations

Section 1. Introduction

1. During the discussion on February 24, 1987 of memoranda relating to the Eighth Replenishment of IDA, several Executive Directors urged that there be an early discussion of the criteria to be applied in considering requests for special share allocations. To lay the basis for such discussion, Management was requested to present a review of the criteria that have been applied in the past, together with an indication of options for new criteria that could be generally applicable. This memorandum is submitted in response to that request.

2. Section 2 presents an overview of the special IBRD share allocations which have been approved in the past. Most of these have been based upon parallelism with IMF quotas, but several have represented departures from strict parallelism. These departures have been made at the request of members who felt either that share allocations did not provide an adequate reflection of their role in the world economy or wanted to protect their existing voting power or ranking.

3. There is a consensus that share allocations should reflect countries' roles in the world economy. Section 3 discusses whether parallelism provides an adequate proxy for this from the Bank's point of view. A number of issues are raised. First, there is the divergence

between actual and "calculated" IMF quotas. Second, there is the question whether calculated quotas adequately reflect member countries' relative positions in the world economy, or whether Bank-specific criteria need to be developed as as to give adequate weight to member countries' aid efforts and/or their support for the World Bank Group. Third, while calculated quotas may be an acceptable proxy for countries' relative positions in the world economy, the pace of adjustment toward these relative positions may, in certain circumstances, be unacceptably slow.

4. Section 4 examines the possible mechanisms which could be used to reduce the disparities which exist between share allocations and countries' positions in the world economy. It explores different options relating to the number of shares which might be allocated to reducing these disparities, the distribution of shares among members, and the eligibility of countries for such allocations. A series of examples are presented to illustrate the effect of different approaches.

5. In light of this discussion, Section 5 frames two sets of questions for Board consideration. First, there are the questions concerning whether to continue to use IMF quotas as the basic measure of countries' relative positions in the world economy and, if not, what alternative measure should be adopted. Second, there is a set of question concerning how to use the agreed measure of relative positions in the design of special share allocations. The latter set of questions has a direct bearing on the design of the next major capital increase for the Bank--particularly the issue of how to divide the overall capital increase

between share allocations that are general (i.e. pro rata) and share allocations that are selective in character.

Section 2. Past Share Allocations

6. Allocations of the shares of Bank capital have traditionally been linked to members' IMF quotas on the basis of parallelism.[1/] The basic policy objective underlying parallelism with IMF quotas has been to maintain a correspondence between members' relative shareholdings in the Bank and their relative positions in the world economy. Parallelism is intended to ensure that members gaining relative importance in the world economy receive additional IBRD shares--and accept additional obligations on subscription--since a country's IMF quota takes into account various macro-economic measures of countries' economic strength and role in the world economy.

7. At the Bretton Woods Conference in 1944, it was proposed that the members of the Bank and the IMF make the same initial subscriptions in the two institutions. Although deviations were allowed as a result of negotiations, for a large number of countries the initial subscriptions specified in Schedule A of the Articles of Agreement of the Bank were the same as their initial IMF quotas.

8. The share allocations for the initial subscription of countries that joined the Bank later have also been determined on the basis of their

1/ Details are described in a technical note, Past Selective Capital Increases Based on Parallelism, SecM83-305/2, dated May 4, 1983, which is reproduced as Attachment 1 to this memorandum.

IMF quotas.[2/] Moreover, it has been a regular practice from the beginning of the Bank that members receiving selective quota increases in the IMF receive parallel increases in their Bank subscriptions. Such adjustments have come to be known as parallel selective capital increases. Some of the original members that had opted for initial Bank subscriptions smaller than their IMF quotas--and another member that had not taken up all the shares offered for its initial subscription--requested special share allocations to restore their shareholdings in the Bank "parallel" to their IMF quotas. Such share allocations are referred to as Brazil-Yugoslavia Precedents after the names of the first two members that requested them.

9. While the principle of parallelism has thus played a major role in determining IBRD share allocations, there have been a number of departures from parallelism over the years. First, there have been special share allocations designed to make IBRD shareholdings better reflect members' roles in the world economy and in particular their support for the objectives of the World Bank Group; and second there have been allocations designed to protect voting power of shareholders or their rankings.

2/ Countries that joined the Bank between 1946 and September 1, 1959 were required to make an initial Bank subscription equal to their IMF quotas. In subsequent years, a new member's initial subscription in the Bank was determined by applying the "institutional ratio" (the ratio between Bank subscriptions authorized solely in general capital increases and IMF quotas resulting solely from general quota increases) to the country's IMF quota.

10. In the first category, a number of examples may be mentioned. The first occurred in 1979. Japan requested and received a special allocation of 4,000 shares to harmonize its shareholding in the IBRD with its share of contributions to IDA. This triggered a request from and allocation to France on the basis of its role as a major source of official development assistance.[3/] Another example is the special allocations approved this past February for Japan, Italy, the Netherlands, Canada and Korea whose requests were based on their changing positions in the world economy as well as their specific contributions to the World Bank Group.

11. Examples of special allocations to protect voting power or rankings include the supplementary allocation to China in the 1984 SCI and the special allocation to India that was approved this February. In addition, the allocation of 250 so-called "membership shares" to each member country--approved in connection with the 1979 GCI--may be seen as a step to prevent a change in relative voting power that would otherwise have occurred.

3/ Board action on these requests led to a request to Management to prepare a review of criteria applicable to special share allocations. Two memoranda on this subject (Criteria for Selective Capital Increases, R80-191, dated July 16, 1980, and R80-326, dated November 18, 1980) were submitted to the Board in 1980, but no consensus could be reached and no formal Board meeting was held.

12. Each member country has a preemptive right under the Articles of Agreement to claim a portion of any increase in authorized capital, based on its share in the existing authorized capital. Thus, if a country's current subscription is 1% of current authorized capital, it has a right to claim 1% of any increase in authorized capital. The 1984 SCI was conditioned upon all members waiving their preemptive rights. In the negotiations for that SCI, it was agreed that members foregoing shares by waiving their preemptive rights would receive a special allocation equal to a fraction of the shares they could have claimed.

Section 3. Reflecting Relative Positions in the World Economy

13. The basic principle underlying special share allocations in the Bank is that they should reflect changes in member countries' positions in the world economy. There appears to be no disagreement with this broad principle. The problems arise in translating this principle into specific proposals for implementation. In particular, differences of view have emerged in past discussion concerning the most appropriate way to measure countries' relative positions in the world economy. In addition, there have been differences of view concerning the desired pace of adjustment.

Defining Parallelism

14. As pointed out above, in practice relative positions in the world economy are reflected back to Bank shareholdings through parallel selective capital increases. The starting point for a reconsideration of the

existing criteria governing IBRD share allocations is the question of whether to continue to interpret parallelism with the Fund as requiring linkage to changes in proposed quotas (which become actual quotas when agreed and subscribed). The alternative wuld be to interpret parallelism as requiring direct linkage to changes in calculated quotas. Either approach takes calculated quotas as the basic reference point for periodic adjustments in countries' relative positions. The difference is that use of proposed quotas also relies upon the outcome of the negotiations in the IMF to determine how rapidly the changes in calculated quotas are reflected in adjustments in countries' relative positions in the Fund. If, for example, the Fund decides to devote most of an overall quota increase to general (i.e. pro rata) quota increases, then the volume of proposed quotas distributed selectively will be small and there will be a relatively slow pace of adjustment of actual quotas to changes in calculated quotas. Given the way parallelism has been applied in the past--that is, based upon proposed quotas rather than calculated quotas--this would mean a relatively slow pace of adjustment in the Bank as well.

15. In practice, there have been significant divergences between proposed and calculated quotas in the Fund, and this has in turn resulted in considerable disparities between member countries' shares in the Bank capital and their positions in the world economy. The Fund reviews quotas at regular intervals--typically every five years, but occasionally at shorter intervals--and, as part of that review, compares countries' actual quotas to their calculated quotas.

16. In the Fifth, Sixth and Seventh General Quota Reviews, special quota allocations were made in direct proportion to the difference between

a country's actual quota and its calculated quota. The preponderant share of the overall quota increase however, was devoted to general (i.e. pro rata) increases, so that divergences between actual quotas and calculated quotas remained substantial. Since the practice of parallel selective capital increases links the percentage increase in Bank shares to the percentage increase in Fund quotas, this lag of actual share allocations behind shifts in countries' relative positions carried over to the Bank as well.

17. In the Eighth General Review, a different approach was used: 60% of the overall quota increase was allocated to member countries in direct proportion to their calculated quotas. Use of this different technique meant that some countries received smaller quota allocations in the selective component than they received in the general component. While these lower-than-proportionate allocations helped bring actual quota shares more closely into line with calculated quota shares, this realignment did not carry over fully into the Bank.

18. Looking to the future, there would seem to be a good case for reconsidering the use of proposed quotas rather than calculated quotas as the basis for parallelism. Direct use of calculated quotas would mean that the Bank would be free to determine the pace of adjustment of its share allocations to changes in members' positions in the world economy. Since there may be cases where the Bank will want to have a different pace of adjustment, this added element of flexibility could be advantageous. The price of the added flexibility would be the need to take an explicit decision on the amount of resources devoted, either as part of a GCI or in free-standing SCIs, to selective allocations which reflect calculated

quotas. Possible criteria for such a decision are considered below (para. 29).

Measuring Relative Positions

19. Calculated quotas are derived from a series of formulae that have been periodically reviewed and amended over the years. The most recent review took place a few years ago in connection with the Eighth General Review of Quotas. The data used in these calculations have recently been brought up-to-date, and a new set of calculated quotas prepared for the Ninth General Review of Quotas.[4/] The principal question concerning calculated quotas as a proxy for member countries' relative position in the world economy is whether the IMF's quota formulae give too much weight to variables that are important to the Fund's business (e.g. reserves and variability of current receipts) and too little weight to variables that are important to the Bank's business (e.g. aid and banking flows; direct investment in developing countries).

20. Variables designed to measure national income and trade flows account for roughly 80% of the results emerging from the most recent updating of calculated quotas. Variability of current receipts accounts for about 16% and reserves for about 4%. Since the first two variables would seem to be highly relevant to practically any measure of countries positions in the world economy, the main issue with regard to the items included in the calculation presumably relates to the latter two variables. Adjustments might be considered to reduce the weight given to

4/ Ninth General Review of Quotas--Quota Calculations, EB/CQuota/87/1, dated June 5, 1987.

variables that have less obvious significance for the Bank than for the Fund in particular to reduce or eliminate the weight given to variability of current receipts. Attachment 2 shows how elimination of this variable would affect countries' shares in calculated quotas.

21. A second issue is whether aid and other capital flows should be introduced into the calculations in order to develop a Bank-specific measure of countries' relative positions. A number of possible variables that could be considered in this connection were used in the burden-sharing discussions which formed a part of the IDA8 negotiations. (The relevant background paper is available upon request. Some of the key statistical tables are appended in Attachment 3 for ease of reference.) A problem with the use of variables designed to give weight to aid, investment or other capital flows to the developing countries is that the great majority of Bank members are net recipients of such flows. The introduction of such variables may thus not be appropriate as part of formulae designed to guide special share allocations for all member countries.

22. The policy question is whether modifying these formulae to eliminate (or reduce the weight given to) certain variables or to include additional variables that are of greater significance for the Bank's operations would make enough difference to justify the extra round of inter-governmental negotiation that would be required to reach agreement on Bank-specific "calculated subscriptions." Management's view is that the advantage to be gained by altering the weights given to variables incorporated in the current calculated quota formulae is not likely to be very great.

23. Consideration might, however, be given to using capital flows as a supplementary measure to consider the appropriateness of share allocations among that subgroup of Bank members that are important sources of development finance. The process might operate in the following way. First, there would be an allocation of shares determined on the basis of calculated quotas (either with or without modification to reduce the weight given to variability of current receipts). Then, as a second step, the allocation of shares among the identified donor group would be re-examined and possibly adjusted to take account of aid, investment or other capital account variables. The examples given below (see para. 32ff) include illustrations of this sort of second-stage adjustment. It is an open question whether such a second-stage adjustment, if desired, should be accomplished via a redistribution of shares within the subgroup of donor countries or via an allocation of supplementary shares. The examples illustrate both options.

The Pace of Adjustment

24. The departures from parallelism which have occurred in the past reflect, in substantial part, dissatisfaction with a pace of adjustment in Bank share allocations which has lagged well behind adjustment in other measures of burden-sharing amongst donor countries. Countries that have seen their growing economic strength reflected quite promptly in the share they are expected to assume in IDA have been particularly sensitive to the slowness of adjustment on the IBRD side. Other countries that are not yet important IDA donors, but that have grown rapidly in recent years, also find the current approach deficient because of the increasingly obvious

disparity between their share in the Bank's capital and the relative size of their own economies. Japan is the prime example of a country in the former category; Korea is a good illustration of the latter.

25. Not all countries have considered the pace of adjustment to be too slow. Indeed, several have been prepared to go along with special share allocations only to the extent these were compatible with preservation of their ranking in the Bank. The existence of preemptive rights has meant that these countries have been in a position to prevent adjustment of relative positions that were unacceptable to them. In practice, special share allocations in the Bank have reflected a compromise amongst these various points of view.

26. It is understandable that active and influential members of the Bank are reluctant to see their role reduced through a shift in voting power or ranking. It is equally understandable that members whose relative position in the world economy has strengthened would want this reflected in an expansion of their role in the institution. In practice this is the dilemma that drives the pace at which adjustment takes place. If the member countries of the Bank want to take this decision out of the reach of negotiation, then the alternative is clear--full and immediate adjustment to each Fund quota adjustment. This would not preclude calculated quotas being modified along the lines described in paras. 20 and 21 above.

Section 4: Mechanisms for Adjusting Share Allocations to Reflect Changes in Countries' Relative Positions

27. As indicated earlier, there are considerable disparities between member countries' shares in the Bank's capital and their shares in the world economy. One obvious way of addressing this disparity would be to include a selective component in the forthcoming GCI. This would represent a departure from past practice in that the overall size of the selective component would need to be determined by the Bank itself, rather than being determined by Fund action, as has been the case in the past.

28. If there is agreement in principle to go ahead with a selective allocation, then decisions must be reached on three key variables: the number of shares that should be devoted to special allocations; the rules governing the distribution of these shares; and the eligibility criteria.

29. One relatively straightforward way of deciding on the number of shares that might comprise such a selective component would be to relate it to the scale of existing disparities. Attachment 2 lists all IBRD members in order of the ratio of each country's "calculated subscription" (i.e. a country's percentage share in calculated quotas applied to the total of IBRD regular shares) to the IBRD shares currently allocated to it. Using this information, the number of shares needed to bring about any desired

degree of harmonization can be calculated. As shown in Attachment 4, about 72,000 shares (representing roughly $8.7 billion of capital) would be needed to permit all countries to have IBRD shares equal to at least 90% of their calculated subscriptions. This is close to 10% of the existing share total and would seem to represent a reasonable order of magnitude.

30. As far as the rules governing the distribution of such shares are concerned, there are a number of options. They could be allocated proportionately to calculated quotas, though in that case the selective increase would have to be very large in order to reduce disparities. Alternatively, they could be distributed as illustrated in Attachment 4, so as to bring all countries up to a certain percentage of calculated subscriptions. A third option would be to narrow the disparity between existing allocations and calculated quotas by a uniform proportion. It is possible to combine each of these with a second stage review which reallocates shares among donor countries to take account of the effects of different capital flows on their calculated quotas (see Examples para. 32ff).

31. Eligibility would be limited under the latter two options to countries whose current allocation is less than their calculated subscription.[5] A second eligibility criterion which should be considered, however, is the member's readiness to subscribe; the rule might be to consider a request for special allocations only after the requesting member has taken up shares allocated to them for which the general terminal dates have passed (currently those allocated prior to the 1984 SCI).

5/ This does not of course preclude the exercise of preemptive rights or the use of unallocated shares to protect voting power or rankings.

Some Examples

32. Depending on the distribution rules and eligibility criteria selected, a very large number of possible share allocations could be constructed. Some of these possibilities are presented here by way of illustration.[6] The first set of examples looks at the impact of the three alternative options for share distribution discussed in para. 30 above. It is assumed that, as part of the GCI, a number of shares equivalent to 10% of the current authorized capital would be devoted to special share allocations,[7] and that all members are considered eligible for special allocations. If the additional shares are allocated in proportion to calculated quotas (Example Ia), then--as shown in detail in Attachment 5 --the special allocations would be widely dispersed, with relatively limited impact on countries' positions. If, on the other hand, shares are allocated only to those countries that are currently allocated less than 90% of the number of shares corresponding to their calculated quotas, the impact is concentrated on 37 countries and the reduction of disparities is significant (Example Ib). The third variant would be to allocate shares to countries in proportion to the difference between their actual shareholding in the Bank and their calculated subscription. This approach (Example Ic) distributes shares to a wider group of countries than in Example Ib but is more targetted than Example Ia.

6/ It is recognized that Executive Directors may wish to have additional examples prepared. These will be circulated as supplementary notes to this memorandum.

7/ This excludes the shares which may be allocated in equal number to each member in order to offset the reduction in voting power of small members that would otherwise occur.

33. The second set of examples (Attachment 6) introduces the impact of donor country capital flows as a second stage adjustment. While many variations are obviously possible, Example IIa assumes that the second stage review uses shares in official development assistance (ODA) as a supplementary variable and gives it a weight of 50% (with shares in calculated quotas having the other 50%). This allocative pattern is applied to the [6,000] shares not already allocated in Example Ib, assuming that all IDA donors are potentially eligible for supplementary allocations. A variation of this example would accomplish the second-stage adjustment not through a supplementary allocation but rather through a re-allocation of the special increases that would otherwise have gone to a specified group of donor countries. In this variant (Example IIb), the starting point is the first-stage allocation of Example Ic, with reallocation confined to the countries where ODA contributions represent a significant fraction of GNP.

34. Finally, the impact of the eligibility criteria is illustrated by assuming that no special share allocations are given to countries that have not yet subscribed in full to shares allocated before the 1984 SCI. This is applied to all examples.

<u>The Impact of Alternative Mechanisms</u>

35. The disparities that have emerged over the past decade between countries' shares in IBRD capital and their relative positions in the world

economy as measured by calculated Fund quotas could be substantially reduced in the forthcoming GCI. An allocation on the order of 10% of the existing share total (i.e. 78,650 shares) would bring about a significant reduction in disparities, if the shares are distributed in a reasonably targetted manner (e.g. Examples Ib and Ic). The precise allocative rules and eligibility criteria can be refined in the light of the Executive Directors' reactions to the range of examples presented here. Management would favor eligibility criteria that take account of countries' demonstrated willingness to subscribe to shares allocated to them in the past.

Section 5. Issues for Consideration

36. This review of the criteria for special allocation of IBRD shares has assumed that the basic principle underlying the criteria is not in dispute; namely, that relative shareholdings in the IBRD should reflect member countries' position in the world economy.

37. The first issue then is how to define and measure members' relative position in the world economy. Executive Directors may wish to comment on this issue by addressing the following questions:

- if calculated quotas are used as the starting point for measuring member countries' relative position in the world economy, should the weights given to those variables currently included in the calculation be modified? If so, how?

- is it desirable to allow other variables to affect the allocation of IBRD shares? If so, which other variables deserve priority consideration?

- is the idea of second-stage adjustment confined to a subgroup of donor countries worth pursuing? If so, how might the subgroup be defined?

38. Once the reference point for special share allocations is determined, the mechanism for achieving adjustments in the desired direction needs to be spelled out. Executive Directors may wish to comment on the mechanism by addressing the following questions:

- in determining the number of shares to be used for special allocations in the context of the next GCI, is it appropriate to seek to reduce existing disparities to, say, no more than 10% in the sense described in paragraph 29?

- should special share allocations be distributed rather broadly (e.g. Example Ia) or more narrowly targetted on countries whose IBRD share allocations are lagging behind their changing relative positions in the world economy?

- should eligibility criteria take account of countries' demonstrated willingness to subscribe to shares previously allocated to them?

Attachments

Attachment 1

International Bank for Reconstruction and Development

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FROM: The Deputy Secretary

May 4, 1983

TECHNICAL NOTE

Review of IBRD Lending Plans and Capital Requirements (R83-56)
Supplementary Information: Note #4

Past Selective Capital Increases Based on Parallelism

The attached Technical Note has been prepared, at the request of an Executive Director, by the Financial Policy and Analysis Department in consultation with the Legal Department and the Secretary's Department.

Questions on this Note may be addressed to Mr. Wood (x78342) or Ms. Artus (x74748).

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May 4, 1983

TECHNICAL NOTE

Review of IBRD Lending Plans and Capital Requirements

Supplementary Information: Note #4

Past Selective Capital Increases Based on Parallelism

Introduction

1. The recent memorandum to the Executive Directors entitled Review of IBRD Lending Plans and Capital Requirements referred to the possibility of a Selective Capital Increase (SCI) following the Eighth General Review of IMF quotas. The memorandum stated, "If past precedents are applied, there would be the basis for considering a corresponding Selective Capital Increase in the Bank."[1] During the discussion of the memorandum, an Executive Director requested additional information on these precedents. This Technical Note has been prepared in response to that request.

Original Subscriptions to the IMF and IBRD

2. At the Bretton Woods Conference, the starting point for the negotiation of Bank subscriptions was the proposal that each country's subscription in the Bank be equal to its Fund quota. But, as the result of negotiations, the initial subscriptions of original members as set forth in Schedule A of the Articles of Agreement of the Bank were:[2]

- equal to the Fund quota (set forth in Schedule A of the Articles of Agreement of the Fund) for 16 countries (Australia, Belgium, Czechoslovakia, France, Iceland, India, Liberia, Luxembourg, Netherlands, New Zealand, Norway, Philippines, Poland, South Africa, U.S.S.R[3] and the United Kingdom);

- above the Fund quota for 3 countries (Canada, China and the United States); and

- below the Fund quota for 25 countries (Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia, Greece, Guatemala, Haiti, Honduras, Iran, Iraq, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela and Yugoslavia).

1/ Review of IBRD Lending Plans and Capital Requirements, R83-56, dated March 8, 1983, para. 32.

2/ Annex I sets out the initial share subscriptions and initial quotas of the original members of the Bank and the Fund.

3/ U.S.S.R. did not join the Bank and the Fund.

