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EXTVP - Subjects and Issues Files - EXT Strategy



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OFFICE MEMORANDUM

DATE: July 11, 1996

TO: See Distribution

FROM: Mark Malloch Brown, EXTVP

mar MB

EXTENSION: 85914

SUBJECT: **The Integration of our External Affairs Programs**

EXT
STRATEGY
9596

Now that we have officially welcomed you – our new colleagues – to External Affairs, I thought it might be useful to more formally state how I see this relationship working. We are now one team, working together on a common strategy, with a shared vision of what can be accomplished. All of us are here to support your efforts, as I know you support ours.

Let me say again I will judge each of you in this first year by two principal criteria: teamwork and effectiveness. Teamwork, across the EXT function, has not been a strength in the past; and I think each of us has not always been as effective in implementing our ideas as we would have wished. Let me offer, therefore, these two goals of personal performance as ones each of us should strive for in the coming months.

We are continuing to work on the development of an overall strategy for the Bank's external affairs activities, and I hope to complete this process by the end of July. This has been a new exercise for external affairs in the Bank, one which builds on work programs and strategies developed in all the regions and CVPs as well as at the center. Now we must undertake the last step: reaching agreement on overall program delivery and timetables, and merging all the plans to achieve strategic cohesion.

In developing the external affairs program under the three fronts outlined in my memo of March 6, I have been aware of the sensitive balance we need to strike between servicing the VPUs and delivering the institutional agenda; I believe we will be able to strike the right balance, and I count on all of you to help me in this effort. The new External Affairs structure has created an integrated team that can develop and deliver such a program efficiently and effectively – particularly as we are able to harness a wider range of resources to deliver our programs.

We did not wait until July 1 to begin implementation of an integrated external affairs effort. Several specific projects have already been undertaken which illustrate the point that a combined effort can achieve impressive results. These projects include:

- An impressive, integrated campaign in support of IDA, which involved civil society in both Part I and Part II countries.

- The multilateral debt initiative, which owes much to the strong support it has received in the NGO community and others throughout the world.
- Our issues campaign on education.
- The launching of the Global Economic Prospects publication; our messages were delivered globally by the entire external affairs team.
- The same approach of a unified message delivered by a combined external affairs team is underway for the World Development Report.
- We are developing one central network throughout the Bank for our media lists and a single software package that will provide significant efficiencies to all the external affairs units in the dissemination of their media materials.
- A global faxback system for all Bank news releases has now started.
- While the Africa Region took the lead in developing an external affairs program for a micro-credit conference in Mali, central external affairs provided the staffing to carry out the program.
- The report on Women's Health in India was disseminated to a much broader audience with a specific interest in the issue through the combined efforts of the Regional and Central external affairs units.

As we move into the delivery phase of our external affairs program, there will be many more examples of the increased effectiveness of our external affairs efforts. Nevertheless, I realize that each of these successes also had their moments of frustration and misunderstanding. Equally, I know issues such as common media lists or press release clearance still lead to friction. So now comes the hard part: day-to-day coordination, integration and feedback to each other on what we do.

External Affairs Organization

As you know, we have made a number of changes in the organizational structure of EXT; these reflect our expanded mandate, and are designed to accommodate the integration of Regional and Central VP staff, as well as UN Affairs staff, into this Vice Presidency. These changes also allow for more hands-on management and direction of our activities. Essentially I have created a very flat management structure where Jane Armitage, the new Director for External Affairs, and I will share one organizational "box." We will provide the overall strategic direction and day to day management of the Bank-wide external affairs program. Reporting to us will be:

- The Media Relations group, under Klas Bergman, which will continue to be responsible for the Bank's relationships with the media.
- The Issues Management group, under Peter Stephens, which will plan and execute campaigns on Bank-wide issues, as well as coordinate our outreach in the United States, Canada, Australia and New Zealand. External affairs staff from the CVPs will be integrated into this group.
- A new Regional Operations group which will contain the external affairs staff moved to EXT from the six regional Vice Presidencies. Management oversight of this group will

be undertaken by Paul Mitchell, the external affairs officer for South Asia who will also continue in his current role.

- The Office of the Publisher. Our new Publisher will be working to operate our publishing program on a more market-driven basis with an enhanced marketing program and new procedures for the sharing of revenues.
- The European Office, including our new office in Brussels.
- Our offices in London and the external affairs team in Tokyo.
- The New York Office, where we are recruiting a Special Representative to the United Nations as one important signal of the priority we attach to our partnership with the UN family.

Administrative Arrangements

Your transfers to EXT have now been completed, and other arrangements agreed. Program budgets will remain with the VPUs and be administered there. Equally, you will supervise the other EXT staff in your units, although they will remain on your VPU's payroll. Your budgets will be agreed annually based on strategies and work plans developed by the External Affairs team in cooperation with the relevant VPUs. Paul Mitchell will be responsible for the performance appraisals of those of you in the Regions and Peter Stephens of those of you in the Central Vice Presidencies; these evaluations will be done in close collaboration with VPUs and the other External Affairs managers. The secondary review will be done by myself and Jane Armitage. Your travel and leave arrangements will continue to be authorized by the VPU, although they should also be cleared with Paul or Peter.

Future recruitments of Regional or CVP external affairs officers will be undertaken by my office in close cooperation with the relevant VP. Equally, we would not place a candidate in one of these positions who was not acceptable to the client VPU. If other external affairs staff are hired by individual VPUs, I would expect these hirings to be undertaken in coordination with External Affairs.

Distribution: Messrs./Mmes. P. Mitchell (SASEXT), G. Barrett (EAPEXT), E. Chinje (AFREXT), M. L. Ingram (AFREXT), M. del Carril (LACEXT), J. Pakulski (ECAEXT), J. Yamine (MNAEXT), S. Rachlin (EXTHRO), C. Fleming (EXTESD)

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THE WORLD BANK
EXTERNAL AFFAIRS: WHAT WE DO

The World Bank's External Affairs Vice Presidency plays a lead role in shaping and guiding the international organization's communications, in North America, Europe, Japan and in developing countries which are clients of the Bank. Its work covers the management of communications on major issues, relations with the media, arranging speaking engagements, internal communications and community relations, as well as writing, editing and publishing. The Bank's communications aim to be open and strategic, listening to what others have to say and making sure we direct information in the most useful way to the right audiences.

External Affairs is charged with responsibility for:

- developing and guiding a Bank-wide communications strategy;
- ensuring that the many departments and offices of the Bank are coordinated and consistent in their communications and outreach efforts;
- providing advice and support to the President and senior management in their role as representatives of the Bank and as spokespeople for the broader mission of development;
- overseeing internal communications, particularly on major policy issues;
- providing guidance and support to the Bank's field offices or "resident missions" in their work directly with client governments and local audiences.

The Bank's communications—and hence the work of External Affairs—must reflect the institution's overall positioning and its core values. As enunciated by the President, Mr. James D. Wolfensohn, these values underscore the need for effectiveness and excellence, for increased willingness to provide non-lending services for our clients, and the strength to be found in partnerships with governments, non-government organizations (NGOs), the private sector and others. From this corporate positioning, three areas of External Affairs work emerge:

- building support for the Bank and its broader development mission in our industrialized client countries;
- building support for change in countries which seek Bank advice, analysis or lending;
- strengthening internal communications.

Success of the communications strategy depends heavily on close coordination between external affairs officers in the Bank's regional and central vice presidencies, in our offices in London, Paris, Brussels and Japan, in resident missions, and the External Affairs Vice Presidency itself. This coordination ensures that major events are handled smoothly and that the Bank is most effective in disseminating information to appropriate audiences.

EXTERNAL AFFAIRS: HOW WE ARE ORGANIZED

Issues Management: The Issues Management Division plays a central coordination role in the development, implementation and monitoring of communications strategies in partnership with the regional and central vice presidencies. Issues Management has adopted a client-focused approach to work, providing a full range of advice and support to vice presidential units across the Bank. The approach calls for issues managers to be able to fully utilize the services of External Affairs (media, speakers bureau, publications, writing), expertise from inside and outside the Bank, and their own knowledge, to develop communications plans which reflect the Bank's corporate positioning, and which meet the specific needs of client Vice Presidents. Issues managers cover several priority areas/issues including the environment, health, education, private sector development, trade and NGO relations.

Media Division: This division handles several media relations functions. Media relationship managers focus on developing long-term relationships with key print and broadcast media, each with responsibility for a particular region of the U.S. Our counsellors in Europe handle relations with European media, and regional external affairs officers work with journalists in their respective regions. The News Bureau, or "Boiler Room", is a high energy team within the media division, which maintains a targeted and consistent flow of information to print, broadcast and electronic media and other audiences. This unit provides writing, editing, targeting, and distribution support to External Affairs staff across the Bank and ensures a consistent high quality in all press materials produced by the Bank. *Development News*, an internal Bank publication which provides a daily summary of news relevant to the World Bank drawn from major newspapers and wire services worldwide is produced by the media team and distributed Bank-wide. A weekly supplement is also produced in hard copy and electronically. For external audiences, particularly journalists, a weekly update of new World Bank activities and initiatives, *World Bank News*, is disseminated globally.

Office of the Publisher: As a knowledge-based institution, dissemination of information is a core business of the Bank, and an effective publications effort is central to our communications strategy. The Office of the Publisher is a major area of activity, housed in External Affairs, which publishes World Bank reports and books in both print and electronic formats. The Bank's flagship *Annual Report*; major publications such as the *World Development Report*, the *World Debt Tables*, and the *Global Economic Prospects*; and topical books and reports on areas critical to the Bank's work, such as education and the environment, are published in this division. Within the Office of the Publisher are marketing, editorial, production, and distribution units, and the bookstores in Washington and Paris. New areas being explored are publishing on the Internet, as well as an enhanced marketing strategy.

Speakers Bureau: The Speakers Bureau provides strategic management of speaking engagements held both externally and at Bank headquarters. Working closely with regional and central vice presidencies, the Speakers Bureau takes advantage of opportunities to reach audiences important to the Bank and its clients. In response to requests that come into the Bank, and through its own aggressive outreach program, the Speakers Bureau regularly designs tailored programs for senior World Bank staff. In the U.S., for example, the Speakers Bureau organizes state trips which involve speaking engagements and events (often in partnership with local private sector or development organizations), meetings with local business, academic and political leaders, editorial board meetings and other press activities.

Internal Communications: This group aims to ensure a high level of knowledge among Bank staff on issues affecting them and affecting the Bank. It informs staff of new policy directions and programs through the several communications tools it manages, such as electronic information kiosks in the Bank's main computer system and internal publications.

Community Relations: Community Relations devises and supports efforts to ensure that Bank staff are an active and valued part of the community in which they live and work. Regular events include a Bank-wide drive for contributions to specific charities such as the United Way Campaign. Special events within the Bank such as African American History week are also coordinated through Community Relations as are events allowing Bank staff to meet on a more informal basis.

OFFICE MEMORANDUM

J. Maguire
A. Walsh
J. Donaldson
J. Feather
T. Cullen
K. Bergman

DATE: April 9, 1996

TO: See Distribution

FROM: Mark Malloch Brown, EXTVP

Mark MB

EXTENSION: 85914

SUBJECT: **Towards a Bankwide External Affairs Strategy.**

Towards a Bankwide Strategy

The process of developing a Bankwide external affairs strategy is well advanced, drawing on the communications plans you have submitted. Review of the plans has been an extremely useful exercise already, revealing a considerable array of approaches to communications across the Bank. It is clear that different vice presidencies have come to seek or expect different services, and varying levels of strategic planning, from their external affairs staff. Some variety is, of course, desirable and expected; but I have been surprised at the extent of the variance—in strategic goals, relations with the operational side of the Bank, and in the scope of the workplans.

I am anxious that we emerge from this process with:

- more strategic communications plans at a regional and central vice presidential level driven by the “three fronts” outlined in the earlier memo of March 6;
- the best, most creative communications plan for each region or CVP;
- broad buy-in, in each VPU, to the strategic goals and workplan of their external affairs unit;
- greater synergy and uniformity of standards between Part II strategies;
- a more cohesive Bankwide communications strategy, with greater linkage between our Part I and Part II activities;
- a much clearer sense of measuring effectiveness in reaching specific goals;
- an agreed process of budgeting and personnel management, consistent with the new coordination of external affairs across the Bank.

There is, however, some way to go before we achieve these goals. I would, therefore, propose a two-step process, leading up to the May delivery of a Bankwide strategy. The first step, on which I want to move this week, is for a representative sub-group of the strategy committee we formed to meet with each of you individually, to discuss the plan you have submitted. These discussions will sharpen the focus on goals, and strengthen the link between strategy, message, and tactics. Work also needs to be done on defining measurement of success or failure during implementation.

Following that, however, I intend to discuss that revised VPU strategy and how it meshes with the Bankwide approach, with your Vice President, together with you and any appropriate members of the VP's management team. This second phase will allow us to get into a discussion of how your strategy will mesh with the operational work being done in your vice presidency. We must ensure that directors, division chiefs and task managers see that the strategy is relevant to their work, and believe that it meets their needs. It will also allow us to ensure that the VP is willing to support the proposed goals with adequate resources. This commitment of each VP is critical to your authority and capacity to get the job done. It is also vital in terms of resource allocation, now that we have agreed that the bulk of external affairs funds will remain in the individual VPUs.

I plan to schedule the first of these meetings this week, and I would like the small group to include Peter Stephens, Jill Wilkins and Jane Kirby of my office, Paul Mitchell of South Asia and Joan Martin-Brown from ESD.

Distribution:

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P. Stephens, J. Wilkins, J. Kirby-Zaki.



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Withdrawn by Kim Brenner-Delp	Date February 14, 2023			

OFFICE MEMORANDUM

DATE: March 6, 1996

TO: See Distribution

FROM: Mark Malloch Brown, EXTVP

Mark MB

EXTENSION: 85914

SUBJECT: Preparation of a Bankwide Communications Strategy

Introduction

1. Since my memorandum to you of January 30, the Vice Presidents' meeting on February 7, and the EXT retreat on February 9, a group of external affairs staff from across the Bank have been working to revise and amplify the strategic guidelines contained in my January 30 memo. In the second part of this memorandum I will report on those changes. At the same time, my office and PDB have been reaching closure on the budgetary approach to be followed in implementing the Vice Presidents' agreement of February 7. The guidelines on budget process, therefore, also supplement the FY97-99 business plan guidelines issued recently by PDB to VPUs.

2. To remind you, we agreed at the VP's meeting on February 7 that we must balance the need for a coordinated, single global Bank communications strategy, with decentralized execution fully owned by each Vice Presidency, its task managers and Resident Representatives. To achieve this, we agreed it would be counter-productive to turn over all external affairs spending to the center. This would isolate external affairs from the operational work of each Vice Presidency and probably marginalize it in terms of resources and importance. It would be entirely counter to our goal of grafting communications into everything we do.

3. However, with the growing emphasis on communications in everything we do, it is more important to ensure coordination of message, common standards of excellence in implementation, and effective and non-duplicative uses of resources. This drove the decision to centralize administrative budgets and reporting lines.

4. This new structure will be continuously tested by the internal market. Our communications specialists must earn the respect of their clients, and must be ready to provide the specialized support which their markets demand. For example, task managers are making increasing demands on communications staff for help with grassroots communications activities. Staff must be prepared to rise to these challenges and central EXT is prepared to provide significant support to them in this effort. But, for the system to work it is critical that these staff remain attached to your office and physically located close to you. By transforming your relationship to them from supervisor to client, I expect an

enhanced level of service and attention to your VPU's needs. For this to happen, these staff must, however, maintain an active and visible link to the Vice President. This stature is key to their effectiveness.

A. Guidelines and Timetables

Preparation of External Affairs Plans by Vice Presidents

5. All VPUs have been requested to prepare external affairs communications plans for FY97, which should be transmitted to EXT by March 15 for review and discussion. Because of the tight timetable for the review process, I would appreciate your adherence to this deadline. A copy of the plan should also be sent to Mr. Richard Lynn for PBD's review. The plans should include a detailed and prioritized list of all public affairs activities which the VPU intends to undertake, along with specific estimates of the costs of carrying out each of these initiatives. (Reference should be made to Attachment 5 of PBD's business plan guidelines on the type of costs to be included.) The plans should make clear which of these activities can be carried out within the framework of the FY97-99 business plan submitted by the VPU to PBD on March 8, and which activities should require the redeployment of resources. The VPU should also provide a list of all public affairs activities carried out and planned in FY96, and the costs attributed to those activities.

Review of Communications Plans by EXT and PBD

6. From March 15 to April 5, EXT and PBD will carry out a comprehensive review of these communications plans. We have formed a Strategy Committee with representatives from EXT, CVPs and RVPs. Its members are Peter Stephens, Jill Wilkins, Caroline Anstey, Sarah Alexander, Klas Bergman, Jane Kirby-Zaki, Judith Maguire (EXTVP), Paul Mitchell (SASCA), Jan Pakulski (EXTME), Elkyn Chaparro (FPDVP), Sarwar Lateef (IECDR), Eric Chinje (AFREA), Joan Martin-Brown (ESDVP) and Mark Constantine (CPACR). This group has already helped to identify the messages and issues presented in the second half of this memo. Specifically, this committee will help review the plans to ensure that they are consistent with institutional priorities, and that they are consistent with one another. PBD and EXT will review the resources attributed to the activities to ensure that all relevant activities have been covered, and that the costs are appropriate and consistent with those incurred for similar activities in FY96. In this process, PBD and EXT will consult with the VPU. The process will not be completed until each VP has had the chance to review any recommendations and discuss them with me.

Development of a Bankwide Communications Strategy

7. Based on the VPU plans, EXT will prepare a consolidated proposal for a Bankwide communications strategy. I will transmit this proposal to each of you and to the Executive Committee at the end of April.

Personnel Shifts

8. Based on extensive consultations between myself and the relevant Vice Presidents, an agreement will be reached by April 15 on the specific core public affairs staff and the related budgets which are to be shifted to EXT as of FY97. This agreement will be sent to you and to the Executive Committee along with the Bankwide communications strategy and a note on how these staff will be managed within EXT. While specific cases will be discussed with the relevant Vice Presidents, I think it is important that we have a common understanding of what is meant by "core" public affairs staff. Presently there are senior individuals in some Vice Presidencies who combine communications work with much else. There also is a wide array of front office staff who do this work part-time. There is also a growing cadre of communications people in resident missions. I believe these individuals should not necessarily be transferred to EXT, as this would again undermine the purpose of, and consent for, this exercise.

9. My view is that a minimum commitment by the Regional VPUs, ESD, FPD, HCO and DEC to the Bank's communications strategy should, however, be a small team consisting of a Senior Public Affairs Officer (22-24), a more junior Officer, and at least one staff assistant. The teams in the largest Vice Presidencies (e.g., Africa) most likely should be larger. In other cases they may be slightly smaller. In cases where the VPUs have staffed these positions, I would expect that these staff and their associated budgets (for travel, consultants, etc.) would transfer to EXT. It is important that they enjoy the same resource base for FY97 for consultants and travel that was available in FY96. These VPU funds will be separately administered within EXT's budget to ensure complete transparency and accountability. In other words, there will be no raiding of these administrative budgets for other purposes. And there will be a high degree of delegated authority for their use to the Senior Public Affairs Officer. Where dedicated and defined positions do not exist (e.g., where functions are spread across a number of managers and staff), I would expect funding for the positions to be transferred to EXT. I would not consider it reasonable for a VPU to propose that because its communications work was scattered over a large number of staff, neither people nor funds were available; such a proposal clearly would run counter to the spirit and letter of these agreed changes. In addition, I hope to discuss options for communications support for TRE and CFS with the respective Vice Presidents.

FY97 Budget Distribution by PBD

10. The FY97 budget distribution to all VPUs in early July will reflect the transfer of resources from VPUs to EXT of the administrative budgets which have been agreed by the Executive Committee. It will also reflect any overall rationalizations on transfers between VPUs agreed during the course of developing a common strategy.

B. Strategy Development

11. As indicated above, a Strategy Committee drawn from across the Bank has been working to refine the guidelines put forward in my initial strategic proposal of January 30. If the process of a common strategy is to be successful, it is now vital that each VPU's plan is crafted to reflect these common strategic guidelines. The guidelines have been deliberately drawn with, I believe, sufficient flexibility and focus on the operational activities of the Bank that they should not be a straitjacket, but rather a framework. They should allow the dynamic projection of regional or thematic issues and successes to feed into a single positioning for the Bank, rather than compete with each other.

12. There was, within the Committee, broad acceptance of the positioning statement distilled from Mr. Wolfensohn's various remarks as well as from the VP retreat last fall. Let me therefore repeat that statement and mention also the "three fronts" on which I had recommended we focus our communications efforts, which were also endorsed.

"The Bank is changing—as our marketplace changes. There is a demand for non-lending services and for lending to new sectors, such as the environment, education and health. We must demonstrate how we are responding.

Further, we must learn to leverage the new principal source of development finance, the private sector. We must show that this new set of challenges is forcing us to look hard at ourselves and our performance; to restore excellence in what we do; to measure performance by results; and to invest in many areas of corporate performance, from training and personnel to information management. And demand, on the ground, will be the main driver of organizational performance.

We must prove to all audiences, internal as well as external, that these changes in organization and the balance of services, however, take place within a more profound shift: first, an acknowledgment that the Bank's influence in the new global economy rests on partnerships with others; second, a core acceptance of sustainable development with all its consequences for our lending programs; and third, humility.

We must daily show that the Bank, and each of us, has recognized that successful development is a broader integrated process—bigger than the Bank or any of us—and that our influence rests on our capacity to work together and persuade and partner, not prescribe. And fourth, that despite the dramatic change in the world, poverty remains the lot of half of humanity. Their engagement in the world economy on fair and sustainable terms remains our ultimate mission."

13. This positioning gives rise to the "three fronts" of the Bank's communications work.
- (1) Building political and financial support for the Bank and development in Part I countries
 - (2) Building support for change in Part II countries.
 - (3) Increasing the quality of communications within the Bank.

Building Support of the Bank and Development in Part I Countries

14. For the first of these fronts, the strategy will emphasize three messages which can be summarized as follows:

Markets—helping build markets which not only benefit exporters but create new consumers, wealth and choice in Part II countries.

Values—working to lift the living standards of borrowing country citizens in ways consistent with basic human values of people the world over to provide them with the means for sustainable lives.

Security—building sustained prosperity and reducing poverty.

These messages reflect the work we do, and also the themes which resonate with our Part I audiences. They convey an accurate sense of what the Bank cares about, where it is now and where it sees itself going. These themes have been, and should continue to be, used consistently in the published statements and press releases we issue, in the speeches we deliver and the op-eds we write. They also must be consistent with the way the Bank presents specific issues ranging from capital flows and trade reform to education policy and empowering women. The Strategy Committee felt our messages must be clear, not just in what we say, but in what we do. Because they are rooted in the work of the Bank, these messages have direct relevance to Part II markets.

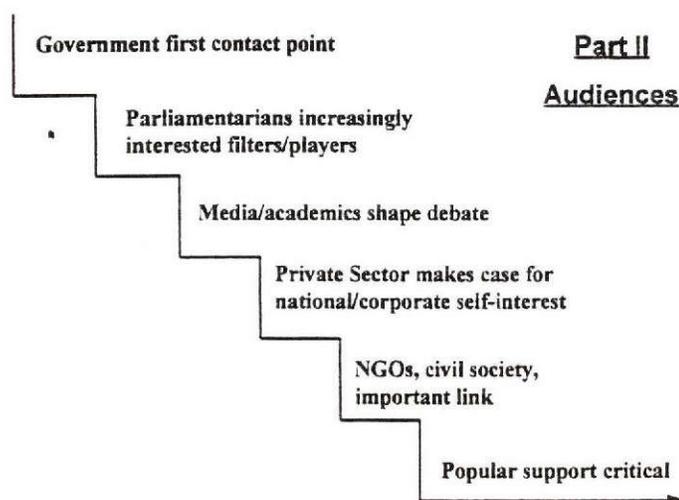
Building Support for Change in Part II Countries

15. While the Strategy Committee largely endorsed the Part I plan (although they were anxious to see improved implementation), they expanded considerably on the Part II front. Developing specific, targeted messages appropriate to Part II audiences is a more complex assignment, if only because the Bank's role in Part II markets varies considerably, depending on the level of economic and social development on the ground. The Bank's basic mission is also different, in that we seek to manage change for and with our clients. We seek to support the project or policy work we do on the ground. We generally work to reach specific audiences in ways that support, rather than influence, the government. In Part I countries, by contrast, we seek to build financial and political support for the broader work of development.

Effective communications are vital to support projects and reforms. In many borrowing countries, reforms are struggling as governments fail to adequately explain the

changes to their populations. Experience shows that reforms do not succeed solely on economic merit; the understanding, ownership and commitment of affected parties is critical. Any positioning and message for the Bank in Part II markets must, therefore, be predicated on certain principles:

- Communications must be at the heart of the Bank's work—both lending and policy advice; communications must drive the change agenda consistent with the CAS.
- The Bank must lay a foundation for its communications by being open and accessible in Part II markets (to engage other “steps” on the audience chart).



- It must broaden the in-country dialogue and reach new audiences.
- The value of resident representatives trained in communications cannot be overstated.
- The Part II communications plans must be country and/or region specific, reflecting the intersection of the Bank's commitment to results and the country assistance strategy or business plan.

Part II Positioning and Message Development

16. The Bank's work in Part II countries is based on a reputation arising from past projects and advice; on external factors, and the way we have worked with countries to handle those factors; on certain values which the Bank and its member countries adhere to and believe in; and on expectations of what the Bank-client relationship will produce. If we were to attempt to describe, in broad terms, the nature of that relationship, it would probably read something like:

The Bank is your partner in helping manage the forces of global change according to your country's unique values, needs and conditions, and turn those forces to prosperity and advantage (access to skills and markets).

This can be broken into two main points:

Partnership—the Bank brings international access and experience to the table, but is country-specific in its values and practices. It is not a Western visitor but a local friend and advisor.

Change—this embraces the range of global and local development issues which impact on economic and social conditions across a broad array of borrowing countries. The Bank is committed to working with countries to manage change in a way that allows them to integrate into global markets on their own terms.

This is a logical refraction of the overall positioning, as outlined on page 4 of this memo.

17. The Part II communications plans must, therefore, be driven by the individual country assistance strategies and business plans of the Bank, as well as be consistent with the Part II positioning. They must be consistent with the Part I messages (though perhaps tailored for different audiences).

The messages for our Part II audiences serve two fundamental purposes:

- provide broad guidelines for shaping, organizing, and focusing local messages in country-specific communications strategies;
- provide a symmetry with broader communications initiatives across countries and regions, in both Part I and Part II markets. So where, for example, the Bank is providing cross-regional leadership on a change issue, we must provide an institutional message across the region.

Three messages command broad relevance across Part II markets, though their exact applicability will depend on country-specific business plans. They are:

Economic reform. This includes basic adjustment, more elaborate privatization plans, restructuring pensions, tariff and trade reform and other market-based changes.

Sustainable development. While the term has become limiting, the values and priorities it reflects are vital. This would cover the work being done in education, health, empowering women, poverty-targeted interventions and the environment, rural sustainable development, and infrastructure.

Good governance. This covers the range of legal, administrative and structural reforms, as well as economic stability and reform.

These message points mesh neatly with the Part I messages because they describe the same work, the same Bank, but from a borrowing country perspective. Thus we are not

presenting ourselves as one thing to donor countries and another to the borrowers. We are communicating with both consistently, using messages that reflect our work and the nature of our relationships with them. The messages encompass most of the work being done within all business plans and allow us to draw common threads from those business plans and develop consistent, coordinated and focused communications plans to reinforce them.

Communications: Local and Global: Some Thoughts

18. At the end of the day we do not only want consistent and coordinated strategies, we obviously want to force a greater degree of strategic integration. This will come through selecting cross-cutting campaigns (see below) that involve different Vice Presidencies. It will also come from our ensuring that the arbiter of program output is not a supply-driven one of what a VPU wants to promote but rather both strategic consistency and above all a close attention to demand: what our Part I and Part II national audiences want to know about.

19. Some *possible* campaigns could include:

Asia: Financing the \$1.3 trillion infrastructure needs. The Bank has a compelling opportunity to satisfy client needs and establish relevance by finding creative ways to leverage private sector finance to meet the region's huge demand for additional power generation, roads, telecommunications, and other facilities. At the same time it allows us to address environmental issues in an integrated matrix. This also has relevance to Latin America, and work has been done on this in the LAC Vice Presidency. It fits with the Part I "markets" message.

Africa: Empowering Women. A key element in the drive to create sustainable economic and social development, the empowerment of women also has clear appeal to Part I markets as a "values" issue.

