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VPD - DIRECTOR,  
DEVELOPMENT POLICY

Development Committee - Working Group on Capital  
Markets Access 1977 (2)



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Development Committee - Working Group on Capital Markets Access - 1977 - Volume 01

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# Record Removal Notice

<b>File Title</b> Development Committee - Working Group on Capital Markets Access - 1977 - Volume 02		<b>Barcode No.</b>  30021221		
<b>Document Date</b> 29 December, 1977	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> TO: Moeen A. Qureshi, Executive Vice President, IFC From: Dale Weigel, Manager, Development Department IFC				
<b>Subject / Title</b> Consultants to White Paper for the Development Committee Meeting on Private Direct Investment				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
<b>Additional Comments</b>		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td><b>Withdrawn by</b> Sherrine M. Thompson</td><td><b>Date</b> August 15, 2023</td></tr></table>	<b>Withdrawn by</b> Sherrine M. Thompson	<b>Date</b> August 15, 2023
<b>Withdrawn by</b> Sherrine M. Thompson	<b>Date</b> August 15, 2023			



December 21, 1977

NOTE TO: Mr. E. Stern

FROM: A. Karaosmanoglu

We had a meeting on December 16, 1977 with King and Ahmad as a follow-up to the meeting of Working Group on access to capital markets.

They want the paper on Role of External Borrowing in Financing Development by the end of January to be sent out by mid-February. Part of it will be prepared by the IMF (see attached). For the part we will prepare I had a discussion with Joe Wood. They will do it provided that for the last section (section E) a detailed analysis is not expected. The Secretariat does not intend to cover the question of the mechanics of rescheduling and the role for international institutions in this respect before the UNCTAD meetings reach a conclusion on this matter.

On direct foreign investment, except for item 5(a) (Basic Needs and Multinationals) the IFC will do the job. I tried to explain to R. King that we do not have anything to offer on this matter which could be brought to a meeting of ministers. He kept telling me that since you were the one who had suggested to bring that topic to the top of the list we should do something about it.

cc: Messrs. J. Wood  
M. Haq

AKaraosmanoglu:am

Has Com.

ACM-



# Office Memorandum

TO : Mr. Karaosmanoglu

FROM : Ernest Sturc *ES*

SUBJECT : Development Committee Work--Attached Papers

DATE: December 15, 1977

I suggested to Sir Richard King that we meet to discuss the work requirements resulting from Monday's meeting of the Working Group on Access to Capital Markets. We met with Sir Richard and Messrs. Ahmad and Escobar this afternoon. To my surprise they had not invited you or your associates. We presented the two attached notes and there was an extensive discussion of how the work might go forward. While there was a substantial measure of agreement, it was clear that one or two points needed to be sorted out in a meeting which would include both the Bank and the Fund staff, in part to avoid any duplication.

Therefore, it is our understanding that Mr. Ahmad will be in touch with you to arrange a meeting in the next day or two. In the meantime, I thought the attached would be helpful to you and others.

Attachments

December 15, 1977

BRIEF SUMMARY RECORD OF DECISIONS MADE IN THE  
MEETING OF WORKING GROUP ON ACCESS TO CAPITAL MARKETS  
DECEMBER 12, 1977

Item 1. Direct Foreign Investment

The Chairman briefly explained that the main purpose of the discussion on this particular item was to get a clear idea of what aspects of the study and what priorities were favored by the Working Group on which work could then be undertaken by the Secretariat. It was pointed out that the Secretariat's suggestions in this regard were contained in para 5 of the document and the members might wish to comment on them and also indicate if there were any other aspects of the topic which needed to be included.

There was a wide-ranging discussion of this item in which a large number of members participated. The Chairman, in summarizing the discussion, pointed out that there was consensus in the Working Group that we should avoid any academic study and also avoid duplicating work of other organizations. The main focus of our efforts should be to work on those areas where concrete suggestions can emerge and which were of interest and relevance to the Members of the Development Committee.

Bearing the above general approach in mind, the sense of the meeting was that in the first phase of our study we should concentrate on issues listed in para 5 (a), (b), (c) and (f). The studies under (b) and (c) should examine the situation both as regards developing and developed countries. In addition, on a suggestion by the US delegation, we should examine the impact of private foreign investment on home countries (numbered (k)).

The members did not favor undertaking any work on items (e) and (h) in para 5.