Selective Quota Increases and Selective Capital Increases: History

3. Although the original Bank subscriptions of many countries differed from their original Fund quotas, it soon became an accepted principle that "relative capital contributions of each member within each institution should be as much as possible of the same order."[4] From the very beginning of the two institutions, it was a regular practice that members accepting selective increases in their Fund quotas also requested parallel selective increases in their Bank subscriptions. In the early days, quota increase resolutions of the Board of Governors of the Fund included a clause making a selective quota increase contingent upon the member applying for a proportionate or parallel increase in its Bank subscription. This arrangement originated from the Fund Governors' decision in 1946 regarding the first request for a quota adjustment (from Paraguay) that "the quota of Paraguay in the Fund should be adjusted to a figure of $3.5 million provided that this adjustment shall become effective when Paraguay applies for a proportionate increase in its subscription in the Bank."[5] While such a condition is no longer attached to selective quota increases in the Fund, the Bank has maintained the practice of following a selective quota increase with a proportionate selective capital increase.[6]

4. Selective Quota Increases Not Combined with General Increases: Before the first general quota increase of 1959--which resulted from the Third General Review of Quotas--a country receiving a quota increase in the Fund also received an additional allocation of shares calculated as:

> the shares allocated to the country
> times the quota increase for that country
> divided by the country's quota before the increase.
>
> Illustration:
>
> For a country with 120 allocated shares, existing quota of 100, and proposed quota of 125, the calculation is
>
> $120 \times (125 - 100)/100$
>
> $= 120 \times 25/100$
>
> $= 30$,
>
> thus the proposed selective capital increase is 30 shares.

4/ Selective Increases in Bank Subscriptions, R69-221, dated November 24, 1969, para. 2.

5/ Fund Board of Governors Resolution No. 12, adopted October 2, 1946.

6/ There were cases where member countries obtained increases in capital subscriptions unrelated to quota increases. Annex II describes these cases.

This was true also with subsequent quota increases approved outside the General Quota Reviews, except the special case of the 1980 ad hoc increase in China's quota.[7/] A minor modification to the method of calculating additional share allocation was introduced in the first--and so far, the only--selective capital increase authorized on the basis of the parallelism principle since GCI subscriptions started; in this selective capital increase, authorized for Saudi Arabia[8/] following the 1981 increase in Saudi Arabia's quota,[9/] the additional share allocation was calculated from the base excluding the 250 membership shares rather than the total shares already allocated to Saudi Arabia.

5. Third General Review of Quotas: The Third General Review of Quotas was completed with four resolutions, authorizing: a 50% quota increase for each member in the first; quota increases beyond 50% for members with small quotas in the second; and specific quota increases exceeding 50% for 17 members in the third and the fourth.[10/] Selective capital increases were authorized for all members for which these resolutions proposed quota increases above 50%.[11/] The additional share allocations were calculated as:

shares allocated to the country
times proposed quota less 1.5 x existing quota
divided by 1.5 x existing quota.

Illustration:

For a country with 120 allocated shares, existing quota of 100, and proposed quota of 175, the calculation is

$$120 \times \frac{175 - 1.5 \times 100}{1.5 \times 100}$$

$$= 120 \times 25/150$$

$$= 20,$$

thus the proposed selective capital increase is 20 shares.

7/ In September 1980, China received an ad hoc quota increase of 118.18% (from SDR 550 million to SDR 1,200 million). The accompanying capital increase for China in the Bank was 60% (from 7,500 shares to 12,000 shares).

8/ Selective Capital Increases and Reallocation of Authorized Shares, R82-142, dated May 7, 1982; Resolution No. 383, adopted July 8, 1982.

9/ Fund Board of Governors Resolution No. 36-2, adopted April 27, 1981.

10/ Fund Board of Governors Resolutions Nos. 14-1, 14-2 and 14-3, adopted February 2, 1959; and Resolution No. 14-4, adopted April 6, 1959.

11/ Resolutions Nos. 130 and 132, adopted September 1, 1959, at the same time as the 1959 GCI Resolutions (Res. Nos. 128 and 129), which authorized a 100% increase in the Bank's authorized capital and each member's subscription.

6. Fourth General Review of Quotas: The Fourth General Review of Quotas resulted in two resolutions, the first of which proposed a 25% quota increase for each Fund member, with the second proposing selective increases for 16 members.[12/] For the parallel selective increases in Bank subscriptions authorized for these 16 countries,[13/] the additional share allocations were calculated in the same way as for the selective capital increases following the Third General Review of Quotas, i.e.:

SCI allocation for a country equals:

shares allocated to the country
times proposed quota less 1.25 x existing quota
divided by 1.25 x existing quota.

7. Fifth General Review of Quotas: The Fifth General Review of Quotas ended in 1970, with a resolution entitled "Increases in Quotas of Members - Fifth General Review."[14/] This resolution proposed quota increases of 25% or more for all members except China--for which no increase was proposed--and the United Kingdom--for which an increase of less than 25% was proposed. A complication arose for determining SCI allocations following this general quota review, because the Fund resolution did not specify the "general" and the "selective" components of the proposed quota increases. In the end, the Executive Directors decided that "for this purpose only quota increases under the Fund Resolution in excess of 25% of present quotas should be taken into account; ...."[15/] The SCI allocations were then calculated on the basis of an implicit assumption that the equiproportional 25% quota increase preceded the quota increases beyond 25%. As a result, the formula for the calculation was the same as the one applied in the SCI following the Fourth General Review of Quotas:

SCI allocation equals:

shares allocated
times proposed quota less 1.25 x existing quota
divided by 1.25 x existing quota.[16/]

8. At that time, six countries had not taken up quota increases authorized under the Fund's 1963 Compensatory Financing Decision. It was assumed in calculating the SCI allocation that these countries would take up the CFF-related quota increases.

12/ Fund Board of Governors Resolutions Nos. 20-6 and 20-7, adopted March 31, 1965.
13/ Resolution No. 218, adopted April 30, 1965.
14/ Fund Board of Governors Resolution No. 25-3, adopted February 9, 1970.
15/ Resolution No. 258, adopted July 31, 1970.
16/ Selective Increases in Bank Subscriptions, R69-221/1, dated December 11, 1969.

9. <u>Sixth General Review of Quotas</u>: The Sixth General Review of Quotas was completed in March 1976 with a resolution entitled "Increases in Quotas of Members - Sixth General Review,"[17] which proposed quota increases at various rates for all Fund members except China. In calculating the parallel SCI in the Bank, the smallest of the proposed quota increases--4.46% proposed for the United Kingdom--was regarded as a "general" quota increase. The Governors' Resolution stated, "... the Executive Directors of the Bank believe that in calculating the special increases, only quota increases under the Fund Resolution in excess of 4.46% of present quotas should be taken into account."[18]

10. Thus, additional Bank subscriptions were authorized for all members except China and the United Kingdom in this SCI following the Sixth General Review of Quotas. The SCI allocation for each member was calculated on the basis of the shares that the member had already subscribed or indicated its intention to subscribe. For example, as the United States had not indicated its intention regarding 1,231 unsubscribed shares, its allocation was calculated on the basis of 64,730 shares rather than the total 65,961 shares allocated to the United States,[19] i.e.:

SCI allocation for the United States equals:

> 64,730 shares subscribed/intended for subscription times proposed quota less 1.0446 x present quota divided by 1.0446 x present quota.

11. <u>Seventh General Review of Quotas</u>: In December 1978, the Board of Governors of the Fund adopted a resolution entitled "Increases in Quotas of Fund Members - Seventh General Review."[20] The proposed quota increases consisted of a 50% increase for all members--except the special case of Kampuchea--and further increases at various rates for 11 members. The Board of Governors of the Bank authorized selective capital increases for these 11 countries in a resolution which stated, "... in accordance with past practice, members accepting increases in their quotas, but not including any general increase in quotas, are expected to request corresponding increases (sometimes referred to as special increases) in their capital subscriptions in the Bank; ... the Executive Directors of the Bank believe that in calculating such special increases only quota increases under the Fund Resolution in excess of 50% of present quota should be taken into account;...."[21] The number of shares to be

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17/ Fund Board of Governors Resolution No. 31-2, adopted March 22, 1976.
18/ Resolution No. 314, adopted February 9, 1977.
19/ IBRD Capital Increase Documents, R76-76/1, April 7, 1976.
20/ Fund Board of Governors Resolution No. 34-2, adopted December 11, 1978.
21/ Resolution No. 335, adopted April 30, 1979.

allocated to the 11 countries in this parallel SCI was calculated as follows:

SCI allocation for a country equals:

shares allocated to the country
times proposed quota less 1.5 x existing quota
divided by 1.5 x existing quota.

New Members

12. The parallelism principle has been applied also in determining the initial share subscriptions of new members. Countries that joined the Bank between 1946 and September 1, 1959 were required to make Bank subscriptions equal to their Fund quotas. In subsequent years, share allocation for each new member's initial subscription in the Bank was determined by applying the "institutional ratio"--the ratio between Bank subscriptions authorized solely in general capital increases and Fund quotas obtained solely from general quota increases--to the country's Fund quota. This institutional ratio changed from the original one-to-one to 0.5446002 before the last General Capital Increase (Table 1).

Table 1: CHANGES IN THE INSTITUTIONAL RATIO

	IBRD		IMF		
	% Rate of GCI	Resulting Capital as Multiple of Original Capital	% Rate of GQI	Resulting Quota as Multiple of Original Quota	Institutional Ratio
Original Capital/Quota	...	1.00000	...	1.00000	1.0000000
1959	100.0	2.00000	50.0	1.50000	1.3333333
1965	0.0	2.00000	25.0	1.87500	1.0666667
1970	0.0	2.00000	25.0	2.34375	0.8533333
1977	0.0	2.00000	4.46	2.44828	0.8169003
1980 Pre-GCI	0.0	2.00000	50.0	3.67242	0.5446002

13. After the last GCI, which introduced new subscription terms with a lesser paid-in portion, the obligatory subscription for a new member is

still calculated from the pre-GCI institutional ratio of 0.5446002, and these shares are subject to the pre-GCI subscription terms. In addition, a new member may subscribe additional shares up to the equivalent of 93.6% of the obligatory subscription on the GCI subscription terms, and to 250 "membership shares" with no paid-in portion. For example, the initial subscription of 4,203 shares authorized for Hungary was calculated as follows:

	Millions of 1944 Dollars
obligatory subscription 0.5446002 x Fund quota (375.0)	204.2
plus: 0.936 x obligatory subscription (204.2)	191.1
plus: membership shares	25.0
equals: allocation for the initial subscription	420.3

Attachments

Annex I

Original Subscriptions to IMF and IBRD [a]
(Millions of 1944 Dollars)

	IMF Quota	IBRD Capital		IMF Quota	IBRD Capital
Australia	200	200	India	400	400
Belgium	225	225	Iran	25	24
Bolivia	10	7	Iraq	8	6
Brazil	150	105	Liberia	0.5	0.5
Canada	300	325	Luxembourg	10	10
Chile	50	35	Mexico	90	65
China	550	600	Netherlands	275	275
Colombia	50	35	New Zealand	50	50
Costa Rica	5	2	Nicaragua	2	0.8
Cuba	50	35	Norway	50	50
Czechoslovakia	125	125	Panama	0.5	0.2
Dominican Rep.	5	2	Paraguay	2	0.8
Ecuador	5	3.2	Peru	25	17.5
Egypt	45	40	Philippines	15	15
El Salvador	2.5	1	Poland	125	125
Ethiopia	6	3	South Africa	100	100
France	450	450	U.S.S.R.	1200	1200
Greece	40	25	U.K.	1300	1300
Guatemala	5	2	U.S.	2750	3175
Haiti	5	2	Uruguay	15	10.5
Honduras	2.5	1	Venezuela	15	10.5
Iceland	1	1	Yugoslavia	60	40

a/ As set forth in Schedule A of the Articles of Agreement of the Fund and Schedule A of the Articles of Agreement of the Bank.

Capital Increases Unrelated to Selective Increases in Fund Quotas

1. There are some instances in which member countries obtained increases in share allocations unrelated to selective increases in Fund quotas.

2. Brazil-Yugoslavia Precedent: Some of the original members that had opted for initial subscriptions smaller than their Fund quotas requested selective increases in their subscriptions to restore positions "parallel" to their Fund quotas. Brazil, whose original Bank subscription was 70% of its original Fund quota, made up the 30% difference in September 1956 (R-976, dated June 22, 1956; Resolution No. 98, adopted August 9, 1956); Yugoslavia, with the original Bank subscription equal to two-thirds of its original Fund quota, requested a 50% selective increase in its subscription to recover the one-third it had foregone initially, and its request was approved in 1979 (R79-23, dated February 14, 1979; Resolution No. 334, adopted April 26, 1979).

3. Subsequently, 16 other original members and another member that had not taken up all shares allocated for its subscription sought selective capital increases to attain the "parallel" positions (Selective Capital Increases and Reallocation of Authorized Shares, R82-142, dated May 7, 1982; Resolution No. 383, adopted July 8, 1982). The selective capital increases for these 17 countries were calculated as illustrated below by taking for example the case of Colombia, which received an additional allocation of 778 shares:

		Millions of 1944 Dollars
Fund quota after the 7th Quota Review		289.5
times:	institutional ratio, post-7th Quota Review, pre-GCI	.5446002
equals:	pre-GCI shares at the parallel position	157.7
less:	shares allocated before the GCI	117.5
equals:	required allocation of pre-GCI shares (A)	40.2
times:	GCI factor	.936
equals:	additional allocation of GCI shares (B)	37.6
total selective increase (A + B)		77.8

4. Selective Increases for France and Japan: In 1979, France and Japan received selective capital increases of 1,900 shares and 4,000 shares respectively (Resolutions Nos. 332 and 333, adopted April 26, 1979). The capital increase for France was requested in view of France's role as a major source of official development assistance among the OECD countries. The capital increase for Japan was requested on the basis of Japan's desire to have its share of Bank capital more comparable to its share in contributions to IDA.

5. Exercise of Preemptive Rights: Finally, 26 members have elected to exercise their preemptive rights under Article II, Section 2(c) of the Bank's Articles of Agreement in connection with increases in the authorized capital stock of the Bank, and have been authorized to subscribe to 3,797 shares in excess of what would have otherwise been allocated to them (Resolution No. 265, adopted March 29, 1971; Resolution No. 313, adopted January 3, 1977; Resolution No. 373, adopted October 2, 1981; and Resolution No. 380, adopted April 3, 1982).

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IMF QUOTAS AND ALLOCATION OF REGULAR IBRD SHARES

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calculated Quotas (SDRm) b/	Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Modified Calculated Quotas: Modified Calculated Quotas (SDRm) d/	Modified Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares e/	"Calculated Subscription" as % of Actual Allocation (9)/(1)	Present Quotas (SDRm)	Number of Regular IBRD Shares Parallel with Present IMF Quotas	Parallel Position as % of Actual Allocation (12)/(1)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
140 POLAND	249 f/	115	1851.3	0.563%	4220	1694.8%	1658.8	0.601%	4506	1809.8%	680.0	5873	2358.6%
46 SINGAPORE	694	75	4372.8	1.330%	9968	1436.3%	3834.9	1.391%	10419	1501.2%	92.4	798	115.0%
156 BOTSWANA	95	131	144.1	0.044%	328	345.8%	119.2	0.043%	324	340.8%	22.1	191	201.1%
83 IRAQ	2558	47	3825.2	1.164%	8720	340.9%	1790.2	0.649%	4863	190.1%	504.0	4353	170.2%
48 OMAN	506	89	683.1	0.208%	1557	307.7%	465.9	0.169%	1266	250.1%	63.1	545	107.7%
43 UNITED ARAB EMIRATES	2135	53	2645.8	0.805%	6031	282.5%	1150.9	0.417%	3127	146.5%	202.6	1750	82.0%
97 GREECE	1110	64	1237.8	0.377%	2822	254.2%	897.4	0.325%	2438	219.6%	399.9	3454	311.2%
78 KOREA, REP. OF	3346	41	3621.3	1.102%	8255	246.7%	3320.7	1.204%	9022	269.6%	462.8	3997	119.5%
175 SEYCHELLES	13	149	13.8	0.004%	31	242.0%	8.4	0.003%	23	175.6%	3.0	26	200.0%
174 MALDIVES	13	149	12.4	0.004%	28	217.4%	10.3	0.004%	28	215.1%	2.0	17	130.8%
50 BAHRAIN	369	97	342.6	0.104%	781	211.6%	246.7	0.089%	670	181.6%	48.9	422	114.4%
136 YEMEN ARAB REP.	289	110	265.3	0.081%	605	209.3%	181.2	0.066%	492	170.3%	43.3	374	129.4%
45 QATAR	846	71	774.8	0.236%	1766	208.8%	385.1	0.140%	1046	123.7%	114.9	992	117.3%
116 JORDAN	529	86	482.1	0.147%	1099	207.7%	412.7	0.150%	1121	211.9%	73.9	638	120.6%
101 LEBANON	887	68	790.4	0.240%	1802	203.1%	517.7	0.188%	1406	158.6%	78.7	680	76.7%
114 TUNISIA	559	84	454.8	0.138%	1037	185.5%	301.5	0.109%	819	146.5%	138.2	1194	213.6%
26 SAUDI ARABIA	24890	7	17844.2	5.429%	40676	163.4%	6602.4	2.394%	17937	72.1%	3202.4	27657	111.1%
104 PANAMA	802	72	538.1	0.164%	1227	152.9%	290.0	0.105%	788	98.2%	102.2	883	110.1%
148 NICARAGUA	202	123	135.4	0.041%	309	152.8%	106.4	0.039%	289	143.1%	68.2	589	291.6%
37 NORWAY	5352	27	3576.6	1.088%	8153	152.3%	2868.4	1.040%	7793	145.6%	699.0	6037	112.8%
22 JAPAN	40580	2	26548.9	8.077%	60518	149.1%	24371.9	8.837%	66212	163.2%	4223.3	36474	89.9%
42 ISRAEL	2416	51	1575.3	0.479%	3591	148.6%	1463.5	0.531%	3976	164.6%	446.6	3857	159.6%
153 LESOTHO	122	128	79.3	0.024%	181	148.2%	64.7	0.023%	176	144.1%	15.1	130	106.6%
39 LIBYA	4150	35	2675.8	0.814%	6099	147.0%	1482.4	0.538%	4027	97.0%	515.7	4454	107.3%
138 CONGO, PEOPLE'S REP.	270	113	172.4	0.052%	393	145.5%	106.7	0.039%	290	107.4%	37.3	322	119.3%
23 GERMANY	40382	3	22985.1	6.993%	52394	129.7%	21743.9	7.884%	59072	146.3%	5403.7	46668	115.6%
35 AUSTRIA	5959	25	3259.1	0.992%	7429	124.7%	3001.6	1.088%	8155	136.8%	775.6	6698	112.4%
118 GABON	519	88	277.5	0.084%	633	121.9%	180.1	0.065%	489	94.3%	73.1	631	121.6%
41 IRELAND	2708	46	1439.7	0.438%	3282	121.2%	1344.7	0.488%	3653	134.9%	343.4	2966	109.5%
173 BHUTAN	19	148	10.1	0.003%	23	121.2%	9.8	0.004%	27	140.1%	2.5	22	115.8%
29 NETHERLANDS	17131	11	9105.3	2.770%	20755	121.2%	8185.7	2.968%	22238	129.8%	2264.8	19559	114.2%
28 ITALY	22346	10	11805.3	3.592%	26910	120.4%	11132.4	4.037%	30244	135.3%	2909.1	25124	112.4%
176 KIRIBATI	11 g/	151	5.8	0.002%	13	120.2%	2.6	0.001%	7	63.9%	2.5	22	200.0%
33 SWEDEN	8154	21	4219.7	1.284%	9619	118.0%	3219.6	1.167%	8747	107.3%	1064.3	9192	112.7%
67 NIGERIA	6516	24	3244.5	0.987%	7396	113.5%	1563.8	0.567%	4249	65.2%	849.5	7337	112.6%
98 SYRIAN ARAB REP.	1084	65	539.0	0.164%	1229	113.3%	500.7	0.182%	1360	125.5%	139.1	1201	110.8%
71 MALAYSIA	4377	32	2140.3	0.651%	4879	111.5%	1915.6	0.695%	5204	118.9%	550.6	4755	108.6%
36 DENMARK	5503	26	2662.0	0.810%	6068	110.3%	2520.9	0.914%	6849	124.5%	711.0	6140	111.6%
32 SPAIN	10044	17	4839.5	1.472%	11032	109.8%	4500.7	1.632%	12227	121.7%	1286.0	11106	110.6%
64 MEXICO	9303	19	4363.0	1.327%	9945	106.9%	3909.2	1.417%	10620	114.2%	1165.5	10066	108.2%
38 FINLAND	4554	31	2112.6	0.643%	4816	105.7%	1669.0	0.605%	4534	99.6%	574.9	4965	109.0%
70 YUGOSLAVIA	4838	30	2224.5	0.677%	5071	104.8%	1445.9	0.524%	3928	81.2%	613.0	5294	109.4%
30 BELGIUM	16016	12	7362.7 h/	2.240%	16783	104.8%	6604.3	2.395%	17942	112.0%	2080.4	17967	112.2%
127 MALTA	353	100	162.0	0.049%	369	104.6%	139.6	0.051%	379	107.5%	45.1	389	110.2%
81 PORTUGAL	2814	44	1273.7	0.388%	2903	103.2%	861.0	0.312%	2339	83.1%	376.6	3252	115.6%
27 CANADA	23508	9	10565.8	3.215%	24085	102.5%	9826.2	3.563%	26695	113.6%	2941.0	25399	108.0%