ECA: Economic reform, privatization and stability. The cross-country experiences of difficulties and benefits of reforms are a major focus of the Bank's communications work. It is also consistent with the "markets" message in Part I markets and with the "security" message. We also need to reach out to the academic and parliamentary audiences in Part I countries and demonstrate the effectiveness and relevance of the Bank's reconstruction work in Bosnia and elsewhere in the region.

Ensuring every boy and girl learns to read and write by 2010. A global campaign, this has its roots in a results-on-the-ground approach in Part II markets. It will, when established, have powerful impact on Part I audiences, but the key is to build support for these important changes within the Bank and in Part II markets first.

Climate change and the search for renewable energy sources. This global campaign would have the benefit of being a "leading edge" issue, allowing the Bank to play a major

role in shaping the agenda and reflect the needs and perspectives of its Part II clients. It also would allow the Bank to be ahead of the established environmental dialogue, and establish credibility instead of defending itself from attack.

Building links to the private sector. Important steps are underway across the Bank Group to present a single access point and a less-confusing look to business, without sacrificing the individual strengths of the component elements of the Group. The long-term impact of this campaign alone will be to make new partnerships with the business community, leading to more effective and relevant Bank operations, a stronger constituency for the Bank in Part I countries—and, therefore, better service to our Part II clients.

C. Conclusion

20. Obviously, in the preparation of this memorandum there has already been a new level of practical coordination among external affairs staff across the Bank. I am very grateful for this. And come July 1, I look forward to welcoming them as a formal part of the new communications operation—an operation which I hope will serve you and all your colleagues with a new level of overall professionalism and effectiveness.

Distribution:

Messrs./Mmes. Kaji, Koch-Weser, Sandström, Einhorn, Frank (EXC); Berry (HRGVP), Bruno (DECVP), Burki (LACVP), Cheetham (ECAVP), Choksi (HCOVP), Dervis (MNAV), Donovan (FPRVP), Fukui (CFSVP), Jaycox (AFRVP), Linn (ECAVP), Madavo (AFRVP), Muis (CTRVP), Perlin (TREV), Picciotto (DGOVP), Rischard (FPDVP), Sarbib (AFRVP), Serageldin (ESDVP), Shihata (LEGVP), Wood (SASVP), Zhang (SECV), Thahane (UNAV)

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**External Affairs
Strategy Presentation
to Executive Directors**

March 1, 1995

Part One

RESEARCH FINDINGS

“This research is very interesting. But the person who requested it is going to be fired, because that is the way the World Bank works.”

Chilean businessman

Methodology

- ◆ Review of European and North American public opinion surveys on aid, development, and the World Bank
- ◆ Review of 50th anniversary internal and external interviews and papers
- ◆ Review of VPs' communications plans

Methodology

- ◆ Preparation of 15 new Part I country profiles
- ◆ New qualitative research among
 - ❖ opinion leaders from a variety of countries and sectors
 - ❖ World Bank staff

Qualitative Research: Methodology

- ◆ 220+ interviews (of which 22 internal)
- ◆ In person or by phone
- ◆ Sample chosen by Bank and independent researchers
- ◆ 45-60 minute interviews
- ◆ Non-attributable basis

Qualitative Research: Countries

- ◆ Canada, USA
- ◆ Predominantly Chile, with perspectives from other Latin American countries
- ◆ France, Germany, Netherlands, UK
- ◆ Cote d'Ivoire, Ghana

Qualitative Research: Targets

- ◆ Government officials and political leaders
- ◆ Business and financial community
- ◆ Journalists and academics
- ◆ NGOs
- ◆ Senior staff in variety of Bank departments

Qualitative Research: An Attitudinal Study

- ◆ In-depth interviews
- ◆ About perceptions of the broad context; the Bank; its component parts
- ◆ Establishes significance but does not measure frequency
- ◆ Sample small at individual country level

Qualitative Research: Objectives

- ◆ Understand current perceptions of the Bank
- ◆ Define the role of the Bank in an evolving global economy
- ◆ Identify new allies in this changing environment

The Starting Point

How to communicate the Bank's vision?

- ◆ Selectivity
- ◆ Partnership
- ◆ Client orientation
- ◆ Results orientation
- ◆ Cost effectiveness
- ◆ Financial integrity

The Broad Context

- ◆ Bank is smaller fish in shrinking pond
- ◆ Private capital flows
- ◆ New markets
- ◆ Public sector in retreat
- ◆ However, a “two-speed world”

The Bank Within this Context

- ◆ Many of the Bank's difficulties are related to external environment. Its world is changing
- ◆ Bank's performance respected, particularly by most knowledgeable -- except professional critics
 - ❖ Emphasis on wholesale research record
 - ❖ Respect for project formulation process

The Bank Within this Context

- ❖ Ability to mobilize funds
- ❖ Importance to poorest countries -- recognized how concentrated and ephemeral private capital flows can be
- ❖ Quality of staff

Five Interview Hypotheses

- ◆ Aid as millstone
- ◆ Dated institution on the wrong side of change
- ◆ Absence of clear institutional identity
- ◆ Vacuum that critics fill
- ◆ An internal cultural crisis

A Driving Dynamic

- ◆ Sense of economic insecurity
- ◆ “white middle class male”
- ◆ Anti-taxes, anti-government, anti-global trade

VS

- ◆ Sense of opportunity
- ◆ Global consumers
- ◆ Pro-markets, capital flows, competition and trade

How It Plays Out for the Bank

- ◆ Support for foreign assistance remains fairly constant over 40 years in Europe and North America
- ◆ But surveys show aid loses badly in trade-off with domestic priorities
- ◆ Whereas open market arguments still just win (GATT, NAFTA)

How It Plays Out for the Bank

- ◆ When Bank is identified as aid agency, it is vulnerable to public opinion
- ◆ Within aid, shifts that presently do not favor the Bank:
 - ❖ humanitarian
 - ❖ refugee
 - ❖ relief

Bank and Aid

- ◆ Association with aid is a barrier to growth elsewhere
- ◆ Aid may have lost its main selling point in the post-Cold War world
- ◆ Yet, by contrast, interviewees believe the Bank may have a new role and significance

How Strongly is the Bank Associated with Aid?

◆ **Language**

◆ **Institutional priorities**

◆ **Behavior and size**

Language

- ◆ We talk to ourselves
- ◆ Lexicon not shared
 - ❖ development: vague, generic view across sample (except Africa)
 - ❖ poverty alleviation: sentimental, not real, goal
- ◆ Research: wholesale best in world; retailed, it becomes “PC”

Language: What People Said of Us

“For Chile, the development issue is finished; it is an empty question. Different types of cooperation must be defined. It is not the same thing to help Rwanda, Bolivia or Chile.”

Chilean Government Official

Language: What People Said of Us

**“We don’t want to just alleviate poverty.
It’s more than that. We want to see
economic growth and stability.”**

UK Government Official

Language

PAST



FUTURE

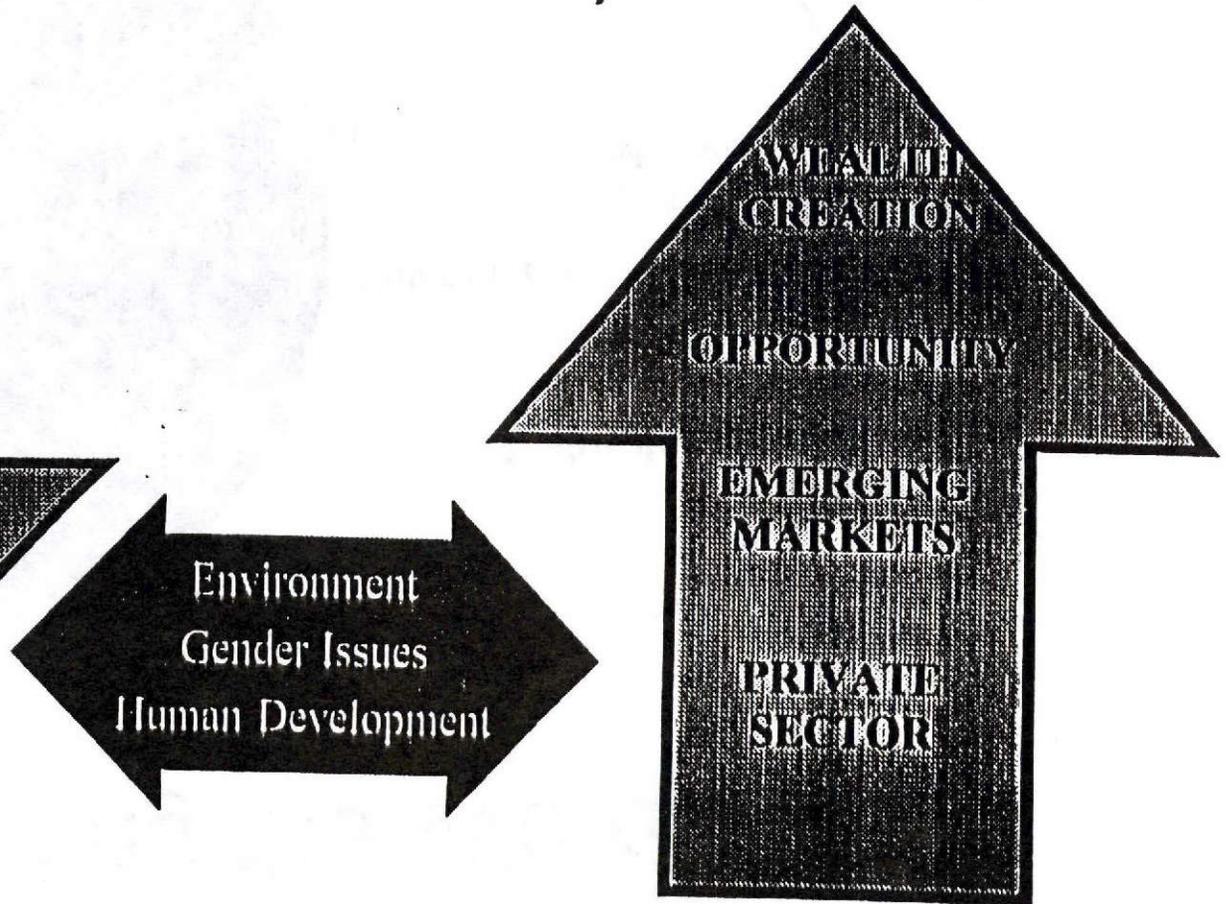


Language: Getting the Correct Anchor

PAST



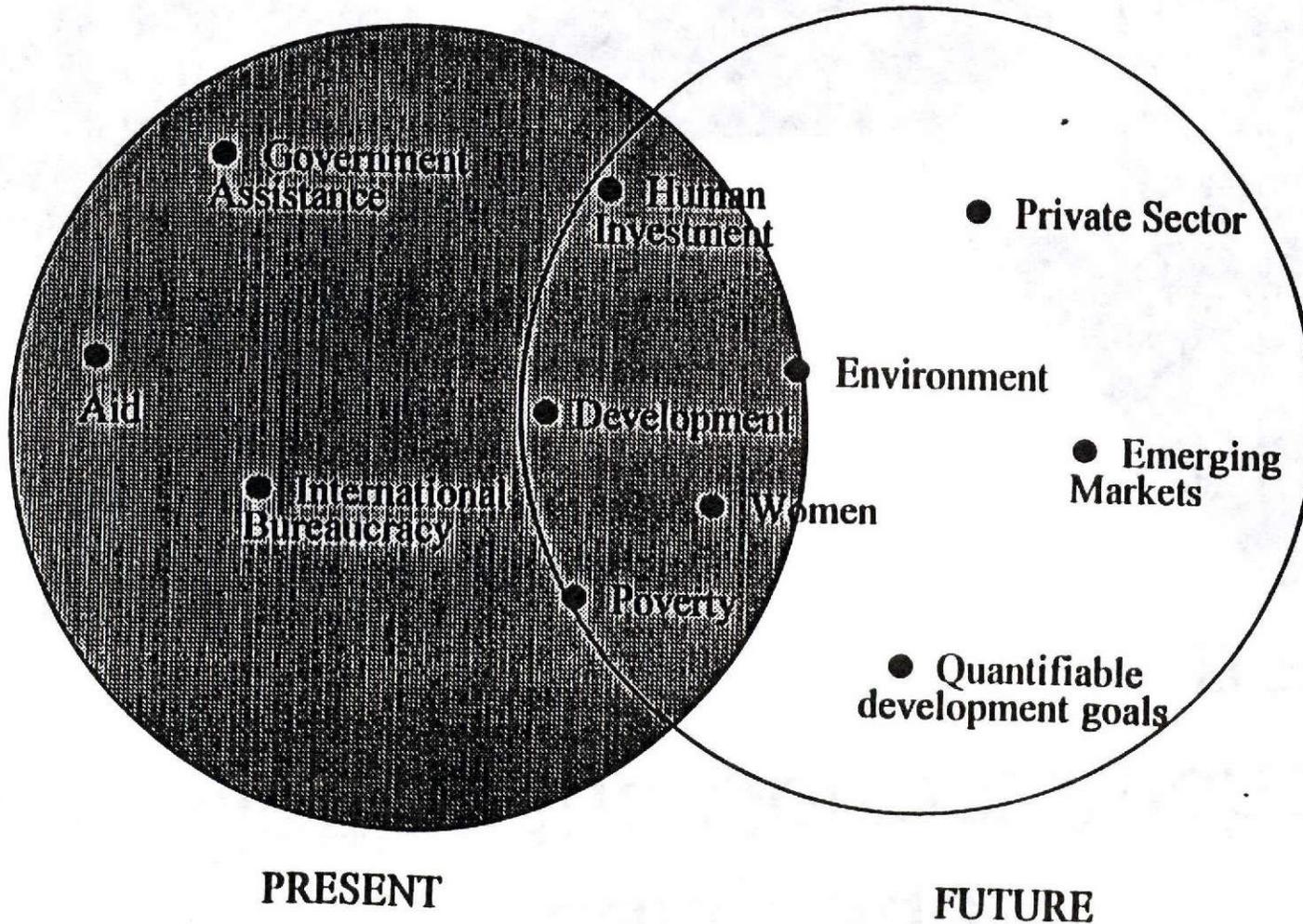
FUTURE



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Environment
Gender Issues
Human Development

Rating the Words



Institutional Priorities

- ◆ IDA dominates our dealings with many groups interviewed, particularly NGOs
- ◆ Africa, largely an IDA issue, is dominant issue in Europe

Institutional Priorities

- ◆ IDA seen as typical of aid agency
 - ❖ big projects
 - ❖ government-to-government
 - ❖ direct burden on taxpayers
 - ❖ either not lending program, or too stringent
- ◆ Faulted for “failures” in Africa; for “successes” in China and East Asia

Institutional Priorities: What People Said of Us

“The World Bank is an amorphous mass of highly paid people placed by governments to look after their own interests.”

British business person

Institutional Priorities: What People Said of Us

“The Bank has to position itself as a supporter of networks. The stereotype of the Bank as an organization unto its own is no longer credible. Nobody has that kind of independent power any more.”

Canadian Government Official

Behavior and Size

- ◆ World Bank seen to behave as a big governmental agency
 - ❖ lifestyle
 - ❖ self importance
 - ❖ buildings
 - ❖ relations with NGOs
 - ❖ lack of relations with business and all but narrow sector of financial services

Behavior and Size: What People Said of Us

“The World Bank is an organization too slow to respond to fundamentals. It is an elephantine institution...its staff and culture are too `70s or `80s, not `90s.”

UK banker

Behavior and Size: What People Said of Us

“They are so lavish. They fly first class with their spouses. In what other government institution do you see this type of lifestyle?”

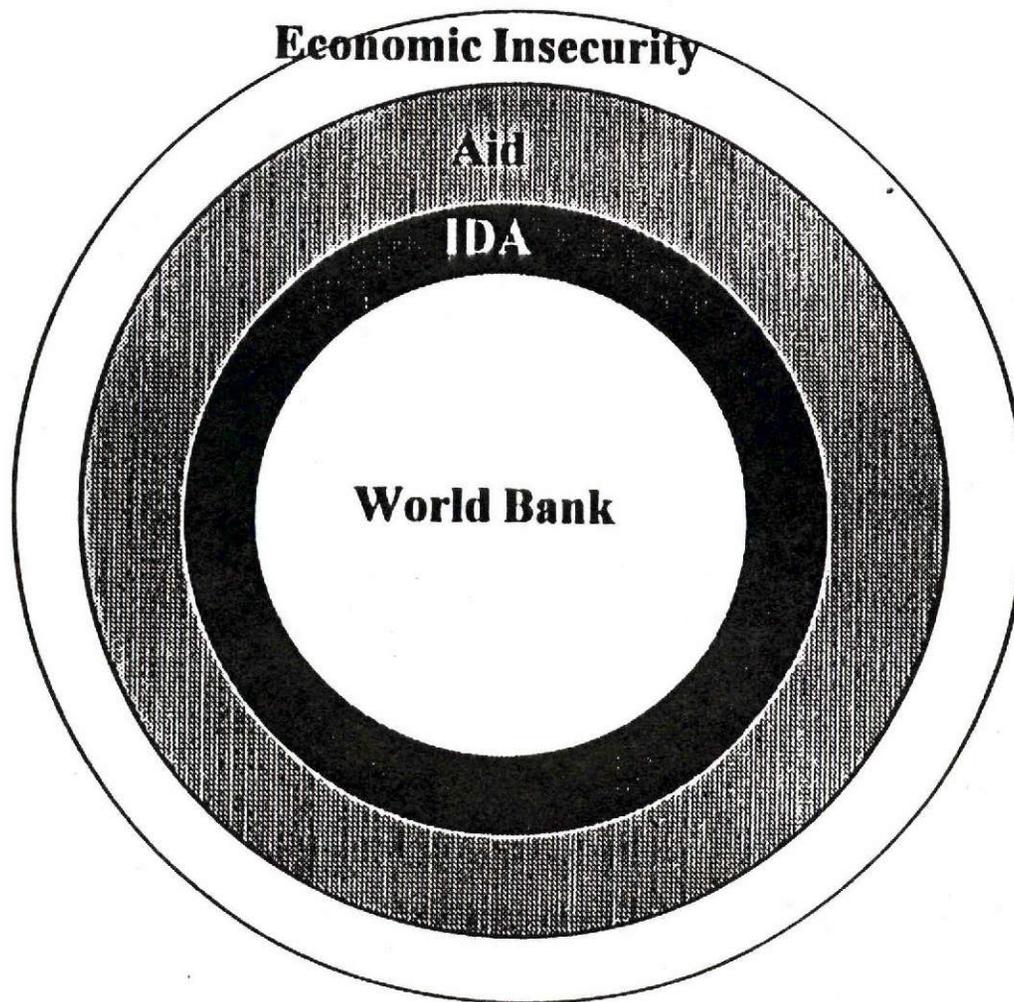
US academic

Behavior and Size: What People Said of Us

“It’s too big, too bureaucratic. People stay too long.”

Dutch coalition member

The Current Perception



Crisis of Relevance

◆ On Right

- ❖ seen as crowding out private sector
- ❖ skeptical of government solutions

◆ On Left

- ❖ skeptical of big, top-down approaches to development
- ❖ believe popular participation, ownership, empowerment are missing keys

Crisis of Relevance

Both sides question the relevance of the Bank

A New Global Consensus?

- ◆ Social safety net for global worst cases
- ◆ Welfare reform and sustainability
- ◆ Believe in markets, or at least development of micro markets
- ◆ New post-Cold War economic and social agenda
- ◆ International inter-governmental action when relevant

Paradox

- ◆ If they did not have it our interviewees would have invented the World Bank
- ◆ So why do they dislike the one they have?

How Did the Bank Get Into this Box?

Our interviewees said

- ◆ High expectations set by
 - ❖ post-War record; government and economic reconstruction works
 - ❖ McNamara's "missionary" approach to poverty and development

How Did the Bank Get Into this Box?

In 1980s, doubts set in with:

- ◆ Crisis of government
- ◆ Debt crisis
- ◆ Structural adjustment lending
- ◆ Environment

The 1990s Box

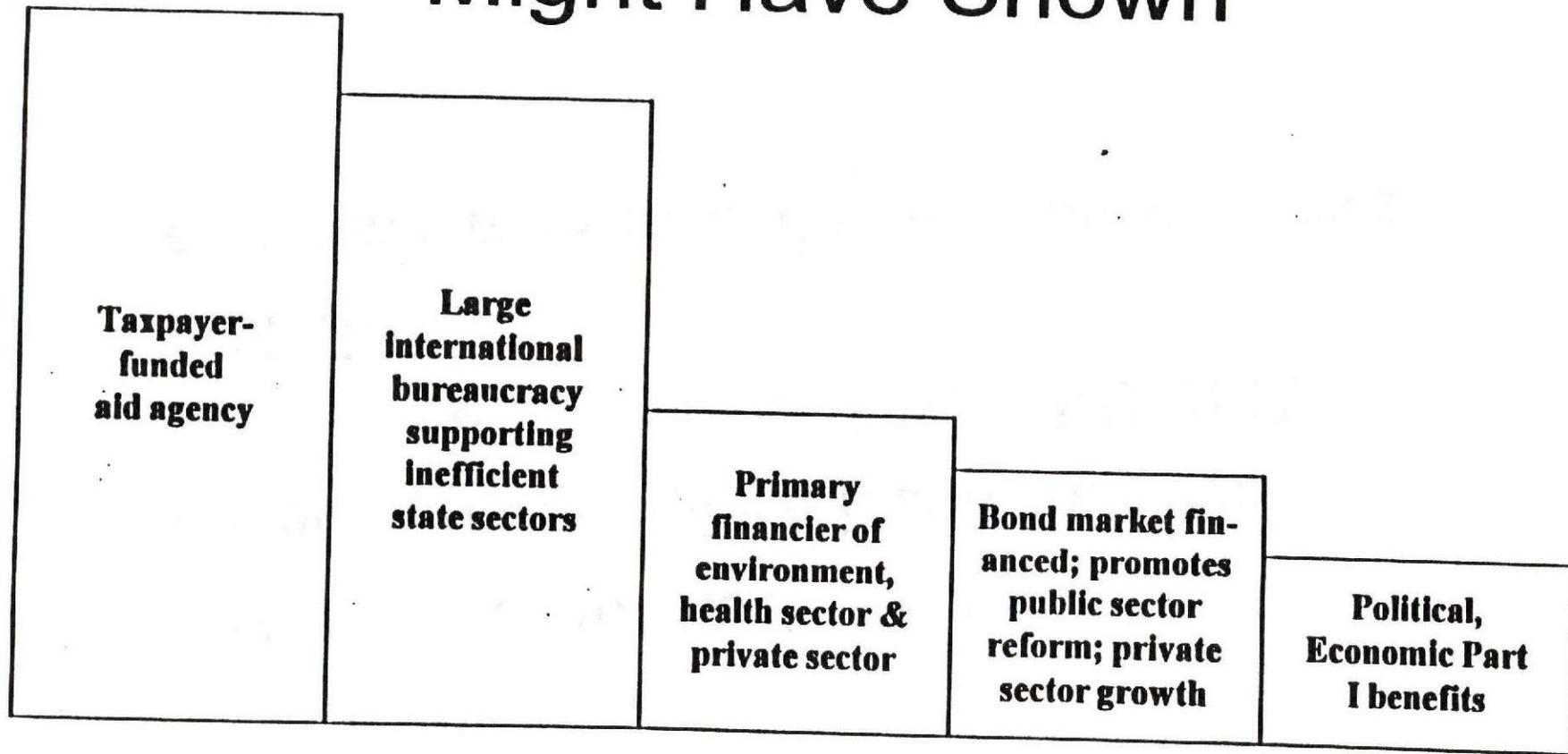
In eyes of interviewees:

- ◆ Vast, unaccountable, inaccessible
- ◆ Yet, increasingly dwarfed by other financial players

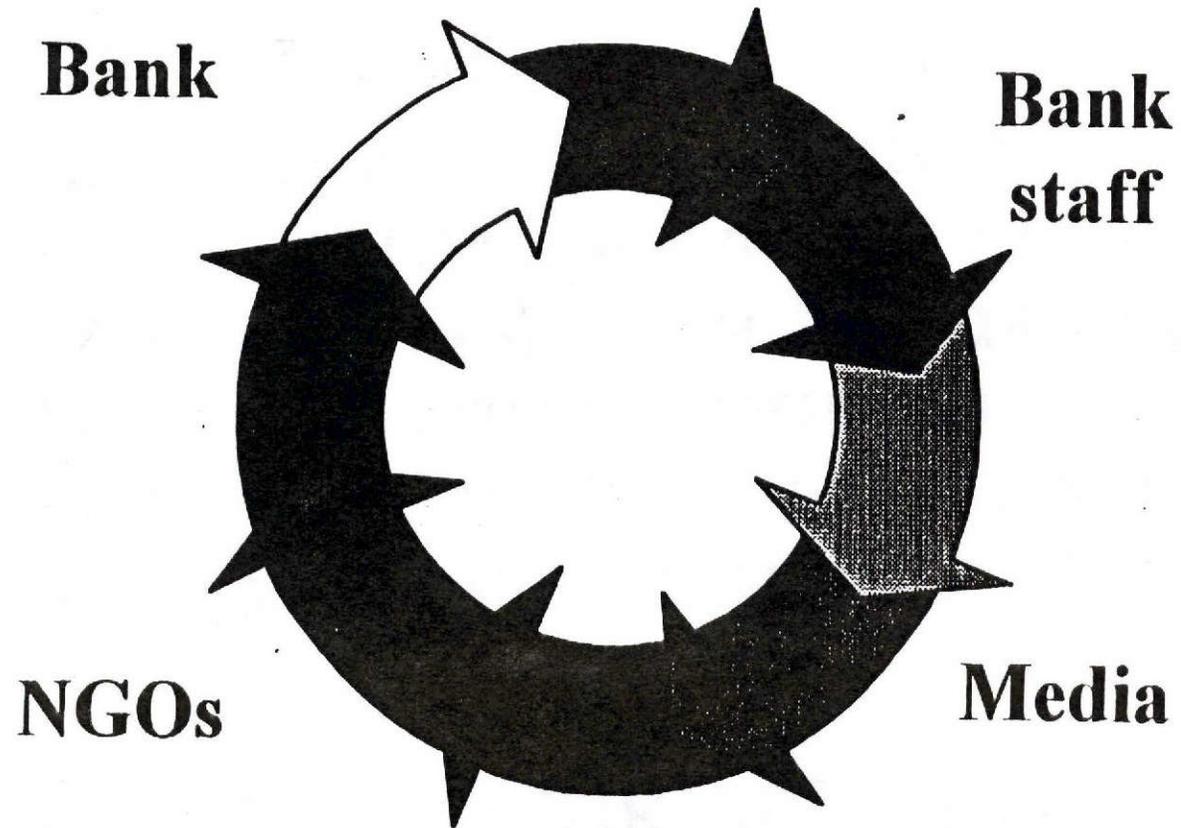
The 1990s Box

- ◆ Not attuned to clients' needs
- ◆ Own self-determined internal agenda
- ◆ No corporate image (IDA, IBRD, IFC, MIGA)
- ◆ Failures remembered more than successes

What a Quantitative Survey Might Have Shown



In a vicious circle, others fill the vacuum



The Vicious Circle: World Bank vs. EDF

“The World Bank’s letter to the editor provides a useful opportunity to continue public debate about the Arun III hydropower project in Nepal. Much of the Bank’s response is at odds with its own project documents and reports.”