As regards items (g), (i) and (j), these were not favored for study by the Working Group at the present time largely because work on them was going on in other fora. No substantive work should therefore be done on them, but enquiries should be made to ascertain what was going on in the other fora and the result should be reported to the Working Group so that if there were any gaps in the studies the Group could decide what work if any should be carried out.

As regards item (d) various views were expressed by members but the consensus in the Working Group was that no work need be undertaken on (d)(iii) but the Secretariat should undertake study of (d)(i) and (ii) as part of (c).



The suggestion of some country studies in para 6 of the paper was also agreed to.

Item 2. Progress Report on Restrictions

Mr. Sturc explained the present status of the progress report under preparation by IMF on the implementation of the recommendations relating to the greater liberalization of capital movements and more favorable treatment to bond issues by LDCs adopted by the Development Committee at its Manila meeting. The IMF teams were in the field and the discussion in the nine countries involved were expected to be concluded by the end of this year; the IMF staff will present a report to the IMF Board in early 1978 for eventual submission to the Working Group/Deputies. The members noted the progress report and looked forward to a further report on this subject in the early part of 1978.

Item 3. Mexican Proposals

The Mexican proposals for further work on restrictions on access to capital markets were elaborated by Mr. Phillips on behalf of the Mexican delegation. He stressed that bonds were only one sector of the market and there was justification for expansion of this work to other sectors such as bank borrowing. He also suggested that it may be profitable to hold a seminar on the issues after some staff work had been done.

There was support for the proposal from Brazil and Chile but reservations were expressed by members from Germany, the Netherlands, UK and France. The US delegate mentioned the three different aspects of the problem (size of the market, obstacles to access and cyclical factors) and was anxious that the Committee should not duplicate work being done elsewhere but should see if there were any gaps which needed to be looked into.

Mr. Sturc explained the work which was being undertaken by IMF in this field and referred to the sensitivity of the Fund Board/international public on the national/legal aspects of the issues involved. He referred to information already published by IMF through its publications e.g.:

- i. Status of capital/money markets in the world;
- ii. World Economic Outlook, which also covers this subject;
- iii. Annual Report on Exchange Restrictions, which also provides extensive information.

He added that IMF had no powers to remove capital restrictions. Mr. Phillips remarked that while considerable work was being done in IMF/OECD

it does not cover the entire field indicated in the Mexican proposals. He emphasized that the Committee's work would lack balance if it covered only the role of borrowings in development, but not the role being played by the creditors.

The Chairman summed up the result of the discussion in the following terms. There was general agreement that there might be some areas in which some further useful work could be done but at present we were not clear what those areas were or whether in the immediate future we could get the necessary work done. In the light of work by IMF on the subject as indicated by Mr. Sturc and in the light of work being done elsewhere, it could be discussed in the March meeting what further work needed to be commissioned on the Mexican proposals. There were constraints and we could not do everything at once. However, the Secretariat, in consultation with IMF/OECD between now and the next meeting, would consider whether there were aspects which needed to be examined between March and September.

Item 4. Role of External Borrowing in  
Financing Development

The general comments on this paper were made largely in the context of the mandate on the subject and the purpose for which this study was to be undertaken. It was emphasized that the purpose was to improve flows and increase access and did not at present extend to examination of the problem of indebtedness or lessons from previous debt rescheduling.

After some general comments and exchange of views it was decided to examine the paper section by section. The following conclusions were reached in the discussion which followed;

1. The portion A was accepted with the suggestion that it should be more in the form of general analysis, background and experience.
2. B should be combined with A to form a single introductory section and only the middle portion of B be incorporated in A. The specific subject from B to be incorporated in A was the extent to which past debt problems had arisen from the failure to undertake the appropriate domestic adjustment policies, or to sudden and adverse external developments.
3. As regards Section C its inclusion in the study was objected to on the following grounds:

(a) The discussion of the future prospects would take us away from the main purpose for which the Working Group had been set up. We should concentrate on concrete subjects rather than go into the general world economic situation.

(b) The material under this section in any case would be covered by the World Development Issues report which was separately under preparation.



(c) There will not be much to add to what has already been stated in the Prospects Paper of the Bank and it should be sufficient to refer to that document without reproducing any material in the paper to be prepared under this Agenda item.