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IMF QUOTAS AND ALLOCATION OF REGULAR IBRD SHARES

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calculated Quotas (SDRm) b/	Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Modified Calculated Quotas: Modified Calculated Quotas (SDRm) d/	Modified Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares e/	"Calculated Subscription" as % of Actual Allocation (9)/(1)	Present Quotas (SDRm)	Number of Regular IBRD Shares Parallel with Present IMF Quotas	Parallel Position as % of Actual Allocation (12)/(1)
17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
131 AFGHANISTAN	318	105	142.7	0.043%	325	102.3%	133.9	0.049%	364	114.4%	86.7	749	235.5%
76 TURKEY	3451	39	1532.7	0.466%	3494	101.2%	1152.6	0.418%	3131	90.7%	429.1	3706	107.4%
25 UNITED KINGDOM	38697	4	17138.5	5.214%	39067	101.0%	13385.2	4.853%	36364	94.0%	6194.0	53493	138.2%
66 SOUTH AFRICA	7305	22	3196.3	0.972%	7286	99.7%	2090.4	0.758%	5679	77.7%	915.7	7908	108.3%
34 KUWAIT	7203	23	3133.1	0.953%	7142	99.2%	1629.2	0.591%	4426	61.4%	635.3	5487	76.2%
24 FRANCE	38697	4	16766.4	5.101%	38219	98.8%	15391.6	5.581%	41815	108.1%	4482.8	38715	100.0%
51 BAHAMAS, THE	351	101	151.5	0.046%	345	98.4%	142.0	0.051%	386	109.9%	66.4	573	163.2%
123 PARAGUAY	395	95	167.5	0.051%	382	96.7%	119.1	0.043%	324	81.9%	48.4	418	105.8%
61 BRAZIL	11598	15	4889.3	1.488%	11145	96.1%	4478.6	1.624%	12167	104.9%	1461.3	12620	108.8%
110 CAMEROON	607	80	255.8	0.078%	583	96.1%	233.8	0.085%	635	104.6%	92.7	801	132.0%
80 THAILAND	3099	43	1305.5	0.397%	2976	96.0%	1221.9	0.443%	3320	107.1%	386.6	3339	107.7%
111 VIET NAM	596	81	246.9	0.075%	563	94.4%	230.6	0.084%	626	105.1%	176.8	1527	256.2%
65 INDONESIA	8158	20	3368.3	1.025%	7678	94.1%	2391.5	0.867%	6497	79.6%	1009.7	8720	106.9%
77 EGYPT, ARAB REP. OF	3369	40	1371.3	0.417%	3126	92.8%	1271.2	0.461%	3454	102.5%	463.4	4002	118.8%
21 UNITED STATES	164179	1	66372.4	20.193%	151295	92.2%	62788.3	22.767%	170579	103.9%	17918.3	154748	94.3%
47 LUXEMBOURG	677	77	272.5 h/	0.083%	621	91.8%	244.4	0.089%	664	98.1%	77.0	665	98.2%
134 ETHIOPIA	299	108	117.5	0.036%	268	89.6%	110.2	0.040%	299	100.1%	70.6	610	204.0%
69 ALGERIA	4942	29	1900.4	0.578%	4332	87.7%	1408.2	0.511%	3826	77.4%	623.1	5381	108.9%
149 SWAZILAND	202	123	77.2	0.023%	176	87.1%	61.9	0.022%	168	83.3%	24.7	213	105.4%
165 SOLOMON ISLANDS	38	140	14.5	0.004%	33	87.0%	12.4	0.004%	34	88.4%	5.0	43	113.2%
44 TRINIDAD & TOBAGO	1245	58	467.6	0.142%	1066	85.6%	316.6	0.115%	860	69.1%	170.1	1469	118.0%
169 ST. VINCENT	28	144	10.4	0.003%	24	84.7%	9.6	0.003%	26	93.4%	4.0	35	125.0%
166 CAPE VERDE	35	141	12.9	0.004%	29	84.0%	8.4	0.003%	23	64.9%	4.5	39	111.4%
94 COTE D'IVOIRE	1162	61	427.4	0.130%	974	83.8%	259.4	0.094%	705	60.7%	165.5	1429	123.0%
109 SUDAN	636	79	227.0	0.069%	517	81.4%	134.8	0.049%	366	57.6%	169.7	1466	230.5%
92 ECUADOR	1211	59	425.7	0.130%	970	80.1%	387.0	0.140%	1051	86.8%	150.7	1301	107.4%
73 ROMANIA	4197	34	1471.9	0.448%	3355	79.9%	1335.0	0.484%	3627	86.4%	523.4	4520	107.7%
117 PAPUA NEW GUINEA	523	87	174.9	0.053%	399	76.2%	156.2	0.057%	424	81.1%	65.9	569	108.8%
164 ANTIGUA & BARBUDA	42	139	14.0	0.004%	32	76.0%	12.8	0.005%	35	82.6%	5.0	43	102.4%
141 NIGER	245	116	80.5	0.024%	183	74.9%	56.3	0.020%	153	62.4%	33.7	291	118.8%
137 MOZAMBIQUE	272	112	84.7	0.026%	193	71.0%	76.9	0.028%	209	76.8%	61.0	527	193.8%
75 PHILIPPINES	3591	38	1111.8	0.338%	2534	70.6%	1021.7	0.370%	2776	77.3%	440.4	3803	105.9%
49 ICELAND	456	91	141.0	0.043%	321	70.5%	103.4	0.037%	281	61.6%	59.6	515	112.9%
31 AUSTRALIA	13480	13	4157.6	1.265%	9477	70.3%	3895.7	1.413%	10584	78.5%	1619.2	13984	103.7%
172 ST. KITTS & NEVIS	25	147	7.7	0.002%	18	70.2%	6.3	0.002%	17	68.8%	4.5	39	156.0%
60 IRAN, ISLAM. REP. OF	13043	14	3964.1	1.206%	9036	69.3%	1930.5	0.700%	5245	40.2%	660.0	5700	43.7%
112 CYPRUS	570	82	171.1	0.052%	390	68.4%	154.5	0.056%	420	73.6%	69.7	602	105.6%
171 TONGA	27	146	8.0	0.002%	18	67.5%	4.4	0.002%	12	43.8%	3.3	28	103.7%
52 BARBADOS	282	111	81.6	0.025%	186	66.0%	75.2	0.027%	204	72.5%	34.1	294	104.3%
146 LIBERIA	224	121	64.5	0.020%	147	65.6%	58.2	0.021%	158	70.6%	71.3	616	275.0%
103 GUATEMALA	873	70	243.3	0.074%	555	63.5%	217.0	0.079%	590	67.5%	108.0	933	106.9%
72 HUNGARY	4268	33	1184.4	0.360%	2700	63.3%	1119.3	0.406%	3041	71.2%	530.7	4583	107.4%
62 VENEZUELA	11177	16	3085.9	0.939%	7034	62.9%	1984.2	0.719%	5391	48.2%	1371.5	11845	106.0%
79 COLOMBIA	3249	42	883.7	0.269%	2014	62.0%	800.6	0.290%	2175	66.9%	394.2	3404	104.8%
159 DJIBOUTI	64	134	17.0	0.005%	39	60.5%	12.9	0.005%	35	54.8%	8.0	69	107.8%
99 DOMINICAN REP.	924	66	240.9	0.073%	549	59.4%	175.1	0.064%	476	51.5%	112.1	968	104.8%

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IMF QUOTAS AND ALLOCATION OF REGULAR IBRD SHARES

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calculated Quotas (SDRm) b/	Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Modified Calculated Quotas: Modified Calculated Quotas (SDRm) d/	Modified Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares e/	"Calculated Subscription" as % of Actual Allocation (9)/(1)	Present Quotas (SDRm)	Number of Regular IBRD Shares Parallel with Present IMF Quotas	Parallel Position as % of Actual Allocation (12)/(1)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
107 COSTA RICA	690	76	175.0	0.053%	399	57.8%	134.1	0.049%	364	52.8%	84.1	726	105.2%
160 ST. LUCIA	60	135	15.2	0.005%	35	57.7%	14.4	0.005%	39	65.0%	7.5	65	108.3%
125 UGANDA	367	98	92.0	0.028%	210	57.1%	48.6	0.018%	132	36.0%	99.6	860	234.3%
139 MAURITANIA	255	114	63.2	0.019%	144	56.5%	55.8	0.020%	152	59.5%	33.9	293	114.9%
74 CHILE	3640	37	896.0	0.273%	2042	56.1%	675.6	0.245%	1835	50.4%	440.5	3804	104.5%
106 EL SALVADOR	726	74	175.5	0.053%	400	55.1%	116.5	0.043%	322	44.3%	89.0	769	105.9%
40 NEW ZEALAND	3811	36	914.1	0.278%	2084	54.7%	857.4	0.311%	2329	61.1%	461.6	3987	104.6%
82 PERU	2742	45	653.6	0.199%	1490	54.3%	488.9	0.177%	1328	48.4%	330.9	2858	104.2%
150 SIERRA LEONE	153	125	36.4	0.011%	83	54.2%	25.0	0.009%	68	44.5%	57.9	500	326.8%
157 BELIZE	79	132	18.7	0.006%	43	54.0%	10.2	0.004%	28	35.1%	9.5	82	103.8%
96 KENYA	1131	63	266.0	0.081%	606	53.6%	192.6	0.070%	523	46.3%	142.0	1226	108.4%
143 BURKINA FASO	237	117	54.0	0.016%	123	51.9%	36.7	0.013%	100	42.1%	31.6	273	115.2%
155 LAO PDR	100	130	22.7	0.007%	52	51.7%	21.1	0.008%	57	57.4%	29.3	253	253.0%
113 HONDURAS	563	83	126.6	0.039%	289	51.3%	92.9	0.034%	252	44.8%	67.8	586	104.1%
132 FIJI	304	106	66.4	0.020%	151	49.8%	48.6	0.018%	132	43.4%	36.5	315	103.6%
84 MOROCCO	2541	48	551.8	0.168%	1258	49.5%	504.9	0.183%	1372	54.0%	306.6	2648	104.2%
142 BENIN	237	117	50.0	0.015%	114	48.1%	29.3	0.011%	80	33.6%	31.3	270	113.9%
135 NEPAL	293	109	61.4	0.019%	140	47.8%	56.4	0.020%	153	52.3%	37.3	322	109.9%
124 TOGO	370	96	77.3	0.024%	176	47.6%	52.7	0.019%	143	38.7%	38.4	332	89.7%
133 SOMALIA	302	107	62.3	0.019%	142	47.0%	45.9	0.017%	125	41.2%	44.2	382	126.5%
168 COMOROS	32	143	6.5	0.002%	15	46.3%	3.9	0.001%	10	32.7%	4.5	39	121.9%
58 CHINA	24892	6	4896.7	1.490%	11162	44.8%	4612.7	1.673%	12531	50.3%	2390.9	20648	83.0%
167 DOMINICA	33	142	6.4	0.002%	15	44.2%	4.3	0.002%	12	35.1%	4.0	35	106.1%
151 BURUNDI	152	126	29.2	0.009%	67	43.8%	26.6	0.010%	72	47.5%	42.7	369	242.8%
105 BOLIVIA	752	73	141.4	0.043%	322	42.9%	133.8	0.049%	363	48.3%	90.7	783	104.1%
170 SAO TOME & PRINCIPE	28	144	5.1	0.002%	12	41.5%	2.5	0.001%	7	24.0%	4.0	35	125.0%
68 PAKISTAN	4991	28	876.1	0.267%	1997	40.0%	811.3	0.294%	2204	44.2%	546.3	4718	94.5%
128 HAITI	349	102	60.5	0.018%	138	39.5%	55.9	0.020%	152	43.5%	44.1	381	109.2%
102 TANZANIA	877	69	151.8	0.046%	346	39.5%	102.6	0.037%	279	31.8%	107.0	924	105.4%
129 GUYANA	344	103	59.1	0.018%	135	39.2%	25.9	0.009%	70	20.5%	49.2	425	123.5%
162 GRENADA	48	137	8.2	0.002%	19	38.9%	7.8	0.003%	21	44.4%	6.0	52	108.3%
93 JAMAICA	1197	60	202.9	0.062%	463	38.6%	176.1	0.064%	478	40.0%	145.5	1257	105.0%
63 ARGENTINA	9802	18	1651.3	0.502%	3764	38.4%	1487.8	0.539%	4042	41.2%	1113.0	9612	98.1%
91 URUGUAY	1371	57	225.1	0.068%	513	37.4%	164.5	0.060%	447	32.6%	163.8	1415	103.2%
100 SENEGAL	913	67	146.6	0.045%	334	36.6%	96.5	0.035%	262	28.7%	85.1	735	80.5%
121 SURINAME	410	93	63.0	0.019%	144	35.0%	55.1	0.020%	150	36.5%	49.3	426	103.9%
158 VANUATU	79	132	12.0	0.004%	27	34.6%	6.8	0.002%	18	23.3%	9.0	78	98.7%
120 MAURITIUS	447	92	65.0	0.020%	148	33.1%	59.0	0.021%	160	35.9%	53.6	463	103.6%
90 ZIMBABWE	1616	56	234.8	0.071%	535	33.1%	149.6	0.054%	406	25.1%	191.0	1650	102.1%
108 YEMEN, PDR	668	78	96.3	0.029%	220	32.9%	88.6	0.032%	241	36.0%	77.2	667	99.9%
163 WESTERN SAMOA	48	137	6.9	0.002%	16	32.8%	4.5	0.002%	12	25.5%	6.0	52	108.3%
85 BANGLADESH	2474	49	343.1	0.104%	782	31.6%	329.7	0.120%	896	36.2%	287.5	2483	100.4%
119 GUINEA	475	90	65.1	0.020%	148	31.2%	45.5	0.016%	124	26.0%	57.9	500	105.3%
161 GUINEA-BISSAU	53	136	7.2	0.002%	16	31.0%	6.4	0.002%	17	33.0%	7.5	65	122.6%
126 MALAWI	364	99	49.4	0.015%	113	30.9%	37.0	0.013%	100	27.6%	37.2	321	88.2%
59 INDIA	24173	8	3190.2	0.971%	7272	30.1%	3075.4	1.115%	8355	34.6%	2207.7	19066	78.9%

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17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
115 MADAGASCAR	548	85	72.1	0.022%	164	30.0%	66.0	0.024%	179	32.7%	66.4	573	104.6%
130 RWANDA	344	103	45.2	0.014%	103	30.0%	39.9	0.014%	108	31.5%	43.8	378	109.9%
88 SRI LANKA	1892	54	247.6	0.075%	564	29.8%	233.0	0.084%	633	33.5%	223.1	1927	101.8%
144 CENTRAL AFRICAN REP.	234	119	29.9	0.009%	68	29.1%	20.8	0.008%	57	24.2%	30.4	263	112.4%
122 MALI	402	94	49.0	0.015%	112	27.8%	31.4	0.011%	85	21.2%	50.8	439	109.2%
86 ZAIRE	2461	50	286.4	0.087%	653	26.5%	172.4	0.063%	468	19.0%	291.0	2513	102.1%
154 GAMBIA, THE	104	129	12.1	0.004%	28	26.5%	10.5	0.004%	28	27.3%	17.1	148	142.3%
145 CHAD	234	119	26.2	0.008%	60	25.5%	17.9	0.007%	49	20.8%	30.6	264	112.8%
95 BURMA	1158	62	126.1	0.038%	287	24.8%	116.6	0.042%	317	27.4%	137.0	1183	102.2%
87 ZAMBIA	2280	52	218.7	0.067%	499	21.9%	122.7	0.044%	333	14.6%	270.3	2334	102.4%
89 GHANA	1701	55	152.9	0.047%	349	20.5%	132.4	0.048%	360	21.1%	204.5	1766	103.8%
152 EQUATORIAL GUINEA	151	127	6.4	0.002%	15	9.7%	3.3	0.001%	9	5.8%	18.4	159	105.3%
147 KAMPUCHEA, DEMOC.	214	122	NA i/	NA	NA	NA	NA	NA	NA	NA	25.0	216	100.9%
180 TOTAL ALLOCATED	742063		328691.4	100.000%	749250		275790.5	100.000%	749250		89987.6	777163	
182 UNALLOCATED	7187		0.0	0.000%	0		0.0	0.000%	0		0.0	0	
184 GRAND TOTAL	749250		328691.4	100.000%	749250		275790.5	100.000%	749250		89987.6	777163	

186 a/ Positions in place since Jnue 1, 1987, excluding the so-called "membership shares."
187 b/ Calculated quotas of the 9th General Quota Review.
188 c/ Col. (4) times 749,250 shaes.
189 d/ Derived by excluding the variability of current receipts from col. (3).
190 e/ Col. (8) times 749,250 shaes.
191 f/ 5,872 after the completion of the normal initial share allocation.
192 g/ 21 after the completion of the normal initial share allocation.
193 h/ Calculated quotas are estimated by apportioning the figure for Belgium and Luxembourg in propor-
194 tion to the actual quotas of the two countries in the absence of separate calculated quotas.
195 i/ Calculated quota is not available for Kampuchea.
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Attachment 3

GNP STATISTICS FOR IDA DONOR COUNTRIES b/

DONORS	SHARES IDA7	GNP SHARES 1983-85 (%)	GNP SHARES 1985 (%)	ADJUSTED GNP SHARES a/ 1983-85 (%)	ADJUSTED GNP SHARES a/ 1985 (%)	MEMO ITEMS: GNP PER CAPITA 1983-85 ($)	MEMO ITEMS: GNP PER CAPITA 1985 ($)	MEMO ITEMS: SHARE IN DONORS GNP PER CAPITA 1983-85 (%)	MEMO ITEMS: SHARE IN DONORS GNP PER CAPITA 1985 ($)
United States	25.00	40.62	41.94	55.39	57.91	15415	16559	5.92	6.32
Japan	18.70	13.82	14.22	12.62	13.09	10324	11041	3.96	4.21
Germany	11.50	7.04	6.67	6.40	5.67	10282	10180	3.95	3.88
United Kingdom	6.70	4.96	4.84	3.47	3.25	7903	8059	3.03	3.07
France	6.60	5.65	5.45	4.62	4.22	9239	9301	3.55	3.55
Canada	4.50	3.60	3.53	4.07	3.61	12791	12944	4.91	4.94
Italy	4.30	3.91	3.80	2.13	1.99	6164	6272	2.37	2.39
Netherlands	3.00	1.41	1.33	1.09	0.95	8742	8560	3.36	3.27
Sweden	2.50	1.04	1.05	1.03	1.01	11177	11629	4.29	4.44
Australia	1.98	1.87	1.68	1.78	1.41	10789	10092	4.14	3.85
Belgium	1.68	0.87	0.85	0.61	0.57	7887	8037	3.03	3.07
Norway	1.27	0.60	0.59	0.69	0.66	12963	13319	4.98	5.08
Denmark	1.20	0.60	0.59	0.56	0.53	10556	10712	4.05	4.09
K[illegible]t c/	0.70	0.29	0.29	0.39	0.36	15125	15089	5.81	5.76
[illegible]and	0.70	0.56	0.57	0.52	0.52	10365	10946	3.98	4.18
Austria	0.68	0.73	0.70	0.55	0.51	8624	8683	3.31	3.31
U.A.E. c/	0.66	0.30	0.29	0.57	0.49	21178	20168	8.13	7.69
South Africa c/	0.12	0.81	0.75	0.16	0.13	2229	2076	0.86	0.79
Ireland	0.11	0.18	0.18	0.08	0.07	4637	4644	1.78	1.77
New Zealand	0.08	0.24	0.24	0.15	0.14	6778	6895	2.60	2.63
Luxembourg	0.05	0.05	0.05	0.06	0.05	12884	12917	4.95	4.93
Iceland	0.03	0.03	0.03	0.02	0.02	9410	10368	3.61	3.96
PART I SUBTOTAL	92.06	89.18	89.62	96.95	97.35	225461	228491	86.56	87.18
Saudi Arabia c/	3.50	1.18	1.08	1.02	0.81	9782	8972	3.76	3.42
Spain	0.46	1.78	1.78	0.65	0.64	4142	4295	1.59	1.64
Brazil c/	0.25	2.20	2.12	0.29	0.26	1484	1450	0.57	0.55
Argentina c/	0.21	0.77	0.76	0.16	0.15	2291	2349	0.88	0.90
Mexico	0.17	1.70	1.70	0.30	0.29	1983	2015	0.76	0.77
Yugoslavia	0.17	0.48	0.48	0.08	0.08	1870	1924	0.72	0.73
Hungary c/	0.11	0.22	0.21	0.04	0.03	1871	1821	0.72	0.69
Korea	0.10	0.89	0.88	0.15	0.14	1955	1980	0.75	0.76
Colombia	0.08	0.39	0.34	0.04	0.03	1235	1120	0.47	0.43
Greece c/	0.05	0.38	0.35	0.11	0.10	3433	3328	1.32	1.27
T II SUBTOTAL	5.10	9.99	9.69	2.85	2.52	30045	29255	11.53	11.16
Venezuela	0.17	0.62	0.48	0.17	0.10	3099	2456	1.19	0.94
Portugal c/	0.06	0.21	0.20	0.03	0.03	1869	1894	0.72	0.72
Unallocated	2.61	-	-	-	-	-	-	-	-
SUBTOTAL	2.84	0.83	0.69	0.20	0.13	4967	4350	1.91	1.66
TOTAL	100.00	100.00	100.00	100.00	100.00	260473	262096	100.00	100.00

a/ Adjusted GNP shares are GNP Shares weighted by shares in GNP per Capita Mathematically, the formula is: (% Share of [(% Share GNP)* (% Share of GNP per Capita)])

b/ All GNP data converted from national currency units using average exchange rates during the year in which it applies

c/ 1985 data unavailable. 1984 data substituted for 1985 data 1983-84 average data substituted for 1983-85 average data

Source: World Bank, EPD : Preliminary Estimates

FPAFS : April 4, 1986

3.15 (iv) Indicators of Development Assistance. In addition to indicators of donors' productive and financial capacity, and their commercial interests in the IDA-eligible countries, weight may also be given to countries' overall aid programs and the emphasis given to IDA within them. Table 3.6 below provides two indicators -- share in total ODA and share in non-IDA ODA to IDA-eligible countries -- that were examined by Deputies during the IDA7 negotiations.

3.16 Detailed figures on the distribution of ODA are only available for the DAC member countries and Arab donors. Table 3.5 is elaborated further in Annex Table 3.4.

Table 3.6: DEVELOPMENT ASSISTANCE INDICATORS FOR SELECTED DONORS

Major Donors	Share in IDA7	Share in Total ODA a/ 1982-84	Share in Non-IDA Assistance to IDA-Eligible Countries a/ 1982-84
United States	25.00	25.32	16.87
Japan	18.70	11.25	12.97
Germany	11.50	9.23	11.27
United Kingdom	6.70	4.89	6.22
France b/	6.60	7.78	8.82
Canada	4.50	4.31	5.95
Italy	4.30	2.79	3.86
Saudi Arabia	3.50	11.03	-- c/
Netherlands	3.00	3.99	5.16
Sweden	2.50	2.51	3.95
Australia	1.98	2.44	1.77
Belgium	1.68	1.43	2.27
Norway	1.27	1.71	2.85
Denmark	1.20	1.28	2.20
Kuwait	0.70	3.23	-- c/
Finland	0.70	0.48	0.81
Austria	0.68	0.58	0.27
U.A.E.	0.66	0.81	-- c/
New Zealand	0.08	0.19	0.10
TOTAL	95.25	95.25	95.25

a/ Adjusted so that the total equals the listed DAC and Arab total in IDA (95.25%).
b/ Excluding assistance to DOM/TOM countries.
c/ The Arab donor's share of this indicator is collectively estimated at 9.91%.