[EDF on Internet](#)

The Vicious Circle: World Bank vs. EDF

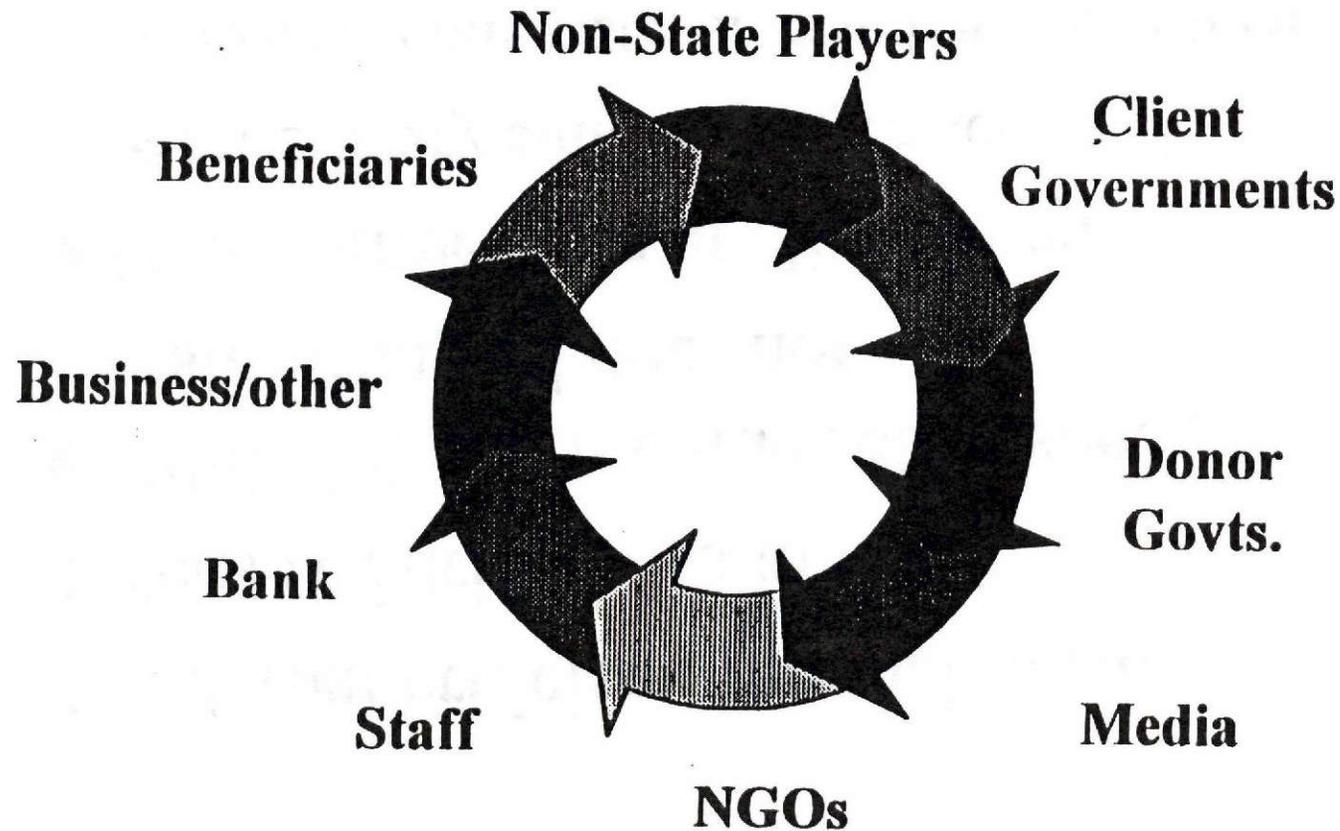
World Bank studies cited by EDF

- ◆ power prices in Nepal
- ◆ economic conditions in Nepal
- ◆ Arun III Staff Appraisal Report
- ◆ Involuntary Resettlement
- ◆ Energy Efficiency and Conservation
- ◆ Indian Power Assessment

The Vicious Circle: World Bank vs. EDF

- ◆ Number of Bank documents cited **6**
- ◆ Other sources cited (USAID) **1**
- ◆ Number of Nepal sources cited **0**

Creating a Virtuous Circle



Internal Communications

- ◆ External criticism; Internal mirror
- ◆ Sense of drift in institution
- ◆ While job did provide self-respect, institution still does not
- ◆ New competition at client level
 - ❖ missionary ethic no longer accepted
 - ❖ no new consensus on role between clients and staff

Conclusions

Interviewees would like the Bank to be

- ◆ Leader in new global economy
- ◆ Quicker
- ◆ More client focused
- ◆ More open
- ◆ More willing to listen

Conclusions

- ◆ More modest
- ◆ Smaller
- ◆ Focused on needs of the poorest
- ◆ Complementary not competitive services to middle income countries
 - ❖ Advice; Policy; Research; Networks

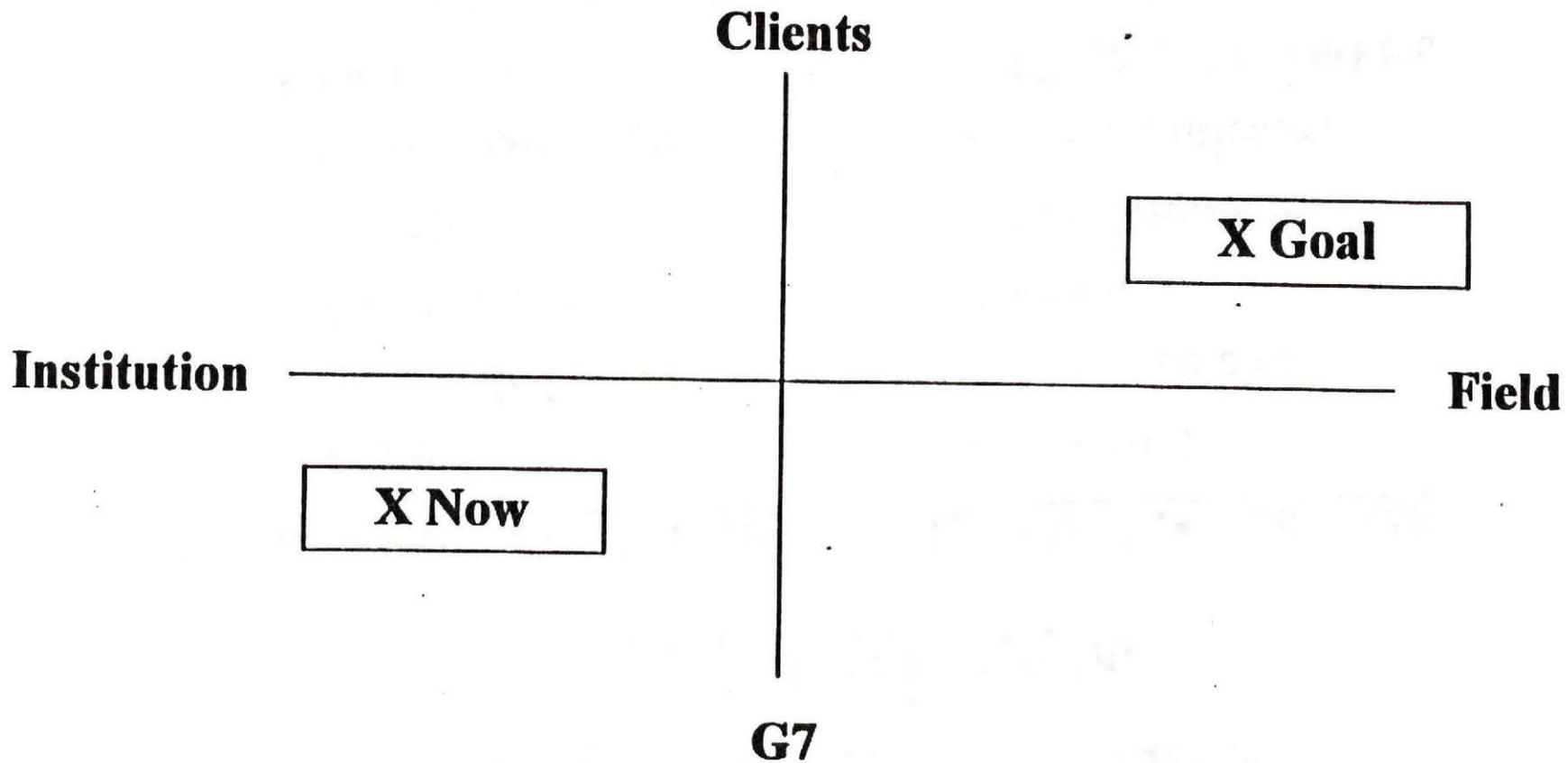
Communications Plan Approach

- ◆ Single-minded message
- ◆ Innovation in delivery
- ◆ Disciplined implementation

Part Two

A
COMMUNICATIONS
STRATEGY

Changing the Focus



Organization Traits, Old and New

20th Century failing

- ❖ Large
- ❖ Vision diffuse
- ❖ Unaccountable
- ❖ Reactive
- ❖ Closed language
- ❖ Goals vague
- ❖ Global/non-national
- ❖ Imperial

21st Century success

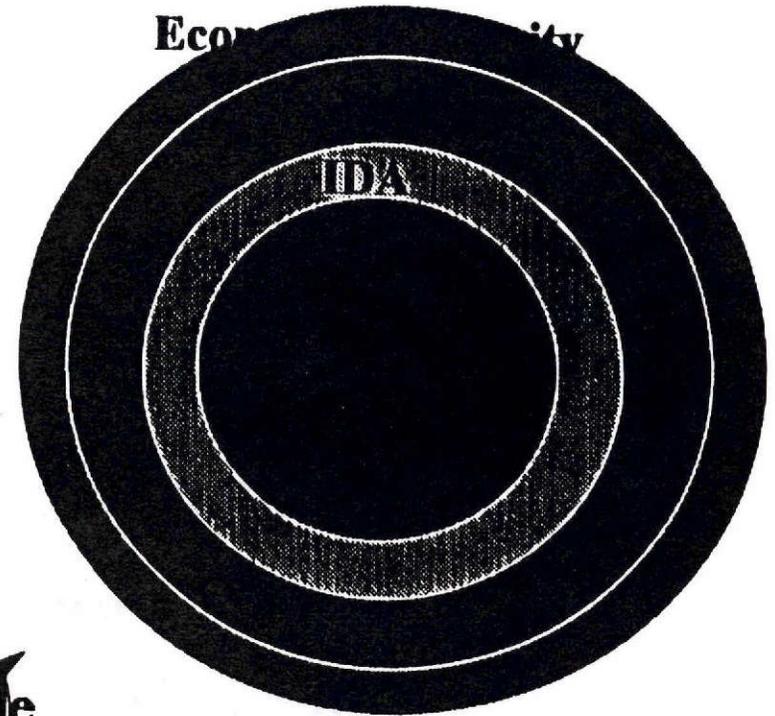
- ❖ Focused
- ❖ Message clear
- ❖ Open
- ❖ Opportunistic
- ❖ Communicates
- ❖ Clear niche markets
- ❖ Global/community
- ❖ Modest

A Need for New Friends

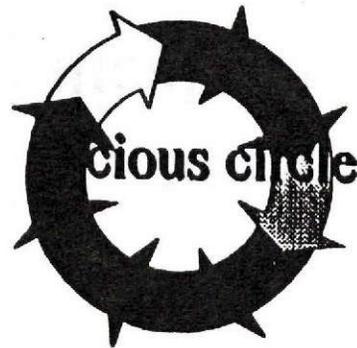
- ◆ Bank must identify and reach out to new economic and political players
- ◆ In turn, this must drive internal cultural reforms

The Broader Message

Must cut through



and by-pass



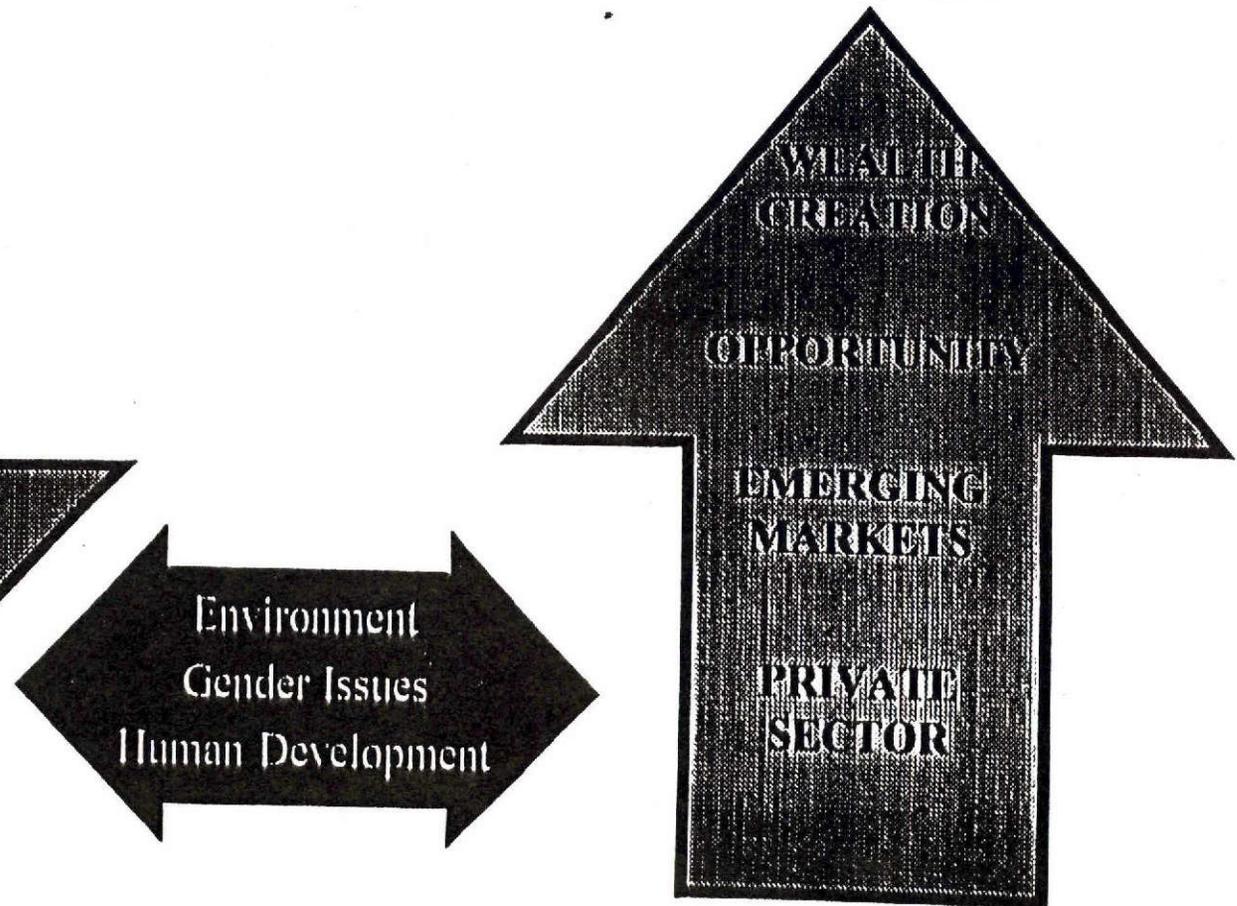
To Reach External Audiences

Getting the Correct Anchor

PAST



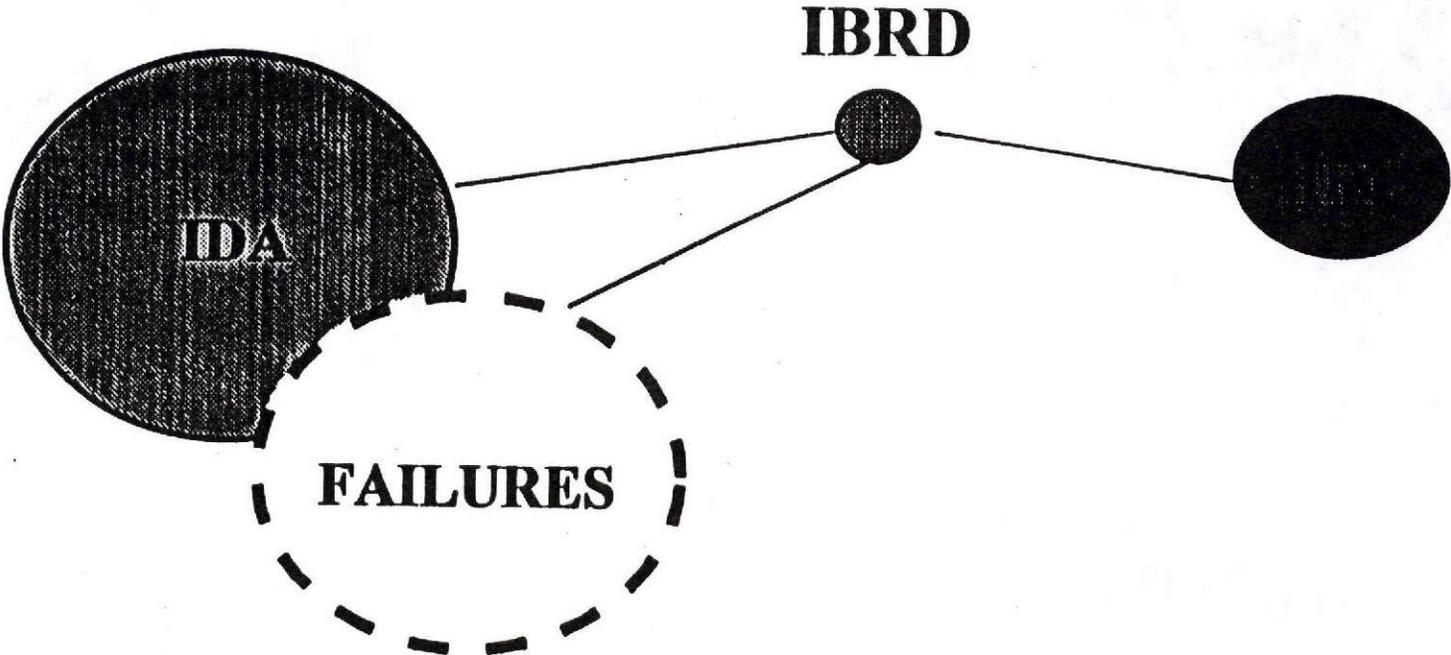
FUTURE



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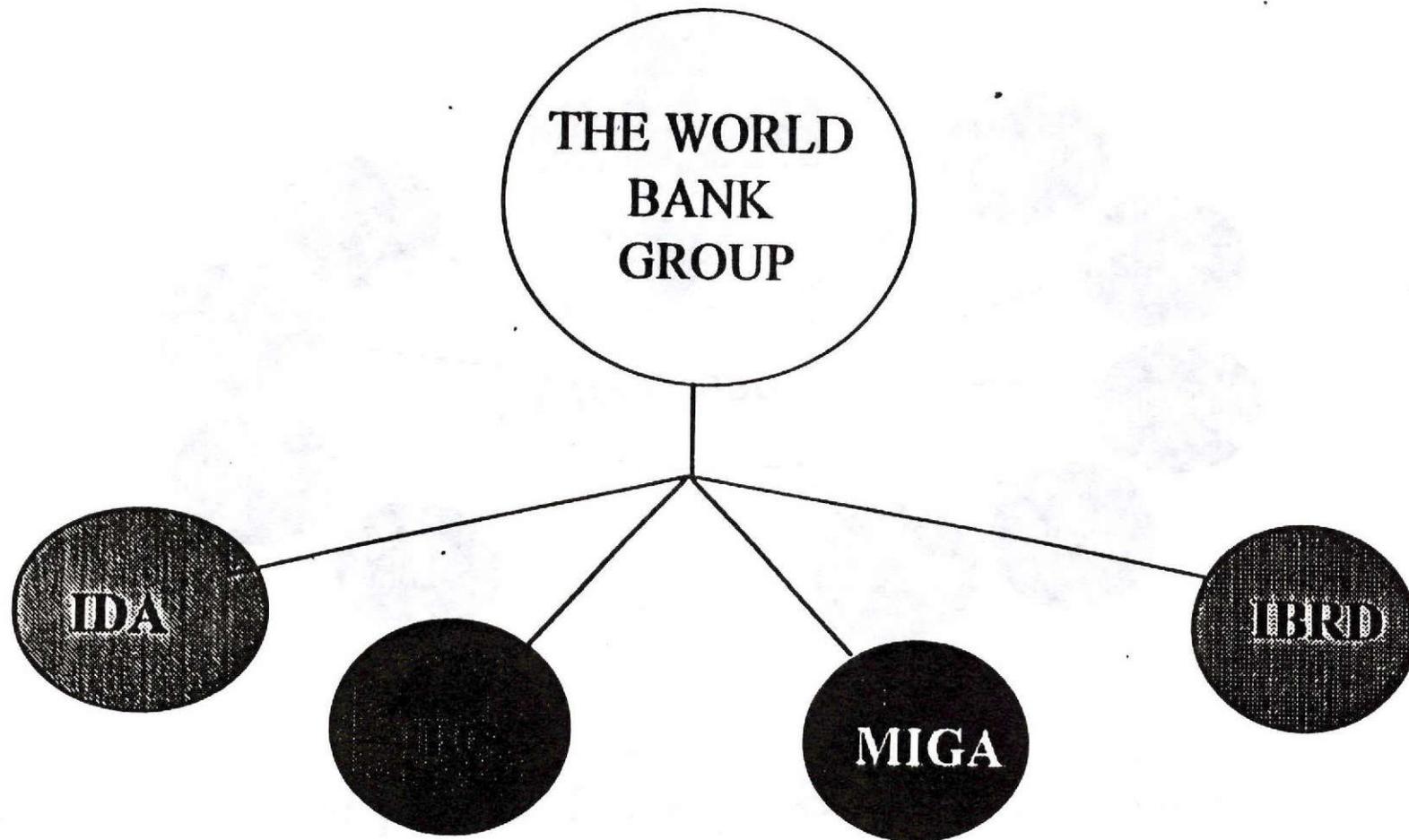
Current Position

PRESENT

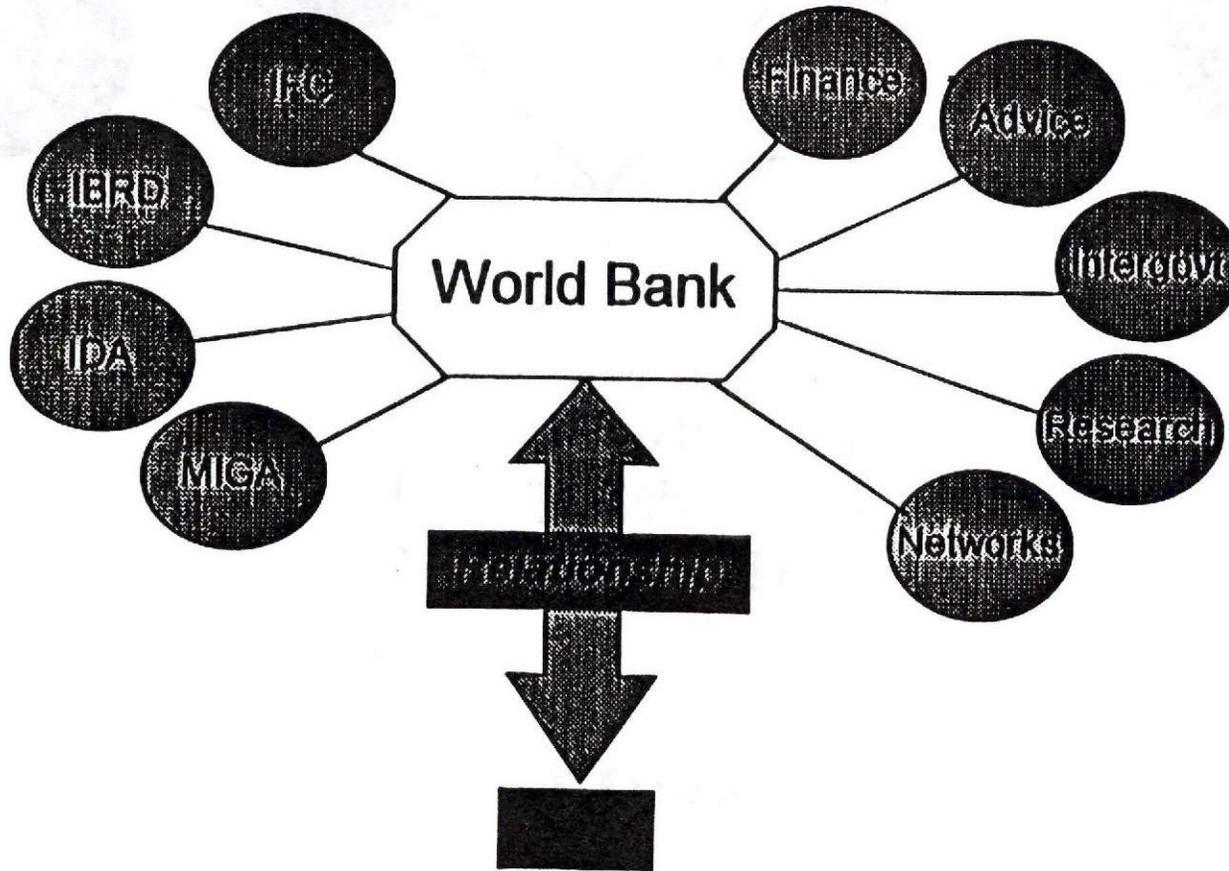


Repositioning

FUTURE



Setting up the Message



A Message

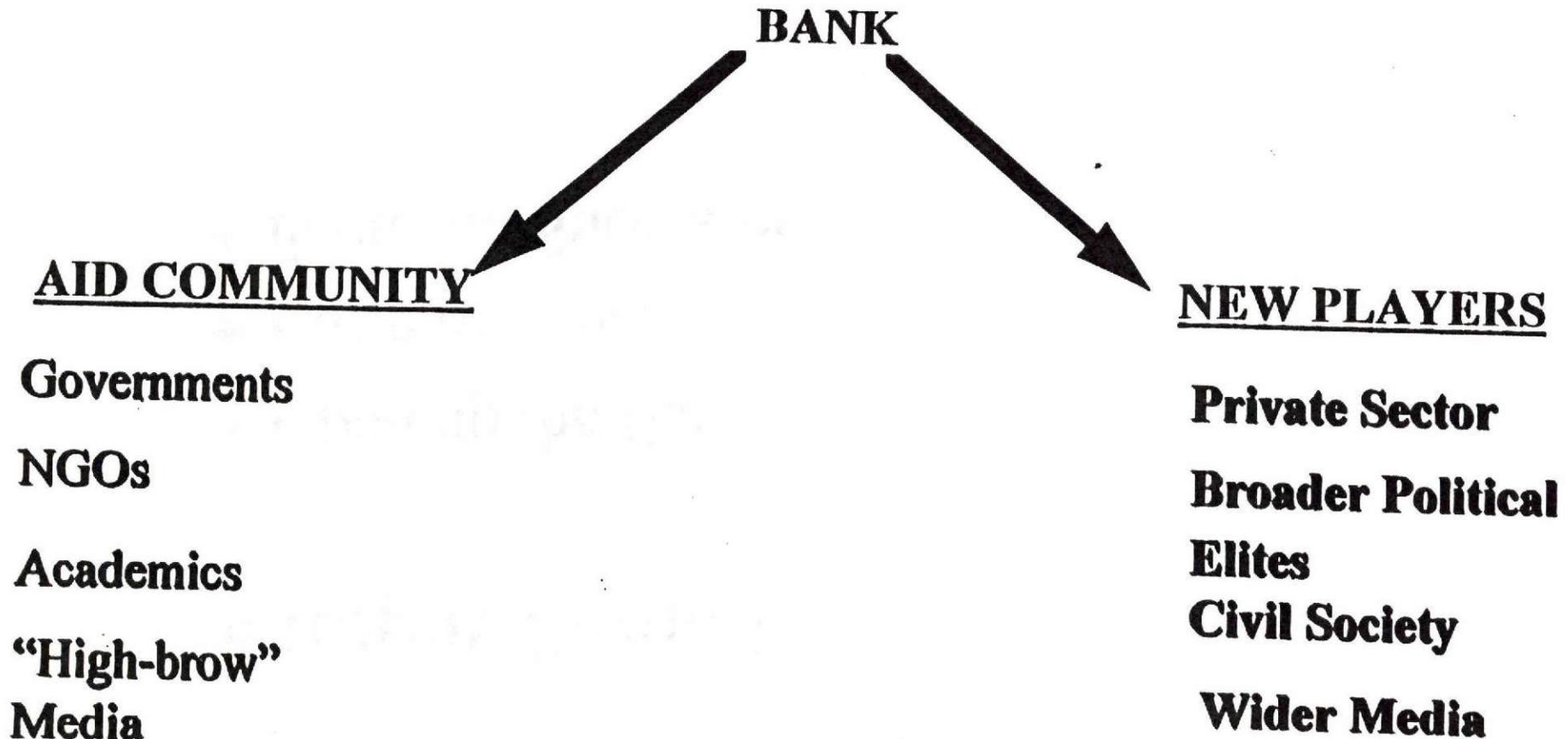
The World Bank is a partner in opening up markets and strengthening economies. Its goal is to improve the quality of life and expand prosperity for people everywhere, especially the world's poorest.

A first class financial standing and access to the world's capital markets enable the Bank to invest broadly in societies -- from health, education and the environment, to infrastructure and policy reform.

Beyond its role as financier, the Bank is an advisor to its clients: a source of global experience and expertise. Critically, this enables it to catalyze and sustain private capital for investment in development.

Above all, the World Bank is a relationship bank, continually adapting its products and services to meet the changing needs of its global membership.

Who are the Audiences?