The conclusion therefore was that Section C was not essential to the scope of the paper and could, therefore, be dropped. It could form an introduction to D with a reference to the Prospects Paper of the World Bank.

4. The Section D (paras 6, 7, and 8) were agreed to with the following modifications.

(a) In para 7 line 2, the words "institutional investors" should be added after "equity capital."

(b) The last sentence in para 8 (What explains the concerns expressed by the regulatory agencies, bank stock analysts and various governmental bodies with regard to the increased exposure of banks in developing countries?) should be dropped.

(c) As regards the issue of the principal factor determining the increase in commercial bank exposures in developing countries referred to in para 8 it was pointed out that the IMF staff paper on this subject for presentation to the Fund Board was prepared in March every year and the final outcome may not be known until the Board discussion in May. However, this difficulty might be got around by using the material in the staff paper.

5. Section E (the Role of International Institutions). The suggestion that the entire section E be dropped was not agreed to. It was emphasized that the major concern and question to be asked was how development institutions play a part in borrowing and how this role can be improved. After some discussion it was agreed that we should not touch upon the temporary liquidity problem and therefore (b) in para 9 should be dropped; we should confine the issue to what should be the role of development institutions. After discussion in the March meeting of the Working Group it can be examined if we need to go into more specific questions.



# Record Removal Notice

<b>File Title</b> Development Committee - Working Group on Capital Markets Access - 1977 - Volume 02		<b>Barcode No.</b>  30021221		
<b>Document Date</b> 15 December, 1977	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> To: Mr. Karaosmanoglu From: M. M. Ahmad				
<b>Subject / Title</b> As per our discussion over the Telephone				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
<b>Additional Comments</b>		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
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December 15, 1977

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December 14, 1977

Recent Borrowing Experience of Middle-Income Developing Countries

In connection with a paper to be prepared by the Development Committee Secretariat on the "Role of External Borrowing in Financing Development," the Fund staff will provide a draft section reviewing the recent borrowing experience of the middle-income developing countries. The draft will include data and estimates through 1977, describing the main changes that have occurred in the past few years and the factors underlying these changes. The draft will assess the overall economic performance of these countries, including their increasing use of foreign resources, and in particular, their reliance on borrowing from private financial institutions. A qualitative evaluation of their external debt management policies in the context of overall economic management in general and of balance of payments positions, in particular, will be provided. Finally, the draft will review debt reschedulings during 1974-77, focusing especially on the extent to which debt problems arose from the absence or insufficiency of domestic adjustment or were due to developments abroad. The draft section will be ready for transmittal to the Development Committee Secretariat by early February 1978.

December 14, 1977

Recent Developments and Prospects  
for International Banking Flows

In connection with the work to be undertaken by the Secretariat on the "Role of External Borrowing in Financing Development"--and in particular aspects related to financing sources--the Fund staff will prepare a Board paper on developments and prospects in international bank lending which will be issued around mid-May 1978. Subject to the approval of Executive Directors, the paper will be transmitted to the Secretariat shortly thereafter. The paper will cover factual developments in international bank lending during 1977 with respect to the magnitude, direction, types and terms of such lending and provide some assessment, both quantitative and qualitative, of the outlook for the coming year. The paper also will discuss factors bearing on the underlying stability of the market and, therefore, prospects for continued financing flows to developing and other countries. Among those factors are: the extent to which banks believe they are facing portfolio management constraints in respect of international lending in general, or to particular categories of countries; whether they consider their capital positions adequate to support continued large-scale lending; the extent of concern about excessive maturity transformation, etc. Some attention will be given also to developments in international bond markets and financing flows to various country groupings from this source. This provides a broader perspective to the question of private financing flows to developing and other countries, and recognizes, particularly from the point of view of the supplier of funds, that these segments of the private markets are not completely separable.