Source: OECD "Development Cooperation" and "Geographical Distribution of Financial Flows"

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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS: ILLUSTRATIVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas		"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Additional Shares Needed for a Full Realignment (5)-(1)d/	Number of Shares Needed to Realign Allocated Shares to: 90% of "Calculated Subscription"		75% of "Calculated Subscription"		Sp. Allocation of 78,650 Shares for Realignment to 92.086610% of "Calculated Subscription"		MEMORANDUM Special Share Allocations under Resolution No. 416
			Calculated Quotas (SDRm)b/	As % of Total				If All Eligible d/	If Sbj. to Eligibility Test e/	If All Eligible d/	If Sbj. to Eligibility Test e/	If All Eligible d/	If Sbj. to Eligibility Test e/	
17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
140 POLAND	249 f/	115	1851.3	0.563%	4220	1694.8%	3971	3549	3549	2916	2916	3637	3637	0
46 SINGAPORE	694	75	4372.8	1.330%	9968	1436.3%	9274	8277	8277	6782	6782	8485	8485	0
156 BOTSWANA	95	131	144.1	0.044%	328	345.8%	233	201	201	151	151	207	207	0
83 IRAQ	2558	47	3825.2	1.164%	8720	340.9%	6162	5290	0	3982	0	5471	0	0
48 OMAN	506	89	683.1	0.208%	1557	307.7%	1051	895	895	662	662	928	928	0
43 UNITED ARAB EMIRATES	2135	53	2645.8	0.805%	6031	282.5%	3896	3293	3293	2388	2388	3419	3419	0
97 GREECE	1110	64	1237.8	0.377%	2822	254.2%	1712	1429	1429	1006	1006	1488	1488	0
78 KOREA, REP. OF	3346	41	3621.3	1.102%	8255	246.7%	4909	4083	4083	2845	2845	4255	4255	393
175 SEYCHELLES	13	149	13.8	0.004%	31	242.0%	18	15	15	11	11	16	16	0
174 MALDIVES	13	149	12.4	0.004%	28	217.4%	15	12	12	8	8	13	13	0
50 BAHRAIN	369	97	342.6	0.104%	781	211.6%	412	334	334	217	217	350	350	0
136 YEMEN ARAB REP.	289	110	265.3	0.081%	605	209.3%	316	255	255	165	165	268	268	0
45 QATAR	846	71	774.8	0.236%	1766	208.8%	920	744	744	479	479	780	780	0
116 JORDAN	529	86	482.1	0.147%	1099	207.7%	570	460	460	295	295	483	483	0
101 LEBANON	887	68	790.4	0.240%	1802	203.1%	915	735	0	464	0	772	0	0
114 TUNISIA	559	84	454.8	0.138%	1037	185.5%	478	374	0	219	0	396	0	0
26 SAUDI ARABIA	24890	7	17844.2	5.429%	40676	163.4%	15786	11718	11718	5617	5617	12567	12567	0
104 PANAMA	802	72	538.1	0.164%	1227	152.9%	425	302	0	118	0	328	0	0
148 NICARAGUA	202	123	135.4	0.041%	309	152.8%	107	76	0	29	0	82	0	0
37 NORWAY	5352	27	3576.6	1.088%	8153	152.3%	2801	1986	1986	763	763	2156	2156	0
22 JAPAN	40580	2	26548.9	8.077%	60518	149.1%	19938	13886	13886	4809	4809	15149	15149	11796
42 ISRAEL	2416	51	1575.3	0.479%	3591	148.6%	1175	816	0	277	0	891	0	0
153 LESOTHO	122	128	79.3	0.024%	181	148.2%	59	41	41	14	14	44	44	0
39 LIBYA	4150	35	2675.8	0.814%	6099	147.0%	1949	1340	0	425	0	1467	0	0
138 CONGO, PEOPLE'S REP.	270	113	172.4	0.052%	393	145.5%	123	84	84	25	25	92	92	0
23 GERMANY	40382	3	22985.1	6.993%	52394	129.7%	12012	6773	6773	0	0	7866	7866	0
35 AUSTRIA	5959	25	3259.1	0.992%	7429	124.7%	1470	727	727	0	0	882	882	0
118 GABON	519	88	277.5	0.084%	633	121.9%	114	50	0	0	0	63	0	0
41 IRELAND	2708	46	1439.7	0.438%	3282	121.2%	574	246	246	0	0	314	314	0
173 BHUTAN	19	148	10.1	0.003%	23	121.2%	4	2	0	0	0	2	0	0
29 NETHERLANDS	17131	11	9105.3	2.770%	20755	121.2%	3624	1549	1549	0	0	1982	1982	2544
28 ITALY	22346	10	11805.3	3.592%	26910	120.4%	4564	1873	1873	0	0	2434	2434	2544
176 KIRIBATI	11 g/	151	5.8	0.002%	13	120.2%	2	1	1	0	0	1	1	0
33 SWEDEN	8154	21	4219.7	1.284%	9619	118.0%	1465	503	503	0	0	704	704	0
67 NIGERIA	6516	24	3244.5	0.987%	7396	113.5%	880	140	140	0	0	295	295	0
98 SYRIAN ARAB REP.	1084	65	539.0	0.164%	1229	113.3%	145	22	22	0	0	47	47	0
71 MALAYSIA	4377	32	2140.3	0.651%	4879	111.5%	502	14	14	0	0	116	116	0
36 DENMARK	5503	26	2662.0	0.810%	6068	110.3%	565	0	0	0	0	85	85	0
32 SPAIN	10044	17	4839.5	1.472%	11032	109.8%	988	0	0	0	0	115	115	0
64 MEXICO	9303	19	4363.0	1.327%	9945	106.9%	642	0	0	0	0	0	0	0
38 FINLAND	4554	31	2112.6	0.643%	4816	105.7%	262	0	0	0	0	0	0	0
70 YUGOSLAVIA	4838	30	2224.5	0.677%	5071	104.8%	233	0	0	0	0	0	0	0
30 BELGIUM	16016	12	7362.7 h/	2.240%	16783	104.8%	767	0	0	0	0	0	0	0
127 MALTA	353	100	162.0	0.049%	369	104.6%	16	0	0	0	0	0	0	0
81 PORTUGAL	2814	44	1273.7	0.388%	2903	103.2%	89	0	0	0	0	0	0	0
27 CANADA	23508	9	10565.8	3.215%	24085	102.5%	577	0	0	0	0	0	0	1382

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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS: ILLUSTRATIVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calculated Quotas (SDRm) b/	Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Additional Shares Needed for a Full Realignment (5)-(1) d/	Number of Shares Needed to Realign Allocated Shares to: 90% of "Calculated Subscription": If All Eligible d/	90%: If Sbj. to Eligibility Test e/	75% of "Calculated Subscription": If All Eligible d/	75%: If Sbj. to Eligibility Test e/	Sp. Allocation of 78,650 Shares for Realignment to 92.08610% of "Calculated Subscription": If All Eligible d/	Sp. Allocation: If Sbj. to Eligibility Test e/	MEMORANDUM Special Share Allocations under Resolution No. 416
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
131 AFGHANISTAN	318	105	142.7	0.043%	325	102.3%	7	0	0	0	0	0	0	0
76 TURKEY	3451	39	1532.7	0.466%	3494	101.2%	43	0	0	0	0	0	0	0
25 UNITED KINGDOM	38697	4	17138.5	5.214%	39067	101.0%	370	0	0	0	0	0	0	0
66 SOUTH AFRICA	7305	22	3196.3	0.972%	7286	99.7%	0	0	0	0	0	0	0	0
34 KUWAIT	7203	23	3133.1	0.953%	7142	99.2%	0	0	0	0	0	0	0	0
24 FRANCE	38697	4	16766.4	5.101%	38219	98.8%	0	0	0	0	0	0	0	0
51 BAHAMAS, THE	351	101	151.5	0.046%	345	98.4%	0	0	0	0	0	0	0	0
123 PARAGUAY	395	95	167.5	0.051%	382	96.7%	0	0	0	0	0	0	0	0
61 BRAZIL	11598	15	4889.3	1.488%	11145	96.1%	0	0	0	0	0	0	0	0
110 CAMEROON	607	80	255.8	0.078%	583	96.1%	0	0	0	0	0	0	0	0
80 THAILAND	3099	43	1305.5	0.397%	2976	96.0%	0	0	0	0	0	0	0	0
111 VIET NAM	596	81	246.9	0.075%	563	94.4%	0	0	0	0	0	0	0	0
65 INDONESIA	8158	20	3368.3	1.025%	7678	94.1%	0	0	0	0	0	0	0	0
77 EGYPT, ARAB REP. OF	3369	40	1371.3	0.417%	3126	92.8%	0	0	0	0	0	0	0	0
21 UNITED STATES	164179	1	66372.4	20.193%	151295	92.2%	0	0	0	0	0	0	0	0
47 LUXEMBOURG	677	77	272.5 h/	0.083%	621	91.8%	0	0	0	0	0	0	0	0
134 ETHIOPIA	299	108	117.5	0.036%	268	89.6%	0	0	0	0	0	0	0	0
69 ALGERIA	4942	29	1900.4	0.578%	4332	87.7%	0	0	0	0	0	0	0	0
149 SWAZILAND	202	123	77.2	0.023%	176	87.1%	0	0	0	0	0	0	0	0
165 SOLOMON ISLANDS	38	140	14.5	0.004%	33	87.0%	0	0	0	0	0	0	0	0
44 TRINIDAD & TOBAGO	1245	58	467.6	0.142%	1066	85.6%	0	0	0	0	0	0	0	0
169 ST. VINCENT	28	144	10.4	0.003%	24	84.7%	0	0	0	0	0	0	0	0
166 CAPE VERDE	35	141	12.9	0.004%	29	84.0%	0	0	0	0	0	0	0	0
94 COTE D'IVOIRE	1162	61	427.4	0.130%	974	83.8%	0	0	0	0	0	0	0	0
109 SUDAN	636	79	227.0	0.069%	517	81.4%	0	0	0	0	0	0	0	0
92 ECUADOR	1211	59	425.7	0.130%	970	80.1%	0	0	0	0	0	0	0	0
73 ROMANIA	4197	34	1471.9	0.448%	3355	79.9%	0	0	0	0	0	0	0	0
117 PAPUA NEW GUINEA	523	87	174.9	0.053%	399	76.2%	0	0	0	0	0	0	0	0
164 ANTIGUA & BARBUDA	42	139	14.0	0.004%	32	76.0%	0	0	0	0	0	0	0	0
141 NIGER	245	116	80.5	0.024%	183	74.9%	0	0	0	0	0	0	0	0
137 MOZAMBIQUE	272	112	84.7	0.026%	193	71.0%	0	0	0	0	0	0	0	0
75 PHILIPPINES	3591	38	1111.8	0.338%	2534	70.6%	0	0	0	0	0	0	0	0
49 ICELAND	456	91	141.0	0.043%	321	70.5%	0	0	0	0	0	0	0	0
31 AUSTRALIA	13480	13	4157.6	1.265%	9477	70.3%	0	0	0	0	0	0	0	0
172 ST. KITTS & NEVIS	25	147	7.7	0.002%	18	70.2%	0	0	0	0	0	0	0	0
60 IRAN, ISLAM. REP. OF	13043	14	3964.1	1.206%	9036	69.3%	0	0	0	0	0	0	0	0
112 CYPRUS	570	82	171.1	0.052%	390	68.4%	0	0	0	0	0	0	0	0
171 TONGA	27	146	8.0	0.002%	18	67.5%	0	0	0	0	0	0	0	0
52 BARBADOS	282	111	81.6	0.025%	186	66.0%	0	0	0	0	0	0	0	0
146 LIBERIA	224	121	64.5	0.020%	147	65.6%	0	0	0	0	0	0	0	0
103 GUATEMALA	873	70	243.3	0.074%	555	63.5%	0	0	0	0	0	0	0	0
72 HUNGARY	4268	33	1184.4	0.360%	2700	63.3%	0	0	0	0	0	0	0	0
62 VENEZUELA	11177	16	3085.9	0.939%	7034	62.9%	0	0	0	0	0	0	0	0
79 COLOMBIA	3249	42	883.7	0.269%	2014	62.0%	0	0	0	0	0	0	0	0
159 DJIBOUTI	64	134	17.0	0.005%	39	60.5%	0	0	0	0	0	0	0	0
99 DOMINICAN REP.	924	66	240.9	0.073%	549	59.4%	0	0	0	0	0	0	0	0

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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS: ILLUSTRATIVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calculated Quotas (SDRm) b/	Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Additional Shares Needed for a Full Realignment (5)-(1) d/	Number of Shares Needed to Realign Allocated Shares to: 90% of "Calculated Subscription": If All Eligible d/	90%: If Sbj. to Eligibility Test e/	75% of "Calculated Subscription": If All Eligible d/	75%: If Sbj. to Eligibility Test e/	Sp. Allocation of 78,650 Shares for Realignment to 92.08610% of "Calculated Subscription": If All Eligible d/	92.08610%: If Sbj. to Eligibility Test e/	MEMORANDUM Special Share Allocations under Resolution No. 416
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
107 COSTA RICA	690	76	175.0	0.053%	399	57.8%	0	0	0	0	0	0	0	0
160 ST. LUCIA	60	135	15.2	0.005%	35	57.7%	0	0	0	0	0	0	0	0
125 UGANDA	367	98	92.0	0.028%	210	57.1%	0	0	0	0	0	0	0	0
139 MAURITANIA	255	114	63.2	0.019%	144	56.5%	0	0	0	0	0	0	0	0
74 CHILE	3640	37	896.0	0.273%	2042	56.1%	0	0	0	0	0	0	0	0
106 EL SALVADOR	726	74	175.5	0.053%	400	55.1%	0	0	0	0	0	0	0	0
40 NEW ZEALAND	3811	36	914.1	0.278%	2084	54.7%	0	0	0	0	0	0	0	0
82 PERU	2742	45	653.6	0.199%	1490	54.3%	0	0	0	0	0	0	0	0
150 SIERRA LEONE	153	125	36.4	0.011%	83	54.2%	0	0	0	0	0	0	0	0
157 BELIZE	79	132	18.7	0.006%	43	54.0%	0	0	0	0	0	0	0	0
96 KENYA	1131	63	266.0	0.081%	606	53.6%	0	0	0	0	0	0	0	0
143 BURKINA FASO	237	117	54.0	0.016%	123	51.9%	0	0	0	0	0	0	0	0
155 LAO PDR	100	130	22.7	0.007%	52	51.7%	0	0	0	0	0	0	0	0
113 HONDURAS	563	83	126.6	0.039%	289	51.3%	0	0	0	0	0	0	0	0
132 FIJI	304	106	66.4	0.020%	151	49.8%	0	0	0	0	0	0	0	0
84 MOROCCO	2541	48	551.8	0.168%	1258	49.5%	0	0	0	0	0	0	0	0
142 BENIN	237	117	50.0	0.015%	114	48.1%	0	0	0	0	0	0	0	0
135 NEPAL	293	109	61.4	0.019%	140	47.8%	0	0	0	0	0	0	0	0
124 TOGO	370	96	77.3	0.024%	176	47.6%	0	0	0	0	0	0	0	0
133 SOMALIA	302	107	62.3	0.019%	142	47.0%	0	0	0	0	0	0	0	0
168 COMOROS	32	143	6.5	0.002%	15	46.3%	0	0	0	0	0	0	0	0
58 CHINA	24892	6	4896.7	1.490%	11162	44.8%	0	0	0	0	0	0	0	0
167 DOMINICA	33	142	6.4	0.002%	15	44.2%	0	0	0	0	0	0	0	0
151 BURUNDI	152	126	29.2	0.009%	67	43.8%	0	0	0	0	0	0	0	0
105 BOLIVIA	752	73	141.4	0.043%	322	42.9%	0	0	0	0	0	0	0	0
170 SAO TOME & PRINCIPE	28	144	5.1	0.002%	12	41.5%	0	0	0	0	0	0	0	0
68 PAKISTAN	4991	28	876.1	0.267%	1997	40.0%	0	0	0	0	0	0	0	0
128 HAITI	349	102	60.5	0.018%	138	39.5%	0	0	0	0	0	0	0	0
102 TANZANIA	877	69	151.8	0.046%	346	39.5%	0	0	0	0	0	0	0	0
129 GUYANA	344	103	59.1	0.018%	135	39.2%	0	0	0	0	0	0	0	0
162 GRENADA	48	137	8.2	0.002%	19	38.9%	0	0	0	0	0	0	0	0
93 JAMAICA	1197	60	202.9	0.062%	463	38.6%	0	0	0	0	0	0	0	0
63 ARGENTINA	9802	18	1651.3	0.502%	3764	38.4%	0	0	0	0	0	0	0	0
91 URUGUAY	1371	57	225.1	0.068%	513	37.4%	0	0	0	0	0	0	0	0
100 SENEGAL	913	67	146.6	0.045%	334	36.6%	0	0	0	0	0	0	0	0
121 SURINAME	410	93	63.0	0.019%	144	35.0%	0	0	0	0	0	0	0	0
158 VANUATU	79	132	12.0	0.004%	27	34.6%	0	0	0	0	0	0	0	0
120 MAURITIUS	447	92	65.0	0.020%	148	33.1%	0	0	0	0	0	0	0	0
90 ZIMBABWE	1616	56	234.8	0.071%	535	33.1%	0	0	0	0	0	0	0	0
108 YEMEN, PDR	668	78	96.3	0.029%	220	32.9%	0	0	0	0	0	0	0	0
163 WESTERN SAMOA	48	137	6.9	0.002%	16	32.8%	0	0	0	0	0	0	0	0
85 BANGLADESH	2474	49	343.1	0.104%	782	31.6%	0	0	0	0	0	0	0	0
119 GUINEA	475	90	65.1	0.020%	148	31.2%	0	0	0	0	0	0	0	0
161 GUINEA-BISSAU	53	136	7.2	0.002%	16	31.0%	0	0	0	0	0	0	0	0
126 MALAWI	364	99	49.4	0.015%	113	30.9%	0	0	0	0	0	0	0	0
59 INDIA	24173	8	3190.2	0.971%	7272	30.1%	0	0	0	0	0	0	0	717

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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS: ILLUSTRATIVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calculated Quotas (SDRm) b/	Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Additional Shares Needed for a Full Realignment (5)-(1) d/	Number of Shares Needed to Realign Allocated Shares to: 90% of "Calculated Subscription": If All Eligible d/	90% of "Calculated Subscription": If Sbj. to Eligibility Test e/	75% of "Calculated Subscription": If All Eligible d/	75% of "Calculated Subscription": If Sbj. to Eligibility Test e/	Sp. Allocation of 78,650 Shares for Realignment to 92.08610% of "Calculated Subscription": If All Eligible d/	Sp. Allocation: If Sbj. to Eligibility Test e/	MEMORANDUM Special Share Allocations under Resolution No. 416
17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
18														
115 MADAGASCAR	548	85	72.1	0.022%	164	30.0%	0	0	0	0	0	0	0	0
130 RWANDA	344	103	45.2	0.014%	103	30.0%	0	0	0	0	0	0	0	0
88 SRI LANKA	1892	54	247.6	0.075%	564	29.8%	0	0	0	0	0	0	0	0
144 CENTRAL AFRICAN REP.	234	119	29.9	0.009%	68	29.1%	0	0	0	0	0	0	0	0
122 MALI	402	94	49.0	0.015%	112	27.8%	0	0	0	0	0	0	0	0
86 ZAIRE	2461	50	286.4	0.087%	653	26.5%	0	0	0	0	0	0	0	0
154 GAMBIA, THE	104	129	12.1	0.004%	28	26.5%	0	0	0	0	0	0	0	0
145 CHAD	234	119	26.2	0.008%	60	25.5%	0	0	0	0	0	0	0	0
95 BURMA	1158	62	126.1	0.038%	287	24.8%	0	0	0	0	0	0	0	0
87 ZAMBIA	2280	52	218.7	0.067%	499	21.9%	0	0	0	0	0	0	0	0
89 GHANA	1701	55	152.9	0.047%	349	20.5%	0	0	0	0	0	0	0	0
152 EQUATORIAL GUINEA	151	127	6.4	0.002%	15	9.7%	0	0	0	0	0	0	0	0
147 KAMPUCHEA, DEMOC.	214	122	NA i/	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0
179	------		--------	--------	------		------	------	------	------	------	------	------	------
180 TOTAL ALLOCATED	742063		328691.4	100.000%	749250		107128	72095	63110	34667	29153	78650	69178	19376
181														
182 UNALLOCATED	7187		0.0	0.000%	0									
183	------		--------	--------	------									
184 GRAND TOTAL	749250		328691.4	100.000%	749250									

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186 a/ Positions in place since Jnue 1, 1987, excluding the so-called "membership shares."
187 b/ Calculated quotas of the 9th General Quota Review.
188 c/ Col. (4) times 749,250 shaes.
189 d/ Shown only if positive.
190 e/ Assumed to be subject to eligibility test based on subscription status. Shown only if positive.
191 f/ 5,872 after the completion of the normal initial share allocation.
192 g/ 21 after the completion of the normal initial share allocation.
193 h/ Calculated quotas are estimated by apportioning the figure for Belgium and Luxembourg in proportion
194 to the actual quotas of the two countries in the absence of separate calculated quotas.
195 i/ Calculated quota is not available for Kampuchea.
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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS: ILLUSTRATIVE CALCULATIONS