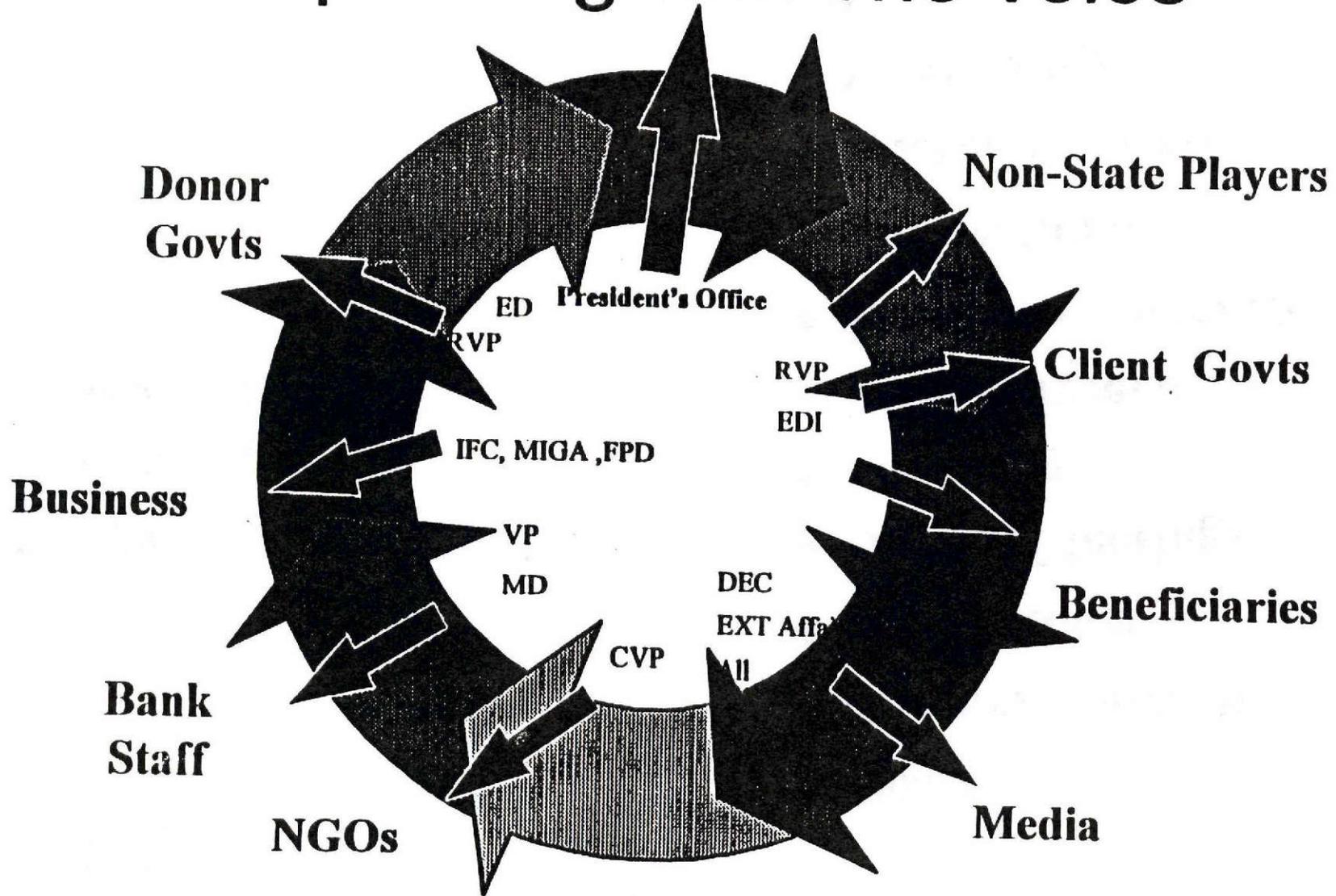
Communications Plan

- ◆ **Repositioning**
 - ◆ Open up the Bank
 - ◆ Build Support
 - ◆ Focus on Successes

Communications Plan

- ◆ **Open up the Bank**
- ◆ Build support
- ◆ Focus on successes
- ◆ Third Parties
- ◆ **Speakers Bureau**
- ◆ **Boiler Room**
- ◆ **Annual Meetings**
- ◆ Advertising
- ◆ **Field outreach**
- ◆ **European outreach**
- ◆ **Publications**
- ◆ **Energizing staff**
- ◆ **Leadership**
- ◆ **Bonds**

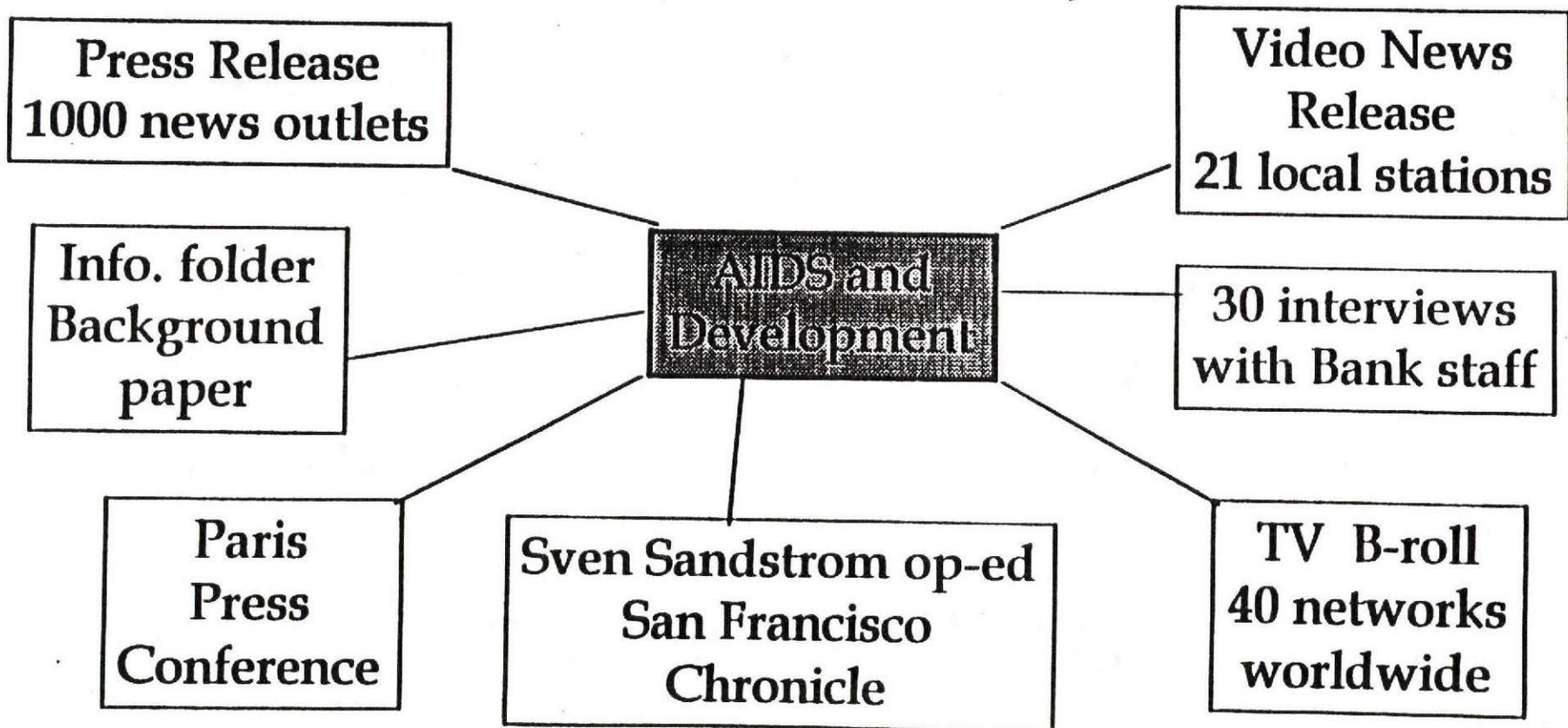
Speaking with one voice



Some “winners”

- ◆ China
- ◆ Korea
- ◆ Viet Nam
- ◆ Peru
- ◆ Albania
- ◆ Poland
- ◆ Uganda

Highlighting the Bank's role in Combatting AIDS



Think Global, Act Local: First Implementation Steps

◆ Staffing

- ❖ raising performance goals
- ❖ restaffing in key areas

◆ Global Outreach

- ❖ Boiler Room; “spinware” database
- ❖ strengthened European public affairs team
- ❖ new country approaches
- ❖ reviewing publications

◆ Media Relations

- ❖ building “relationship” management team
- ❖ training of resident representatives
- ❖ stories from the field
- ❖ media monitoring

◆ Public Affairs

- ❖ reorganizing around Issue Management, e.g., IDA
- ❖ emphasis on new audiences
 - ◆ civil society
 - ◆ business
 - ◆ political elites
- ❖ raised public profile for EXC
- ❖ reinforced by consultants
- ❖ Speakers Bureau
- ❖ state campaigns

◆ Writers Group

- ❖ reorganize around senior in-house writers/editors
- ❖ stable pool of freelancers

◆ Organizational Steps

- ❖ close to EXC for crisis management
- ❖ improved coordination with RVP and CVP public affairs officers
- ❖ delineating different roles for VPU's
- ❖ shared responsibility for NGOs, business outreach, etc.
- ❖ Part II strategies for civil society audiences etc.

Next Steps

- ◆ External role of E.D.s
- ◆ Advertising
- ◆ Annual Meetings
- ◆ Publications
- ◆ Additional opinion research
- ◆ Internal communications

My Priorities

- ◆ Overall repositioning
 - ❖ “total strategy”
- ◆ IDA
- ◆ Launching new President
- ◆ New audiences
- ◆ Building coalitions

There are four main categories of EXT activities:

- o Information: informing the public and key constituencies about the Bank's role, policies, and operations in order to improve understanding and to generate public support for its work;
- o Development Policy Dialogue: engaging politically and professionally influential groups, public or private, in a dialogue with the Bank (the Development Committee being a major forum for Bank/Government dialogue) in order to gain fresh insights and counsel;

- o Advice to Top Management: providing advice to the Bank's President and senior management to enable them to take into account international political and economic trends when determining new initiatives and the public presentation of such initiatives, and to help the President and senior management in the formulation of policies in those areas and instances where external relations factors are a crucial element; and

- o Development Education: heightening public awareness in both the industrialized and developing countries of the challenges and complexities of development so as to broaden the constituency for development and to secure wider knowledge of what works and what does not work in development.

The priorities of EXT are to a great extent, and inevitably and properly, determined by the priorities of the Bank as well as by the principal issues being raised by the Bank's external interlocutors. I would stress that the Bank's priorities are essentially the President's priorities and that the sum of EXT's activities should be explicitly supportive of the latter in both design and implementation. The Bank's external relations objectives, whether immediate, medium-term, or long-term, whether implemented in relation to information dissemination, development policy dialogue, advice to top management, or development education should all be in harmony with the priorities set by the President.

Work Program
EXT.

SHAKW

2/10

Ellen:

This is the only
copy we have of
this document.
Please return it
to Esla. Many
thanks. Nilda

*The World Bank's
Activities and Future Program
in the Area of External Affairs*

*External Affairs Department
January 12, 1989*

*The World Bank's Activities and Future Program
in the Area of External Affairs*

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Francisco Aguirre-Sacasa, Director of the Bank's External Affairs Department (EXT), wrote this report on the Bank's activities and future program in the area of external affairs. The author gratefully acknowledges the valuable comments and other inputs he received from members of the President's Council, EXT managers, the decentralized external affairs units in the Bank, the European Office and the Tokyo Office.

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INTRODUCTION

1. This report on the Bank's external affairs activities and future program has been prepared by the External Affairs Department (EXT) with inputs from those Vice Presidencies which have their own decentralized external affairs units or staff.¹ It has been written in response to a request by the Executive Directors for information on this subject and will be discussed at a Committee of the Whole meeting of the Executive Directors.

1. Throughout this report, references to the "Bank" cover both the IBRD and IDA.

2. The main report has six parts. Part I contains a summary of the Bank's objectives in the area of external affairs. Part II examines the Bank's constituency-building strategy. The work done by external affairs staff to keep the Bank abreast of outside developments and perceptions is discussed in Part III. The Bank's new external affairs initiatives in the FY89-91 period are highlighted in Part IV, and Part V traces the organization, staffing and resources of the Bank's external affairs effort from FY87 (the last year prior to the reorganization) to the present. Finally, the report's conclusions are summarized in Part VI.

PART I THE BANK'S EXTERNAL AFFAIRS OBJECTIVES

3. The Bank has three basic objectives in the field of external affairs. The first, and foremost, is to help marshal support for the Bank and its work among important constituencies in both Part I and Part II countries. The second is to gather—and feed back into the institution—information on outside events which have a bearing on its operations, and on outside perceptions of the Bank and major development issues. The third, and final, objective is to report to its shareholders and the general public on itself and its activities.

4. Constituency building, always important, has taken on an added sense of urgency in recent years. Since 1982, when the debt crisis emerged onto the world scene, developing countries have found it increasingly difficult to meet their external financing needs. Commercial banks, in particular, have reduced sovereign risk lending and are, in fact, retrenching in many Third World countries. Against this backdrop, the Bank has sought to play a broader, more active role in support of developing countries. It can do so, however, only to the extent that it has the understanding and backing of governments, financial markets and other influential groups in both its Part I and II shareholder countries. Without this support, IDA re-

plenishments and Bank general capital increases would not be possible. Neither would Bank involvement in adjustment lending—the single most important evolution in Bank operations in the eighties—nor would other initiatives such as the creation of MIGA.

5. There is also a strong rationale for the Bank's "antenna" activities. Whether it is through the timely reporting of hard economic and political news or through feedback on criticisms of the Bank, these activities help to keep management abreast of events in the "real" world and of the way the Bank is viewed from the outside. These external realities can—and do—help shape the Bank and its operational products. They contribute to the ever evolving nature of the institution.

6. The "public accountability" dimension of its external affairs work flows from the Bank's status as a publicly owned institution. Like other such organizations, the Bank is accountable to its shareholders and has a responsibility to report to them on its activities and general condition. Moreover, since the Bank's shareholders are member governments, the Bank also recognizes a duty to explain itself and its work to the general public, the people whom these governments ultimately represent.

PART II CONSTITUENCY-BUILDING AND INFORMATION STRATEGY

7. This part of the report discusses the Bank's strategy for achieving two of its three major objectives in the area of external affairs: marshaling outside support for the Bank and its work and informing its shareholders about itself and its activities. Attention is given under this heading to the Bank's key messages, audiences, spokesmen and outreach activities.

A. PRIORITY MESSAGES

8. The Bank is a large, complex institution involved in a wide variety of activities. Bank staff, therefore, regularly articulate viewpoints on a broad spectrum of topics ranging from important development issues (e.g., trade) to highly technical, arcane subjects (e.g., road user charges). This is as it should be.

9. The preceding notwithstanding, the external affairs strategy of the Bank calls for certain messages to take precedence over others. These core themes are dictated by the institution's own priorities and, explicitly or implicitly, need to permeate major statements by principal Bank spokesmen. The priority messages which today's Bank is seeking to impart to outside audiences are:

- (i) that the Bank is in the important business of development, defined as promoting sustainable growth with a more equitable distribution of the fruits of that growth;
- (ii) that the Bank is the world's premier development agency;
- (iii) that the Bank is a financially sound intermediary, and that its bonds constitute good investments; and
- (iv) that the Bank is an apolitical, technical agency, which does not have a hidden ideological or geopolitical agenda which it is seeking to further.

These four core themes complement each other and reinforce the notion that the Bank is going about an important task—development—in an efficient, effective manner. A corollary of this broader message is that the Bank has earned, and deserves, the support of its shareholders.

10. Embedded in these four central themes are a number of other important messages which surface, again and again, in the Bank's external affairs work. Some of the major ones are highlighted in paragraphs 11 through 21.

11. Development Is Important: Much of the Bank's external affairs work aims at stressing the importance of the development process, *per se*, and does not directly seek to promote the Bank. The emphasis, instead, is on projecting the idea that the world is increasingly interdependent and that it behooves all countries—both industrialized and developing—to work together to reduce poverty. This is not only a moral imperative but makes sense from the political standpoint. It is also good economics. Development, in short, is intrinsically of high priority. It makes for a more stable world in which the citizens of both industrialized and developing countries can look forward to more secure, better lives. Imparting this message to outside audiences is especially important in Part I countries where there is no natural constituency for development work and where a special effort needs to be made to ward off the danger of "development fatigue."

12. The Bank's frequent appeals for a freer, more equitable trade regime are good examples of this broader developmental message, where the emphasis is on promoting a point of view rather than the Bank. So is "Global Links," a series of films which Bank staff made to promote the importance of development and which was aired by a number of television stations in this country and abroad. Much of what the Bank does in the area of development education

also falls into this category of external affairs work.

13. Poverty Reduction: That poverty alleviation is central to the Bank's work is, once again, a basic part of the Bank's external affairs message. It was highlighted, *inter alia*, in the President's 1987 and 1988 Annual Meetings addresses—the Bank's single most important external affairs activity of the year—and in other fora, including this year's Development Committee meetings. While the importance of growth, too, is played up in the institution's external messages, economic expansion is not portrayed as an end in itself but, rather, as a means to facilitate poverty reduction.

14. Concern for the Environment: Since his arrival in mid-1986, Mr. Conable has made environmental protection a priority concern for the institution. The Bank has greatly expanded the number of staff working full-time on environmental issues, and the organizational and policy framework to deal with environmental issues has been strengthened.

15. In its external affairs work, the Bank has sought to reflect the growing Bank commitment to sustainable development and to fend off accusations that the Bank is insensitive to environmental degradation. The environment is being depicted as one of the Bank's most important new initiatives. As in the case of other core themes, this one has been emphasized by the President at the 1988 Annual and Development Committee meetings. It has also figured prominently in other external affairs activities, including the President's address to other heads of U.N. agencies at a conference organized in Oslo in July, 1988, by Prime Minister Brundtland of Norway.

16. The Premier Development Agency: While the Bank does not seek to portray itself baldly as the world's premier development agency, much of what it does in the area of external affairs strives to reinforce the impression that the Bank is a particularly efficient and effective agency and that it provides intellectual leadership in the field of development. This message is, necessarily, a subtle one and goes hand in hand with a conscious attempt to combat perceptions

of Bank arrogance and unwillingness to listen to, and learn from, outsiders.

17. In the wake of the reorganization, an effort is being made to tell external audiences that the Bank has emerged as a renewed, more flexible and efficient institution whose product mix is more responsive than ever to the needs of its borrowers. Outside constituencies are reminded, for example, that the Bank's administrative expenditures come to only 0.5 percent of its assets, that its internal procedures have been streamlined and that the reorganized Bank has been able to continue moving aggressively into new areas, e.g., adjustment lending, "without missing a beat."

18. While the Bank's importance as a provider of capital to LDCs is an integral part of the external message, care is also taken to explain to the outside world that the Bank also contributes to development through its policy advice, institution-building activities, aid coordination and resource mobilization efforts. Gaining acceptance of this broader Bank mission—particularly the Bank's involvement in policy dialogue—is a part of the Bank's external affairs work, especially in Part II countries. A related external message is that the Bank also contributes to a better understanding of development by engaging in, and publishing, useful research on important development issues. This intellectual leadership role is one the Bank needs to emphasize as it seeks to project itself to external audiences.

19. The Bank's extensive publications program serves to reinforce the view that the Bank is on the cutting edge of development thought. The Bank's intellectual leadership is also underscored by PPR-sponsored seminars, such as the ones held during the Berlin Annual Meetings, and by Bank-sponsored scholarly journals (*The World Bank Research Observer* and *The World Bank Economic Review*).

20. Bank Finances Are Sound: Nearly 90 percent of the funds which the IBRD lends to developing countries are raised on the world's financial markets. To help ensure that investors in these markets continue to buy Bank bonds on the most favorable possible terms, in its external

affairs work the Bank stresses its AAA rating, its prudent lending practices and strong portfolio and, more recently, the continued strong commitment to the Bank of its shareholders—as evidenced by the GCI.

21. The Bank as Honest Broker: The fourth core theme which the Bank needs to promote—especially in its Part II members—is that the Bank does not espouse any single, ideologically grounded recipe for development. Rather, it favors a country-by-country approach in which the strategy the Bank proposes to follow is first agreed with the borrower—not dictated—and is predicated on a desire to find pragmatic solutions which will bring about the efficient allocation of scarce resources. To reinforce this theme, the Bank’s collaborative nature is stressed. To underscore this point, outside audiences are reminded that the views and interests of all 151 of its shareholders are represented (and respected) on a multinational Board of Executive Directors, who work together in a collegial manner.

22. Before concluding this section on messages, a note of caution is in order. External affairs work can be effective only to the extent that it reflects an underlying reality and is perceived to be doing so. Put another way, if Bank staff are not committed to, say, sustainable development and if they act insensitively to environmental concerns in the design and implementation of projects, no amount of external affairs work can convince outsiders that the Bank is sincerely interested in the environment. The message will lack credibility and be ineffectual. To repeat, for external affairs work to achieve desired results, it must accurately reflect the priorities and products of the institution.

B. KEY AUDIENCES

In Part I Countries

23. Just as the Bank has a number of diverse messages, the audiences it seeks to reach are varied. In Part I countries, the Bank’s ultimate external affairs objective is to fend off “development fatigue” and to enlist the support (financial and otherwise) of key constituencies for the institution and its activities. In this regard, its primary audiences—those it is ultimately seek-

ing to convince of the importance of development and of the Bank’s contribution to the development process—are governments and the financial community. In addition to these two primary constituencies, there are other, secondary audiences the Bank needs to reach out to because of the influence they bring to bear upon governments and the financial markets. These secondary constituencies are important in their own right. They can make the Bank’s work easier—by “certifying” the priority of development and attesting to the quality of Bank operations. But they can also make it more difficult by criticizing the Bank and its work. These secondary audiences include the media, business groups, academia, NGOs (including church groups and labor unions) and the general public. The Bank’s primary and secondary audiences in Part I countries are briefly identified and discussed in paragraphs 24 through 31.

24. Governments: The support of both the executive and legislative branches of Part I governments is critical to the Bank. Member governments—speaking through the Board of Governors and the Executive Directors—have a major say in the policies of the Bank and in how important its role will be. Part I governments also provide the Bank with most of the funds it needs to do its work—through direct subscriptions (to the Bank’s capital and IDA, for example) and by authorizing Bank access to their capital markets.

25. Financial Markets: In FY88, the IBRD borrowed nearly US\$11 billion in 18 countries, making it the largest nongovernmental borrower in most of the capital markets in which it operates. The continued confidence and support of the investor community in Part I countries are obviously critical to the Bank and its borrowers. Without them, the volume of financing the Bank raises on these markets, as well as the favorable terms it currently gets—and passes on to LDCs—would be adversely affected.

26. The Media: The print and electronic media—both an audience and a vehicle for reaching other constituencies—wield tremendous influence in Part I countries. More than any other group, the media—through their re-

porting and editorial comments—shape opinions and attitudes in the general public. But the media's reach goes well beyond the public. They also have a powerful impact on other constituencies which are important to the Bank, such as governments and the business and financial communities.

27. Securing favorable media coverage of the Bank Group, toning down negative stories before they are printed and responding to negative pieces by "setting the record straight" are priority activities of the Bank's external affairs strategy. The stakes in the media field of external affairs work are high. Positive stories on the Bank in a widely read newspaper or on a television network can reach millions of people. Conversely, a critical story—such as the "60 Minutes" piece on the Bank and environmental degradation in the Amazon shown in 1986—can seriously harm the Bank's image and undermine support for the institution.

28. The Private Sector: The organized private sector constitutes a powerful interest group in Part I countries and can be a major force either for, or against, the Bank. Some members of the business community are natural allies of the Bank, such as exporters of Bank-financed goods and services to Part II countries. Others perceive the Bank to be working against their interests. These include some farm groups as well as those industrialists and mining interests which believe that the Bank is financing competition harmful to them. In either case, the private sector constitutes yet another important audience for Bank messages in industrialized nations.

29. Academia: The academic community enjoys standing and prestige in industrial countries. Colleges, universities and "think tanks" are widely respected, and the views of university professors and researchers carry great weight. Professors not only have a lasting influence on the attitudes of their students—the leaders of the future—but also help shape the policy dialogue in their respective countries through their writings, lectures and participation in fora where policies are discussed and in the work of development itself. For these reasons, academicians constitute another impor-

tant target audience for the Bank's external affairs messages.

30. NGOs: In recent years, the Bank has begun to reach out systematically to this increasingly important constituency. Mr. Conable has made a point of greatly strengthening the Bank's NGO outreach activities and has met frequently with NGO representatives to exchange views on development issues. This occurred, for example, during his visit to Germany in the spring of 1988, when Mr. Conable met with representatives of German NGOs (including the Catholic and Protestant churches), and during his visit to the United Kingdom earlier in the year, when he met the directors of the leading British NGOs. Other senior Bank officials, including Messrs. Hopper and Qureshi, have also met with NGOs to, *inter alia*, explore the possibility of closer operational links, particularly with Part II country NGOs.

31. Although Bank-NGO relations have an external affairs dimension, PPR is primarily responsible for interaction with NGOs. For instance, PPR's Strategic Planning & Review Department (SPR) plays a major role in providing support, on the Bank's side, to the Bank/NGO Committee. This is a forum which regularly brings together NGO and Bank officials to discuss policy issues of mutual concern and to explore ways of developing more effective cooperation between the Bank and NGOs. Mr. Shakow, SPR's Director, co-chairs the Committee. The Environmental Department in PPR has also been active in the dialogue with NGOs, some of the most dynamic and vocal of which are concerned with environmental matters.

Part II Country Audiences

32. In developing countries, the audiences the Bank seeks to influence are basically the same as in Part I countries. The importance of these constituencies varies, however, from country to country. Take the private sector, for instance. Because of its high stage of development, organization and influence, it is an important constituency for the Bank in all Part I countries. The private sector's "specific gravity" in the Third World, however, varies from place to place. In

some Latin American and East Asian countries, the private sector is dynamic, well organized and counts for a great deal as a political force. Hence, it is an important constituency for the Bank. At the other end of the spectrum, it may be relatively small and politically ineffectual, as in some of the poorest African countries. In these cases, its importance as an audience—for now, at least—is limited.

33. The Bank may reach out to the same audiences in Part II countries as in industrialized nations, but for different reasons. The financial community is a case in point. In industrial countries, the Bank Group's primary interest is in raising capital. Consequently, it seeks to reassure the markets that it is a safe institution, a good place for investors to put their money. In Part II countries, on the other hand, the primary concern is not to tap the financial community for capital. Instead, it may be to enlist the assistance of financial leaders—in those countries where these are influential—to help bring about reform in their countries.

International Audiences

34. In addition to strictly Part I and Part II country audiences, the Bank extends its external affairs effort to multilateral groupings (e.g., the European Economic Community) and international organizations such as the United Nations, specialized and regional members of the U.N. family and the regional development banks. Some of these are fora where issues of importance to the Bank and to development, more generally, are discussed, and the Bank's voice needs to be heard. Others—the multilateral development banks, for instance—are in the same business as the Bank, and there is a shared interest in close coordination of activities and, in a growing number of cases, in actual collaboration in joint endeavors.

35. Outreach to these international audiences takes place on many planes. The Bank, for example, has full-time offices in New York and Geneva, part of whose responsibilities includes doing external affairs work with international agencies in those two cities. Contacts with the regional development banks are also close and

are handled by the Regional Vice Presidencies. The LAC Region's management, for example, holds regular coordination meetings with senior officials at the Inter-American Development Bank. The Regions are also responsible for relations with regional groupings (e.g., the Organization for African Unity) in the course of their normal external affairs work.

C. BANK SPOKESMEN

36. The President of the Bank is its foremost spokesman. He is the institution's leader and has the single greatest say in setting the Bank's priorities and policies. He also plays a crucial role in shaping and delivering important messages to external constituencies. Outsiders expect this. They closely associate the Bank with its President, who is its most visible official and the person to whom they naturally turn in order to learn what is on the Bank's collective mind.

37. By virtue of his position as head of the World Bank, the President is also a leading spokesman on development issues and for developing countries. Audiences in both Part I and Part II countries expect the Bank's President to bring the particular perspectives of the development community to bear on fora where international economic issues are being discussed. They also expect him to speak out on behalf of the Third World.

38. Because of his central role as Bank spokesman, much of the President's work is of an external relations nature. Indeed, he is the Bank's most important external affairs "asset," and his activities are endowed with a measure of "newsworthiness" which other staff cannot match. They are, therefore, ideal vehicles for communicating the Bank's positions on key issues.

39. The President discharges his external affairs responsibilities through his speaking engagements, interviews, written articles and meetings with political and economic leaders in both Part I and Part II nations. His encounters with world leaders are particularly crucial to the Bank's external affairs strategy, especially in industrialized countries where only the President has the

standing to establish a dialogue on development issues with the seniormost government officials. This type of high-level contact needs to continue in coming years, and will.