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AK

December 12, 1977

FROM: P. M. Mathew, Deputy Director, Capital Markets Department, IFC

TO: Members of the Capital Markets Coordinating Committee, see attached list

SUBJECT: Meeting of Capital Markets Coordinating Committee -- Notice of Meeting

A meeting of the above-mentioned Committee will be held in Room D-1358 at 10:00 a.m. on Wednesday, December 14, 1977, with the following agenda:

1. Discussion of paper by Dr. V. V. Bhatt and associates on "Impact of Contractual Savings Institutions on Resource Mobilization and Allocation -- the Malaysian Case"
2. Current activities
3. Future activities
4. Any other business

Attachment

December 12, 1977

DISTRIBUTION

COMMITTEE

✓ Mr. D. Gill, Director, Capital Markets Dept., IFC (Chairman)  
Mr. A. Karaosmanoglu, Director, Development Policy, Development Policy Staff  
Mr. D. Gordon, Director, Industrial Development and Finance Department  
Mr. N. Horsley, Sr. Operations Adviser, Office of Sr. Vice President  
Mr. A. Raisen, Financial Adviser, Central Projects Staff  
Mr. W. Spall, Agricultural Credit Adviser, Agriculture & Rural Development Dept.  
Dr. V. V. Bhatt, Chief, Public Finance Division, Development Economics Dept.  
Mr. R. Tenconi, Senior Adviser, Central Banking Service, IMF  
Mr. D. R. Khatkhate, Advsier, Central Banking Service, IMF  
Mr. J. K. Nettles, Adviser, Central Banking Service, IMF

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Mr. T. Stephensen, Director, Asia  
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Mr. J. Ruisanchez, Director, Latin America and Caribbean II

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Mr. R. Frost, Director, EDI  
Mr. P. Nouvel, IDF Department, Division Chief, East Africa  
Mr. S. Guetta, IDF Department, Division Chief, West Africa  
Mr. R. Powell, IDF Department, Division Chief, East Asia and Pacific  
Mr. M. Rowat, IDF Department, Division Chief, South Asia  
Mr. E. Sekse, IDF Department, Division Chief, EMENA  
Mr. P. Knotter, IDF Department, Division Chief, LAC

IFC -- Capital Markets Department

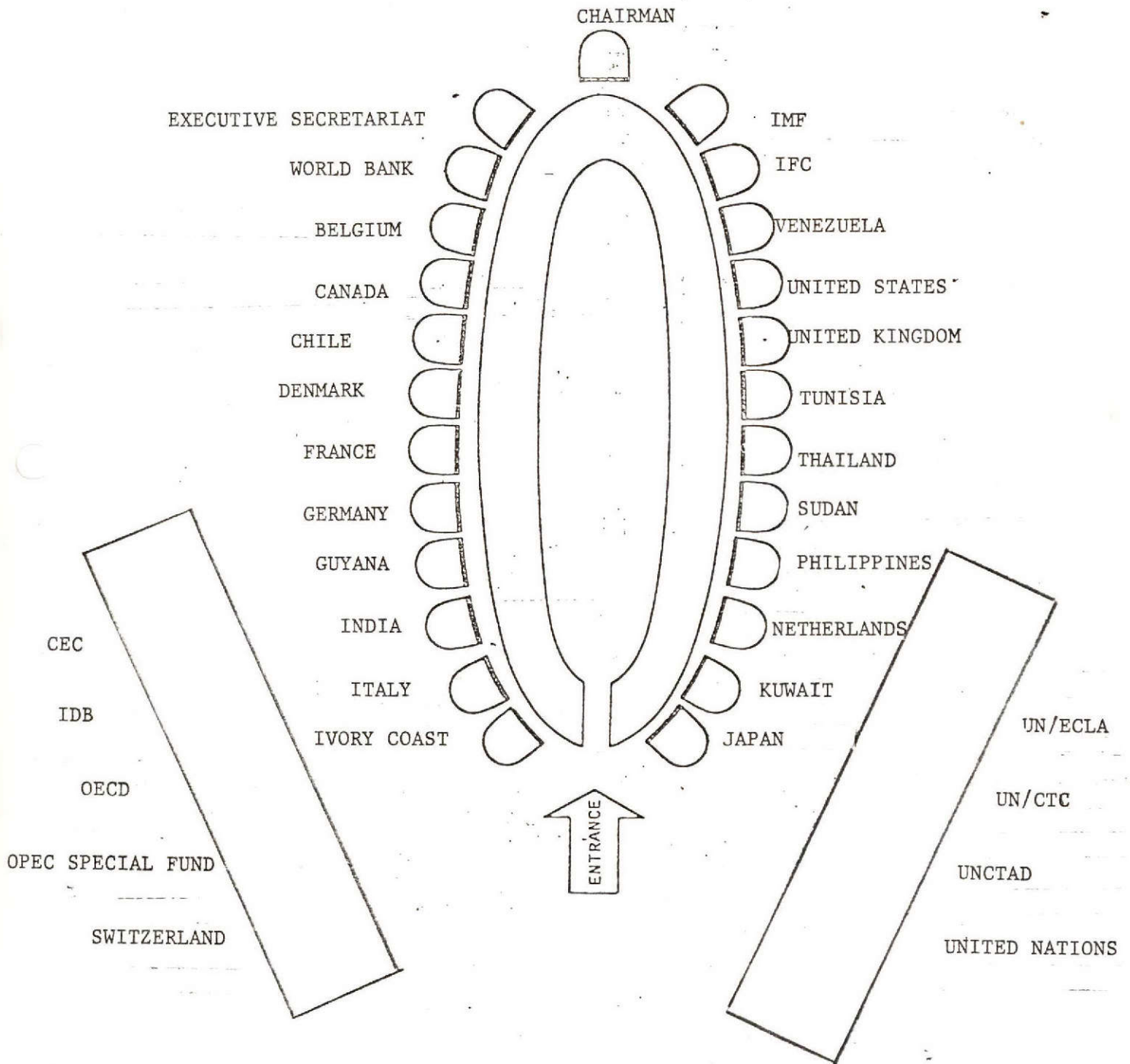
Messrs. Bloom, Malhotra, Passos, Que, Ravecca, van der Bijl, Warner