9–16	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calculated Quotas (SDRm) b/	Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Additional Shares Needed for a Full Realignment (5)-(1) d/	Example Ia: Allocation of 78,650 Shares in Proportion to "Calculated Subscription": If All Eligible	Example Ia: If Sbj. to Eligibility Test e/	Example Ib: Special Allocation to Realign Allocated Shares to 90% of "Calculated Subscription": If All Eligible d/	Example Ib: If Sbj. to Eligibility Test e/	Example Ic: Sp. Allocation of 78,650 Shares in Proportion to the Shortfall from "Calclated Subscrptn.": If All Eligible d/	Example Ic: If Sbj. to Eligibility Test e/
17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
18													
140 POLAND	249 f/	115	1851.3	0.563%	4220	1694.8%	3971	443	443	3549	3549	2915	2915
46 SINGAPORE	694	75	4372.8	1.330%	9968	1436.3%	9274	1046	1046	8277	8277	6809	6809
156 BOTSWANA	95	131	144.1	0.044%	328	345.8%	233	34	34	201	201	171	171
83 IRAQ	2558	47	3825.2	1.164%	8720	340.9%	6162	915	0	5290	0	4524	0
48 OMAN	506	89	683.1	0.208%	1557	307.7%	1051	163	163	895	895	772	772
43 UNITED ARAB EMIRATES	2135	53	2645.8	0.805%	6031	282.5%	3896	633	633	3293	3293	2860	2860
97 GREECE	1110	64	1237.8	0.377%	2822	254.2%	1712	296	296	1429	1429	1257	1257
78 KOREA, REP. OF	3346	41	3621.3	1.102%	8255	246.7%	4909	867	867	4083	4083	3604	3604
175 SEYCHELLES	13	149	13.8	0.004%	31	242.0%	18	3	3	15	15	14	14
174 MALDIVES	13	149	12.4	0.004%	28	217.4%	15	3	3	12	12	11	11
50 BAHRAIN	369	97	342.6	0.104%	781	211.6%	412	82	82	334	334	302	302
136 YEMEN ARAB REP.	289	110	265.3	0.081%	605	209.3%	316	63	63	255	255	232	232
45 QATAR	846	71	774.8	0.236%	1766	208.8%	920	185	185	744	744	676	676
116 JORDAN	529	86	482.1	0.147%	1099	207.7%	570	115	115	460	460	418	418
101 LEBANON	887	68	790.4	0.240%	1802	203.1%	915	189	0	735	0	672	0
114 TUNISIA	559	84	454.8	0.138%	1037	185.5%	478	109	0	374	0	351	0
26 SAUDI ARABIA	24890	7	17844.2	5.429%	40676	163.4%	15786	4270	4270	11718	11718	11589	11589
104 PANAMA	802	72	538.1	0.164%	1227	152.9%	425	129	0	302	0	312	0
148 NICARAGUA	202	123	135.4	0.041%	309	152.8%	107	32	0	76	0	78	0
37 NORWAY	5352	27	3576.6	1.088%	8153	152.3%	2801	856	856	1986	1986	2056	2056
22 JAPAN	40580	2	26548.9	8.077%	60518	149.1%	19938	6353	6353	13886	13886	14638	14638
42 ISRAEL	2416	51	1575.3	0.479%	3591	148.6%	1175	377	0	816	0	863	0
153 LESOTHO	122	128	79.3	0.024%	181	148.2%	59	19	19	41	41	43	43
39 LIBYA	4150	35	2675.8	0.814%	6099	147.0%	1949	640	0	1340	0	1431	0
138 CONGO, PEOPLE'S REP.	270	113	172.4	0.052%	393	145.5%	123	41	41	84	84	90	90
23 GERMANY	40382	3	22985.1	6.993%	52394	129.7%	12012	5500	5500	6773	6773	8819	8819
35 AUSTRIA	5959	25	3259.1	0.992%	7429	124.7%	1470	780	780	727	727	1079	1079
118 GABON	519	88	277.5	0.084%	633	121.9%	114	66	0	50	0	83	0
41 IRELAND	2708	46	1439.7	0.438%	3282	121.2%	574	344	344	246	246	421	421
173 BHUTAN	19	148	10.1	0.003%	23	121.2%	4	2	0	2	0	3	0
29 NETHERLANDS	17131	11	9105.3	2.770%	20755	121.2%	3624	2179	2179	1549	1549	2661	2661
28 ITALY	22346	10	11805.3	3.592%	26910	120.4%	4564	2825	2825	1873	1873	3351	3351
176 KIRIBATI	11 g/	151	5.8	0.002%	13	120.2%	2	1	1	1	1	2	2
33 SWEDEN	8154	21	4219.7	1.284%	9619	118.0%	1465	1010	1010	503	503	1075	1075
67 NIGERIA	6516	24	3244.5	0.987%	7396	113.5%	880	776	776	140	140	646	646
98 SYRIAN ARAB REP.	1084	65	539.0	0.164%	1229	113.3%	145	129	129	22	22	106	106
71 MALAYSIA	4377	32	2140.3	0.651%	4879	111.5%	502	512	512	14	14	368	368
36 DENMARK	5503	26	2662.0	0.810%	6068	110.3%	565	637	637	0	0	415	415
32 SPAIN	10044	17	4839.5	1.472%	11032	109.8%	988	1158	1158	0	0	725	725
64 MEXICO	9303	19	4363.0	1.327%	9945	106.9%	642	1044	1044	0	0	472	472
38 FINLAND	4554	31	2112.6	0.643%	4816	105.7%	262	506	506	0	0	192	192
70 YUGOSLAVIA	4838	30	2224.5	0.677%	5071	104.8%	233	532	0	0	0	171	0
30 BELGIUM	16016	12	7362.7 h/	2.240%	16783	104.8%	767	1762	1762	0	0	563	563
127 MALTA	353	100	162.0	0.049%	369	104.6%	16	39	39	0	0	12	12
81 PORTUGAL	2814	44	1273.7	0.388%	2903	103.2%	89	305	305	0	0	66	66
27 CANADA	23508	9	10565.8	3.215%	24085	102.5%	577	2528	2528	0	0	423	423

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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS: ILLUSTRATIVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calculated Quotas (SDRm) b/	Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Additional Shares Needed for a Full Realignment (5)-(1) d/	Example Ia: Allocation of 78,650 Shares in Proportion to "Calculated Subscription" — If All Eligible	Example Ia — If Sbj. to Eligibility Test e/	Example Ib: Special Allocation to Realign Allocated Shares to 90% of "Calculated Subscription" — If All Eligible d/	Example Ib — If Sbj. to Eligibility Test e/	Example Ic: Sp. Allocation of 78,650 Shares in Proportion to the Shortfall from "Calclated Subscrptn." — If All Eligible d/	Example Ic — If Sbj. to Eligibility Test e/
17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
131 AFGHANISTAN	318	105	142.7	0.043%	325	102.3%	7	34	34	0	0	5	5
76 TURKEY	3451	39	1532.7	0.466%	3494	101.2%	43	367	367	0	0	31	31
25 UNITED KINGDOM	38697	4	17138.5	5.214%	39067	101.0%	370	4101	4101	0	0	272	272
66 SOUTH AFRICA	7305	22	3196.3	0.972%	7286	99.7%	0	765	765	0	0	0	0
34 KUWAIT	7203	23	3133.1	0.953%	7142	99.2%	0	750	750	0	0	0	0
24 FRANCE	38697	4	16766.4	5.101%	38219	98.8%	0	4012	4012	0	0	0	0
51 BAHAMAS, THE	351	101	151.5	0.046%	345	98.4%	0	36	0	0	0	0	0
123 PARAGUAY	395	95	167.5	0.051%	382	96.7%	0	40	40	0	0	0	0
61 BRAZIL	11598	15	4889.3	1.488%	11145	96.1%	0	1170	1170	0	0	0	0
110 CAMEROON	607	80	255.8	0.078%	583	96.1%	0	61	61	0	0	0	0
80 THAILAND	3099	43	1305.5	0.397%	2976	96.0%	0	312	312	0	0	0	0
111 VIET NAM	596	81	246.9	0.075%	563	94.4%	0	59	59	0	0	0	0
65 INDONESIA	8158	20	3368.3	1.025%	7678	94.1%	0	806	806	0	0	0	0
77 EGYPT, ARAB REP. OF	3369	40	1371.3	0.417%	3126	92.8%	0	328	328	0	0	0	0
21 UNITED STATES	164179	1	66372.4	20.193%	151295	92.2%	0	15882	0	0	0	0	0
47 LUXEMBOURG	677	77	272.5 h/	0.083%	621	91.8%	0	65	65	0	0	0	0
134 ETHIOPIA	299	108	117.5	0.036%	268	89.6%	0	28	28	0	0	0	0
69 ALGERIA	4942	29	1900.4	0.578%	4332	87.7%	0	455	455	0	0	0	0
149 SWAZILAND	202	123	77.2	0.023%	176	87.1%	0	18	18	0	0	0	0
165 SOLOMON ISLANDS	38	140	14.5	0.004%	33	87.0%	0	3	3	0	0	0	0
44 TRINIDAD & TOBAGO	1245	58	467.6	0.142%	1066	85.6%	0	112	0	0	0	0	0
169 ST. VINCENT	28	144	10.4	0.003%	24	84.7%	0	2	0	0	0	0	0
166 CAPE VERDE	35	141	12.9	0.004%	29	84.0%	0	3	0	0	0	0	0
94 COTE D'IVOIRE	1162	61	427.4	0.130%	974	83.8%	0	102	0	0	0	0	0
109 SUDAN	636	79	227.0	0.069%	517	81.4%	0	54	54	0	0	0	0
92 ECUADOR	1211	59	425.7	0.130%	970	80.1%	0	102	102	0	0	0	0
73 ROMANIA	4197	34	1471.9	0.448%	3355	79.9%	0	352	0	0	0	0	0
117 PAPUA NEW GUINEA	523	87	174.9	0.053%	399	76.2%	0	42	0	0	0	0	0
164 ANTIGUA & BARBUDA	42	139	14.0	0.004%	32	76.0%	0	3	0	0	0	0	0
141 NIGER	245	116	80.5	0.024%	183	74.9%	0	19	19	0	0	0	0
137 MOZAMBIQUE	272	112	84.7	0.026%	193	71.0%	0	20	20	0	0	0	0
75 PHILIPPINES	3591	38	1111.8	0.338%	2534	70.6%	0	266	266	0	0	0	0
49 ICELAND	456	91	141.0	0.043%	321	70.5%	0	34	34	0	0	0	0
31 AUSTRALIA	13480	13	4157.6	1.265%	9477	70.3%	0	995	995	0	0	0	0
172 ST. KITTS & NEVIS	25	147	7.7	0.002%	18	70.2%	0	2	2	0	0	0	0
60 IRAN, ISLAM. REP. OF	13043	14	3964.1	1.206%	9036	69.3%	0	949	0	0	0	0	0
112 CYPRUS	570	82	171.1	0.052%	390	68.4%	0	41	41	0	0	0	0
171 TONGA	27	146	8.0	0.002%	18	67.5%	0	2	2	0	0	0	0
52 BARBADOS	282	111	81.6	0.025%	186	66.0%	0	20	20	0	0	0	0
146 LIBERIA	224	121	64.5	0.020%	147	65.6%	0	15	15	0	0	0	0
103 GUATEMALA	873	70	243.3	0.074%	555	63.5%	0	58	0	0	0	0	0
72 HUNGARY	4268	33	1184.4	0.360%	2700	63.3%	0	283	283	0	0	0	0
62 VENEZUELA	11177	16	3085.9	0.939%	7034	62.9%	0	738	0	0	0	0	0
79 COLOMBIA	3249	42	883.7	0.269%	2014	62.0%	0	211	211	0	0	0	0
159 DJIBOUTI	64	134	17.0	0.005%	39	60.5%	0	4	0	0	0	0	0
99 DOMINICAN REP.	924	66	240.9	0.073%	549	59.4%	0	58	0	0	0	0	0

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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS: ILLUSTRATIVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calculated Quotas (SDRm)b/	Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Additional Shares Needed for a Full Realignment (5)-(1)d/	Example Ia: Allocation of 78,650 Shares in Proportion to "Calculated Subscription" — If All Eligible	Example Ia — If Sbj. to Eligibility Test e/	Example Ib: Special Allocation to Realign Allocated Shares to 90% of "Calculated Subscription" — If All Eligible d/	Example Ib — If Sbj. to Eligibility Test e/	Example Ic: Sp. Allocation of 78,650 Shares in Proportion to the Shortfall from "Calclated Subscrptn." — If All Eligible d/	Example Ic — If Sbj. to Eligibility Test e/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
107 COSTA RICA	690	76	175.0	0.053%	399	57.8%	0	42	0	0	0	0	0
160 ST. LUCIA	60	135	15.2	0.005%	35	57.7%	0	4	0	0	0	0	0
125 UGANDA	367	98	92.0	0.028%	210	57.1%	0	22	22	0	0	0	0
139 MAURITANIA	255	114	63.2	0.019%	144	56.5%	0	15	0	0	0	0	0
74 CHILE	3640	37	896.0	0.273%	2042	56.1%	0	214	0	0	0	0	0
106 EL SALVADOR	726	74	175.5	0.053%	400	55.1%	0	42	0	0	0	0	0
40 NEW ZEALAND	3811	36	914.1	0.278%	2084	54.7%	0	219	219	0	0	0	0
82 PERU	2742	45	653.6	0.199%	1490	54.3%	0	156	0	0	0	0	0
150 SIERRA LEONE	153	125	36.4	0.011%	83	54.2%	0	9	9	0	0	0	0
157 BELIZE	79	132	18.7	0.006%	43	54.0%	0	4	4	0	0	0	0
96 KENYA	1131	63	266.0	0.081%	606	53.6%	0	64	64	0	0	0	0
143 BURKINA FASO	237	117	54.0	0.016%	123	51.9%	0	13	0	0	0	0	0
155 LAO PDR	100	130	22.7	0.007%	52	51.7%	0	5	5	0	0	0	0
113 HONDURAS	563	83	126.6	0.039%	289	51.3%	0	30	0	0	0	0	0
132 FIJI	304	106	66.4	0.020%	151	49.8%	0	16	0	0	0	0	0
84 MOROCCO	2541	48	551.8	0.168%	1258	49.5%	0	132	132	0	0	0	0
142 BENIN	237	117	50.0	0.015%	114	48.1%	0	12	0	0	0	0	0
135 NEPAL	293	109	61.4	0.019%	140	47.8%	0	15	15	0	0	0	0
124 TOGO	370	96	77.3	0.024%	176	47.6%	0	18	18	0	0	0	0
133 SOMALIA	302	107	62.3	0.019%	142	47.0%	0	15	0	0	0	0	0
168 COMOROS	32	143	6.5	0.002%	15	46.3%	0	2	0	0	0	0	0
58 CHINA	24892	6	4896.7	1.490%	11162	44.8%	0	1172	1172	0	0	0	0
167 DOMINICA	33	142	6.4	0.002%	15	44.2%	0	2	0	0	0	0	0
151 BURUNDI	152	126	29.2	0.009%	67	43.8%	0	7	7	0	0	0	0
105 BOLIVIA	752	73	141.4	0.043%	322	42.9%	0	34	0	0	0	0	0
170 SAO TOME & PRINCIPE	28	144	5.1	0.002%	12	41.5%	0	1	0	0	0	0	0
68 PAKISTAN	4991	28	876.1	0.267%	1997	40.0%	0	210	210	0	0	0	0
128 HAITI	349	102	60.5	0.018%	138	39.5%	0	14	14	0	0	0	0
102 TANZANIA	877	69	151.8	0.046%	346	39.5%	0	36	0	0	0	0	0
129 GUYANA	344	103	59.1	0.018%	135	39.2%	0	14	14	0	0	0	0
162 GRENADA	48	137	8.2	0.002%	19	38.9%	0	2	0	0	0	0	0
93 JAMAICA	1197	60	202.9	0.062%	463	38.6%	0	49	0	0	0	0	0
63 ARGENTINA	9802	18	1651.3	0.502%	3764	38.4%	0	395	395	0	0	0	0
91 URUGUAY	1371	57	225.1	0.068%	513	37.4%	0	54	54	0	0	0	0
100 SENEGAL	913	67	146.6	0.045%	334	36.6%	0	35	0	0	0	0	0
121 SURINAME	410	93	63.0	0.019%	144	35.0%	0	15	0	0	0	0	0
158 VANUATU	79	132	12.0	0.004%	27	34.6%	0	3	3	0	0	0	0
120 MAURITIUS	447	92	65.0	0.020%	148	33.1%	0	16	16	0	0	0	0
90 ZIMBABWE	1616	56	234.8	0.071%	535	33.1%	0	56	56	0	0	0	0
108 YEMEN, PDR	668	78	96.3	0.029%	220	32.9%	0	23	23	0	0	0	0
163 WESTERN SAMOA	48	137	6.9	0.002%	16	32.8%	0	2	0	0	0	0	0
85 BANGLADESH	2474	49	343.1	0.104%	782	31.6%	0	82	82	0	0	0	0
119 GUINEA	475	90	65.1	0.020%	148	31.2%	0	16	16	0	0	0	0
161 GUINEA-BISSAU	53	136	7.2	0.002%	16	31.0%	0	2	0	0	0	0	0
126 MALAWI	364	99	49.4	0.015%	113	30.9%	0	12	12	0	0	0	0
59 INDIA	24173	8	3190.2	0.971%	7272	30.1%	0	763	763	0	0	0	0

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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS: ILLUSTRATIVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calculated Quotas (SDRm) b/	Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Additional Shares Needed for a Full Realignment (5)-(1) d/	Example Ia: Allocation of 78,650 Shares in Proportion to "Calculated Subscription" — If All Eligible	Example Ia — If Sbj. to Eligibility Test e/	Example Ib: Special Allocation to Realign Allocated Shares to 90% of "Calculated Subscription" — If All Eligible d/	Example Ib — If Sbj. to Eligibility Test e/	Example Ic: Sp. Allocation of 78,650 Shares in Proportion to the Shortfall from "Calclated Subscrptn." — If All Eligible d/	Example Ic — If Sbj. to Eligibility Test e/
17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
115 MADAGASCAR	548	85	72.1	0.022%	164	30.0%	0	17	0	0	0	0	0
130 RWANDA	344	103	45.2	0.014%	103	30.0%	0	11	11	0	0	0	0
88 SRI LANKA	1892	54	247.6	0.075%	564	29.8%	0	59	59	0	0	0	0
144 CENTRAL AFRICAN REP.	234	119	29.9	0.009%	68	29.1%	0	7	0	0	0	0	0
122 MALI	402	94	49.0	0.015%	112	27.8%	0	12	0	0	0	0	0
86 ZAIRE	2461	50	286.4	0.087%	653	26.5%	0	69	69	0	0	0	0
154 GAMBIA, THE	104	129	12.1	0.004%	28	26.5%	0	3	0	0	0	0	0
145 CHAD	234	119	26.2	0.008%	60	25.5%	0	6	0	0	0	0	0
95 BURMA	1158	62	126.1	0.038%	287	24.8%	0	30	30	0	0	0	0
87 ZAMBIA	2280	52	218.7	0.067%	499	21.9%	0	52	0	0	0	0	0
89 GHANA	1701	55	152.9	0.047%	349	20.5%	0	37	0	0	0	0	0
152 EQUATORIAL GUINEA	151	127	6.4	0.002%	15	9.7%	0	2	0	0	0	0	0
147 KAMPUCHEA, DEMOC.	214	122	NA i/	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
180 TOTAL ALLOCATED	742063		328691.4	100.000%	749250		107128	78646	56439	72095	63110	78649	70161
182 UNALLOCATED	7187		0.0	0.000%	0								
184 GRAND TOTAL	749250		328691.4	100.000%	749250								

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186 a/ Positions in place since Jnue 1, 1987, excluding the so-called "membership shares."
187 b/ Calculated quotas of the 9th General Quota Review.
188 c/ Col. (4) times 749,250 shaes.
189 d/ Shown only if positive.
190 e/ Assumed to be subject to eligibility test based on subscription status. Shown only
191 if positive.
192 f/ 5,872 after the completion of the normal initial share allocation.
193 g/ 21 after the completion of the normal initial share allocation.
194 h/ Calculated quotas are estimated by apportioning the figure for Belgium and Luxembourg
195 in proportion to the actual quotas of the two countries in the absence of separate
196 calculated quotas.
197 i/ Calculated quota is not available for Kampuchea.
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SPECIAL SHARE ALLOCATIONS BASED ON MODIFIED CALCULATED QUOTAS: ILLUSTRATIVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Modified Calculated Quotas: Modified Calculated Quotas (SDRm) b/	Modified Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Additional Shares Needed for a Full Realignment (5)-(1) d/	Example Ia: Allocation of 78,650 Shares in Proportion to "Calculated Subscription": If All Eligible	Example Ia: If Sbj. to Eligibility Test e/	Example Ib: Special Allocations to Realign Allocated Shares to 90% of "Calculated Subscription": If All Eligible d/	Example Ib: If Sbj. to Eligibility Test e/	Example Ic: Sp. Allocation of 78,650 Shares in Proportion to the Shortfall from "Calculated Subscrptn.": If All Eligible d/	Example Ic: If Sbj. to Eligibility Test e/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
140 POLAND	249 f/	115	1658.8	0.601%	4506	1809.8%	4257	473	473	3807	3807	2931	2931
46 SINGAPORE	694	75	3834.9	1.391%	10419	1501.2%	9725	1094	1094	8683	8683	6696	6696
156 BOTSWANA	95	131	119.2	0.043%	324	340.8%	229	34	34	196	196	158	158
78 KOREA, REP. OF	3346	41	3320.7	1.204%	9022	269.6%	5676	947	947	4773	4773	3908	3908
48 OMAN	506	89	465.9	0.169%	1266	250.1%	760	133	133	633	633	523	523
97 GREECE	1110	64	897.4	0.325%	2438	219.6%	1328	256	256	1084	1084	914	914
174 MALDIVES	13	149	10.3	0.004%	28	215.1%	15	3	3	12	12	10	10
116 JORDAN	529	86	412.7	0.150%	1121	211.9%	592	118	118	480	480	408	408
83 IRAQ	2558	47	1790.2	0.649%	4863	190.1%	2305	511	0	1819	0	1587	0
50 BAHRAIN	369	97	246.7	0.089%	670	181.6%	301	70	70	234	234	207	207
175 SEYCHELLES	13	149	8.4	0.003%	23	175.6%	10	2	2	8	8	7	7
136 YEMEN ARAB REP.	289	110	181.2	0.066%	492	170.3%	203	52	52	154	154	140	140
42 ISRAEL	2416	51	1463.5	0.531%	3976	164.6%	1560	417	0	1162	0	1074	0
22 JAPAN	40580	2	24371.9	8.837%	66212	163.2%	25632	6950	6950	19011	19011	17649	17649
101 LEBANON	887	68	517.7	0.188%	1406	158.6%	519	148	0	379	0	358	0
114 TUNISIA	559	84	301.5	0.109%	819	146.5%	260	86	0	178	0	179	0
43 UNITED ARAB EMIRATES	2135	53	1150.9	0.417%	3127	146.5%	992	328	328	679	679	683	683
23 GERMANY	40382	3	21743.9	7.884%	59072	146.3%	18690	6201	6201	12783	12783	12869	12869
37 NORWAY	5352	27	2868.4	1.040%	7793	145.6%	2441	818	818	1661	1661	1681	1681
153 LESOTHO	122	128	64.7	0.023%	176	144.1%	54	18	18	36	36	37	37
148 NICARAGUA	202	123	106.4	0.039%	289	143.1%	87	30	0	58	0	60	0
173 BHUTAN	19	148	9.8	0.004%	27	140.1%	8	3	0	5	0	5	0
35 AUSTRIA	5959	25	3001.6	1.088%	8155	136.8%	2196	856	856	1380	1380	1512	1512
28 ITALY	22346	10	11132.4	4.037%	30244	135.3%	7898	3175	3175	4873	4873	5438	5438
41 IRELAND	2708	46	1344.7	0.488%	3653	134.9%	945	383	383	580	580	651	651
29 NETHERLANDS	17131	11	8185.7	2.968%	22238	129.8%	5107	2334	2334	2883	2883	3517	3517
98 SYRIAN ARAB REP.	1084	65	500.7	0.182%	1360	125.5%	276	143	143	140	140	190	190
36 DENMARK	5503	26	2520.9	0.914%	6849	124.5%	1346	719	719	661	661	927	927
45 QATAR	846	71	385.1	0.140%	1046	123.7%	200	110	110	96	96	138	138
32 SPAIN	10044	17	4500.7	1.632%	12227	121.7%	2183	1284	1284	961	961	1503	1503
71 MALAYSIA	4377	32	1915.6	0.695%	5204	118.9%	827	546	546	307	307	570	570
131 AFGHANISTAN	318	105	133.9	0.049%	364	114.4%	46	38	38	9	9	31	31
64 MEXICO	9303	19	3909.2	1.417%	10620	114.2%	1317	1115	1115	255	255	907	907
27 CANADA	23508	9	9826.2	3.563%	26695	113.6%	3187	2802	2802	518	518	2195	2195
30 BELGIUM	16016	12	6604.3 g/	2.395%	17942	112.0%	1926	1883	1883	132	132	1326	1326
51 BAHAMAS, THE	351	101	142.0	0.051%	386	109.9%	35	40	0	0	0	24	0
24 FRANCE	38697	4	15391.6	5.581%	41815	108.1%	3118	4389	4389	0	0	2147	2147
127 MALTA	353	100	139.6	0.051%	379	107.5%	26	40	40	0	0	18	18
138 CONGO, PEOPLE'S REP.	270	113	106.7	0.039%	290	107.4%	20	30	30	0	0	14	14
33 SWEDEN	8154	21	3219.6	1.167%	8747	107.3%	593	918	918	0	0	408	408
80 THAILAND	3099	43	1221.9	0.443%	3320	107.1%	221	348	348	0	0	152	152
111 VIET NAM	596	81	230.6	0.084%	626	105.1%	30	66	66	0	0	21	21
61 BRAZIL	11598	15	4478.6	1.624%	12167	104.9%	569	1277	1277	0	0	392	392
110 CAMEROON	607	80	233.8	0.085%	635	104.6%	28	67	67	0	0	19	19
21 UNITED STATES	164179	1	62788.3	22.767%	170579	103.9%	6400	17906	0	0	0	4407	0
77 EGYPT, ARAB REP. OF	3369	40	1271.2	0.461%	3454	102.5%	85	363	363	0	0	58	58