40. Other senior Bank staff can, and do, contribute to the Bank's external affairs work. Mr. Qureshi, for instance, is a major spokesman on Bank operational policies and activities, and Mr. Stern is taking the lead in outreach activities to the financial community. Mr. Hopper, as head of PPR, undertakes a varied menu of external activities ranging from speeches on the environment to the dialogue with NGOs. Mr. Wapenhans, the Senior Vice President who oversees the Bank's external affairs activities, has been a frequent Bank spokesman in Europe and at the United Nations. And other senior Bank staff—including Messrs. Shihata and Thahane—also engage in external affairs activities on behalf of the Bank.

41. In the reorganized Bank, Vice Presidents and Directors play a greater role in external affairs than ever before. The Regional Vice Presidents, in particular, have primary responsibility for external affairs work in their regions and are the principal Bank spokesmen both on regional issues and within the countries of their regions. They are assisted in this process by their Directors and other members of their management teams and by the decentralized public affairs specialists assigned to their Vice Presidencies. The Bank's growing number of resident representatives also make an important contribution to the Bank's external affairs work in the countries in which they are stationed.

42. The Director of External Affairs and the staff reporting to him, be they at headquarters or in Europe, shoulder an important part of the day-to-day external affairs work of the Bank. The Director and his staff come into frequent contact with outside groups and act as Bank spokesmen on a broad range of issues.

43. As is noted on several occasions in this report, the Executive Directors also play a role in the Bank's external affairs work, particularly in the countries which they represent. An important part of that role is to keep their authorities

posted on operational, policy and research developments within the Bank. They do this individually on a day-to-day basis in the course of normal consultations with their authorities and collectively, once a year, through the *Annual Report*. This informational activity falls squarely under the "public accountability" objective of external affairs work. Another responsibility of the Executive Directors is to reflect within the Bank the views of their governments on development issues. In this way, they participate in the feedback or "antenna" functions of external affairs. Finally, Executive Directors have also, on occasion, participated in the Bank's constituency-building external affairs activities by, for example, speaking on the Bank's behalf.

44. No discussion of in-house external affairs work would be complete without a reference to Bank staff below the Director level. They, in fact, account for most of the interaction between the institution and outside audiences—both in Part I countries (when, for example, they meet with representatives from other aid agencies and NGOs or participate in conferences) and in Part II countries, during the course of normal operational work. Frequently these staff, particularly those at the Division Chief level, give interviews to the press. This occurs mainly in developing countries and constitutes an obvious example of external affairs work. But the greatest contribution they make to the Bank's image is more subtle. It takes the form of the quiet, professional work they do on a day-to-day basis, particularly in developing countries. Every appraisal and supervision mission that does its work well and every Bank economic or sector report that contributes to a better understanding of development issues in a borrowing country enhances the Bank's reputation for professional excellence. They engender respect and support for the institution and its work.

45. So far, this section has dealt with Bank spokesmen. There are others, however, who speak up for the Bank and who influence external audiences mightily on its behalf. These are outside individuals in both Part I and Part II countries who are committed to the Bank's work and who provide it "support fire"—and occasionally with constructive, critical advice—

in the media, legislatures, business community and in academia. Some are former Bank staff. Others have never worked for the Bank. But all are valuable friends of the institution whose efforts are all the more important because they are perceived as impartial outside "witnesses" whose credibility is enhanced by virtue of the fact that they are not Bank officials.

46. In addition to individual friends, a number of public interest support groups assist the Bank in its external affairs work. These are made up of prominent leaders drawn from business, government and academic circles who share a commitment to internationalism and development. Working through these support groups, these men and women seek to generate broad support for the Bank and other multilateral organizations.

47. Outside individuals and groups already play an important role in the Bank's external affairs work. More needs to be done, however, to mobilize even greater support from outside voices in the coming years. Bank "alumni" (former staff and Executive Directors and Alternates) could be helpful in this endeavor. They frequently hold important, influential positions in their home countries and might be willing to participate in the Bank's external affairs work. The External Affairs Department—in collaboration with Secretary's Department and the 1818 Society—will seek to identify alumni who would be suitable for, and interested in, such external affairs activities and will strive to enhance the network of such friends worldwide.

D. MAJOR EXTERNAL AFFAIRS ACTIVITIES

48. So far, this paper has dealt with the Bank's priority objectives, messages, audiences and spokesmen in the area of external affairs. In this section, the paper focuses on the actual activities undertaken by external affairs staff—both in the central External Affairs Department and in other Bank Vice Presidencies. These activities, which fall under three general headings—public affairs work, media and communications and publications—are the strategic vehicles used by external affairs staff to inform outside constitu-

encies about the Bank and to gain their support for the Bank and its work.

The External Affairs Department (EXT)

Public Affairs Work

49. The Bank's external affairs staff help arrange, support and participate in a number of public affairs activities aimed at taking the Bank's messages to important outside constituencies, e.g., parliamentarians, academicians, NGOs and business groups. Non-external-affairs staff, from the President on down, frequently take part in these activities. The Bank's public affairs programs are varied and take place in both industrialized and developing countries. Some of the more noteworthy public affairs activities mounted by EXT in the industrialized countries of Europe, North America and the Pacific Rim (especially Japan) are summarized in paragraphs 50 through 73. The public affairs initiatives launched by the Regions in Part II countries are discussed in paragraphs 74 through 87.

50. Speeches by Senior Managers: As was noted in the section on spokesmen, the President is the Bank's major external affairs asset. He plays, therefore, a critical role in EXT's public affairs strategy by addressing important audiences on key institutional and development issues. In 1988, the President spoke to some 25 groups. These speaking engagements included, for example, his Berlin Annual Meetings speech; his December address on trade delivered to the GATT Ministerial Meeting in Montreal; his remarks on the environment at a meeting of heads of international organizations chaired by Prime Minister Brundtland of Norway (Oslo in July); his speech to a large, influential audience of Spanish government officials and business and financial leaders (Madrid in July); his meeting with leading German church and NGO representatives (Bonn in April); and several presentations on the importance of U.S. approval of the GCI to influential American audiences (e.g., the Annual Meeting of the Bretton Woods Committee and the International Forum of the U.S. Chamber of Commerce). In each of these cases, EXT supported the President's Office by, for instance, helping to set up some of these events, helping in the preparation of the

President's speeches or talking points and arranging for press coverage of these occasions.

51. Other senior managers and, indeed, Executive Directors also address outside audiences. EXT provides support to them in some of these speech-making activities. During 1988, for example, EXT assisted Messrs. Qureshi, Wapenhans and Terasawa in preparing speeches and also occasionally lent assistance to Executive Directors in the elaboration of speeches.

52. Speakers Program: EXT's Public Affairs Division also manages a speakers program. During FY88, 120 briefings were held at headquarters for visiting academic, NGO and parliamentary representatives, two-thirds of whom traveled to Washington from other locations. Eighteen out-of-town briefings for similar groups were also managed by EXT's Public Affairs Division in FY88.

53. Business Outreach: There is also an active business program managed by the same division. In FY88, over 40 briefings and seminars on the Bank's programs and procurement procedures were held for businessmen in the Bank, elsewhere in the United States and in six other Part I countries—Australia, Canada, Ireland, Japan, New Zealand and the United Kingdom. The purpose of these briefings is to familiarize businessmen with the workings of the Bank and to alert them to the opportunities which Bank operations hold for those businesses which successfully compete for Bank-financed contracts.

54. Development Education: The long-term process of building public understanding of, and support for, development among the general public is an important component of the Bank's public affairs strategy in Part I countries. The Bank's Publications Department has been running a development education program for 10 years. It consists of preparing and marketing classroom materials that explain economic development to secondary school students. These materials have been sold or distributed for use in about 20 percent of public secondary schools in the United States and in a number of U.S. teacher training colleges. Bank development ed-

ucation materials have also been successfully marketed in a number of other countries, including Australia, Canada, New Zealand and the United Kingdom. In FY88, two educational poster kits—*Life Expectancy at Birth* and *Population Growth Rates*—ranked among the top 15 best-selling Bank publications.

55. EXT has a number of other development education activities. These include the "Global Links" television series, which the Bank produced for American Public Television in collaboration with WETA of Washington, Merrill Lynch and the Biden-Pell Grants Program of USAID. "Global Links" has been broadcast not only in the United States but also in China. Another EXT development education initiative has been the "Main Street America" project. This was launched by EXT in 1984 to encourage U.S. journalists to report on development issues by sensitizing them to the links between Third World countries and American communities, even small and medium-sized ones. The centerpiece of the project was the writing of a book entitled *Main Street America and the Third World*. EXT staff member John Hamilton wrote the book, which includes an introduction by ABC anchorman Peter Jennings. Since its publication in 1986, the book has been used in over 100 workshops for journalists and by over 50 newspapers, as well as by radio and television stations, to develop stories about local links to developing countries. The book is also part of the curriculum in more than 30 U.S. schools of journalism. A second book building on the themes of *Main Street* is now almost completed. This project was initiated by the Bank and was carried out under the auspices of the U.S. Society of Professional Journalists. It was funded by the Ford and Benton Foundations and the Carnegie Corporation.

56. European Public Affairs Work: EXT staff based in the Bank's European Office in Paris (EXTEU) are responsible for mounting a comprehensive public affairs program in the Part I European shareholder countries of the Bank. As in other Part I countries, the European program consists of a variety of activities tailored to generate support for the cause of development and for the Bank in key audiences.

Box 1. The German Public Affairs Program

In anticipation of the Berlin Annual Meetings, the Bank carried out an intensive public affairs program in Germany. It was designed and implemented by EXT in close collaboration with the Government of the Federal Republic, with the Berlin authorities and the Office of the German Executive Director at the Bank. Care was also taken to coordinate the Bank program with a Fund public affairs campaign, which was also directed at German audiences.

The objective of the Bank program was to inform the German public of the Bank's policies and activities. It also aimed at establishing a dialogue with groups critical of the Bank and at seeking, in the process, to clear up misconceptions they might have about the Bank and its work.

The program, which was carried out in the nine months preceding the Annual Meetings, entailed 33 seminars and other events in Berlin and a dozen other major German cities. A press tour to Bank-financed projects in Botswana and Zimbabwe was also arranged for three influential German journalists. These activities were frequently initiated by EXTEU but were usually sponsored by German groups and individuals, including critics of the Bank. Altogether, some 20 staff from headquarters—including the President and most of the Bank's senior German-speaking staff—took part in these events. The highlight of the program was Mr. Conable's visit to Bonn and Hamburg in May. On this occasion, he met with senior government officials and the press as well as with representatives of the private sector, NGOs and the German Protestant and Catholic churches. In connection with this visit, *Der Spiegel*,

Germany's widely read weekly news magazine, ran a lengthy interview with Mr. Conable.

An enhanced publications effort was also part of EXT's German public affairs program. It included larger than usual runs in German of standard Bank publications (e.g., the WDR and *Annual Report*) as well as the preparation and distribution of a number of publications specifically for the program. Among these were a special edition in German of *Finance & Development* explaining the work of the Bank and the Fund, an issues booklet for German audiences, a publication entitled *The Alleviation of Poverty under Structural Adjustment* and another entitled *Environment and Development: Implementing The World Bank's New Policies*. All told, some 140,000 copies of nine titles were printed and distributed as part of the German program.

Did the program work? In the short term, "unofficial" activities in Berlin proved to be more peaceful than many had feared. This was largely due to the efforts of the Berlin authorities and to the skill of the police. At the same time, though, it is fair to say that the Bank's program contributed to an environment where serious discussion of issues was viewed as preferable to violent confrontation by the majority of Germans critical of Bank policies. Even more important, it is the sense of EXTEU staff that the program helped heighten the awareness and understanding of the Bank and its activities among German audiences. This is a long-term benefit that the Bank will seek to build upon with its future—albeit more modest—public affairs efforts in the Federal Republic of Germany.

57. In anticipation of the Berlin Annual Meetings, EXTEU staff executed the most intense public affairs program ever attempted by the Bank. The focus of the program was German audiences. This ambitious effort is described in Box 1.

58. In addition to the German program, EXTEU staff visited virtually all Part I Bank member countries in Europe and addressed audiences or participated in conferences with parliamentarians, academicians, businessmen, NGOs and others. EXT staff—working closely with the OECD—organized a successful high-level symposium on interdependence and adjustment

which took place in Paris. They also mounted a symposium on adjustment and poverty which took place at the Institute of Social Studies at The Hague. This symposium, which was organized in close collaboration with the government, was the seventh in a series of Bank-sponsored European symposia and brought together over 100 Dutch government, parliamentary, private sector, media, academic and NGO representatives. The Bank's Dutch Executive Director also took part in this event. Other highlights of the European public affairs program included a two-day seminar for 25 professors from northern British universities held in Manchester and seminars for Italian academi-

cians and the press in Milan. EXTEU staff also helped the Council of Europe to mount a series of events aimed at raising political and public awareness of North-South interdependence.

59. The Japanese Public Affairs Program: Japan is the Bank's second largest shareholder. Its capital market is also important to the institution, with about a fifth of Bank FY88 borrowings denominated in yen. Against this background, it is crucial for the Bank and its mission to be understood and supported by influential Japanese constituencies. To help ensure that this happens, the Bank's Tokyo Office has designed and is executing a public affairs program which draws heavily on headquarters staff. This program was prepared in consultation with the Japanese authorities.

60. The Japanese public affairs program aims at imparting information about the Bank and its activities to government officials, Diet members, business and financial leaders, the media, academicians and, increasingly, Japanese NGOs. The program focuses on helping to maintain the currently high levels of support for the Bank in both the Japanese government and capital markets. The Bank's activities in heavily indebted countries and its role *vis-à-vis* the poorest countries in regions such as Sub-Saharan Africa are some aspects of Bank Group operations which the Tokyo Office has highlighted. The Tokyo Office has also given priority to projecting the Bank Group's support for the private sector. In this context, in its work the Tokyo Office supported the inauguration of the IFC's Tokyo office and emphasized the launching of MIGA.

61. During FY88 and the first half of FY89, the Tokyo Office had an active program of public affairs activities consisting of over 120 separate events. The highlight of this program was Mr. Conable's April, 1988, visit to Japan, during which he met with the Prime Minister and the Finance Minister and held a press conference. This was complemented by external affairs activities in which other senior Bank spokesmen participated. For instance, Messrs. Stern and Qureshi visited Japan and met with the press during their visits. A number of other senior Bank managers, including Mr. Inakage (the Bank's Vice President for Cofinancing) and the

Regional Vice Presidents, also visited Japan and took part in the Tokyo Office's public affairs program. The most ambitious of the region-specific activities carried out in Japan centered around symposia on Latin America and Africa. Mr. Husain and his management team traveled to Japan to participate in the Latin American symposium. So did three Executive Directors and an Alternate. During the visit, they met with a large number of government and private sector leaders as well as with academicians and the press. Mr. Jaycox and three of his managers traveled to Japan, as well, and met with government, academic and private sector representatives. During this visit, they discussed the particular issues facing the Sub-Saharan African countries and heightened awareness of poverty issues and what the Bank is doing about them.

62. Community Outreach: The Bank is one of the largest, most visible employers in the Washington area and makes a special effort to project itself as a good neighbor to the local community. EXT, through its Public Affairs Division, is responsible for community relations. The division manages a number of community outreach activities, including the Bank's United Way Campaign, which accepts donations not only for local charities but also for United Way member agencies around the world. EXT also manages the Bank's modest (US\$7,000) fund for charitable donations in the local area. Recent beneficiaries have included the American Red Cross, Project Hope and a number of small service organizations such as Iona House and the National Institute of Dyslexia. Finally, EXT mounts cultural programs which are open to both Bank staff and the community. These include, for example, concerts and other cultural events usually held in the H Building auditorium. Occasionally, these activities are co-sponsored with other institutions—such as the National Women's Museum and the National Building Museum—or with local embassies. These programs frequently have an international flavor to reflect the multinational character of the institution.

Media and Communications Activities

63. A second leg of EXT's three-pronged approach toward outside audiences consists of in-

vesting time and resources to inform the media of industrialized countries about the Bank. This is because of the importance of the press as both an audience and a conduit for reaching other constituencies (see paragraphs 26 and 27 of this report). Bank informational activities are multifaceted. The major ones are discussed below.

64. World Bank News: EXT prepares and issues a weekly news summary entitled *World Bank News*. This summary, which is circulated to 3,500 journalists and publications worldwide, contains information on major Bank activities and operations. It is published in English, French, German and Spanish and is the source for much of the news coverage on the Bank which appears around the world. Indeed, stories from *World Bank News* are often reprinted verbatim in newspapers, particularly in Part II countries.

65. Special Reports: EXT also issues special reports to the press on matters of particular interest. For example, during the course of 1988, special reports were distributed on the Bank's adjustment lending and on its approach to highly indebted middle-income countries.

66. Press Releases: EXT and decentralized external affairs staff prepare and issue press releases on Bank-approved operations (217 in FY88) and on other institutional stories expected to generate public interest (e.g., the launching of MIGA).

67. Press Inquiries: External affairs staff in both EXT and the decentralized units field specific requests for information from journalists. This is an important and time-consuming activity. In FY88, EXT staff, alone, received and handled 40 to 100 inquiries per week.

68. Press Conferences: Press conferences are arranged for important Bank spokesmen. Some of these are held regularly. The President, for example, meets the press during the Annual Meetings and during each of the Development Committee meetings. And press conferences to announce the operational and financial results of the Bank are given toward the end of each fiscal year by the Senior Vice Presidents for Operations and Finance, respectively. Other press

conferences are scheduled as warranted. An example of this was the press conference given by Mr. Conable on November 29, 1988, as a "curtain raising event" prior to his speech on GATT issues in Montreal. Press conferences are also frequently given by other Bank Senior Vice Presidents, Vice Presidents and Directors in the course of their work and travels.

69. Interviews: EXT arranges frequent interviews for the press with senior Bank officials. During FY88, for example, the President had 11 lunches with reporters, gave formal interviews to 15 newspapers, wire service representatives and TV companies from around the world and met with the editors of a number of influential newspapers, including *The New York Times*, *USA Today*, *U.S. News and World Report*, *Journal of Commerce* and *Die Zeit*.

70. Promotion of Bank Publications: EXT and decentralized external affairs staff also promote major Bank publications. The *Annual Report* of the Bank, the *World Development Report* (WDR) and the *World Debt Tables*, for example, are presented each year to the press both in Washington and around the world. Promotional activities on behalf of the WDR illustrate this point. In FY88, there were 12 press briefings on WDR in European cities, two WDR seminars in Africa, 10 WDR seminars in Asia and four in Latin America. The WDR was also presented to audiences in EMENA countries and to North American journalists.

Publications

71. The Bank's publications effort, which EXT is responsible for, is the third leg in EXT's external affairs triad. Bank publications cover a wide variety of topics ranging from research done by Bank staff and consultants to the results of the Bank's operational experience, Bank policies and views on development issues and social and economic data which Bank staff compile. The Bank's business outreach activities (paragraph 53) are also complemented by the Publications Department through its International Business Opportunities Service (IBOS). This consists of a loose-leaf weekly information service which is sent to some 1,300 subscribers worldwide for US\$250 per annum. The service keeps businesses abreast of Bank-financed oper-

ations and of the opportunities which these afford to providers of goods and services.

72. Through Bank publications, the stock of development thought is enriched and disseminated widely to interested parties around the world. In the process, the Bank's intellectual leadership in the field of development is underscored. The annual *World Development Report* is an example of a major publication which reinforces the Bank's image as a thoughtful institution committed to excellence. So does *Finance & Development*, the quarterly magazine jointly published by the Bank and the Fund in seven languages—Arabic, Chinese, English, French, German, Portuguese and Spanish—and distributed to 130,000 subscribers.

73. While Bank publications provide a useful service, in keeping with a conscious effort the Publications Department has sought to recoup part of the cost associated with its publications effort. Through aggressive marketing of Bank publications, headway has been made in the direction of greater cost recovery, with sales reaching US\$1.27 million in FY88. Box 2 traces the evolution of the Publications Department's sales over the past seven years and also lists the Bank's 10 best sellers in FY88.

The Decentralized External Affairs Units

74. Outreach to Part II countries constitutes an important priority for the Bank in its external affairs work. As was noted in paragraph 41, since the reorganization the Bank's four Regional Vice Presidents have been entrusted with responsibility for external affairs work in each of their regions. As such, they have emerged as the principal Bank spokesmen in their regions and on regional issues. To discharge this responsibility, each of the Regions has developed and is implementing an external affairs strategy and work programs. The external affairs programs of the Regional Vice Presidencies are briefly described in the next 13 paragraphs.

75. **The Africa Program:** The Africa Region deals with over 40 borrowing countries, many of which face some of the most daunting economic challenges in the Third World. At the

same time, Sub-Saharan Africa is a region of high priority to important outside audiences (e.g., the media and governments) in Part I countries. This has given rise to a great deal of interest in, and scrutiny of, what the Bank is doing in the countries of the region.

76. Against this background, Regional management attaches high priority to external affairs as a way of (i) imparting important messages to outside audiences; and (ii) feeding back to the Bank outside perceptions. The Africa Region's external affairs strategy aims at building up a consensus that the economic problems of Africa can be solved and that Bank operations in the region—especially the emphasis on adjustment lending—are leading to a resumption of growth and deserve support. This upbeat message seeks to dispel pessimism about Africa which, if left unchecked, could lead to aid fatigue. Moreover, because of the relative scarcity of IDA funds, an important aim of Africa's external affairs work is to facilitate the marshaling of additional external resources from Part I nations for Africa.

77. Mr. Jaycox, his managers, staff and the extensive network of resident missions in Africa, which now number close to 30, do most of the Region's external affairs work. These operational staff are closely supported by an external affairs team which reports to the Special Assistant to the Vice President. The team consists of two public affairs specialists based at headquarters, two African regional policy advisors—one based in Abidjan and the other in Nairobi—and local staff who work on press and information activities in the Abidjan, Lagos and Nairobi resident missions.

78. The central function of the Africa external affairs unit is to support the Regional Vice President in his role as principal Bank spokesman on Africa. To this end, in addition to doing traditional public affairs work, the unit serves as a "think tank" to generate ideas, background papers and other inputs for Regional initiatives. It also helps draft speeches for the Regional Vice President and other Bank managers, both inside and outside the Region, and assists in the Region's internal communications effort. Another

Box 2. The Publications Department's Best Sellers

The Publications Department of EXT has primary responsibility for the publication (including editing) and dissemination of Bank documents. Many of these publications are basic, informational materials which are made available to the public free of charge. The *Annual Report of the Executive Directors* is a case in point. It is the basic publication "of record" for the Executive Directors and the Bank and contains a wealth of information about the Bank and its activities. For this reason, it is much sought after and read by a variety of audiences ranging from academics and the media, on the outside, to Bank staff, on the inside. The *1988 Annual Report* was produced in seven languages—Arabic, Chinese, English, French, German, Japanese and Spanish. The total print run came to 74,500, and its production costs totaled approximately US\$650,000, or about 11 percent of the department's FY88 budget.

In addition to these free publications, the department also produces a number of titles which are made available to the general public either gratis (as a courtesy and to generate good will for the institution) or for a charge. EXT has been making a deliberate effort to step up the sale of Bank publications. The aim of this policy is twofold: (i) to expand the dissemination of Bank publications by making it attractive for commercial booksellers to stock and market Bank publications; and (ii) to recoup as much as possible of the Bank's publications costs. This effort is bearing fruit. Since FY82, when sales brought in US\$307,000 in revenue, sales income has been growing steadily and reached nearly US\$1.3 million in FY88. This covers about 25 percent of departmental expenses.

The Bank's 10 Best Sellers for FY88

Rank	Title	Number sold	List price	Sales
1	World Development Report 1987 (English)	9,720	\$12.95	\$107,582
2	Atlas 1987 with 1988 Update	7,640	\$6.50	\$33,569
3	World Development Report 1988 (English)	3,253	\$12.95	\$16,922
4	World Development Report 1987 (German)	2,751	\$12.95	\$17,947
5	Project Monitoring and Evaluation in Agriculture (paperback)	2,517	\$12.95	\$15,464
6	Telephone Directory (7/88 edition)	2,114	\$6.50	\$11,643
7	Malnutrition: What Can Be Done?	1,670	\$12.95	\$11,468
8	Life Expectancy at Birth (Poster Kit No. 1)	1,606	\$6.50	\$9,129
9	World Debt Tables 1987-88 (2-volume set)	1,606	\$125.00	\$120,794
10	World Development Report 1987 (Spanish)	1,564	\$12.95	\$8,348

Note: The rankings are based on sales through the Publications Department at the Bank's headquarters in Washington, D.C. Figures exclude sales through distributors and other Bank offices.

priority is to provide Regional management with feedback on African perceptions of the Bank and its work. The regional policy advisors mentioned in paragraph 77 play an especially useful role in this connection. Both are former ministers and diplomats who provide expert political and economic intelligence to Regional management and serve as valuable links be-

tween the Bank and important African constituencies.

79. Some of the highlights of the Africa Region's 1988 external affairs program included the preparation and distribution to a broad audience of a report on food security in Africa and of a "kit" on the Bank in Africa. The external

affairs unit was also given responsibility for arrangements pertaining to the Council of African Advisors, a group of 15 African "wise men" who meet twice a year to advise Regional management on critical development issues in Africa as well as to report on African perceptions. Finally, the team prepared background papers for a number of initiatives, including a meeting for North American business leaders on how to do business in Africa.

80. The Asia Program: The aim of the Asia Region's external affairs program is to focus attention on the major development issues facing Asian nations and create a generally supportive environment for the Bank's operations in the region. In this regard, the Region's public affairs effort highlights the support given by the Bank to the significant economic reforms being undertaken in Asia, especially in the industrial sector and trade liberalization areas. Major speeches by the Regional Vice President also emphasize the Bank's programs to alleviate poverty, protect the environment and enhance the condition of women in development. Another key message is that the reorganized Bank is a renewed institution which is better able to serve both its South and East Asian clientele. And as for audiences, the Region has given priority to deepening media contacts and understanding of the Bank's work in Japan. Because of the press's central role in reaching other key audiences, attention has also been given to the media in other Asian countries and to "Asia watchers" in the press in Part I countries. Other important constituencies have been academic and research groups, NGOs and public policy groups.

81. In 1988, the Asia Region organized a number of press seminars and visits—usually with the cooperation of local associations—in countries as varied as Bangladesh, China, India, Indonesia and the Philippines. The Region also mounted 10 seminars to discuss the 1988 WDR. The "Global Links" TV series on development was shown on Chinese television, and a program on China and the World Bank was also developed for Chinese television. One of the most novel activities of the Region was to help

organize a seminar on the role of Asian women journalists in development. This seminar, which was sponsored by the Beijing Women Journalists' Association, was held in May and attracted women journalists from a dozen Asian countries. In its external affairs work, the Region makes extensive use of its resident missions, which include the Bank's largest field offices.

82. Looking toward the future, the Region is working to combine its external affairs efforts with those of the Asian Development Bank (ADB). Possibilities which are being explored include joint press seminars, joint press tours and combined activities in the audiovisual field. One collaborative effort is already under way. The two institutions, at the suggestion of the Region, recently ran a photo contest to depict Asian women in development. The best photographs will appear in a joint Bank/ADB 1990 calendar on women in development.

83. The EMENA Program: In seeking to support Bank operations in the diverse countries of the region, EMENA's external affairs effort has focused on portraying the Bank as an effective development agency and as an intellectual leader on development issues. Special attempts have been made, in this connection, to explain and gain support for Bank adjustment lending and for the need for policy reform—however unpopular some of these measures might appear to be—if borrowers are to escape the high debt-low growth trap many of them face. Key constituencies in the EMENA region include the region's governments, the financial and business communities, the press and academia and, increasingly, NGOs. In terms of countries, EMENA's external affairs activities have been greatest in the region's largest borrowers and in those countries where economic difficulties have given rise to questions about the Bank's role, e.g., Egypt, Hungary, Morocco, Pakistan, Poland, Turkey and Yugoslavia. The Region has also sought to meet demands from Part I audiences (especially the media) on EMENA countries.

84. EMENA, like the other Regions, has had an active public affairs program. In 1988, for exam-

ple, the Region organized a tour of Hungary for journalists from Part I countries as well as China, Hungary, and Yugoslavia. It was well attended and gave rise to more than 25 favorable articles. In addition, the Region organized a series of seminars, including: (i) a seminar on cofinancing with Arab and international commercial bankers based in London, which the Regional Vice President attended; (ii) a ten-day seminar for Maghreb government officials in Washington; (iii) a four-day seminar in Izmir, Turkey, for high-level government officials from EMENA countries (the topic: adjustment); and (iv) a seminar, co-sponsored with EDI, for policy makers from socialist countries. This one was held in Vienna. Finally, it prepared a report on Moroccan and Tunisian NGOs, jointly with PPR. This report identifies NGOs in these two countries and explores the prospects for their participation in Bank-financed activities.