SPECIAL SHARE ALLOCATIONS BASED ON MODIFIED CALCULATED QUOTAS: ILLUSTRATIVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Modified Calculated Quotas: Modified Calculated Quotas (SDRm)b/	Modified Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Additional Shares Needed for a Full Realignment (5)-(1)d/	Example Ia: Allocation of 78,650 Shares in Proportion to "Calculated Subscription": If All Eligible	Example Ia: If Sbj. to Eligibility Test e/	Example Ib: Special Allocations to Realign Allocated Shares to 90% of "Calculated Subscription": If All Eligible d/	Example Ib: If Sbj. to Eligibility Test e/	Example Ic: Sp. Allocation of 78,650 Shares in Proportion to the Shortfall from "Calculated Subscrptn.": If All Eligible d/	Example Ic: If Sbj. to Eligibility Test e/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
134 ETHIOPIA	299	108	110.2	0.040%	299	100.1%	0	31	31	0	0	0	0
38 FINLAND	4554	31	1669.0	0.605%	4534	99.6%	0	476	476	0	0	0	0
104 PANAMA	802	72	290.0	0.105%	788	98.2%	0	83	0	0	0	0	0
47 LUXEMBOURG	677	77	244.4 g/	0.089%	664	98.1%	0	70	70	0	0	0	0
39 LIBYA	4150	35	1482.4	0.538%	4027	97.0%	0	423	0	0	0	0	0
118 GABON	519	88	180.1	0.065%	489	94.3%	0	51	0	0	0	0	0
25 UNITED KINGDOM	38697	4	13385.2	4.853%	36364	94.0%	0	3817	3817	0	0	0	0
169 ST. VINCENT	28	144	9.6	0.003%	26	93.4%	0	3	0	0	0	0	0
76 TURKEY	3451	39	1152.6	0.418%	3131	90.7%	0	329	329	0	0	0	0
165 SOLOMON ISLANDS	38	140	12.4	0.004%	34	88.4%	0	4	4	0	0	0	0
92 ECUADOR	1211	59	387.0	0.140%	1051	86.8%	0	110	110	0	0	0	0
73 ROMANIA	4197	34	1335.0	0.484%	3627	86.4%	0	381	0	0	0	0	0
149 SWAZILAND	202	123	61.9	0.022%	168	83.3%	0	18	18	0	0	0	0
81 PORTUGAL	2814	44	861.0	0.312%	2339	83.1%	0	246	246	0	0	0	0
164 ANTIGUA & BARBUDA	42	139	12.8	0.005%	35	82.6%	0	4	0	0	0	0	0
123 PARAGUAY	395	95	119.1	0.043%	324	81.9%	0	34	34	0	0	0	0
70 YUGOSLAVIA	4838	30	1445.9	0.524%	3928	81.2%	0	412	0	0	0	0	0
117 PAPUA NEW GUINEA	523	87	156.2	0.057%	424	81.1%	0	45	0	0	0	0	0
65 INDONESIA	8158	20	2391.5	0.867%	6497	79.6%	0	682	682	0	0	0	0
31 AUSTRALIA	13480	13	3895.7	1.413%	10584	78.5%	0	1111	1111	0	0	0	0
66 SOUTH AFRICA	7305	22	2090.4	0.758%	5679	77.7%	0	596	596	0	0	0	0
69 ALGERIA	4942	29	1408.2	0.511%	3826	77.4%	0	402	402	0	0	0	0
75 PHILIPPINES	3591	38	1021.7	0.370%	2776	77.3%	0	291	291	0	0	0	0
137 MOZAMBIQUE	272	112	76.9	0.028%	209	76.8%	0	22	22	0	0	0	0
112 CYPRUS	570	82	154.5	0.056%	420	73.6%	0	44	44	0	0	0	0
52 BARBADOS	282	111	75.2	0.027%	204	72.5%	0	21	21	0	0	0	0
26 SAUDI ARABIA	24890	7	6602.4	2.394%	17937	72.1%	0	1883	1883	0	0	0	0
72 HUNGARY	4268	33	1119.3	0.406%	3041	71.2%	0	319	319	0	0	0	0
146 LIBERIA	224	121	58.2	0.021%	158	70.6%	0	17	17	0	0	0	0
44 TRINIDAD & TOBAGO	1245	58	316.6	0.115%	860	69.1%	0	90	0	0	0	0	0
172 ST. KITTS & NEVIS	25	147	6.3	0.002%	17	68.8%	0	2	2	0	0	0	0
103 GUATEMALA	873	70	217.0	0.079%	590	67.5%	0	62	0	0	0	0	0
79 COLOMBIA	3249	42	800.6	0.290%	2175	66.9%	0	228	228	0	0	0	0
67 NIGERIA	6516	24	1563.8	0.567%	4249	65.2%	0	446	446	0	0	0	0
160 ST. LUCIA	60	135	14.4	0.005%	39	65.0%	0	4	0	0	0	0	0
166 CAPE VERDE	35	141	8.4	0.003%	23	64.9%	0	2	0	0	0	0	0
176 KIRIBATI	11 h/	151	2.6	0.001%	7	63.9%	0	1	1	0	0	0	0
141 NIGER	245	116	56.3	0.020%	153	62.4%	0	16	16	0	0	0	0
49 ICELAND	456	91	103.4	0.037%	281	61.6%	0	29	29	0	0	0	0
34 KUWAIT	7203	23	1629.2	0.591%	4426	61.4%	0	465	465	0	0	0	0
40 NEW ZEALAND	3811	36	857.4	0.311%	2329	61.1%	0	245	245	0	0	0	0
94 COTE D'IVOIRE	1162	61	259.4	0.094%	705	60.7%	0	74	0	0	0	0	0
139 MAURITANIA	255	114	55.8	0.020%	152	59.5%	0	16	0	0	0	0	0
109 SUDAN	636	79	134.8	0.049%	366	57.6%	0	38	38	0	0	0	0
155 LAO PDR	100	130	21.1	0.008%	57	57.4%	0	6	6	0	0	0	0
159 DJIBOUTI	64	134	12.9	0.005%	35	54.8%	0	4	0	0	0	0	0

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SPECIAL SHARE ALLOCATIONS BASED ON MODIFIED CALCULATED QUOTAS: ILLUSTRATIVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Modified Calculated Quotas: Modified Calculated Quotas (SDRm) b/	Modified Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Additional Shares Needed for a Full Realignment (5)-(1) d/	Example Ia: Allocation of 78,650 Shares in Proportion to "Calculated Subscription": If All Eligible	Example Ia: If Sbj. to Eligibility Test e/	Example Ib: Special Allocations to Realign Allocated Shares to 90% of "Calculated Subscription": If All Eligible d/	Example Ib: If Sbj. to Eligibility Test e/	Example Ic: Sp. Allocation of 78,650 Shares in Proportion to the Shortfall from "Calculated Subscrptn.": If All Eligible d/	Example Ic: If Sbj. to Eligibility Test e/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
84 MOROCCO	2541	48	504.9	0.183%	1372	54.0%	0	144	144	0	0	0	0
107 COSTA RICA	690	76	134.1	0.049%	364	52.8%	0	38	0	0	0	0	0
135 NEPAL	293	109	56.4	0.020%	153	52.3%	0	16	16	0	0	0	0
99 DOMINICAN REP.	924	66	175.1	0.064%	476	51.5%	0	50	0	0	0	0	0
74 CHILE	3640	37	675.6	0.245%	1835	50.4%	0	193	0	0	0	0	0
58 CHINA	24892	6	4612.7	1.673%	12531	50.3%	0	1315	1315	0	0	0	0
82 PERU	2742	45	488.9	0.177%	1328	48.4%	0	139	0	0	0	0	0
105 BOLIVIA	752	73	133.8	0.049%	363	48.3%	0	38	0	0	0	0	0
62 VENEZUELA	11177	16	1984.2	0.719%	5391	48.2%	0	566	0	0	0	0	0
151 BURUNDI	152	126	26.6	0.010%	72	47.5%	0	8	8	0	0	0	0
96 KENYA	1131	63	192.6	0.070%	523	46.3%	0	55	55	0	0	0	0
113 HONDURAS	563	83	92.9	0.034%	252	44.8%	0	27	0	0	0	0	0
150 SIERRA LEONE	153	125	25.0	0.009%	68	44.5%	0	7	7	0	0	0	0
162 GRENADA	48	137	7.8	0.003%	21	44.4%	0	2	0	0	0	0	0
106 EL SALVADOR	726	74	118.5	0.043%	322	44.3%	0	34	0	0	0	0	0
68 PAKISTAN	4991	28	811.3	0.294%	2204	44.2%	0	231	231	0	0	0	0
171 TONGA	27	146	4.4	0.002%	12	43.8%	0	1	1	0	0	0	0
128 HAITI	349	102	55.9	0.020%	152	43.5%	0	16	16	0	0	0	0
132 FIJI	304	106	48.6	0.018%	132	43.4%	0	14	0	0	0	0	0
143 BURKINA FASO	237	117	36.7	0.013%	100	42.1%	0	10	0	0	0	0	0
133 SOMALIA	302	107	45.9	0.017%	125	41.2%	0	13	0	0	0	0	0
63 ARGENTINA	9802	18	1487.8	0.539%	4042	41.2%	0	424	424	0	0	0	0
60 IRAN, ISLAM. REP. OF	13043	14	1930.5	0.700%	5245	40.2%	0	551	0	0	0	0	0
93 JAMAICA	1197	60	176.1	0.064%	478	40.0%	0	50	0	0	0	0	0
124 TOGO	370	96	52.7	0.019%	143	38.7%	0	15	15	0	0	0	0
121 SURINAME	410	93	55.1	0.020%	150	36.5%	0	16	0	0	0	0	0
85 BANGLADESH	2474	49	329.7	0.120%	896	36.2%	0	94	94	0	0	0	0
108 YEMEN, PDR	668	78	88.6	0.032%	241	36.0%	0	25	25	0	0	0	0
125 UGANDA	367	98	48.6	0.018%	132	36.0%	0	14	14	0	0	0	0
120 MAURITIUS	447	92	59.0	0.021%	160	35.9%	0	17	17	0	0	0	0
157 BELIZE	79	132	10.2	0.004%	28	35.1%	0	3	3	0	0	0	0
167 DOMINICA	33	142	4.3	0.002%	12	35.1%	0	1	0	0	0	0	0
59 INDIA	24173	8	3075.4	1.115%	8355	34.6%	0	877	877	0	0	0	0
142 BENIN	237	117	29.3	0.011%	80	33.6%	0	8	0	0	0	0	0
88 SRI LANKA	1892	54	233.0	0.084%	633	33.5%	0	66	66	0	0	0	0
161 GUINEA-BISSAU	53	136	6.4	0.002%	17	33.0%	0	2	0	0	0	0	0
168 COMOROS	32	143	3.9	0.001%	10	32.7%	0	1	0	0	0	0	0
115 MADAGASCAR	548	85	66.0	0.024%	179	32.7%	0	19	0	0	0	0	0
91 URUGUAY	1371	57	164.5	0.060%	447	32.6%	0	47	47	0	0	0	0
102 TANZANIA	877	69	102.6	0.037%	279	31.8%	0	29	0	0	0	0	0
130 RWANDA	344	103	39.9	0.014%	108	31.5%	0	11	11	0	0	0	0
100 SENEGAL	913	67	96.5	0.035%	262	28.7%	0	28	0	0	0	0	0
126 MALAWI	364	99	37.0	0.013%	100	27.6%	0	11	11	0	0	0	0
95 BURMA	1158	62	116.6	0.042%	317	27.4%	0	33	33	0	0	0	0
154 GAMBIA, THE	104	129	10.5	0.004%	28	27.3%	0	3	0	0	0	0	0
119 GUINEA	475	90	45.5	0.016%	124	26.0%	0	13	13	0	0	0	0

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SPECIAL SHARE ALLOCATIONS BASED ON MODIFIED CALCULATED QUOTAS: ILLUSTRATIVE CALCULATIONS

9–17	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Modified Calculated Quotas: Modified Calculated Quotas (SDRm)b/	Modified Calculated Quotas: As % of Total	"Calculated Subscription" of Regular IBRD Shares c/	"Calculated Subscription" as % of Actual Allocation (5)/(1)	Additional Shares Needed for a Full Realignment (5)-(1)d/	Example Ia: Allocation of 78,650 Shares in Proportion to "Calculated Subscription": If All Eligible	Example Ia: If Sbj. to Eligibility Test e/	Example Ib: Special Allocations to Realign Allocated Shares to 90% of "Calculated Subscription": If All Eligible d/	Example Ib: If Sbj. to Eligibility Test e/	Example Ic: Sp. Allocation of 78,650 Shares in Proportion to the Shortfall from "Calculated Subscrptn.": If All Eligible d/	Example Ic: If Sbj. to Eligibility Test e/
17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
163 WESTERN SAMOA	48	137	4.5	0.002%	12	25.5%	0	1	0	0	0	0	0
90 ZIMBABWE	1616	56	149.6	0.054%	406	25.1%	0	43	43	0	0	0	0
144 CENTRAL AFRICAN REP.	234	119	20.8	0.008%	57	24.2%	0	6	0	0	0	0	0
170 SAO TOME & PRINCIPE	28	144	2.5	0.001%	7	24.0%	0	1	0	0	0	0	0
158 VANUATU	79	132	6.8	0.002%	18	23.3%	0	2	2	0	0	0	0
122 MALI	402	94	31.4	0.011%	85	21.2%	0	9	0	0	0	0	0
89 GHANA	1701	55	132.4	0.048%	360	21.1%	0	38	0	0	0	0	0
145 CHAD	234	119	17.9	0.007%	49	20.8%	0	5	0	0	0	0	0
129 GUYANA	344	103	25.9	0.009%	70	20.5%	0	7	7	0	0	0	0
86 ZAIRE	2461	50	172.4	0.063%	468	19.0%	0	49	49	0	0	0	0
87 ZAMBIA	2280	52	122.7	0.044%	333	14.6%	0	35	0	0	0	0	0
152 EQUATORIAL GUINEA	151	127	3.3	0.001%	9	5.8%	0	1	0	0	0	0	0
147 KAMPUCHEA, DEMOC.	214	122	NA i/	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
179	------		--------	--------	------		------	------	------	------	------	------	------
180 TOTAL ALLOCATED	742063		275790.5	100.000%	749250		114224	78649	55926	70630	67029	78649	70955
181													
182 UNALLOCATED	7187		0.0	0.000%	0								
183	------		--------	--------	------								
184 GRAND TOTAL	749250		275790.5	100.000%	749250								

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186 a/ Positions in place since June 1, 1987, excluding the so-called "membership shares."
187 b/ Derived from calculated quotas of the 9th General Quota Review.
188 c/ Col. (4) times 749,250 shaes.
189 d/ Shown only if positive.
190 e/ Assumed to be subject to eligibility test based on subscription status. Shown only
191 if positive.
192 f/ 5,872 after the completion of the normal initial share allocation.
193 g/ Calculated quotas are estimated by apportioning the figure for Belgium and Luxembourg
194 in proportion to the actual quotas of the two countries in the absence of separate
195 calculated quotas.
196 h/ 21 after the completion of the normal initial share allocation.
197 i/ Calculated quota is not available for Kampuchea.
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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS AND ODA: ILLUSTRATIVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calculated Quotas (SDRm) b/	Calculated Quotas: As % of Total	Round 1 "Calculated Subscription" of Regular IBRD Shares c/	Example IIa: Shares Needed to Realign Allocated Shares to 90% of Round 1 "Calcultd Subscription" d/	Example IIa: Percentage Share of ODA in 1980-85	Example IIa: Round 2 "Calculated Subscription" of Regular IBRD Shares e/	Example IIa: Allocation of 6,555 Shares in Proportion to Col. (8) 78,650 less 72,095 e/	Example IIa: Total Additional Allocation If All Eligible (6)+(9) d/	Example IIa: Total Additional Allocation If Sbj. to Eligibility Test f/	Example IIb: Shortfalls in Current Allocation from Round 1 "Calculated Subscription" d/	Example IIb: Allocation of 78,650 Shares at 73.42% of Col. (12) d/	Example IIb: Reallocation of 26,261 Shares Among Major ODA Donors in Proportion to ODA	Example IIb: Total Additional Allocation If All Eligible (13)+(14) d/	Example IIb: Total Additional Allocation If Sbj. to Eligibility Test f/
17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
18 MEMBERS W/ ODA																
19 STATISTICS																
20 --------------																
21 UNITED STATES	164179	1	66372.4	20.193%	151295	0	23.70%	139959	1249	1249	0	0	0	6224	6224	0
22 JAPAN	40580	2	26548.9	8.077%	60518	13886	10.73%	59378	530	14416	14416	19938	14638	-4501	10137	10137
23 GERMANY	40382	3	22985.1	6.993%	52394	6773	9.42%	51749	462	7235	7235	12012	8819	-1936	6883	6883
24 FRANCE	38697	4	16766.4	5.101%	38219	0	12.01%	51690	461	461	461	0	0	3153	3153	3153
25 UNITED KINGDOM	38697	4	17138.5	5.214%	39067	0	5.22%	33692	301	301	301	370	272	1234	1506	1506
26 SAUDI ARABIA	24890	7	17844.2	5.429%	40676	11718	12.13%	53246	475	12193	12193	15786	11589	-2610	8979	8979
27 CANADA	23508	9	10565.8	3.215%	24085	0	4.08%	23114	206	206	206	577	423	860	1283	1283
28 ITALY	22346	10	11805.3	3.592%	26910	1873	2.62%	20557	183	2056	2056	4564	3351	-988	2363	2363
29 NETHERLANDS	17131	11	9105.3	2.770%	20755	1549	4.11%	21536	192	1741	1741	3624	2661	-251	2410	2410
30 BELGIUM	16016	12	7362.7 g/	2.240%	16783	0	1.52%	12504	112	112	112	767	563	117	680	680
31 AUSTRALIA	13480	13	4157.6	1.265%	9477	0	2.24%	10825	97	97	97	0	0	589	589	589
33 SWEDEN	8154	21	4219.7	1.284%	9619	503	2.61%	11881	106	609	609	1465	1075	147	1222	1222
34 KUWAIT	7203	23	3133.1	0.953%	7142	0	3.12%	12036	107	107	107	0	0	819	819	819
35 AUSTRIA	5959	25	3259.1	0.992%	7429	727	0.61%	5374	48	775	775	1470	1079	-379	700	700
36 DENMARK	5503	26	2662.0	0.810%	6068	0	1.29%	6545	58	58	58	565	415	132	547	547
37 NORWAY	5352	27	3576.6	1.088%	8153	1986	1.61%	8441	75	2061	2061	2801	2056	-606	1450	1450
38 FINLAND	4554	31	2112.6	0.643%	4816	0	0.47%	3675	33	33	33	262	192	27	219	219
39 LIBYA	4150	35	2675.8	0.814%	6099	1340	0.50%	4398	39	1379	0	1949	1431	-585	846	0
40 NEW ZEALAND	3811	36	914.1	0.278%	2084	0	0.19%	1552	14	14	14	0	0	49	49	49
41 IRELAND	2708	46	1439.7	0.438%	3282	246	0.08%	1850	17	263	263	574	421	-190	231	231
43 UNITED ARAB EMIRATES	2135	53	2645.8	0.805%	6031	3293	1.41%	6848	61	3354	3354	3896	2860	-1059	1801	1801
45 QATAR	846	71	774.8	0.236%	1766	744	0.35%	1821	16	760	760	920	676	-247	429	429
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54 SUBTOTAL	490281		238065.5	72.428%	542669	44638	100.00%	542669	4842	49480	46852	71541	52521	-1	52520	45450
55																
56 OTHER MEMBERS																
57 -------------																
58 CHINA	24892	6	4896.7	1.490%	11162	0	0.00%	11162	100	100	100	0	0		0	0
59 INDIA	24173	8	3190.2	0.971%	7272	0	0.00%	7272	65	65	65	0	0		0	0
60 IRAN, ISLAM. REP. OF	13043	14	3964.1	1.206%	9036	0	0.00%	9036	81	81	0	0	0		0	0
61 BRAZIL	11598	15	4889.3	1.488%	11145	0	0.00%	11145	99	99	99	0	0		0	0
62 VENEZUELA	11177	16	3085.9	0.939%	7034	0	0.00%	7034	63	63	0	0	0		0	0
32 SPAIN	10044	17	4839.5	1.472%	11032	0	0.00%	5516	49	49	49	988	725		725	725
63 ARGENTINA	9802	18	1651.3	0.502%	3764	0	0.00%	3764	34	34	34	0	0		0	0
64 MEXICO	9303	19	4363.0	1.327%	9945	0	0.00%	9945	89	89	89	642	472		472	472
65 INDONESIA	8158	20	3368.3	1.025%	7678	0	0.00%	7678	69	69	69	0	0		0	0
66 SOUTH AFRICA	7305	22	3196.3	0.972%	7286	0	0.00%	7286	65	65	65	0	0		0	0
67 NIGERIA	6516	24	3244.5	0.987%	7396	140	0.00%	7396	66	206	206	880	646		646	646
68 PAKISTAN	4991	28	876.1	0.267%	1997	0	0.00%	1997	18	18	18	0	0		0	0
69 ALGERIA	4942	29	1900.4	0.578%	4332	0	0.00%	4332	39	39	39	0	0		0	0
70 YUGOSLAVIA	4838	30	2224.5	0.677%	5071	0	0.00%	5071	45	45	0	233	171		171	0
71 MALAYSIA	4377	32	2140.3	0.651%	4879	14	0.00%	4879	44	58	58	502	368		368	368
72 HUNGARY	4268	33	1184.4	0.360%	2700	0	0.00%	2700	24	24	24	0	0		0	0
73 ROMANIA	4197	34	1471.9	0.448%	3355	0	0.00%	3355	30	30	0	0	0		0	0

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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS AND (.LUSTRATIVE CALCULATIONS

						Example IIa						Example IIb				
	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calculated Quotas (SDRm) b/	Calculated Quotas: As % of Total	Round 1 "Calculated Subscription" of Regular IBRD Shares c/	Shares Needed to Realign Allocated Shares to 90% of Round 1 "Calcultd Subscrip-tion" d/	Percentage Share of ODA in 1980-85	Round 2 "Calculated Subscription" of Regular IBRD Shares e/	Allocation of 6,555 Shares in Proportion to Col. (8) 78,650 less 72,095 e/	Total Additional Allocation: If All Eligible (6)+(9) d/	Total Additional Allocation: If Sbj. to Eligibility Test f/	Shortfalls in Current Allocation from Round 1 "Calculated Subscription" d/	Allocation of 78,650 Shares at 73.42% of Col. (12) d/	Reallocation of 26,261 Shares Among Major ODA Donors in Proportion to ODA	Total Additional Allocation: If All Eligible (13)+(14) d/	Total Additional Allocation: If Sbj. to Eligibility Test f/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
74 CHILE	3640	37	896.0	0.273%	2042	0	0.00%	2042	18	18	0	0	0		0	0
75 PHILIPPINES	3591	38	1111.8	0.338%	2534	0	0.00%	2534	23	23	23	0	0		0	0
76 TURKEY	3451	39	1532.7	0.466%	3494	0	0.00%	3494	31	31	31	43	31		31	31
77 EGYPT, ARAB REP. OF	3369	40	1371.3	0.417%	3126	0	0.00%	3126	28	28	28	0	0		0	0
78 KOREA, REP. OF	3346	41	3621.3	1.102%	8255	4083	0.00%	8255	74	4157	4157	4909	3604		3604	3604
79 COLOMBIA	3249	42	883.7	0.269%	2014	0	0.00%	2014	18	18	18	0	0		0	0
80 THAILAND	3099	43	1305.5	0.397%	2976	0	0.00%	2976	27	27	27	0	0		0	0
81 PORTUGAL	2814	44	1273.7	0.388%	2903	0	0.00%	2903	26	26	26	89	66		66	66
82 PERU	2742	45	653.6	0.199%	1490	0	0.00%	1490	13	13	0	0	0		0	0
83 IRAQ	2558	47	3825.2	1.164%	8720	5290	0.00%	8720	78	5368	0	6162	4524		4524	0
84 MOROCCO	2541	48	551.8	0.168%	1258	0	0.00%	1258	11	11	11	0	0		0	0
85 BANGLADESH	2474	49	343.1	0.104%	782	0	0.00%	782	7	7	7	0	0		0	0
86 ZAIRE	2461	50	286.4	0.087%	653	0	0.00%	653	6	6	6	0	0		0	0
42 ISRAEL	2416	51	1575.3	0.479%	3591	816	0.00%	1795	16	832	0	1175	863		863	0
87 ZAMBIA	2280	52	218.7	0.067%	499	0	0.00%	499	4	4	0	0	0		0	0
88 SRI LANKA	1892	54	247.6	0.075%	564	0	0.00%	564	5	5	5	0	0		0	0
89 GHANA	1701	55	152.9	0.047%	349	0	0.00%	349	3	3	0	0	0		0	0
90 ZIMBABWE	1616	56	234.8	0.071%	535	0	0.00%	535	5	5	5	0	0		0	0
91 URUGUAY	1371	57	225.1	0.068%	513	0	0.00%	513	5	5	5	0	0		0	0
44 TRINIDAD & TOBAGO	1245	58	467.6	0.142%	1066	0	0.00%	533	5	5	0	0	0		0	0
92 ECUADOR	1211	59	425.7	0.130%	970	0	0.00%	970	9	9	9	0	0		0	0
93 JAMAICA	1197	60	202.9	0.062%	463	0	0.00%	463	4	4	0	0	0		0	0
94 COTE D'IVOIRE	1162	61	427.4	0.130%	974	0	0.00%	974	9	9	0	0	0		0	0
95 BURMA	1158	62	126.1	0.038%	287	0	0.00%	287	3	3	3	0	0		0	0
96 KENYA	1131	63	266.0	0.081%	606	0	0.00%	606	5	5	5	0	0		0	0
97 GREECE	1110	64	1237.8	0.377%	2822	1429	0.00%	2822	25	1454	1454	1712	1257		1257	1257
98 SYRIAN ARAB REP.	1084	65	539.0	0.164%	1229	22	0.00%	1229	11	33	33	145	106		106	106
99 DOMINICAN REP.	924	66	240.9	0.073%	549	0	0.00%	549	5	5	0	0	0		0	0
100 SENEGAL	913	67	146.6	0.045%	334	0	0.00%	334	3	3	0	0	0		0	0
101 LEBANON	887	68	790.4	0.240%	1802	735	0.00%	1802	16	751	0	915	672		672	0
102 TANZANIA	877	69	151.8	0.046%	346	0	0.00%	346	3	3	0	0	0		0	0
103 GUATEMALA	873	70	243.3	0.074%	555	0	0.00%	555	5	5	0	0	0		0	0
104 PANAMA	802	72	538.1	0.164%	1227	302	0.00%	1227	11	313	0	425	312		312	0
105 BOLIVIA	752	73	141.4	0.043%	322	0	0.00%	322	3	3	0	0	0		0	0
106 EL SALVADOR	726	74	175.5	0.053%	400	0	0.00%	400	4	4	0	0	0		0	0
46 SINGAPORE	694	75	4372.8	1.330%	9968	8277	0.00%	4984	44	8321	8321	9274	6809		6809	6809
107 COSTA RICA	690	76	175.0	0.053%	399	0	0.00%	399	4	4	0	0	0		0	0
47 LUXEMBOURG	677	77	272.5 g/	0.083%	621	0	0.00%	311	3	3	3	0	0		0	0
108 YEMEN, PDR	668	78	96.3	0.029%	220	0	0.00%	220	2	2	2	0	0		0	0
109 SUDAN	636	79	227.0	0.069%	517	0	0.00%	517	5	5	5	0	0		0	0
110 CAMEROON	607	80	255.8	0.078%	583	0	0.00%	583	5	5	5	0	0		0	0
111 VIET NAM	596	81	246.9	0.075%	563	0	0.00%	563	5	5	5	0	0		0	0
112 CYPRUS	570	82	171.1	0.052%	390	0	0.00%	390	3	3	3	0	0		0	0
113 HONDURAS	563	83	126.6	0.039%	289	0	0.00%	289	3	3	0	0	0		0	0
114 TUNISIA	559	84	454.8	0.138%	1037	374	0.00%	1037	9	383	0	478	351		351	0
115 MADAGASCAR	548	85	72.1	0.022%	164	0	0.00%	164	1	1	0	0	0		0	0

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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS AND ODA: .STRATIVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calcu-lated Quotas (SDRm) b/	Calculated Quotas: As % of Total	Round 1 "Calcu-lated Subscrip-tion" of Regular IBRD Shares c/	Example IIa: Shares Needed to Realign Allocated Shares to 90% of Round 1 "Calcultd Subscrip-tion"d /	Example IIa: Per-centage Share of ODA in 1980-85	Example IIa: Round 2 "Calcu-lated Subscrip-tion" of Regular IBRD Shares e/	Example IIa: Allocation of 6,555 Shares in Proportion to Col. (8) 78,650 less 72,095 e/	Example IIa: Total Additional Allocation If All Eligible (6)+(9)d/	Example IIa: Total Additional Allocation If Sbj. to Eligi-bility Test f/	Example IIb: Shortfalls in Current Allocation from Round 1 "Calcu-lated Subscrip-tion" d/	Example IIb: Alloca-tion of 78,650 Shares at 73.42% of Col. (12) d/	Example IIb: Realloca-tion of 26,261 Shares Among Major ODA Donors in Pro-portion to ODA	Example IIb: Total Additional Allocation If All Eligible (13)+(14) d/	Example IIb: Total Additional Allocation If Sbj. to Eligi-bility Test f/
17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
116 JORDAN	529	86	482.1	0.147%	1099	460	0.00%	1099	10	470	470	570	418		418	418
117 PAPUA NEW GUINEA	523	87	174.9	0.053%	399	0	0.00%	399	4	4	0	0	0		0	0
118 GABON	519	88	277.5	0.084%	633	50	0.00%	633	6	56	0	114	83		83	0
48 OMAN	506	89	683.1	0.208%	1557	895	0.00%	779	7	902	902	1051	772		772	772
119 GUINEA	475	90	65.1	0.020%	148	0	0.00%	148	1	1	1	0	0		0	0
49 ICELAND	456	91	141.0	0.043%	321	0	0.00%	161	1	1	1	0	0		0	0
120 MAURITIUS	447	92	65.0	0.020%	148	0	0.00%	148	1	1	1	0	0		0	0
121 SURINAME	410	93	63.0	0.019%	144	0	0.00%	144	1	1	0	0	0		0	0
122 MALI	402	94	49.0	0.015%	112	0	0.00%	112	1	1	0	0	0		0	0
123 PARAGUAY	395	95	167.5	0.051%	382	0	0.00%	382	3	3	3	0	0		0	0
124 TOGO	370	96	77.3	0.024%	176	0	0.00%	176	2	2	2	0	0		0	0
50 BAHRAIN	369	97	342.6	0.104%	781	334	0.00%	390	3	337	337	412	302		302	302
125 UGANDA	367	98	92.0	0.028%	210	0	0.00%	210	2	2	2	0	0		0	0
126 MALAWI	364	99	49.4	0.015%	113	0	0.00%	113	1	1	1	0	0		0	0
127 MALTA	353	100	162.0	0.049%	369	0	0.00%	369	3	3	3	16	12		12	12
51 BAHAMAS, THE	351	101	151.5	0.046%	345	0	0.00%	173	2	2	0	0	0		0	0
128 HAITI	349	102	60.5	0.018%	138	0	0.00%	138	1	1	1	0	0		0	0
129 GUYANA	344	103	59.1	0.018%	135	0	0.00%	135	1	1	1	0	0		0	0
130 RWANDA	344	103	45.2	0.014%	103	0	0.00%	103	1	1	1	0	0		0	0
131 AFGHANISTAN	318	105	142.7	0.043%	325	0	0.00%	325	3	3	3	7	5		5	5
132 FIJI	304	106	66.4	0.020%	151	0	0.00%	151	1	1	0	0	0		0	0
133 SOMALIA	302	107	62.3	0.019%	142	0	0.00%	142	1	1	0	0	0		0	0
134 ETHIOPIA	299	108	117.5	0.036%	268	0	0.00%	268	2	2	2	0	0		0	0
135 NEPAL	293	109	61.4	0.019%	140	0	0.00%	140	1	1	1	0	0		0	0
136 YEMEN ARAB REP.	289	110	265.3	0.081%	605	255	0.00%	605	5	260	260	316	232		232	232
52 BARBADOS	282	111	81.6	0.025%	186	0	0.00%	93	1	1	1	0	0		0	0
137 MOZAMBIQUE	272	112	84.7	0.026%	193	0	0.00%	193	2	2	2	0	0		0	0
138 CONGO, PEOPLE'S REP.	270	113	172.4	0.052%	393	84	0.00%	393	4	88	88	123	90		90	90
139 MAURITANIA	255	114	63.2	0.019%	144	0	0.00%	144	1	1	0	0	0		0	0
140 POLAND	249 h/	115	1851.3	0.563%	4220	3549	0.00%	4220	38	3587	3587	3971	2915		2915	2915
141 NIGER	245	116	80.5	0.024%	183	0	0.00%	183	2	2	2	0	0		0	0
142 BENIN	237	117	50.0	0.015%	114	0	0.00%	114	1	1	0	0	0		0	0
143 BURKINA FASO	237	117	54.0	0.016%	123	0	0.00%	123	1	1	0	0	0		0	0
144 CENTRAL AFRICAN REP.	234	119	29.9	0.009%	68	0	0.00%	68	1	1	0	0	0		0	0
145 CHAD	234	119	26.2	0.008%	60	0	0.00%	60	1	1	0	0	0		0	0
146 LIBERIA	224	121	64.5	0.020%	147	0	0.00%	147	1	1	1	0	0		0	0
147 KAMPUCHEA, DEMOC.	214	122	NA i/	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA		NA	NA
148 NICARAGUA	202	123	135.4	0.041%	309	76	0.00%	309	3	79	0	107	78		78	0
149 SWAZILAND	202	123	77.2	0.023%	176	0	0.00%	176	2	2	2	0	0		0	0
150 SIERRA LEONE	153	125	36.4	0.011%	83	0	0.00%	83	1	1	1	0	0		0	0
151 BURUNDI	152	126	29.2	0.009%	67	0	0.00%	67	1	1	1	0	0		0	0
152 EQUATORIAL GUINEA	151	127	6.4	0.002%	15	0	0.00%	15	0	0	0	0	0		0	0
153 LESOTHO	122	128	79.3	0.024%	181	41	0.00%	181	2	43	43	59	43		43	43
154 GAMBIA, THE	104	129	12.1	0.004%	28	0	0.00%	28	0	0	0	0	0		0	0
155 LAO PDR	100	130	22.7	0.007%	52	0	0.00%	52	0	0	0	0	0		0	0
156 BOTSWANA	95	131	144.1	0.044%	328	201	0.00%	328	3	204	204	233	171		171	171

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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS AND ILLUSTRATIVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Quotas: Calculated Quotas (SDRm) b/	Calculated Quotas: As % of Total	Round 1 "Calculated Subscription" of Regular IBRD Shares c/	Example IIa: Shares Needed to Realign Allocated Shares to 90% of Round 1 "Calculated Subscription" d/	Example IIa: Percentage Share of ODA in 1980-85	Example IIa: Round 2 "Calculated Subscription" of Regular IBRD Shares e/	Example IIa: Allocation of 6,555 Shares in Proportion to Col. (8) 78,650 less 72,095 e/	Example IIa: Total Additional Allocation If All Eligible (6)+(9) d/	Example IIa: Total Additional Allocation If Sbj. to Eligibility Test f/	Example IIb: Shortfalls in Current Allocation from Round 1 "Calculated Subscription" d/	Example IIb: Allocation of 78,650 Shares at 73.42% of Col. (12) d/	Example IIb: Reallocation of 26,261 Shares Among Major ODA Donors in Proportion to ODA	Example IIb: Total Additional Allocation If All Eligible (13)+(14) d/	Example IIb: Total Additional Allocation If Sbj. to Eligibility Test f/
17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
157 BELIZE	79	132	18.7	0.006%	43	0	0.00%	43	0	0	0	0	0		0	0
158 VANUATU	79	132	12.0	0.004%	27	0	0.00%	27	0	0	0	0	0		0	0
159 DJIBOUTI	64	134	17.0	0.005%	39	0	0.00%	39	0	0	0	0	0		0	0
160 ST. LUCIA	60	135	15.2	0.005%	35	0	0.00%	35	0	0	0	0	0		0	0
161 GUINEA-BISSAU	53	136	7.2	0.002%	16	0	0.00%	16	0	0	0	0	0		0	0
162 GRENADA	48	137	8.2	0.002%	19	0	0.00%	19	0	0	0	0	0		0	0
163 WESTERN SAMOA	48	137	6.9	0.002%	16	0	0.00%	16	0	0	0	0	0		0	0
164 ANTIGUA & BARBUDA	42	139	14.0	0.004%	32	0	0.00%	32	0	0	0	0	0		0	0
165 SOLOMON ISLANDS	38	140	14.5	0.004%	33	0	0.00%	33	0	0	0	0	0		0	0
166 CAPE VERDE	35	141	12.9	0.004%	29	0	0.00%	29	0	0	0	0	0		0	0
167 DOMINICA	33	142	6.4	0.002%	15	0	0.00%	15	0	0	0	0	0		0	0
168 COMOROS	32	143	6.5	0.002%	15	0	0.00%	15	0	0	0	0	0		0	0
169 ST. VINCENT	28	144	10.4	0.003%	24	0	0.00%	24	0	0	0	0	0		0	0
170 SAO TOME & PRINCIPE	28	144	5.1	0.002%	12	0	0.00%	12	0	0	0	0	0		0	0
171 TONGA	27	146	8.0	0.002%	18	0	0.00%	18	0	0	0	0	0		0	0
172 ST. KITTS & NEVIS	25	147	7.7	0.002%	18	0	0.00%	18	0	0	0	0	0		0	0
173 BHUTAN	19	148	10.1	0.003%	23	2	0.00%	23	0	2	0	4	3		3	0
174 MALDIVES	13	149	12.4	0.004%	28	12	0.00%	28	0	12	12	15	11		11	11
175 SEYCHELLES	13	149	13.8	0.004%	31	15	0.00%	31	0	15	15	18	14		14	14
176 KIRIBATI	11 j/	151	5.8	0.002%	13	1	0.00%	13	0	1	1	2	2		2	2
178 SUBTOTAL	251782		90625.9	27.572%	206581	27457	0.00%	191847	1712	29169	21064	35587	26128	0	26128	19071
180 TOTAL ALLOCATED	742063		328691.4	100.000%	749250	72095	100.00%	734516	6554	78649	67916	107128	78649	-1	78648	64521
182 UNALLOCATED	7187		0.0	0.000%	0											
184 GRAND TOTAL	749250		328691.4	100.000%	749250											

186 a/ Positions in place since June 1, 1987, excluding the so-called "membership shares."
187 b/ Calculated quotas of the 9th General Quota Review.
188 c/ Col. (4) times 749,250 shaes.
189 d/ Shown only if positive.
190 e/ For members with 1985 per capita GNP exceeding $4,300, 50% of Round 1 "Calculated Subscription" plus ODA share of
191 50% of the aggregate Round 1 "Calculated Subscription" for these countries. For others, same as Round 1.
192 f/ Assumed to be subject to eligibility test based on subscription status. Shown only if positive.
193 g/ Calculated quotas are estimated by apportioning the figure for Belgium and Luxembourg in proportion to the actual
194 quotas of the two countries in the absence of separate calculated quotas.
195 h/ 5,872 after the completion of the normal initial share allocation.
196 i/ Calculated quota is not available for Kampuchea.
197 j/ 21 after the completion of the normal initial share allocation.