85. The LAC Program: The main objective of the LAC Region's external affairs work is to generate a better understanding and acceptance of the Bank's operations and economic and sector work in LAC and to help encourage increased non-Bank financing for, and investment in, LAC. To this end, the Bank's contribution to the region's economic and social development is highlighted, as is the region's need for additional policy reform, institution building, public sector efficiency and capital. The primary targets of LAC's external affairs activities are important audiences within the region itself—e.g., government officials, other politicians, the media, business groups, academicians and the increasing number of NGOs—particularly in the largest, most active Bank borrowers: Argentina, Brazil, Colombia and Mexico. There is, however, also widespread interest in LAC outside the region, mainly in Part I countries in connection with the debt problem and the environment. In its external affairs work, the Region seeks to service this nonregional audience as well.

86. During the course of 1988, the Region had an active program of external affairs activities. Highlights of this program included participation by the Regional Vice President and his

management team in a symposium on Latin America attended by over 300 private and public sector Japanese officials. Three Executive Directors and an Alternate also took part in this symposium, which was held in Japan, co-sponsored by Keidanren (the Federation of Economic Organizations) and the Japan Center for International Finance and arranged with the assistance of the Bank's Tokyo Office. In order to stimulate interest in Latin America among Part I country investors, Regional managers also participated in a seminar on Latin America for a group of high-level corporate executives from Europe, Japan and the United States. This one was held in Washington and was arranged in collaboration with the Offices of the President and with EXT. And the Region mounted three major seminars on trade policy reform and the private sector. Two of these were held in São Paulo, Brazil. Over 650 leading Brazilian businessmen, financiers and academicians attended these events, which were put on with the help of the Getulio Vargas Foundation, the Federation of Industries of São Paulo State and the Banco Safra, a local commercial bank. The third seminar was held in Buenos Aires and was co-sponsored by the Catholic University of Buenos Aires. Finally, the Regional Vice President addressed a gathering of over 200 senior officials of the principal Latin American DFCs in Buenos Aires, and the Region and IFC held a seminar in London on the Bank and the private sector in Latin America. About 100 British private sector and government representatives attended this event.

87. Press outreach activities by the Region were frequent. Two, in particular, warrant special mention. One was a seminar—co-sponsored with the Fund—for Latin American journalists at the time of the Berlin Annual Meetings. This has become an annual occurrence. The second was another seminar for Latin American journalists, which was co-sponsored by the Bank, the Fund and the Inter-American Development Bank. This, too, has become an annual event. This year's seminar was held in Quito and was mounted by the three "Washington agencies" with the assistance of the Latin American Energy Organization, which is headquartered in Quito.

PART III

EXTERNAL AFFAIRS' ANTENNA FUNCTION

88. As was noted in Part I, one of the three principal objectives of the external affairs effort of the Bank is to provide Bank Executive Directors, managers and staff with regular reporting on political, economic and development news of relevance to the institution and to provide management with feedback on how the Bank and its work is perceived by outside audiences. In this part of the report, the "antenna" activities of the Bank are briefly discussed. In addition, some of the major criticisms and issues facing the Bank are highlighted.

89. Internal Feedback: EXT gathers important news on a daily basis and disseminates it internally through "Development News" and the midday news service. A weekly summary of major newspaper clippings is also circulated to staff on Fridays. Decentralized external affairs staff in all four Regions also circulate news and clippings of regional interest to staff.

90. In order to alert managers and staff to important issues which are on the minds of outside audiences, EXT has, from time to time, prepared and circulated to managers reports on outside perceptions of the Bank. EXT has also prepared and circulated two "issues books" since the reorganization. These "books" not only identify major issues affecting the Bank but also contain general information to assist Bank staff in explaining the Bank's position on these issues to outsiders. Paragraphs 91 through 110 flag and briefly discuss some of the principal charges leveled at the Bank by outside critics.

External Criticisms of the Bank

91. **Debt:** Probably no development issue looms larger in the "real world" than Third World debt and what to do about it. A widely held view is that virtually nothing has been done to tackle the debt problem since it emerged in 1982. Initiatives—such as the "Baker Strategy"—are perceived in some quarters to have, at best, papered over the debt crisis by

piling new debt on existing bad loans. Time has been bought, critics say, but no meaningful alternative to "muddling through" has yet been devised.

92. Those who share the concerns mentioned in the preceding paragraph are critical of the Bank for not having done more to work out genuine solutions to the debt problem. They acknowledge that the Bank has done its share to assist highly indebted middle-income countries under the "Baker Strategy." Since they perceive that strategy to be a failed one, however, they criticize the Bank for not having shown intellectual leadership on the debt issue. These critics, in short, view the Bank as part of the debt problem and not as part of its solution.

93. Explaining the Bank's position on debt has been part of the institution's external affairs effort. Bank spokesmen—including the President and the Senior Vice President, Operations—have spoken and given interviews on the subject. The Bank's evolving approach to debt is, therefore, a matter of record. Many outside critics are not satisfied with the Bank's stance, however, and either criticize it or accuse the institution of not having a debt strategy. Changing these perceptions will not be easy.

94. **The Environment:** Another persistent criticism of the Bank is that it has been insensitive to the environment and that too many of the projects which it has helped finance have actually contributed to environmental degradation. These include the so-called "dirty half-dozen," e.g., POLONOROESTE in Brazil and the Narmada dam in India. This view, which has been passionately held by environmentalist NGOs, has found its way into the media and has been voiced by some government officials and parliamentarians in Part I countries.

95. A major external affairs effort has been made to explain that Mr. Conable has made the environment a priority for the Bank and that the

Bank is gearing up to ensure that its future projects are environmentally sound. The message being articulated by Bank spokesmen such as the President himself, Mr. Hopper and Mr. Piddington (Director of the Environment Department) is that the Bank does care about the environment and is working with its borrowers to ensure that future development is sustainable.

96. While it is too early to say that the outside world has accepted the Bank's environmental message, there are indications that public perceptions about the Bank and the environment are beginning, slowly, to change for the better. To paraphrase Churchill, while we may not yet have reached the beginning of the end of environmental criticisms of the Bank, we may be at the end of the beginning. There are, for example, an increasing number of stories which highlight the "greening" of the Bank and which report objectively on the Bank's efforts in the area of the environment. The article on Rondônia in the December, 1988, edition of *National Geographic* is an example of this objective reporting. So is the piece on the Amazon which appeared in the Outlook section of *The Washington Post* on November 27, 1988. Bank staff worked with both publications to ensure that their reporting on the Bank would be accurate.

97. **Adjustment Lending:** Some outside critics take issue with the Bank's adjustment lending. Those who oppose it charge that adjustment lending (i) is not working, as is evidenced by the deep crisis in which many LDCs are still mired; (ii) is not sustainable in the sense that policy reform is often abandoned by borrowers after the loans have been fully disbursed; (iii) is just a commercial bank bail-out; (iv) is too often linked with marginal reform—as opposed to deep-seated policy improvements which the countries really need; and (v) is harmful to the poor.

98. To help counter these charges, in early FY89 EXT disseminated to a wide audience of journalists and others a report (originally prepared for the Executive Directors by PPR) on the Bank's experience with adjustment lending. Moreover, Bank spokesmen, including the President, have repeatedly underscored the importance of pol-

icy reform of the type supported by adjustment loans, particularly for countries in the high debt-low growth trap. They have also made the point that the poor are worse off without adjustment than if policy reforms are enacted. At the same time, though, they have acknowledged that some of the poor may be hurt during the process of adjustment and that measures to shield them during this transitional period must be built into Bank-supported adjustment programs.

99. **Poverty No Longer a Priority:** To some of its critics, particularly on the left, the Bank is no longer committed to tackling poverty. These critics hark back to the McNamara days when fighting poverty was perceived to be *the* aim of the Bank and say that, since then, the institution has "lost its way" and is too concerned with debt, policy reform, the private sector and other issues to care about the poor.

100. To dispel this notion, a core point which Bank spokesmen need to make whenever possible to outside groups is that the Bank's commitment to poverty alleviation continues and is undiminished. This is explicitly identified as the Bank's *raison d'être*, and the wide range of Bank operational activities is portrayed as a means to reduce poverty. As was noted earlier in this report, this message is central to the Bank's external affairs effort. It was, for example, driven home hard in the last two Annual Meetings speeches of the President.

101. **Bank Inefficiency and Ineffectiveness:** Bank critics have sometimes sought to portray it as a bloated, cumbersome bureaucracy. They have also questioned its effectiveness by challenging the quality of its policy advice and its adjustment lending (see above) and by charging that its project work is sloppy.

102. Much of the criticism of the Bank's efficiency has been muted by the reduction of staff which accompanied the reorganization. EXT has also sought to foster the image of Bank efficiency by pointing, *inter alia*, to the institution's comparatively modest administrative expenditures and to the streamlining of Bank procedures in the wake of the reorganization. To

counter charges of Bank ineffectiveness, the Bank's strong record in traditional investment lending is cited. At the same time, the Bank has acknowledged that development entails, by definition, risk taking and that some projects are bound to be failures. Part of the external message the Bank seeks to articulate in this connection is that it strives to learn from these setbacks and, in fact, has an independent Operations Evaluation Department (OED) whose function is to monitor and analyze the Bank's operational experience. Some OED reports are actually disseminated publicly with the approval of the Executive Directors.

103. Bank Finances Are Weak: Potentially one of the most damaging criticisms leveled at the Bank is that its finances are weak and that its bonds are, consequently, a poor investment. In support of this thesis, critics point to the Bank's growing lending to the same Third World countries which have shown themselves to be poor credit risks for commercial banks. They also claim that the portfolio of the institution is in trouble. If these criticisms were to gain credence, the cost to the Bank (and, ultimately, to its borrowers) of raising capital on the world's financial markets would go up. Indeed, if the criticisms were widely perceived to be accurate, the very ability of the Bank to tap these markets would be prejudiced.

104. The markets have not subscribed to this line of attack. To help ensure that they do not, an important part of the Bank's external message needs to be, and is, that Bank finances are still rock solid. The special relationship between the Bank and its borrowers (who are both clients and shareholders) is played up as a factor militating against damaging defaults. The relatively strong state of the Bank's portfolio, its robust net income and its continued AAA rating are also highlighted to outside audiences. Finally, the continued strong backing of the Bank by its Part I shareholders, as demonstrated most recently by the GCI, is pointed to as another factor undergirding the strength of Bank bonds. Messrs. Stern and Roth (the Bank's Treasurer) are charged with responsibility for Bank relations with the financial community and are the

principal spokesmen enunciating these messages.

105. Negative Net Transfers: Shrinking net transfers from the IBRD to its current borrowers have been a source of concern of Part II country governments for some years. Recently, however, this issue has begun to emerge as a criticism among other groups, including the media in Part I nations. The charge is that the Bank is extracting more resources from LDCs than it is providing them. To make matters worse, the argument goes, this is happening at a time when developing countries are especially in need of capital. Since many view the Bank's primary function as being the financing of development, they question whether running negative net transfers is consistent with the institution's mandate. This line of reasoning is potentially very harmful.

106. The Bank, itself, has helped bring the issue of net transfers to the fore. Data contained in the *1988 Annual Report* show that IBRD net transfers to current borrowers in FY88 were, for the first time ever, negative to the tune of minus US\$1.9 billion. This has not escaped the press. In addition, for years, a number of Bank publications and spokesmen have implicitly or explicitly criticized others—commercial banks, in particular—for not having positive net transfers with Third World countries. In so doing, Bank staff have contributed to the public perception that positive net transfers are an obligation of all lenders, including, especially, development agencies.

107. The IBRD is not expected to run positive net transfers in the foreseeable future. Criticism on the net transfer issue can, therefore, be expected to grow. Dealing with it will be tough. Part of the message will have to be that the IBRD and IDA, combined, are still running positive net transfers to LDCs. Another part of the message should be that the IBRD is not draining money out of LDCs but is, in fact, increasing its exposure to them as its net disbursements continue to be positive. A third point that will have to be emphasized is that it is neither sustainable nor desirable to have positive net transfers to all

borrowers at all times. Moreover, the Bank will have to deal with the negative net transfers of others in a more constructive way. Even if the issue is carefully explained, however, critics may not "buy" the Bank's arguments and may continue to question whether the Bank is living up to its mandate.

108. Ideological Attacks: The Bank is sometimes pilloried by right-wing critics for lending to countries with socialist governments (e.g., Ethiopia or Hungary) and for operations which are perceived to prop up inefficient government activities or parastatals. In the view of these critics, the Bank should be aggressively pushing for a reduction of the role of the state in all developing countries. Other critics, on the left this time, complain that the Bank is blindly advocating a greater role for the private sector and market-determined solutions to the ills of LDCs. To these, the Bank is pushing the politico-economic philosophy which is ascendant in some of its Part I shareholders.

109. In its external affairs work, the Bank seeks to fend off ideological criticisms of this type by underscoring the institution's pragmatic, country-by-country approach to development. The overriding concern for the Bank—the message states—is to find technically sound, not ideologically driven, approaches that will result in a more efficient use of scarce resources in borrowing countries. By publicizing its involve-

ment in a broad range of countries with widely different political and economic systems, the Bank also seeks to underscore its essentially technical, apolitical nature.

110. The preceding discussion of issues is illustrative, not comprehensive. There are many other aspects of Bank operations that give rise, from time to time, to external criticisms. For example, the Bank is often attacked in industrialized countries for lending for commodities and industries that may compete with activities in Part I countries. There is also a growing concern about whether development works, fueled by the sluggish growth and actual contraction of many LDCs during the past decade. This concern is most commonly voiced in connection with Sub-Saharan Africa. The question of the appropriate division of labor between the Bank and the Fund is also flaring up, and, shortly, there will be an interest in the role of the Bank in the 1990s. Finally, growing public preoccupation with drugs could lead to calls for the Bank to cease lending to perceived drug-producing, processing or exporting countries just as, in the past, the Bank has been under pressure from some quarters not to lend to countries which are perceived to violate the rights of their citizens. There are, in short, a host of external affairs issues the Bank must deal with. And the list is a growing one. One thorny issue which, however, appears to have largely played itself out is concern with, and reporting on, the reorganization.

PART IV

PRIORITY INITIATIVES FOR FY89-91

111. This paper now turns to the priority initiatives or "projects" which EXT is seeking to pursue during the FY89-91 period. Some of these projects have been substantially completed. Others are still ongoing or are yet to be launched.

112. The U.S. Public Affairs Program: The United States is the Bank's single largest shareholder and the host country for the Bank's headquarters. Yet, there is no ready-made and powerful constituency for development in the United States, and development issues rank toward the bottom of the list of concerns for American audiences. With this in mind, priority has been given to intensifying efforts to enhance public understanding for, and support of, development and of the Bank and its work in the United States. These efforts are outlined in Box 3.

113. IDA-9: Preliminary discussions on IDA-9 took place during the Berlin Annual Meetings, and negotiations of the ninth replenishment are expected to go into high gear in 1989. Once these are concluded, EXT will help mobilize support for the replenishment, particularly in those shareholder countries where a special public relations effort may be needed.

114. The Berlin Annual Meetings: Another important EXT "project" in FY89, which is now completed, was the design and implementation of a comprehensive public information campaign in Germany as a lead-up to the 1988 Annual Meetings in Berlin. This project is discussed in paragraph 57 and Box 1.

115. Antenna Functions: As was noted earlier in this report, one of the priority functions of external affairs staff is to report within the Bank on major political and economic news in a timely manner. In an effort to discharge these responsibilities in a more efficient manner, EXT has launched the following initiatives in FY89: (i) the daily edition of "Development News" (the yellow sheet) has been put on All-in-One

and is now available to All-in-One subscribers every morning before 9:00 a.m.; (ii) a midday news service is also available every day to All-in-One users in order to provide them with important, last minute developments just before lunch; and (iii) the Fund's "blue sheet" has also been put on All-in-One.

116. Another important "antenna" function is to take "readings" of outside perceptions and criticisms of the Bank and to feed these back to the institution. As is noted elsewhere in this report, during the course of 1989 several such readings were taken by Bank staff, and EXT widely circulated memoranda detailing outside perceptions of the Bank—especially in Europe—to Bank managers. Moreover, EXT prepared two "issues books" which summarize Bank topics of interest in the real world and which detail the Bank positions on these. The second of these, which was finalized right before the Annual Meetings, was distributed to all Bank managers who traveled to Berlin.

TOWARD A MORE ACTIVE EXTERNAL AFFAIRS STANCE

117. A frequent criticism of the Bank's external affairs work is that it is too reactive and does not "get out in front" of the issues often enough. This type of complaint is most frequently voiced in the wake of media stories critical of the Bank—whether that criticism is warranted or not. Those who make it ignore the impossibility of anticipating and heading off *all* negative stories. The criticism also ignores the extensive amount of "hidden" damage control work which EXT does. For example, EXT staff sometimes get wind of hostile pieces before they are printed and can, on occasion, succeed in providing the authors with factual information which persuades them to write more objective, accurate stories. On still other, admittedly rarer occasions, the information provided by Bank staff is so convincing that critics actually decide to drop the potentially harmful piece altogether.

Box 3. The U.S. Public Affairs Program

In order to broaden U.S. understanding of the Bank and its work, EXT—in close coordination with the Offices of the President and the Senior Vice President, Finance, as well as the U.S. Treasury—has launched a program which consists of speeches to U.S. audiences and special outreach activities to the U.S. media and to support groups in the United States. The special “project” executed to help build public support for U.S. Congressional approval of the GCI illustrates how these activities came together in a specific instance. This project, which is now completed, is discussed below.

The Bank’s U.S. GCI project had four major elements. The first was to enhance public awareness of, and support for, the GCI by carrying out a major program of speeches to explain the Bank and its work to influential American audiences. As chief spokesman for the institution, Mr. Conable—supported by EXT—played the key role in this aspect of the program. He addressed a number of groups around the country, including, for example, the Council of Foreign Relations (New York), the Annual Meeting of the Bretton Woods Committee (Washington), the World Affairs Council of Northern California (San Francisco), the International Forum of the U.S. Chamber of Commerce (Washington) and the Chicago Council on Foreign Relations. Mr. Conable also met with American lawmakers and their staffs to explain the GCI to them and answer questions they had on it.

A second element of the program was to generate favorable media commentary on the GCI, including, especially, editorial support for the GCI in major American newspapers. To this end, the President and other senior Bank managers made the case for the GCI in their major public appearances (e.g., speeches and interviews) during 1988, and EXT staff met with editorial writers of influential American newspapers to explain the GCI to them as well as why they should endorse it. This effort was largely successful. A half-dozen leading newspapers, including the *Boston Globe*, *Christian Science Monitor*, *Los Angeles Times*, *New York Times* and *Washington Post*, endorsed the GCI in their editorial

pages. Annex I contains samples of the editorial support for the GCI.

Mobilizing outside groups and individuals to speak on behalf of the GCI was a third element of the strategy. Some of those who eventually did so were traditional friends of the Bank, including the Bretton Woods Committee and the Overseas Development Council, both of which put out publications, based on Bank-provided information, which made the case for the GCI. Examples of pro-GCI publications issued by outside support groups are contained in Annex II. Attention was also given to environmental, agricultural and poverty pressure groups to address their concerns about the Bank’s operations and to enlist their support for the GCI.

Finally, EXT developed and disseminated to influential audiences a number of briefing materials (e.g., issues papers, “questions and answers”) on the importance of development, the role of the Bank, the links between Third World development and economic growth in the United States and the rationale for the GCI.

The U.S. Congress approved the GCI on September 30, 1988, by a vote of better than three-to-one in the House of Representatives and of nearly two-to-one in the Senate. President Reagan signed the legislation containing funding for the GCI on October 1, 1988.

Although the U.S. Congress has approved the GCI, EXT will continue to pay close attention to the United States in its external affairs activities. Building on the work done in connection with the GCI, EXT will seek to help mobilize support in the United States for development, generally, and for the Bank and its work, more specifically. Future U.S. public affairs projects will also be carried out, from time to time, as needed. When, for example, IDA-9 negotiations are completed, an effort will be made to mobilize support for it in the United States. A special project may also be needed to explain any retrofit of Bank buildings which may be decided on.

118. The preceding notwithstanding, a greater effort will be made in the coming years to strike a more aggressive stance on the external affairs front. The initiatives summarized in paragraphs 119 through 131 will be taken to help bring about an improved public perception of the Bank.

119. **The Electronic Media:** In the past, the Bank’s media work has been largely oriented toward the wire services, newspapers and financial publications. This reflects the fact that most journalists who regularly follow development and financial issues are concentrated in the print media. It also recognizes that the print

media have a significant influence on other forms of reporting. With each passing day, though, the importance of the electronic media—television and radio—is growing. This is a worldwide phenomenon, not one that is limited to Part I countries. Against this background, the Bank's external affairs work needs to tap more aggressively into the increasingly influential electronic media. This will not be easy to do. The electronic media, especially television, are frequently geared to confrontational and sensational news. Getting air time for development issues will be an uphill fight. Nevertheless, ways of obtaining more electronic media exposure for the Bank—especially the President and its senior managers—will be actively explored.

120. Highlighting Success Stories: Many of the pieces on the Bank which find their way into the media focus on perceived Bank failures or mistakes, e.g., the POLONOROESTE and Narmada dam projects. In an effort to encourage more balanced reporting on Bank operations, external affairs staff will make a conscious effort to provide the media with information on Bank success stories or on ongoing operations which can be given a positive spin. There is plenty of raw material for such stories since most Bank operations meet their stated objectives or have interesting angles. A case in point, for example, is the US\$132 million loan to Brazil approved in FY88 to help resettle 8,000 families displaced by the construction of the Itaparica dam and reservoir. This story is especially interesting because the Bank was not involved in financing the dam but got involved in the resettlement anyway and is contributing to its effective implementation.

121. Press Tours: In order to encourage more positive coverage of Bank activities, an effort will also be made in the coming years to make more extensive use of press tours. The idea is to invite journalists to visit Bank-financed operations in selected developing countries so as to give them firsthand exposure to the Bank's work. The EMENA Region and EXTEU organized successful press tours in 1988, but an effort to make wider use of this tool will be made through 1991.

122. Greater Magazine Coverage: Most Bank media contacts are with newspapers and the wire services. Within this universe, the Bank's primary interlocutors are journalists who cover financial and economic news. This is understandable, and yet there are a number of widely read, influential magazines which could serve as cost-effective vehicles for the Bank's messages.

123. During the next 18 months, EXT will try to get favorable coverage of Bank activities in some of the world's leading magazines. Getting such coverage will not be easy—particularly since most of these publications do not extensively cover economic news. Nevertheless, the potential payoff justifies going ahead with the effort.

124. Op-Ed Pieces: Much of the criticism which the Bank receives takes the form of pieces written on the page opposite editorials in newspapers (so-called Op-Ed articles). Unlike straightforward news stories which are meant to be objective reporting of the news, Op-Ed articles are specifically carried by newspapers as platforms where writers can express viewpoints on diverse topics.

125. The Bank has been able, from time to time, to place Op-Ed pieces favorable to itself in major newspapers. Articles prepared by Messrs. Conable and Fischer on debt and trade and "placed" by EXT in the *Los Angeles Times* and *Journal of Commerce* are recent examples of this (see Annex III). However, the Bank could make more aggressive use of Op-Ed pieces to get its message across to outside audiences in a nonre-active mode. Priority will be given to doing so.

126. Outreach to Academia: As was noted in the discussion on audiences, academia is an important constituency for the Bank. In recognition of this fact, Bank publications are marketed and otherwise distributed systematically to university faculty members and students and are regularly displayed at academic conventions in the United States and elsewhere. Moreover, all the Regions do external affairs work among leading universities in Part II countries, and Bank staff frequently visit universities in Part I countries. University visits tend to be of an *ad*

hoc nature, however, and do not correspond to a carefully designed academic outreach program.

127. A major EXT initiative during the coming two years will be to mount a systematic program of speakers' visits to important universities in Part I countries. This effort will be designed and executed in close collaboration with PPR, which has a special responsibility in projecting the Bank's role as a source of intellectual leadership in the area of development. Bank staff from Operations and PPR would undertake most of these visits. The Public Affairs Division of EXT will be responsible for managing this program in Part I countries outside Europe. EXTEU will design and manage the program in Europe, and the Tokyo Office will manage it in Japan.

128. Strengthening Bank Informational Materials: The Bank's stock of up-to-date informational materials is badly depleted. These materials—all of which are available free of charge—can be useful in getting the Bank's mission and activities across to the general public and can also help provide information to important constituencies at the time of, say, IDA replenishments or capital increases. Consequently, EXT will examine the current stock of Bank informational literature, identify gaps which exist and begin producing the materials which are needed. To the extent necessary, the services of outside writers and consultants (including former Bank staff) will be enlisted in this effort. The goal is to have a substantially replenished stock of "off-the-shelf" informational literature by the end of FY90.

129. Gearing Up for Southern Europe: The

Bank's external affairs effort in Europe is, by and large, an extensive one. Germany, Britain and France—the largest Bank shareholders on the continent—have historically been closely covered by the Bank's external affairs staff based in Paris. So have the Nordic countries, traditionally strong backers of development assistance, and the Benelux countries and Switzerland, one of the most active capital markets for the Bank.

130. The Bank's external affairs coverage of Europe has not, however, been even. The continent's southern tier of capital-supplying nations—especially Italy and Spain—has been largely ignored by external affairs staff in the past. This despite the fact that Italy and Spain graduated from the ranks of Bank borrowers in the 1960s and 1970s, respectively, and that they have become increasingly important, albeit still relatively small, sources of capital for the Bank. Moreover, both countries have expanding aid programs. This applies, particularly, to Italy, which is mounting, in relative terms, one of the world's most ambitious aid efforts.

131. In recognition of the growing importance of these two nations, the President visited both Italy and Spain in 1988. In addition, EXTEU intends to launch a more intense external affairs effort in southern Europe, generally, and in Italy and Spain, more specifically. Since EXTEU staff already have their hands full with their current work load, the planned external affairs initiative in southern Europe will require the addition of one higher-level staff member to the Paris Office. Funding for this additional position has been included in the EXT budget request for FY90.

PART V ORGANIZATION AND RESOURCES

Pre-Reorganization

132. Prior to the reorganization, the Vice Presidency for External Relations was responsible for the Bank's external affairs. It was headed by a Vice President, who reported directly to the President. While much of the Bank's actual external affairs work was undertaken then, as now, by senior Bank personnel (e.g., the President and other managers), all staff who worked full-time at external affairs were in the Vice Presidency.

133. The External Relations Vice Presidency consisted of four departments:

- (i) The *Information and Public Affairs Department* (IPA) had principal responsibility for enhancing public awareness of the Bank and its activities and for marshaling external support for the institution and its work. To this end, the department was responsible for: (a) relations with the media; (b) the public affairs work done with important constituencies such as institutional investors, the business and academic communities, church groups and key political audiences, including parliamentarians; (c) Bank internal communications; and (d) relations with the Washington community.
- (ii) The *European Office* in Paris and the Bank's London Office handled media relations and public affairs work in the Part I countries of Europe.
- (iii) The *Publications Department* was charged principally with the timely publication of the Bank's policy documents, operational experience, research work and informational materials. It also had responsibility for the dissemination of these publications worldwide through a combination of complimentary and for-sale distribution procedures.

- (iv) The *International Relations Department* (IRD) provided substantive policy and technical support to the President and senior Bank managers as well as to the Development Committee. It was also responsible for relations with intergovernmental organizations, including the United Nations, and coordinated Bank relations with NGOs. Both the Bank's New York and Geneva offices reported to this department.

134. **Staffing and Budget:** In FY87, the year before the reorganization, the External Relations Vice Presidency had a total complement of 167 regular and fixed-term staff (98 H/L positions and 68 S/L slots) and a budget of US\$14.4 million. A breakdown of its staffing and budget is provided in Annex IV. It should be noted, however, that not all of these resources were expended on the media, public affairs and publications activities which constitute external affairs work in today's Bank. For example, only 16 of the 42 staff in the European Office and US\$1.6 million of the US\$3.3 million budget of the Paris Office were earmarked for external affairs activities. And none of the IRD staffing or budget went into external affairs work as defined today. Taking the FY89 definition of external affairs, the FY87 budget provided 119 positions (71 H/L and 48 S/L slots) for external affairs work and a budget of US\$11.2 million.

The Reorganization

135. The reorganization of External Relations was done in stages over roughly a six-month period beginning in mid-1987. During this period, Bank management decided to transfer the International Relations Department of the External Affairs Vice Presidency to PPR. This was done on the grounds that IRD's policy and technical work would best be housed in the new Policy, Planning and Research complex. Under the new organizational structure, IRD's staffing and functions were merged into the new Strategic Planning and Review Department.

136. Management also decided to downsize the central External Relations function and to decentralize 13 of its positions (nine H/L and four S/L) to the four Regional Vice Presidents, PPR and the Senior Vice Presidency, Finance (SVPFI). The objective of this decentralization was to entrust line managers with direct responsibility for external affairs work done in their units and to integrate the Bank's external affairs effort better into its operations.

137. Finally, the centralized external affairs function was organized into an External Affairs Department headed by a Director who reports to the Senior Vice President for External Affairs and Administration.

Current Structure and Resources

138. **The External Affairs Department:** The centralized External Affairs Department (EXT) is responsible for the Bank's media and public affairs work in Part I countries, for providing external affairs support to the President's Office—and to other senior managers, as needed—and for helping to coordinate the Bank's overall external affairs effort. EXT also handles Bank publications, internal communications and community relations. Francisco Aguirre-Sacasa, a staff member with 19 years of Bank experience—virtually all of it in Operations—was selected to head the new External Affairs Department and took up his duties on February 1, 1988. Four units report to him. These are the Publications Department, the Media & Communications Division, the Public Affairs Division and the European Office's external affairs staff (including the Director of the European Office in Paris).

139. The responsibilities of the *Publications Department* are virtually the same as those it had prior to the reorganization (see paragraph 133). The only noteworthy change is that responsibility for audiovisual communications—formerly with IPA—has been shifted to Publications. The *Media & Communications Division* is primarily responsible for the Bank's media relations in North America, for providing media support to the President's Office and for internal communications. The main duty of the *Public Affairs Division* is constituency building in the Part I countries of Asia, North America and Oceania.

In this connection, EXT's public affairs staff undertake activities geared toward building support for development and the Bank among audiences as diverse as, for example, parliamentarians, business groups and academicians. Finally, EXT staff in the *European Office* are responsible for the Bank's media and public affairs work in the 17 industrialized countries of Western Europe.

140. **Decentralized EXT Units:** In the reorganized Bank, each of the Regions, PPR and SVPFI are responsible for their own external affairs work. Each of these Vice Presidencies has an external affairs unit or staff member attached to the Vice Presidential front office. As is noted in paragraph 136, at the time of the reorganization 13 authorized positions were transferred from External Relations to six Vice Presidencies. LAC received two H/L slots and one S/L slot. Two H/L positions went to the Asia Region, and Africa received two H/L slots and one S/L position. EMENA got one H/L slot, and PPR and SVPFI each received one H/L and one S/L position.

141. **Staffing and Budget:** As has been noted earlier in this report, much of the actual external affairs work of the Bank is done by staff who do not work full-time on external affairs activities (e.g., senior and line managers). Moreover, these same staff cover their external affairs activities out of their regular budgets. Given current accounting procedures, it is virtually impossible to pinpoint how much the Bank actually invests in external affairs. The staffing and budget of those units and staff working full-time on external affairs are, however, easier to ascertain. These figures are provided in the table on the following page. Figures given are for FY89 and correspond to regular and fixed-term staff who work full-time around the Bank on external affairs activities.

142. One of the objectives of the reorganization was to downsize full-time external affairs work. By comparing the following table with the figures in paragraph 134, it is clear that this objective has been realized. Specifically, prior to the reorganization the Bank had 119 full-time external affairs staff (71 H/L and 48 S/L slots) and a

FY89 Budget and Staffing for EXT and Decentralized External Affairs Units

(budget in millions of US\$ and staffing broken down into higher- and support-level positions)

<i>Unit</i>	<i>Budget</i>	<i>Staffing</i>
EXT Director's Office	0.8	5 H/L 3 S/L <hr/> 8 total
EXT Publications Department	5.0	20 H/L 13 S/L <hr/> 33 total
EXT Media & Communications Division	1.0	9 H/L 4 S/L <hr/> 13 total
EXT Public Affairs Division	0.6	7 H/L 4 S/L <hr/> 11 total
European Office (Director and EXT staff)	1.1	7 H/L 6 S/L <hr/> 13 total
<i>Subtotal for EXT</i>	8.5	78 EXT staff
<i>Decentralized Units</i>	0.8	9 H/L 6 S/L <hr/> 15 total
TOTAL	9.3	57 H/L 36 S/L <hr/> 93 staff

budget of US\$11.2 million for full-time external affairs activities. The FY89 figures—93 positions (57 H/L and 36 S/L) and US\$9.3 million—show a 25-slot (or 21 percent) reduction in complement and a US\$1.9 million cutback in outlays. Applying the Bank FY87–89 deflator, this comes to a 21 percent savings in expenditures in real terms. The efficiency of the Bank's external affairs work is discussed in Box 4.

Is the Decentralized System Working?

143. As part of a series of retrospective reviews on the reorganization commissioned by the President, EXT is undertaking a review of the

Bank's new external affairs structure. The review is looking into how the current organization—with a central EXT department, on the one hand, and decentralized external affairs units, on the other—is working. Moreover, it aims at recommending improvements in the structure, should any be found to be necessary. The review is well advanced and should be ready for management consideration in February, 1989. Some of its preliminary findings are summarized below.

144. The Regions: The major objective of decentralization was to transfer, wherever possible, responsibility for the management of external affairs—as well as external affairs resources—to line managers so as to integrate external affairs activities more fully into Bank operations. The study concludes that, in the four Regions, this approach has been broadly successful. Regional public affairs specialists are now better able to support the Bank's greatest external affairs "assets" in the Regions—line managers and senior staff—more closely and effectively than ever before. Regional specialists have, for example, fuller and more timely access to information and a better understanding of Regional priorities, work programs and issues than in the past. This enables them to advise Regional management better on the external affairs dimension of their work and to tailor external affairs programs to the specific requirements of the different Regions. The decentralized arrangement also has the added benefit of being less bureaucratic. Regions now control their external affairs resources themselves and do not have to interact with a central unit for support. In short, the decentralized approach is working in the Regions. In a relatively short period of time, the Regions have been able to develop Regional external affairs strategies and work programs and to translate these into vigorous action. These Regional external affairs activities are summarized in paragraphs 75 through 87 of this report.

145. Coordination: Collaboration between EXT and the decentralized external affairs units—and among decentralized staff—has been generally good in the 18 months since the reorganization. In great part, this is due to informal networking

Box 4. Efficiency of External Affairs Work

How efficient is the Bank's external affairs work? It is difficult to judge. Part of the problem is that many of the Bank's external affairs activities are hidden, i.e., they are undertaken by staff who do not work at external affairs full-time and who do not formally record either their external affairs work or the cost associated with it. The issue is further complicated by the fact that there are no industry-wide standards against which the Bank's external affairs efforts can be readily measured. For example, the bulk of external affairs activities and expenditures by private firms (including financial institutions) consists of paid advertising, something in which the Bank does not engage.

These difficulties notwithstanding, a handle can be gotten on the efficiency of the Bank's external affairs work by comparing its cost with that of other similar institutions. For purposes of this comparison, external affairs expenditures are defined as outlays for full-time external affairs staff and their activities but excluding Publications costs. By this criterion, external affairs work at the Bank comes to about 0.5 percent of the Bank's total budget. At the Fund, the comparable figure comes to about 1.25 percent of its budget, and at the Inter-American Development Bank, the figure is 1.7 percent.

EXT is continually seeking to increase the efficiency of its activities. In this connection, it has decided to contract out some EXT functions which can be performed by the private sector at a lower cost and without compromising quality. This option has been pursued in two cases. First, in the spring of 1988, EXT decided to contract out the making of films for internal use and external audiences. This has enabled EXT to reduce the size of its film unit and costs. The downsized film team, which will provide technical support to Bank units wishing to make films, has been allocated two positions (one H/L and one S/L). Its annual budget will be about US\$160,000. By contrast, the Bank's pre-organization film unit had four positions (two H/L and two S/L) and an FY87 budget of about US\$400,000.

The second instance of contracting out was decided upon in November, 1988, and entails entrusting the Publications Department's order-filling activities to a private firm. This is a common practice in the industry and will enable the Publications Department to reduce its regular and fixed-term complement of "sales fulfillment" staff from the FY88 level of 13 slots (four H/L and nine S/L) to three positions (one H/L and two S/L). This move is expected to save the Bank approximately US\$400,000 annually.

among staff, most of whom had worked closely together in the old External Relations Vice Presidency. In order to contribute to enhanced coordination, however, there is a weekly gathering of EXT and decentralized external affairs staff in a "news committee meeting" chaired by the Director of Information. Information of general interest is shared in this forum, and coordination issues are discussed. Ways of strengthening the effectiveness of the news committee meeting are

being examined, as are other initiatives to enhance the already good collaboration between the center and the decentralized external affairs units. A number of ideas for improving coordination are identified in the retrospective review cited in paragraph 143, and the possibility of implementing these during the balance of FY89 will be explored by EXT and the Regional external affairs units.

PART VI CONCLUSIONS

146. The external affairs activities and future initiatives discussed in this report make sense for today's Bank. They address the priority objectives, messages, audiences, spokesmen and activities the Bank needs to pursue in its external affairs work.

147. The Bank has three major objectives in the area of external affairs: (i) to marshal support for the Bank among key constituencies in both Part I and II countries; (ii) to feed back into the institution relevant news and outside perceptions; and (iii) to report to member governments and the general public on the Bank and its activities. The strategy outlined in this report calls for four core messages to be imparted to outside audiences: (i) that the Bank's business is development (promoting sustainable growth with equity); (ii) that the Bank is the world's premier development agency and works; (iii) that it is financially sound; and (iv) that it is an apolitical, technical agency. Finally, the strategy relies on a three-pronged set of activities to project the Bank and its work to external audiences: (i) public affairs work; (ii) media and communications activities; and (iii) a publications program.

148. This report recognizes that Bank management and staff, who do not work full-time on external affairs, have the principal responsibility for acting as Bank spokesmen to the outside world. In this regard, the central role which the Bank's President must play as chief spokesman for the institution is underscored, as is the important role of other members of the President's Council. Recognition is also given to the special responsibility which has devolved upon Regional Vice Presidents and their staff for external affairs work in the regions for which they are responsible.

149. While the Bank has a sound external affairs strategy and an organizational structure for external affairs which is, by and large, working well, improvements need to be made to enable the institution to play a more active, less reactive role in the area of external affairs. These new initiatives are outlined in Part IV of this report. Some of them are already under way. The others will be launched during the course of FY89-91.

ANNEXES

The debt to the World Bank

Bashing the World Bank has been a favorite form of entertainment for the more narrow-minded members of Congress, made easier from time to time by comments about its comfortable headquarters and a few staff members flying to Europe on the Concorde. In fact, the bank provides crucial financing for developing countries, helping them to bring their economies into the mainstream.

Congress has now become laggard about its latest funding operation, involving \$70 million a year for six years. That amount is the US share of expanded capitalization that will allow the bank to increase its current annual lending of about \$15 billion to more than \$20 billion in the early 1990s.

Most other member countries have already made good on their share, so there is no question the bank will be able to move ahead. America remains the last major nation not to participate.

Some of the objections are based on phony arguments that \$70 million a year would be better invested in this country. Others have more substance, trying to use this issue as a means of forcing more action on the international debt crisis. None should be allowed to derail the commitment.

America's share in the bank has declined proportionally over the years as other industrial countries have grown in stature. The American voting share, once 40 percent of capitalization, is now 19 percent and would fall to 18 percent if the commitment were not met — hardly crucial, but a nasty sign to send to a world in which more than a billion people live in dire poverty and perhaps 2 billion more are barely out of it.

Members of Congress could, if they chose, view the matter in more selfish terms. The lending operations of the bank generate demand for capital equipment and other items of purchase, some of it from the United States. Last year, these purchases amounted to about \$1.5 billion for American suppliers, more than the total capital commitment of the United States to the World Bank to date.

The investment is a wise one on moral grounds. For those who find that inadequate, greed will have to suffice.

Aid World Bank

FOREIGN AID programs have often been likened to pouring money down a bottomless pit, and no doubt some aid has been wasted over the years. However, one program whose financial soundness is unquestionable is the World Bank's support of economic development through careful loans on projects throughout the world.

The World Bank's loans are not gifts but investments in economic progress that are repaid with interest, thus providing funds for additional loans to finance other sound economic projects. The World Bank is a preferred creditor, and very few nations have ever fallen behind in repaying their loans.

The World Bank's revolving loan fund is now in need of a small increase in assets in order to expand its worldwide lending operations. The U.S. share in the funding is \$70 million a year for six years or 18.75 percent of the total amount sought by the 151-member organization.

Treasury Secretary James A. Baker recently explained in House testimony that the new funds, along with private-sector borrowing, would make it possible for the World Bank to increase its lending from \$15 billion a year to \$20 billion a year.

Baker emphasized the Reagan administration's support for the World Bank, citing some of the projects made possible by the lending programs. New energy-generation projects, for example, are expensive for underdeveloped countries, but they can provide the foundation for a whole range of other economic developments. Another major category is agricultural develop-

ment, which makes it possible for poor countries to feed themselves.

Many of the World Bank loans, Baker noted, go to assist countries that are strategically important to the United States — for example, countries such as the Philippines, Pakistan, Turkey and some Latin American countries.

The United States also assists many of these nations with bilateral loans, but World Bank lending is an especially good investment because the United States has to put up only a small part of the total amount of the loans. U.S. business also benefits through World Bank contracts.

For most of the postwar period, many underdeveloped nations bobbled themselves with socialist principles and central planning by inefficient bureaucracies. Their continued poverty led them to make share-the-wealth demands on the Western world.

Today, some poor countries are ready to try something else, and many World Bank loans are made conditional on changes toward a market-oriented economy. "Debtor countries are increasingly committed to reforms and are making progress toward sustained economic growth," Baker said.

Barber Conable, a former congressman from Western New York, is now completing two fruitful years as president of the World Bank. He has particularly stressed the issues of population growth, the environment and women's concerns during his tenure. The wide respect for Conable in Congress should help ensure early approval of the U.S. contribution to the World Bank's re-funding

Give the bank its money

CONGRESS should stop dragging its feet and approve an increase in support for the World Bank.

The bank wants to build its capital so that loans to developing countries can grow from about \$15 billion a year at present to \$20 billion a year by the early 1990s. To do this, it has asked for relatively modest contributions from its member nations, which can then be leveraged into billions of dollars available for aid.

Most of the World Bank's 151 member nations – including nearly all the industrialized countries – have already approved the General Capital Increase (GCI), ensuring lending growth whether or not Congress acts. The United States is a conspicuous holdout.

In practical terms, US nonparticipation would mean a level of aid slightly lower than the bank had hoped.

Beyond that, it would imply lagging US support for an institution committed to doing something about the economic backwardness that still clings to much of the world and hurts everyone, not just the unfortunate people directly affected. The US, after all, played a major role in forming the World Bank. It has always been a large contributor and a leader in shaping bank policies.

Reluctance to voting the increase – \$70 million over each of the next six years – springs largely from concerns about the third-world debt crisis. Some in Congress want a reappraisal of US policy regarding that debt. A good idea, perhaps, but the US contribution to the World Bank shouldn't be

held hostage to that debate. Opting out of the GCI will only weaken the American role in shaping bank strategies for helping debtor countries.

Other critics don't like the idea of US funds going to an international organization – or going overseas at all. But the bank's efforts to bolster development certainly serves US interests in the long run. Strengthened economies mean better markets for everyone. Irrigation systems, power plants, roads, and other economic building blocks form the heart of development the World Bank backs.

Occasionally bank policies may go awry. Some contend that projects often lose sight of the immediate needs of people – emphasizing agricultural production for export, for instance, rather than meeting a country's own food requirements. Such criticisms demand attention.

In recent years, the bank has stepped up efforts to assess the environmental impact of its projects and to link loans to economic adjustments within recipient countries. These adjustments can be controversial, sometimes raising questions about whose purposes they serve: those of Western creditors or those of the countries supposedly being helped. Again, this needs to be watched.

But while the World Bank may have its flaws, it remains a needed, practical tool for meeting global economic needs.

Congress should approve the US portion of the bank's GCI now, before dust from convention and campaign scurrying obscures such priorities.

Increase in World Bank capital: a test of US leadership

By John H. Costello

THE global leadership of the United States can no longer be taken for granted. While the US has enjoyed a commanding share of world production and technology since the end of World War II, in the coming decades it will undoubtedly have to compete for global influence with a more united Europe and an economically strong Japan.

One arena where US leadership is being tested is in its commitment to the World Bank. The World Bank is today the largest multilateral financial institution, lending \$120 billion annually to promote economic development and growth in the third world. The US was the principal force in founding the World Bank in 1944 and has always been its largest shareholder. For more than 40 years it has provided the leadership that has made the World Bank an outstanding success.

The immediate issue is one guaranteed to glaze the eyes of many Americans – whether this country should participate in a \$75 billion general capital increase for the World Bank.

But the deeper issue is the future of the US role in the world's preeminent multilateral financial institution.

The questions the US must confront are these: To what degree does the end of US leadership in the bank affect US global influence? What effect will the withdrawal of its leadership have on America's capacity to trade and compete in an increasingly interrelated global economy? How would the end of US lead-

ership in the bank affect the US's ability to shape bank policy that is responsive to US economic interests? To whose interests does the leadership accrue? And what are the consequences?

The \$75 billion general capital increase was approved unanimously Feb. 19 by the World Bank's governing board. It has since been ratified by more than 140 nations – including all major powers except the US – together representing well over the 75 percent of existing shares needed

World Bank has always been an American. But as the financial shares of Europe and Japan have grown, that tradition has been questioned and will undoubtedly be reviewed in the future, especially if the US share in the World Bank is reduced.

Aside from maintaining US global leadership and influence in the world community, there are many reasons for the US to support the general capital increase:

- The proposed US cash outlay is \$70 million a year for six years – a relatively

ent economic reforms favored by the US. It has been a strong advocate of more-open world trade.

- Last year more than 900 US companies from 47 states earned more than \$1.6 billion in exports through international competition bidding as part of projects funded by the World Bank and its affiliate, the International Development Association; \$1.6 billion is more than the total dollar amount the US has paid into the bank in its entire 40-year history.

Ratification of the capital increase is now before the Congress. Some traditional World Bank supporters there have refused to approve US participation unless the bank adopts new policies toward third-world debt. Others criticize World Bank loans that they believe create competition for US industries and farmers. These voices have been added to longtime opponents of international development lending.

While all the arguments for new and expanded policies to deal with third-world debt are important, even urgent, the overriding reason the US must approve the bank's general capital increase is that of leadership. As we enter a new era of increased global economic interdependence, now is not the time to abandon the multilateral goals that have served us so well for half a century and which are so critical to future well-being.

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If the US does not participate in the general capital increase, its voting power within the bank will be drastically reduced.

to put it into effect. Therefore, the increase will go forward with or without US support. Ratifying nations have indicated they will begin making their contributions. The bank hopes to raise \$10 billion by the end of the year.

If the US does not participate in the increase, its voting power within the bank will be drastically reduced – projected to 11 percent by September 1993 – at which point it will lose its veto power. Fifteen percent is required to maintain the present US veto over charter decisions. If the US does ratify the increase, its voting power would be about 18 percent at the end of six years (today it's at 19.2 percent). The US veto does not apply to day-to-day approval of loans. But if it does not meet its share of the financial burden, this country's influence over loan policy would surely be diminished.

By tradition, the president of the

small amount that would be highly leveraged. Combined with the contributions of other countries, plus the increased borrowing it would permit, it would allow the World Bank to increase its development lending from some \$15 billion during the fiscal year to \$24 billion by 1994.

- The US has a huge stake in the economic development of the third world. It is there that 90 percent of the world's population growth by the end of the century will take place. It is there that the potential is greatest for new markets for US agricultural goods and technology. But people in developing countries can't buy US goods if they don't have the income. The World Bank is the world's most important institution for providing capital to developing countries.

In more political terms, the World Bank has been a leader in encouraging developing countries to adopt market-ori-

World Bank Scramble

AS THE MEMBERS of the World Bank and the International Monetary Fund meet this week in Washington, officials of both organizations are scrambling to come up with new-sounding statements about ways to alleviate the burden of the developing world's \$700 billion commercial bank debt. Although their words are unlikely to placate the assembled representatives of African and Latin American debtor nations, that is not their major goal. The audience World Bank President Barber Conable most wants to reach is elsewhere, in the House office buildings up on Capitol Hill.

There, members of Congress, tired of almost six years of makeshift strategies to deal with the debt, want to force a new approach. Their efforts are commendable but risky. If they play their cards right, private financial institutions may finally be forced to take losses on foreign debts that will clearly never be paid. Debtor countries will get the relief that will allow them once again to grow, to abandon their export-at-all-cost strategies and to purchase imports from the United States. But if they play their cards wrong, they could do major harm to the World Bank in the process.

Their lever is the World Bank's desire for a major capital increase, which would allow the bank to boost its lending from \$14 billion to \$20 billion a year. The internationalist liberal Democrats who have long been the institution's staunchest supporters refuse to endorse the increase, which requires a \$100 million U.S. appropriation this year and lesser sums in future years, unless the Reagan administration actively pursues debt relief.

Despite its status as the major source of capital for developing countries, the World Bank has steadfastly avoided dealing with Third World debt at the behest of U.S. Treasury Secretary James A. Baker III, who strongly opposes debt relief plans that would require private banks to forgive loans.

The net effect of this policy, however, is that much of the capital the World Bank pumps into debtor countries is used to service debts to private banks. While almost all private bank creditors have set aside reserves against a portion of their Third World loans, few loans have actually been written off. The banks continue to demand that the debtor countries pay, although more than a little clever accounting has been required to keep most major debtors from falling into default.

The pending trade bill attempts to force the issue, urging the Treasury secretary to negotiate with other countries to develop an international debt management agency. The ultimate goal is to require banks to sell their

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loans to the international agency, which could conceivably be made a part of the World Bank, for a portion of their face value. Legislation authorizing the additional U.S. money for the World Bank is likely to be held up unless the administration concurs and unless the bank acts to ensure that its funds are not used simply to replace private capital in debtor countries.

There is good reason to force private banks and their shareholders finally to surrender some of their claims upon the Third World. But in threatening to hold the capital increase hostage to administration action on the debt, the bank's supporters in Congress run the risk of damaging an institution they fundamentally support.

Strong evidence of U.S. support for the bank is vital if it is to maintain its top-notch rating in the credit markets — the rating that allows it to lend money to relatively poor countries on terms more favorable than they could obtain on their own.

Despite the bank's strong financial position, investors openly worry about its financial future. Within the past 18 months, the number of countries whose loans have been placed on non-accrual status has grown from one to seven, and the principal balance on those non-performing loans, \$2.8 billion, is more than 3% of the bank's outstanding loans. In addition, in order to make the proposed capital increase easier for Congress to swallow, the bank is asking member countries to pay in only 3% of the added capital up front. Members are obligated to provide the rest if the need ever arises, but congressional hesitation on the capital increase can only raise doubts about the reliability of the U.S. commitment to do so.

The World Bank's need for more resources is indisputable: It is almost the only institution, public or private, that is now putting capital into the developing world rather than taking it out. While many, including this newspaper, have questioned the desirability of such a large capital increase at one time, that is the choice the bank's governors have elected. Congress failure to approve the U.S. share promptly would be regrettable.

U.S. Self-Interest in Third World

A new study has been completed to help Americans understand that their own economic well-being depends to a surprising degree on the improved economic health of Asian, African and Latin American nations. Developing less developed nations is not charity, not a give-away, but enlightened self-interest.

The study, "Growth, Exports and Jobs in a Changing World Economy," is the work of the Overseas Development Council.

"Only the resumption of strong growth in the developing countries can create sufficient export opportunities for the United States to significantly improve its international economic position and to deal with its own domestic problems, without inducing U.S. recession or pushing this country further into debt," John W. Sewell, ODC president, commented in presenting the report.

If developing nations resume the growth rates of the 1970s, there will be an opportunity for the United States to cut in half its current trade deficit by 1992, the study concludes. Without that growth, deficit reductions will be substantially less. The decline since 1980 in the economies of developing nations has resulted in the loss of 1.7 million American jobs related to those export markets, according to the study.

One of the most sobering portions of the study exposes the shortsightedness of the farm bloc in Congress, which has been active in trying to restrain help to the agricultural sectors of developing nations. This obstructionism has been based on fears that these nations will displace American farm exports. That is wrong, according to the research of Robert L. Paarlberg of Wellesley College and the Harvard University Center for International Affairs. Many of the developing nations

that have been successful in expanding their own agricultural production have become major importers of farm products, including U.S. farm products, because domestic production in these nations has not been able to keep pace with the rising demands generated by growing prosperity. "With the proper policies in place, U.S. and developing-country agriculture can prosper at the same time," Paarlberg concluded.

One of the most difficult and least defined challenges is helping Africa and Latin America to overcome the debt burdens that now throttle their development. Their staggering debts have been a factor in discouraging the flow of new money for desperately needed investments, and the stagnation of their economies has brought sharp declines in imports. Among the hopeful signs identified in the report are the commitments by surplus nations to play a bigger role. It is noted, for example, that Japan is committed to doubling its aid program by 1992.

Beyond new resources, however, there is a continuing need for reorganization and restructuring within the developing nations to end wasteful policies and to increase incentives for more productivity—above all in agriculture. But one of the paradoxes of the present situation is that many nations, notably in sub-Saharan Africa, that have implemented at great cost the restructuring asked for by the United States now are not receiving the new investments that were expected.

The challenge is extremely complex, but, as the scholars who wrote the study make clear, the goals are attainable. And worth seeking. For, as Sewell commented in presenting the report, "more than ever, U.S. prosperity is inextricably linked to the achievement of global development."

The World Bank Works

Treasury Secretary James A. Baker III has made a persuasive case to Congress for U.S. support of the \$74.8-billion general capital increase for the World Bank. There is no better way to leverage a relatively few American dollars into an immense contribution to the stability and development of Third World nations.

World Bank loans are not subsidized. They are made on a commercial basis, generating a profit that is reinvested at the discretion of the member nations. Most of the money is borrowed on commercial markets, with repayment guaranteed by the 151 member governments. The U.S. share, largest of all the members, is 18.75%. Under the new replenishment, the members will pay in only 3% of the total, with the balance callable. In its 42 years of operations, the bank has never had to call up any of that reserve capital. Until recently, when Nicaragua fell behind in paying on its loans, the bank had never had to set aside funds for a loan loss reserve. Even now, with seven members in arrears, their accumulated obligations are less than 3% of outstanding loans, an enviable record.

The bank's role is particularly attractive at a time when congressional efforts to control the federal deficit have pinched foreign aid. The actual U.S. payment will be \$70.1 million a year over the next six years. But with private-sector borrowing, the bank will be able to expand its loans from about \$15 billion a year to \$20 billion a year.

Apart from the clear foreign-policy goals achieved by the program, there are narrower interests of particular advantage to the United States, according to Baker. U.S. firms are benefi-

ciaries of World Bank procurement contracts, receiving a total of \$1.6 billion last year alone. A number of nations of particular concern to the United States, including the Philippines, Indonesia, Pakistan, Turkey and the principal nations of Latin America, are major recipients of World Bank loans. And American banks stand to benefit from what Baker called "an essential role" the bank plays in helping resolve the international debt crisis.

Despite all these obvious advantages to the United States, however, there remains opposition within Congress. Agricultural interests have seen bank loans to developing nations as creating competition for the United States despite research that demonstrates that American farm exports grow where developing nations' own farm production grows. Some manufacturing and mining interests have sought to limit World Bank funding for any enterprise seen as competing with the United States, a prescription for global economic stagnation, with all of its negative consequences for American exports.

There has also been concern in Congress about World Bank loans to projects that have damaged the environment. That is now being corrected under the firm leadership of the new World Bank president, Barber B. Conable, a respected former member of Congress from New York.

The Reagan Administration has given a high priority to winning congressional support for the capital increase for the World Bank. So it should. There is no better way to accelerate development in Asia, Latin America and Africa. That is clearly in the U.S. national interest.

Boost for World Economy

A House Banking subcommittee, by a narrow margin, has appropriately approved U.S. participation in the general capital increase for the World Bank. But the decision does not mark the end of stubbornness by a curious coalition of friends and foes of the bank who have joined to try to block the funding for a variety of reasons.