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9 CALQ WGHT
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SPECIAL SHARE ALLOCATIONS,BASED ON CALCULATED QUOTAS AND ODA: ILLUS[illegible] CALCULATIONS

			Modified Calculated Quotas			Example IIa						Example IIb				
	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Calculated Modified Calcu- lated Quotas (SDRm)b/	As % of Total	Round 1 "Calculated Subscription" of Regular IBRD Shares c/	Shares Needed to Realign Allocated Shares to 90% of Round 1 "Calcultd Subscription"d /	Percentage Share of ODA in 1980-85	Round 2 "Calculated Subscription" of Regular IBRD Shares e/	Allocation of 8,020 Shares in Proportion to Col. (8) 78,650 less 70,630 e/	Total Additional Allocation If All Eligible (6)+(9)d/	Total Additional Allocation If Sbj. to Eligibility Test f/	Shortfalls in Current Allocation from Round 1 "Calculated Subscription" d/	Allocation of 78,650 Shares at 68.86% of Col. (12) d/	Reallocation of 27,774 Shares Among Major ODA Donors in Proportion to ODA	Total Additional Allocation If All Eligible (13)+(14) d/	Total Additional Allocation If Sbj. to Eligibility Test f/
17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
18 MEMBERS W/ ODA																
19 STATISTICS																
21 UNITED STATES	164179	1	62788.3	22.767%	170579	0	23.70%	150987	1650	1650	0	6400	4407	4379	8786	0
22 JAPAN	40580	2	24371.9	8.837%	66212	19011	10.73%	62852	687	19698	19698	25632	17649	-5844	11805	11805
23 GERMANY	40382	3	21743.9	7.884%	59072	12783	9.42%	55639	608	13391	13391	18690	12869	-3819	9050	9050
24 FRANCE	38697	4	15391.6	5.581%	41815	0	12.01%	54190	592	592	592	3118	2147	2261	4408	4408
25 UNITED KINGDOM	38697	4	13385.2	4.853%	36364	0	5.22%	32646	357	357	357	0	0	1449	1449	1449
26 SAUDI ARABIA	24890	7	6602.4	2.394%	17937	0	12.13%	42586	465	465	465	0	0	3368	3368	3368
27 CANADA	23508	9	9826.2	3.563%	26695	518	4.08%	24658	270	788	788	3187	2195	36	2231	2231
28 ITALY	22346	10	11132.4	4.037%	30244	4873	2.62%	22377	245	5118	5118	7898	5438	-1992	3446	3446
29 NETHERLANDS	17131	11	8185.7	2.968%	22238	2883	4.11%	22518	246	3129	3129	5107	3517	-616	2901	2901
30 BELGIUM	16016	12	6604.3 g/	2.395%	17942	132	1.52%	13173	144	276	276	1926	1326	-242	1084	1084
31 AUSTRALIA	13480	13	3895.7	1.413%	10584	0	2.24%	11509	126	126	126	0	0	623	623	623
33 SWEDEN	8154	21	3219.6	1.167%	8747	0	2.61%	11598	127	127	127	593	408	520	928	928
34 KUWAIT	7203	23	1629.2	0.591%	4426	0	3.12%	10860	119	119	119	0	0	866	866	866
35 AUSTRIA	5959	25	3001.6	1.088%	8155	1380	0.61%	5773	63	1443	1443	2196	1512	-586	926	926
36 DENMARK	5503	26	2520.9	0.914%	6849	661	1.29%	7011	77	738	738	1346	927	-104	823	823
37 NORWAY	5352	27	2868.4	1.040%	7793	1661	1.61%	8355	91	1752	1752	2441	1681	-394	1287	1287
38 FINLAND	4554	31	1669.0	0.605%	4534	0	0.47%	3561	39	39	39	0	0	130	130	130
39 LIBYA	4150	35	1482.4	0.538%	4027	0	0.50%	3391	37	37	0	0	0	138	138	0
40 NEW ZEALAND	3811	36	857.4	0.311%	2329	0	0.19%	1685	18	18	18	0	0	52	52	52
41 IRELAND	2708	46	1344.7	0.488%	3653	580	0.08%	2040	22	602	602	945	651	-304	347	347
43 UNITED ARAB EMIRATES	2135	53	1150.9	0.417%	3127	679	1.41%	5479	60	739	739	992	683	51	734	734
45 QATAR	846	71	385.1	0.140%	1046	96	0.35%	1481	16	112	112	200	138	27	165	165
54 SUBTOTAL	490281		204056.7	73.990%	554368	45257	100.00%	554368	6059	51316	49629	80671	55548	-1	55547	46623
56 OTHER MEMBERS																
58 CHINA	24892	6	4612.7	1.673%	12531	0	0.00%	12531	137	137	137	0	0		0	0
59 INDIA	24173	8	3075.4	1.115%	8355	0	0.00%	8355	91	91	91	0	0		0	0
60 IRAN, ISLAM. REP. OF	13043	14	1930.5	0.700%	5245	0	0.00%	5245	57	57	0	0	0		0	0
61 BRAZIL	11598	15	4478.6	1.624%	12167	0	0.00%	12167	133	133	133	569	392		392	392
62 VENEZUELA	11177	16	1984.2	0.719%	5391	0	0.00%	5391	59	59	0	0	0		0	0
32 SPAIN	10044	17	4500.7	1.632%	12227	961	0.00%	6114	67	1028	1028	2183	1503		1503	1503
63 ARGENTINA	9802	18	1487.8	0.539%	4042	0	0.00%	4042	44	44	44	0	0		0	0
64 MEXICO	9303	19	3909.2	1.417%	10620	255	0.00%	10620	116	371	371	1317	907		907	907
65 INDONESIA	8158	20	2391.5	0.867%	6497	0	0.00%	6497	71	71	71	0	0		0	0
66 SOUTH AFRICA	7305	22	2090.4	0.758%	5679	0	0.00%	5679	62	62	62	0	0		0	0
67 NIGERIA	6516	24	1563.8	0.567%	4249	0	0.00%	4249	46	46	46	0	0		0	0
68 PAKISTAN	4991	28	811.3	0.294%	2204	0	0.00%	2204	24	24	24	0	0		0	0
69 ALGERIA	4942	29	1408.2	0.511%	3826	0	0.00%	3826	42	42	42	0	0		0	0
70 YUGOSLAVIA	4838	30	1445.9	0.524%	3928	0	0.00%	3928	43	43	0	0	0		0	0
71 MALAYSIA	4377	32	1915.6	0.695%	5204	307	0.00%	5204	57	364	364	827	570		570	570
72 HUNGARY	4268	33	1119.3	0.406%	3041	0	0.00%	3041	33	33	33	0	0		0	0
73 ROMANIA	4197	34	1335.0	0.484%	3627	0	0.00%	3627	40	40	0	0	0		0	0

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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS AND ODA: ILL IVE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Modified Calculated Quotas: Modified Calculated Quotas (SDRm) b/	Modified Calculated Quotas: As % of Total	Round 1 "Calculated Subscription" of Regular IBRD Shares c/	Example IIa: Shares Needed to Realign Allocated Shares to 90% of Round 1 "Calcultd Subscription" d/	Example IIa: Percentage Share of ODA in 1980-85	Example IIa: Round 2 "Calculated Subscription" of Regular IBRD Shares e/	Example IIa: Allocation of 8,020 Shares in Proportion to Col. (8) 78,650 less 70,630 e/	Example IIa: Total Additional Allocation If All Eligible (6)+(9) d/	Example IIa: Total Additional Allocation If Sbj. to Eligibility Test f/	Example IIb: Shortfalls in Current Allocation from Round 1 "Calculated Subscription" d/	Example IIb: Allocation of 78,650 Shares at 68.86% of Col. (12) d/	Example IIb: Reallocation of 27,774 Shares Among Major ODA Donors in Proportion to ODA	Example IIb: Total Additional Allocation If All Eligible (13)+(14) d/	Example IIb: Total Additional Allocation If Sbj. to Eligibility Test f/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
74 CHILE	3640	37	675.6	0.245%	1835	0	0.00%	1835	20	20	0	0	0		0	0
75 PHILIPPINES	3591	38	1021.7	0.370%	2776	0	0.00%	2776	30	30	30	0	0		0	0
76 TURKEY	3451	39	1152.6	0.418%	3131	0	0.00%	3131	34	34	34	0	0		0	0
77 EGYPT, ARAB REP. OF	3369	40	1271.2	0.461%	3454	0	0.00%	3454	38	38	38	85	58		58	58
78 KOREA, REP. OF	3346	41	3320.7	1.204%	9022	4773	0.00%	9022	99	4872	4872	5676	3908		3908	3908
79 COLOMBIA	3249	42	800.6	0.290%	2175	0	0.00%	2175	24	24	24	0	0		0	0
80 THAILAND	3099	43	1221.9	0.443%	3320	0	0.00%	3320	36	36	36	221	152		152	152
81 PORTUGAL	2814	44	861.0	0.312%	2339	0	0.00%	2339	26	26	26	0	0		0	0
82 PERU	2742	45	488.9	0.177%	1328	0	0.00%	1328	15	15	0	0	0		0	0
83 IRAQ	2558	47	1790.2	0.649%	4863	1819	0.00%	4863	53	1872	0	2305	1587		1587	0
84 MOROCCO	2541	48	504.9	0.183%	1372	0	0.00%	1372	15	15	15	0	0		0	0
85 BANGLADESH	2474	49	329.7	0.120%	896	0	0.00%	896	10	10	10	0	0		0	0
86 ZAIRE	2461	50	172.4	0.063%	468	0	0.00%	468	5	5	5	0	0		0	0
42 ISRAEL	2416	51	1463.5	0.531%	3976	1162	0.00%	1988	22	1184	0	1560	1074		1074	0
87 ZAMBIA	2280	52	122.7	0.044%	333	0	0.00%	333	4	4	0	0	0		0	0
88 SRI LANKA	1892	54	233.0	0.084%	633	0	0.00%	633	7	7	7	0	0		0	0
89 GHANA	1701	55	132.4	0.048%	360	0	0.00%	360	4	4	0	0	0		0	0
90 ZIMBABWE	1616	56	149.6	0.054%	406	0	0.00%	406	4	4	4	0	0		0	0
91 URUGUAY	1371	57	164.5	0.060%	447	0	0.00%	447	5	5	5	0	0		0	0
44 TRINIDAD & TOBAGO	1245	58	316.6	0.115%	860	0	0.00%	430	5	5	0	0	0		0	0
92 ECUADOR	1211	59	387.0	0.140%	1051	0	0.00%	1051	11	11	11	0	0		0	0
93 JAMAICA	1197	60	176.1	0.064%	478	0	0.00%	478	5	5	0	0	0		0	0
94 COTE D'IVOIRE	1162	61	259.4	0.094%	705	0	0.00%	705	8	8	0	0	0		0	0
95 BURMA	1158	62	116.6	0.042%	317	0	0.00%	317	3	3	3	0	0		0	0
96 KENYA	1131	63	192.6	0.070%	523	0	0.00%	523	6	6	6	0	0		0	0
97 GREECE	1110	64	897.4	0.325%	2438	1084	0.00%	2438	27	1111	1111	1328	914		914	914
98 SYRIAN ARAB REP.	1084	65	500.7	0.182%	1360	140	0.00%	1360	15	155	155	276	190		190	190
99 DOMINICAN REP.	924	66	175.1	0.064%	476	0	0.00%	476	5	5	0	0	0		0	0
100 SENEGAL	913	67	96.5	0.035%	262	0	0.00%	262	3	3	0	0	0		0	0
101 LEBANON	887	68	517.7	0.188%	1406	379	0.00%	1406	15	394	0	519	358		358	0
102 TANZANIA	877	69	102.6	0.037%	279	0	0.00%	279	3	3	0	0	0		0	0
103 GUATEMALA	873	70	217.0	0.079%	590	0	0.00%	590	6	6	0	0	0		0	0
104 PANAMA	802	72	290.0	0.105%	788	0	0.00%	788	9	9	0	0	0		0	0
105 BOLIVIA	752	73	133.8	0.049%	363	0	0.00%	363	4	4	0	0	0		0	0
106 EL SALVADOR	726	74	118.5	0.043%	322	0	0.00%	322	4	4	0	0	0		0	0
46 SINGAPORE	694	75	3834.9	1.391%	10419	8683	0.00%	5209	57	8740	8740	9725	6696		6696	6696
107 COSTA RICA	690	76	134.1	0.049%	364	0	0.00%	364	4	4	0	0	0		0	0
47 LUXEMBOURG	677	77	244.4 g/	0.089%	664	0	0.00%	332	4	4	4	0	0		0	0
108 YEMEN, PDR	668	78	88.6	0.032%	241	0	0.00%	241	3	3	3	0	0		0	0
109 SUDAN	636	79	134.8	0.049%	366	0	0.00%	366	4	4	4	0	0		0	0
110 CAMEROON	607	80	233.8	0.085%	635	0	0.00%	635	7	7	7	28	19		19	19
111 VIET NAM	596	81	230.6	0.084%	626	0	0.00%	626	7	7	7	30	21		21	21
112 CYPRUS	570	82	154.5	0.056%	420	0	0.00%	420	5	5	5	0	0		0	0
113 HONDURAS	563	83	92.9	0.034%	252	0	0.00%	252	3	3	0	0	0		0	0
114 TUNISIA	559	84	301.5	0.109%	819	178	0.00%	819	9	187	0	260	179		179	0
115 MADAGASCAR	548	85	66.0	0.024%	179	0	0.00%	179	2	2	0	0	0		0	0

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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS AND ODA: ILLU VE CALCULATIONS

	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Modified Calculated Quotas: Modified Calculated Quotas (SDRm)b/	Modified Calculated Quotas: As % of Total	Round 1 "Calculated Subscription" of Regular IBRD Shares c/	Example IIa: Shares Needed to Realign Allocated Shares to 90% of Round 1 "Calcultd Subscription"d /	Example IIa: Percentage Share of ODA in 1980-85	Example IIa: Round 2 "Calculated Subscription" of Regular IBRD Shares e/	Example IIa: Allocation of 8,020 Shares in Proportion to Col.(8) 78,650 less 70,630 e/	Example IIa: Total Additional Allocation If All Eligible (6)+(9)d/	Example IIa: Total Additional Allocation If Sbj. to Eligibility Test f/	Example IIb: Shortfalls in Current Allocation from Round 1 "Calculated Subscription" d/	Example IIb: Allocation of 78,650 Shares at 68.86% of Col. (12) d/	Example IIb: Reallocation of 27,774 Shares Among Major ODA Donors in Proportion to ODA	Example IIb: Total Additional Allocation If All Eligible (13)+(14) d/	Example IIb: Total Additional Allocation If Sbj. to Eligibility Test f/
17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
116 JORDAN	529	86	412.7	0.150%	1121	480	0.00%	1121	12	492	492	592	408		408	408
117 PAPUA NEW GUINEA	523	87	156.2	0.057%	424	0	0.00%	424	5	5	0	0	0		0	0
118 GABON	519	88	180.1	0.065%	489	0	0.00%	489	5	5	0	0	0		0	0
48 OMAN	506	89	465.9	0.169%	1266	633	0.00%	633	7	640	640	760	523		523	523
119 GUINEA	475	90	45.5	0.016%	124	0	0.00%	124	1	1	1	0	0		0	0
49 ICELAND	456	91	103.4	0.037%	281	0	0.00%	140	2	2	2	0	0		0	0
120 MAURITIUS	447	92	59.0	0.021%	160	0	0.00%	160	2	2	2	0	0		0	0
121 SURINAME	410	93	55.1	0.020%	150	0	0.00%	150	2	2	0	0	0		0	0
122 MALI	402	94	31.4	0.011%	85	0	0.00%	85	1	1	0	0	0		0	0
123 PARAGUAY	395	95	119.1	0.043%	324	0	0.00%	324	4	4	4	0	0		0	0
124 TOGO	370	96	52.7	0.019%	143	0	0.00%	143	2	2	2	0	0		0	0
50 BAHRAIN	369	97	246.7	0.089%	670	234	0.00%	335	4	238	238	301	207		207	207
125 UGANDA	367	98	48.6	0.018%	132	0	0.00%	132	1	1	1	0	0		0	0
126 MALAWI	364	99	37.0	0.013%	100	0	0.00%	100	1	1	1	0	0		0	0
127 MALTA	353	100	139.6	0.051%	379	0	0.00%	379	4	4	4	26	18		18	18
51 BAHAMAS, THE	351	101	142.0	0.051%	386	0	0.00%	193	2	2	0	35	24		24	0
128 HAITI	349	102	55.9	0.020%	152	0	0.00%	152	2	2	2	0	0		0	0
129 GUYANA	344	103	25.9	0.009%	70	0	0.00%	70	1	1	1	0	0		0	0
130 RWANDA	344	103	39.9	0.014%	108	0	0.00%	108	1	1	1	0	0		0	0
131 AFGHANISTAN	318	105	133.9	0.049%	364	9	0.00%	364	4	13	13	46	31		31	31
132 FIJI	304	106	48.6	0.018%	132	0	0.00%	132	1	1	0	0	0		0	0
133 SOMALIA	302	107	45.9	0.017%	125	0	0.00%	125	1	1	0	0	0		0	0
134 ETHIOPIA	299	108	110.2	0.040%	299	0	0.00%	299	3	3	3	0	0		0	0
135 NEPAL	293	109	56.4	0.020%	153	0	0.00%	153	2	2	2	0	0		0	0
136 YEMEN ARAB REP.	289	110	181.2	0.066%	492	154	0.00%	492	5	159	159	203	140		140	140
52 BARBADOS	282	111	75.2	0.027%	204	0	0.00%	102	1	1	1	0	0		0	0
137 MOZAMBIQUE	272	112	76.9	0.028%	209	0	0.00%	209	2	2	2	0	0		0	0
138 CONGO, PEOPLE'S REP.	270	113	106.7	0.039%	290	0	0.00%	290	3	3	3	20	14		14	14
139 MAURITANIA	255	114	55.8	0.020%	152	0	0.00%	152	2	2	0	0	0		0	0
140 POLAND	249 h/	115	1658.8	0.601%	4506	3807	0.00%	4506	49	3856	3856	4257	2931		2931	2931
141 NIGER	245	116	56.3	0.020%	153	0	0.00%	153	2	2	2	0	0		0	0
142 BENIN	237	117	29.3	0.011%	80	0	0.00%	80	1	1	0	0	0		0	0
143 BURKINA FASO	237	117	36.7	0.013%	100	0	0.00%	100	1	1	0	0	0		0	0
144 CENTRAL AFRICAN REP.	234	119	20.8	0.008%	57	0	0.00%	57	1	1	0	0	0		0	0
145 CHAD	234	119	17.9	0.007%	49	0	0.00%	49	1	1	0	0	0		0	0
146 LIBERIA	224	121	58.2	0.021%	158	0	0.00%	158	2	2	2	0	0		0	0
147 KAMPUCHEA, DEMOC.	214	122	NA i/	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA		NA	NA
148 NICARAGUA	202	123	106.4	0.039%	289	58	0.00%	289	3	61	0	87	60		60	0
149 SWAZILAND	202	123	61.9	0.022%	168	0	0.00%	168	2	2	2	0	0		0	0
150 SIERRA LEONE	153	125	25.0	0.009%	68	0	0.00%	68	1	1	1	0	0		0	0
151 BURUNDI	152	126	26.6	0.010%	72	0	0.00%	72	1	1	1	0	0		0	0
152 EQUATORIAL GUINEA	151	127	3.3	0.001%	9	0	0.00%	9	0	0	0	0	0		0	0
153 LESOTHO	122	128	64.7	0.023%	176	36	0.00%	176	2	38	38	54	37		37	37
154 GAMBIA, THE	104	129	10.5	0.004%	28	0	0.00%	28	0	0	0	0	0		0	0
155 LAO PDR	100	130	21.1	0.008%	57	0	0.00%	57	1	1	1	0	0		0	0
156 BOTSWANA	95	131	119.2	0.043%	324	196	0.00%	324	4	200	200	229	158		158	158

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SPECIAL SHARE ALLOCATIONS BASED ON CALCULATED QUOTAS AND ODA: ILL IVE CALCULATIONS

						Example IIa						Example IIb				
	Number of Regular IBRD Shares Currently Allocated a/	Rank with Respect to (1)	Modified Calculated Quotas: Modified Calculated Quotas (SDRm) b/	Modified Calculated Quotas: As % of Total	Round 1 "Calculated Subscription" of Regular IBRD Shares c/	Shares Needed to Realign Allocated Shares to 90% of Round 1 "Calcultd Subscription" d/	Percentage Share of ODA in 1980-85	Round 2 "Calculated Subscription" of Regular IBRD Shares e/	Allocation of 8,020 Shares in Proportion to Col. (8) 78,650 less 70,630 e/	Total Additional Allocation: If All Eligible (6)+(9) d/	Total Additional Allocation: If Sbj. to Eligibility Test f/	Shortfalls in Current Allocation from Round 1 "Calculated Subscription" d/	Allocation of 78,650 Shares at 68.86% of Col. (12) d/	Reallocation of 27,774 Shares Among Major ODA Donors in Proportion to ODA	Total Additional Allocation: If All Eligible (13)+(14) d/	Total Additional Allocation: If Sbj. to Eligibility Test f/
17	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
157 BELIZE	79	132	10.2	0.004%	28	0	0.00%	28	0	0	0	0	0		0	0
158 VANUATU	79	132	6.8	0.002%	18	0	0.00%	18	0	0	0	0	0		0	0
159 DJIBOUTI	64	134	12.9	0.005%	35	0	0.00%	35	0	0	0	0	0		0	0
160 ST. LUCIA	60	135	14.4	0.005%	39	0	0.00%	39	0	0	0	0	0		0	0
161 GUINEA-BISSAU	53	136	6.4	0.002%	17	0	0.00%	17	0	0	0	0	0		0	0
162 GRENADA	48	137	7.8	0.003%	21	0	0.00%	21	0	0	0	0	0		0	0
163 WESTERN SAMOA	48	137	4.5	0.002%	12	0	0.00%	12	0	0	0	0	0		0	0
164 ANTIGUA & BARBUDA	42	139	12.8	0.005%	35	0	0.00%	35	0	0	0	0	0		0	0
165 SOLOMON ISLANDS	38	140	12.4	0.004%	34	0	0.00%	34	0	0	0	0	0		0	0
166 CAPE VERDE	35	141	8.4	0.003%	23	0	0.00%	23	0	0	0	0	0		0	0
167 DOMINICA	33	142	4.3	0.002%	12	0	0.00%	12	0	0	0	0	0		0	0
168 COMOROS	32	143	3.9	0.001%	10	0	0.00%	10	0	0	0	0	0		0	0
169 ST. VINCENT	28	144	9.6	0.003%	26	0	0.00%	26	0	0	0	0	0		0	0
170 SAO TOME & PRINCIPE	28	144	2.5	0.001%	7	0	0.00%	7	0	0	0	0	0		0	0
171 TONGA	27	146	4.4	0.002%	12	0	0.00%	12	0	0	0	0	0		0	0
172 ST. KITTS & NEVIS	25	147	6.3	0.002%	17	0	0.00%	17	0	0	0	0	0		0	0
173 BHUTAN	19	148	9.8	0.004%	27	5	0.00%	27	0	5	0	8	5		5	0
174 MALDIVES	13	149	10.3	0.004%	28	12	0.00%	28	0	12	12	15	10		10	10
175 SEYCHELLES	13	149	8.4	0.003%	23	8	0.00%	23	0	8	8	10	7		7	7
176 KIRIBATI	11 j/	151	2.6	0.001%	7	0	0.00%	7	0	0	0	0	0		0	0
178 SUBTOTAL	251782		71733.8	26.010%	194882	25373	0.00%	179406	1961	27334	23305	33553	23101	0	23101	19814
180 TOTAL ALLOCATED	742063		275790.5	100.000%	749250	70630	100.00%	733774	8020	78650	72934	114224	78649	-1	78648	66437
182 UNALLOCATED	7187		0.0	0.000%	0											
184 GRAND TOTAL	749250		275790.5	100.000%	749250											

186 a/ Positions in place since June 1, 1987, excluding the so-called "membership shares."
187 b/ Derived from calculated quotas of the 9th General Quota Review.
188 c/ Col. (4) times 749,250 shaes.
189 d/ Shown only if positive.
190 e/ For members with 1985 per capita GNP exceeding $4,300, 50% of Round 1 "Calculated Subscription" plus ODA share of
191 50% of the aggregate Round 1 "Calculated Subscription" for these countries. For others, same as Round 1.
192 f/ Assumed to be subject to eligibility test based on subscription status. Shown only if positive.
193 g/ Calculated quotas are estimated by apportioning the figure for Belgium and Luxembourg in proportion to the actual
194 quotas of the two countries in the absence of separate calculated quotas.
195 h/ 5,872 after the completion of the normal initial share allocation.
196 i/ Calculated quota is not available for Kampuchea.
197 j/ 21 after the completion of the normal initial share allocation.