Part of the problem now is that a number of members of Congress want to convert the World Bank into a major player in efforts to resolve the \$1.2-trillion external debt of the poor nations of the world. The debt is indeed an extraordinary burden that is frustrating development and chilling the entire world economy. But the World Bank is not, and should not be, the central agent in resolving the problem. Its business is development—a job that it does very well, and a task of prime importance if the debt is ever to be resolved.

There are, of course, things that the World Bank can do to coordinate its lending programs for development with efforts to ease the debt burden. It has already done that in both Mexico and Brazil by timing new inputs of capital to coincide with efforts to tame debt-service costs. Furthermore, the World Bank can provide a continuing incentive for economic reform within the debtor nations by making loans conditional on those reforms, essential in themselves to overcoming debt-generated problems. It would be a dangerous mistake for the U.S. Congress to mandate a World Bank debt ~~sole~~, however, or to do as some in Congress propose and impose a limit on bank lending for structural reform as opposed to specific project lending.

As matters now stand, the capital expansion of the World Bank has won the approval of 133 of the 151 member nations representing 77% of the bank shares. With or without the United States, expanded funding is likely to go ahead. There would always be a risk of second thoughts by other major members, however, should the United States fail to contribute.

The only nations that have failed to agree to the capital increase are destitute Third World nations. There is no good reason for any nation to hold back. It is the best development buy. Only 3% of the \$74.8-billion increase actually is to be paid in. The remainder is callable, but, because of the prudent management of the bank, there has never been a call on this stand-by capital. The U.S. share of 18.5%, far below its fair proportion based on gross national product, translates into an actual payment of \$70.1 million a year for six years. With the expanded capital, leveraged with private borrowing, the bank will be able to increase its annual lending programs from a level of \$14.2 billion last year to \$20 billion in the next decade.

Treasury Secretary James A. Baker III has given strong leadership to the capital expansion. An increasing number of congressional leaders are recognizing the importance of this expansion in terms of the global economy, including its effect on the U.S. economy, as well as the indirect role of bank lending on stabilization. It is encouraging now to see a majority in Congress recognizing the outstanding record of the bank and its importance to U.S. foreign-policy goals.

Dealing With the Debt

The annual meeting last week in Berlin of the International Monetary Fund and the World Bank gave new exposure to the urgent problem of the Third World debt and the difficulty of contriving a consensus among the major member-nations. In that sense, at least, the gathering dramatized the need for vigorous leadership from the next President of the United States.

To the extent that there was innovation from the industrialized nations, it was articulated by Japan and France. The new U.S. secretary of the treasury, Nicholas Brady, had to be content with a reaffirmation of the three-year-old proposals of his predecessor, James A. Baker III. Baker is now campaign chief for George Bush's quest for the White House, and consistency was certainly appropriate politically.

Bush, in the initial presidential campaign debate, endorsed the Baker plan for resolving the Third World debt, hardly a surprise. When it was first spelled out, the plan was the right way to go, urging new credits matched with debtor-nation economic reforms and insisting on a country-by-country resolution of debts. Unfortunately, it has not worked. In both Latin America and Africa, there is a net out-flow of resources at the very moment when an in-flow is essential to economic growth. Michael Dukakis, during the same debate, dealt in generalities—"we've got to assist those Third World countries in dealing with this massive debt . . ."—which served only to acknowledge the need for action.

Final approval by the House of Representatives

of full U.S. participation in a \$74.8-billion general capital increase for the World Bank coincided with the conclusion of the bank's annual meeting. It was

welcome if regrettably delayed action that assures an even more vigorous lending program for the bank. The expanded capitalization is not without its debt connection, as was illustrated by a new \$1.25-billion World Bank loan to Argentina, No. 3 after Brazil and Mexico among the developing-nation debtors. But most instructive in the House vote was the enormous support given by the American business community. U.S. corporations realize that there are good economic reasons, beyond the need to address the gross poverty of the world, and concomitant security risks. The developing nations buy about 40% of U.S. exports.

Barber B. Conable, president of the World Bank, deserves much of the credit for finally winning congressional approval for the expanded capital. He also deserves credit for keeping the eyes of the member-nations at the Berlin meeting focused on the real problem: poverty.

"Poverty on today's scale prevents a billion people from having even minimally acceptable standards of living," he told the delegates. "To allow every fifth human being on our planet to suffer such an existence is a moral outrage. It is more: It is bad economics, a terrible waste of precious development resources. Poverty destroys lives, human dignity and economic potential. It must be fought with resolution and overcome with sustainable growth." That is something on which, surely, all the candidates can agree.

Banking on America's Word

All the World Bank's 151 members have pledged funds to increase its capital. Among the big ones, only the United States has not delivered. A House Appropriations subcommittee has refused to approve America's share. Unless the Reagan Administration bestirs itself, the result will be worldwide embarrassment.

Congressional resistance to foreign aid is nothing new, but members who oppose all aid are now joined by others worried about trade and third world debt. Their worries now rest on the bank.

The bank's members have agreed to almost double its underpinnings in six years with a \$75 billion capital increase — \$2.3 billion in cash and the rest on call. With the new cash, plus existing capital, repayments and its own borrowings, the bank aims to increase lending to \$20 billion a year by 1991. The U.S. share of the cash is \$420 million. The House subcommittee rejected the first \$70 million installment. The Senate has made no move.

But resistance cropped up last week when 13 senators, ranging from Jesse Helms on the right to Howard Metzenbaum on the left, proposed using the

\$70 million at home. Representing interests in smokestack industry, textiles and agriculture, they contend that the World Bank subsidizes growth of unneeded foreign production, putting Americans out of work. That's a narrow, protectionist view that ignores jobs created by trade expansion.

In the House, there is also resistance concerning third world debt. It is led by Representatives John LaFalce of Buffalo and Bruce Morrison of New Haven. They want the Administration at least to talk to other big creditor countries about creating a mechanism to relieve the debtors' burden. The Administration, however, sticks to its unproductive 1985 "initiative" for increased commercial bank lending and expanded World Bank aid. Meanwhile, most big debtors struggle just to keep up interest payments, and the debt crisis lurches on.

Enough of the bank's members have already subscribed to the capital expansion for it to happen without the United States. To avoid this embarrassment, what's needed quickly is a strong effort to beat back the protectionists, and some flexibility in the Administration on third-world debt.

World Bank's Necessary Role

BARBER CONABLE, the president of the World Bank, stopped off in San Francisco yesterday to address the World Affairs Council while on his way to another visit to China. The bank has a heavy investment in economic reform there. Conable's mind, however, was principally centered in Washington where he is lobbying heavily for increased U.S. commitments for the bank.

The fight is perhaps up a slightly steeper hill this time. Congress, as everyone knows, and the administration are both staring intently at a predicted budget deficit of \$172 billion. Just getting attention may, in our opinion, require substantial effort.

The World Bank proposes a \$75 billion increase in its capital. Because only three percent of this money is actually placed with the bank and the remaining 97 percent is callable when there is need, the increase in U.S. participation would be some \$420 million over seven years, a tiny sum when measured against the enormous U.S. budget gap. The U.S. investment will translate, by increasing the World Bank's ability to borrow other funds, into billions of new funds made available for lending to poorer countries.

ONE ARGUMENT Conable will use to convince Congress that it should increase World Bank support, Conable told a press briefing, is that it is good business. The U.S. has subscribed \$1.5 billion to the bank since its founding after World War II. Last year, World Bank borrowers spent \$1.6 billion in the United States. Some years, the bank president said, up to 45 percent of all of U.S. foreign trade exports go to Third World countries.

This is a huge market which simply can not be overlooked. And it is the World Bank that is the principal source of the loans, the fuel, for continued economic growth.

There are other reasons, both idealistic and toughly pragmatic, for the U.S. and other industrialized "have" nations to support the bank. The bank is the chief source of funds for growth for the Third World.

Many nations which find desperately needed loans at no interest through one of the bank's major programs have no other source to construct and create needed facilities and services. The bank is, thus, a source of hope in areas in which there is little. It is a force for stability and progress in areas of the world in which average per capita income is less than \$400 a year.

IT IS NOT only in our own economic interest to help people in such circumstances but, we believe, a basic sense of decency demands that we extend a hand.

The World Bank works

The World Bank's 151 member nations think it's time for a \$75 billion capital injection. The U. S. share works out to a manageable \$70 million a year for the next six years. If all member nations pay their assessments, the World Bank would be able to increase its lending power from \$15 billion to \$20 billion by 1991.

Not everyone in Congress thinks the U.S. should go along, however. Some opponents, including the conservative Jesse Helms and the liberal Howard Metzenbaum, believe the money could be put to better use at home.

House opponents worry about mounting Third World debt and urge the U.S. to work with other creditor nations to help developing countries work their way out from under crushing interest costs.

Both objections have merit. The senators who want the \$70 million for domestic use are echoing a protectionist sentiment that isn't likely to go away until America's trade imbalance improves dramatically.

Concern over Third World debt problems is also rooted in reality. In some countries — Brazil, for example — economic woes stem from an inflated bureaucracy. Other nations have ham-

pered development by doggedly clinging to socialist doctrine. Some governments, meanwhile, threaten to look to the Soviet bloc unless the West keeps the credit flowing.

Despite these drawbacks, the World Bank is still a good investment for the U.S. For one thing, American businesses reap benefits through World Bank contracts. For another, the amount of capital the U.S. is asked to put up is small compared to the total amount of loans the bank can issue.

At the same time, the World Bank turns a respectable profit through good business practices. It issues no grants. It uses loan interest to extend further credit to nations building expensive projects, such as energy-generation plants. Its judgment in when to grant credit, and when not, seems sound: The default rate is remarkably low.

What's more, the bank is more than willing to place conditions on its loans — for example, new credit in exchange for economic reforms toward market-oriented economies.

That being the case, there's no sound reason for Congress to renege on paying America's share.

Banking on Brazil

BRAZIL, the largest of the Latin debtors, is now close to a new agreement with the banks that are its leading creditors. As this agreement takes shape, it shows the direction in which the management of the Latin debts is evolving. At this point, the indicators are more hopeful than they have been for some time.

Last year Brazil came perilously close to defaulting—close enough to get an accurate measure of the costs. It declared a moratorium on repayment and, instead of saving money, quickly found that the opposite was happening as the rest of the world began cutting off credit not only to the Brazilian government but to Brazilian companies as well. The government reversed itself last winter, and with the resumption of payments, the banks went back into negotiations with it on the next stage of dealing with the debt.

The banks are to put up \$5.2 billion in new loans and reschedule the existing loans at a significantly lower interest rate. To allay the fears of many banks about further lending abroad, this \$5.2 billion will include an unusually wide diversity of loans, including the kind that a nervous banker can easily resell to private investors.

Another crucial element in the package is increased support from the World Bank. Here the

amount is not fixed, since it is to be contingent on Brazil's progress in economic reform. As a public agency the World Bank, unlike commercial banks, can and does use its money as a lever to influence policy decisions.

The World Bank, incidentally, is now beginning once again the exhausting process of trying to wring another contribution out of the U.S. Congress. A lot of congressmen keep saying that the World Bank's money just bails out the commercial banks. That's flatly wrong—as the Brazilian case illustrates. To the contrary, increased World Bank lending is essential to get the commercial banks to lend more. Without greater lending from both, Brazil's rapidly industrializing economy—now the 10th largest in the world—would be in real jeopardy.

The United States has an obvious and strong interest in Brazilian prosperity, and not only because of the inviting market for American exports. Brazil emerged in 1985 from 24 years of military rule, and an elected government is now trying to steer the country through a process of economic adjustment far more drastic than anything Congress would consider possible here. If Congress is looking for a way to ease the strains on Brazilian democracy, one effective way to do it is to strengthen the World Bank.

They Missed the Boat

CONGRESS is trying to set conditions on the World Bank's expansion and threatens to hold up the American contribution until the bank changes policy. But the congressmen are neglecting one important reality. The World Bank has already voted the expansion. The other members didn't wait for Congress to make up its 535 minds. The only real question now is whether Congress will come through with the contribution that the United States, as a member of the World Bank, is committed to make.

Much of Congress has yet to come to terms with the shareholder democracy of international organizations like this bank. Most congressmen approve of the voting system in theory, and of the principle that the majority rules. But in their hearts they think it only proper that the other members should let the United States make the key decisions, as they did for many years. This time, the other members went ahead without waiting.

The purpose of the World Bank is to make loans to poor countries to strengthen their economies and lift their people's standards of living. It is run by the rich countries, which cast votes in proportion to their contributions to the bank's capital. Currently, the United States holds 18.75 percent of the votes. So far, 79 percent of the votes have been cast in favor of the expansion—

that is, just about all the members but the United States have agreed to proceed and to put up the money to do it. Since it takes 75 percent of the votes to carry the expansion, that issue is settled.

Increased lending is urgently needed in the countries that are struggling to carry large foreign debts to commercial banks. Some of the House Democrats object that the World Bank is merely bailing out the commercial banks. That's incorrect. The World Bank's loans do not replace commercial banks' loans. To the contrary, its loans are often contingent on the commercial banks' putting up more money. The indebted countries need credit to keep growing, and without the World Bank their chances of finding it would be greatly diminished. The U.S. share of this expansion would cost \$70 million a year for six years, which, with the other contributions, will raise the bank's lending about \$5 billion a year.

If the United States doesn't come through with its share, it's possible that other countries will back away from their promises. The World Bank has always depended on American leadership. But there's another possibility—that the other countries won't back away. If that happened, the American votes would drop to a little more than half the present share. U.S. influence would drop as well, and leadership would have to pass to other hands.

Philip M. Klutznick

A Boost for the World Bank: Congress Shouldn't Hesitate

Every industrial nation but one has approved the World Bank's current capital increase to allow the bank to increase its lending. The one exception is the United States. The White House supports the increase, recognizing that U.S. strength in this institution will diminish unless we join our allies in securing an expansion of bank programs. But Congress hesitates.

U.S. participation and influence have been central to the bank's evolution since it was established at the end of World War II. The United States is the largest shareholder and the only one with more than 15 percent of the bank's capital—enough to veto any major decision if it so wished. If the United States fails to support the capital increase, its share in the bank will fall from just over 18 percent to around 11 percent. The percentages are less important than the message that the United States wires around the globe as it stands alone in an international effort to strengthen the prospects of the developing nations and to alleviate poverty.

U.S. leadership in the bank is particularly vital now as one surveys the long agenda of crucial development issues and recognizes how central the world's largest development agency will be in resolving these issues. The stronger our capital position in the bank, the more influence we are bound to be able to exert. Finding better approaches to issues like the international debt crisis will be difficult and are likely to evolve gradually, with the bank playing a central role. The United States has critical financial and political interests in influencing this evolution.

More generally there is no question that U.S. business opportunities have been damaged in the 1980s by the recession that has swept across much of the Third World. The revival of growth in the developing nations is important to the health of the U.S. economy, and the attainment of this goal will demand, in part, sustained World Bank support of the Third World. Bank lending is now around \$15 billion a year. It will increase under its capital boost to more than \$20 billion by the early 1990s—by far the world's largest single source of international development finance.

The cost to American taxpayers of this capital boost is relatively small. The shareholders are asked to provide only 3 percent of their capital

entitlement in cash—just \$70 million a year for the United States—with the rest being guaranteed and subject to call only if the bank finds itself in financial difficulties. The markets give the bank a AAA credit rating. The bank has more than \$20 billion in liquid assets, makes more than \$1 billion in profit that it places in its reserves and has an excellent financial record.

The degree of our influence is formidable. In the 1980s the United States pressured the bank first to review its environmental policies, then to restructure its staffing on this front and finally to make environmental considerations central to every one of its lending programs. Administration and congressional pressure early in this decade turned the bank away from energy strategies that depended on public-sector entities.

Today, at U.S. urging, the bank has made privatization a major priority, leading the bank to influence Third World governments into far more realistic, pro-private-sector policies. Bank programs now stress the need for developing nations to open their markets to imports and foreign trade, to reduce the public sector as a share of gross national product, to eliminate subsidies that undermine competition and to establish clear incentives for production and investment. These are strategies that closely mirror U.S. economic policy priorities.

The implementation of such adjustment strategies is the key to the revival of Third World growth, which in turn is essential to our own prosperity. These bank strategies will inevitably foster the economic growth from which our manufacturing and service corporations will benefit. More important, these policies can enhance our geopolitical interests. The political stability of Mexico, for example, is related to its economic prospects. To no small degree it has followed the adjustment that the World Bank has provided and that has been tied to bank lending—lending of around \$2 billion a year now.

The United States could not provide such funding on a bilateral basis. Nor, more significant, could it exert the sort of policy leverage that the bank uses and relates to its lending without being accused of meddling in the political affairs of a sovereign state. The World Bank is a far more effective tool for bringing about policy changes in foreign nations on the economic front than any that we could develop unilaterally.

The Washington Post
September 29, 1988

But our influence on how the bank uses its leverage—and on the broad array of the bank's policies—depends on our standing within the bank. Resentment among our economic partners in the developed and developing world is bound to be strong if we fail to climb aboard the moving train now.

Congress should join the administration in support of the capital expansion. Members of Congress must recognize that they cannot hold the bank hostage. All they can do is weaken U.S. influence and cripple our standing as a supporter of effective multilateral, cooperative, economic approaches. We must continue to influence the bank from within with vigor and imagination, and this needs to be Congress' central concern now.

The writer was secretary of commerce in the Carter administration.



1988, No. 3

The World Bank's Capital Increase

- The World Bank's hard-loan window, the International Bank for Reconstruction and Development (IBRD), has enough capital to continue its present rate of lending for only one or two years; less, if the dollar falls further.
- Most nations have approved a \$74.8 billion general capital increase that will permit the IBRD to boost its lending by 10 per cent a year in nominal terms, or 3-4 per cent in real terms.
- The one major holdout is the United States. The Administration supports the increase, but many in Congress are trying to use it as political leverage to encourage change in policy on Third World debt.
- There is also debate over the IBRD's record on the environment, trade, poverty, and Third World policy reform and over the fact that it has recently collected \$300-500 million more per year in debt service than it has distributed in new loans.

A major capital increase for the World Bank is going into effect—at least partially—with or without the participation of its biggest shareholder, the United States.

The \$74.8 billion increase for the institution's main lending arm, the International Bank for Reconstruction and Development (IBRD), was approved unanimously by the World Bank's board on February 19, 1988.

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Bretton Woods Committee • Special Report on the World Bank

Banking on Success

The World Bank, the IMF, and the International Trade Commission

As U.S. ties to the Third World have grown, so have the stakes for the World Bank's success. Can the World Bank advance harmonious economic growth in America and the developing world?

THE CITIZENS NETWORK FOR FOREIGN AFFAIRS

GLOBAL FOCUS

September 1988

World Bank Capital Increase: A Test Of U.S. Leadership

U.S. global leadership can no longer be taken for granted. While the United States has enjoyed a commanding share of world production and technology since the end of World War II, in the coming decades it will undoubtedly have to compete for global influence with a more united Europe and an economically strong Japan.

One arena where U.S. leadership is currently being tested is in its commitment to the World Bank. The World Bank is today the largest multilateral financial institution, lending \$15 billion annually to promote economic development and growth in the Third World. The United States founded the World Bank in 1944, has always been its principal shareholder, and for over 40 years has provided the leadership that has made the World Bank an outstanding success.

The immediate issue is one guaranteed to glaze the eyes of many Americans — whether this country should participate in a \$75 billion general capital increase (GCI) for the World Bank.

But the deeper issue is the future of the U.S. role in the world's preeminent multilateral financial institution.

(Continued on page 2)

Winning World Bank Business

The U.S. is the Largest Recipient

Country	Approximate Total (U.S. \$ Billions)
United States	12
Japan	8
Germany	6
FRG	4
France	3
Italy	2
Switzerland	1.5
Canada	1

The United States has won more business with the World Bank than any other member since the beginning of Bank operations in 1946. Source: World Bank.

Debt Progress Needs Open Trade

By STANLEY FISCHER

Third World debtor nations are being urged by industrial nations to earn their way back to creditworthiness by boosting exports. These wealthy countries are at the very same time resorting to protectionist devices that close their markets to exports from developing countries. The debtors are much like Sisyphus, who was condemned forever to push a rock up a hill in Hades, only to have it roll down again as he reached the top.

Solutions to the debt problem, which so pervade the financial magazines and focus so much on write-off schemes, ignore the drama being played out on the trade front that can help solve the debt crisis. Expanding trade by the highly indebted middle-income developing countries must be a key to their return to creditworthiness.

This fact dare not escape the government ministers who are preparing for a December meeting of the General Agreement on Tariffs and Trade in Montreal, a meeting called to take stock of progress in the Uruguay Round of international trade negotiations launched two years ago.

Those officials need to be aware of the remarkable phenomena of recent years: The developing countries have been rolling back their protectionist barriers, while the developed nations have been building new trade fences of their own. All nations have been losers as a result.

The developing countries, struggling to free themselves from their debt shackles, have pursued economic adjustment programs, most of which have involved dramatic policy changes on the trade front. They have recognized that import barriers and high tariffs reduce the efficiency of their own economies.

Mexico is less vulnerable today to a dramatic change in oil prices because it has sought to diversify its export base in a more liberal and competitive trading environment.

The country needs international assistance, to be sure, especially given the dramatic oil price decline of late that has put its economic problems back on the front pages. But its trade adjustment efforts are worthy of attention. It has dismantled a major portion of its import-licensing regime. Its maximum tariff rate has been chopped from 100% to 20%.

Mexico is not alone. Bolivia has successfully implemented an even more ambitious liberalization program. Other countries, such as Costa Rica, Jamaica, Uruguay and Morocco, have moved in the same anti-protectionist direction. Chile has maintained its open trading regime and increased exports.

Such measures have produced positive results, but the benefits could have been much greater had the industrial nations not undermined the efforts of the developing countries.

The majority of the highly indebted countries have secured trade surpluses in recent years, which has directly contributed to some progress in the overall management of the debt crisis. Their success has been extraordinary given the barriers that these nations have had to confront.

At the start of the debt crisis in 1982-83, the problems of the debtors were compounded by the subsidy war between the United States and the European Community over wheat, and by variable levies and quotas on imports of sugar and beef. Export losses for developing countries from industrial countries' protection of sugar and beef alone exceed \$8 billion a year.

Developing countries are being discriminated against. U.S. tariffs against the highly indebted countries' manufactured exports are almost double the rate facing imports from industrial countries.

The rates on clothing imports average out at 17.8%, quadruple the average U.S. tariff rate. For the last 25 years the developing

countries have been given rough treatment in clothing and textiles as the industrial nations have hidden behind the Multi-Fibre Arrangement.

The European Community's systems of barriers and protectionist restraints cover over 30% of the manufactured exports of developing countries, compared to 12% of similar exports from industrial countries. All sorts of new protectionist initiatives have been seen in the industrial countries in recent years: "voluntary" restraints on

iron, steel and shoes, new and tighter sugar quotas and moves to strengthen the Multi-Fibre Arrangement.

As the debtor nations strive to strengthen their trading sectors they face not only new formal barriers to their exports, but hosts of informal obstacles as well.

In the United States there has been a tripling of claims of "unfair trading practices" against exports from the highly indebted countries in this decade. Harassment is rife. Flowers from Columbia were held up by U.S. Customs, then sold quickly before they withered. Because the final sales price was at levels below those prevailing in Bogota, this was held to be dumping.

These actions hurt industrial countries not only because this protectionism is protracting the debt crisis, but because these measures are stunting growth in the developing countries — countries that over time can once again become the fastest growing markets for exports of industrial nations.

Trade and debt are inextricably linked. Unfortunately, the positions advocated by prudent leaders in industrial countries to resolve the debt problem are being rendered meaningless by actions of their own governments on the trade front. The Montreal meeting offers a chance to change this.

Stanley Fischer is vice president and chief economist of the World Bank.

To Make the Baker Initiative Work, Fine-Tuning Is in Order

By BARBER CONABLE

Three years ago a consensus emerged on the debt crisis of the developing countries. Policy adjustments in the debtor countries would restore economic growth, if supported by adequate external finance and by policies in the industrialized nations bolstering growth and world trade. The consensus took the name "Baker initiative" after then-U.S. Treasury Secretary James A. Baker III, who formally proposed this strategy.

Today, despite some progress, an end to the debt crisis remains elusive.

Among the achievements, the threat to the international banking system has abated. The commercial banks in the industrial countries have strengthened their balance sheets. They have reduced their exposure to developing-country risk, increased their loan-loss reserves and increased their ability to absorb losses on discounted loan sales. Also during this period, economic growth in the industrialized countries has exceeded earlier expectations. Some progress also has been made by the debtors in restructuring their economies.

Most of the debtor nations, however, are no better off today than they were in 1982 when the debt crisis erupted. Some—the low-income nations of sub-Saharan Africa and the highly indebted middle-income countries—are actually worse off today than they were six years ago. The highly indebted group is made up of 17 nations—many of them in Latin America, including Mexico, Brazil and Argentina.

Per-capita income in the highly indebted countries has declined almost every year since 1980. Living standards in low-income sub-Saharan Africa have been declining steadily for more than a decade and are now far lower than at the end of the 1970s.

Net financial transfers from developing to developed countries increased from \$10.2 billion in 1984 to an estimated \$43 billion in '88.

Net transfers from the highly indebted countries to creditors during 1985-87 amounted to \$74 billion, about 3% of their combined gross domestic product and roughly equal to the decline in investment in those countries.

There has been some good news this year for sub-Saharan Africa, where most of

the debt is owed to "official creditors"—other governments and international agencies and institutions. At the June, 1988, Toronto summit meeting of the seven leading industrial nations, new flexibility in dealing with the debt of low-income Africa was endorsed. Partial forgiveness, extended maturities and lower interest rates are among the options approved. While these steps and others by the international community will help ease the debt burden in some of these countries, they by no means constitute a solution for the region's economic difficulties.

Most of the debt of the highly indebted countries, however, is owed to "private creditors"—mainly commercial banks in the industrialized world, thus ruling out debt-relief measures similar to the ones provided to Africa. The Baker initiative called for additional new lending to the highly indebted countries to enable these debtors to remain current on debt repayment while expanding investment and production. Since 1985, however, net long-term lending by private creditors to these nations has continued to decline. By the end of 1988 it had become clear that, for many in the highly indebted group, initial expectations about the Baker initiative were not being met.

Creditors and debtors, meanwhile, had begun examining and utilizing devices designed to reduce the debt itself. Much reliance was placed on the "market"—the discounted price that creditors were willing to accept to remove the debt of the developing countries from their books. Debt-equity swaps, in which a creditor exchanges debt for an investment stake in the debtor nation, have been expanding rapidly. In the first half of 1988 they reached a volume that was nearly 90% greater than for all of 1987. Mostly concentrated on a few countries like Brazil, Chile and Mexico, this total for the first half '88 was \$8.8 billion—certainly significant, except when compared with the outstanding 1988 debt of the highly indebted nations of \$527 billion.

What is to be done?

It is time to rework the 1985 consensus, to modify and further adapt the Baker initiative. Support for low-income nations in sub-Saharan Africa undertaking economic-adjustment programs must con-

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tinue and expand. The principal partners in this effort will be the African governments and their official donors—governments and international agencies like the World Bank, which provide the bulk of the region's external financial assistance.

For the highly indebted nations especially, emphasis must be placed on productive investments that will enable them to eventually grow out of their current debt burdens. Voluntary debt-reduction measures can redirect financial resources from debt repayment into productive investment. Bank regulators and fiscal authorities in the major industrial countries can assist this effort by introducing more uniform accounting standards on the treatment of banks' loss provisions and on the treatment of actual losses. Commercial banks should find more ways to share market discounts with debtor countries that are resolutely trying to reform their economies. The trade policies of developed nations that obstruct imports from developing countries should be changed.

The World Bank is prepared to continue its expansion of new lending to the debtor nations and its role as a catalyst for new commercial bank lending to these countries. Virtually all of the general proposals to deal with the debt crisis of the developing nations—some of which suggest that there is a single, all-embracing solution—raise fresh problems for which solutions have not been provided. It is not realistic, at the present time, to expect public financing support for broad debt-relief plans.

Barber Conable is the president of the World Bank.

FY87 STAFFING & BUDGETVICE PRESIDENCY FOR EXTERNAL RELATIONS

(budget in millions of US\$ and staffing broken
down between higher-level and support personnel)

<u>UNIT</u>	<u>BUDGET</u>	<u>STAFFING</u>
Front Office	1.1	5 H/L <u>4 S/L</u> 9 total
Publications	4.0	19 H/L <u>12 S/L</u> 31 total
IPA	3.6	37 H/L <u>25 S/L</u> 62 total
European Office	3.3	22 H/L <u>20 S/L</u> 42 total
IRD	2.4	15 H/L <u>8 S/L</u> 23 total
<u>TOTAL</u>	<u>14.4</u>	98 H/L <u>69 S/L</u> 167 total