DEVELOPMENT COMMITTEE

WORKING GROUP ON  
ACCESS TO CAPITAL MARKETS

December 12 - 13, 1977



PROVISIONAL

December 9, 1977

Working Group on Access to Capital Markets

Washington, D.C.  
December 12-13, 1977

PARTICIPANTS

<u>Member</u>	<u>Representative</u>	<u>Others</u>
1. Belgium	Mr. Roger De Beckker Technical Assistant to Mr. de Groot, Executive Director, IMF	
2. Canada	Miss Patricia Macgowan Technical Assistant to Mr. Drake, Executive Director, World Bank	
3. Chile	Mr. Francisco Garcés Alternate Executive Director IMF	
4. Denmark	Mr. Einar Magnussen Executive Director World Bank	Mr. K. Willerslev-Olsen Financial Secretary Embassy of Denmark Washington, D.C.  Mr. Matti Vanhala Alternate Executive Director IMF  Mr. Per Taxell Technical Assistant to Mr. Magnussen, Executive Director, World Bank



- |                 |  |  |
|-----------------|--|--|
| 5. France       | Mr. Pierre-Henri Cassou<br>Alternate Executive Director<br>World Bank                              | Mr. Jean-Christian Metz<br>Deputy Head<br>International Institutions<br>Office<br>Ministry of Economy<br>and Finance<br>Paris  |
| 6. Germany      | Mr. Dietmar Thorand<br>Federal Ministry of Finance<br>Bonn   | Mr. Scheele<br>Federal Ministry of Economics<br>Bonn   |
| 7. Guyana       | Mr. Luiz Barbosa<br>Advisor to the Director<br>of the Bank of Brazil<br>Brasilia, Brazil           | Mr. Edward Agostini<br>Alternate Executive<br>Director<br>World Bank<br><br>Mr. Olimpio Lopes Ferreira<br>de Almeida<br>Division Chief<br>Foreign Capital Department<br>Bank of Brazil<br>Brasilia, Brazil |
| 8. India        | Mr. M. Syeduzzaman<br>Alternate Executive Director<br>World Bank                                   | Mr. K.L. Deshpande<br>Technical Assistant to<br>Mr. Deshmukh,<br>Executive Director,<br>IMF  |
| 9. Indonesia    |  |  |
| 10. Italy       | Mr. Giorgio Rota<br>Executive Director<br>World Bank   |  |
| 11. Ivory Coast | Mr. Christian Bouchard<br>Technical Assistant to<br>Mr. Nana-Sinkam,<br>Executive Director,<br>IMF |  |
| 12. Japan       | Mr. Susumu Murayama<br>Executive Director<br>World Bank  | Mr. Fumiya Iwasaki<br>Alternate Executive<br>Director<br>World Bank  |

- Mr. Mitsuji Ishii  
Ministry of Finance  
Tokyo
- Mr. Nariaki Nakayama  
Technical Assistant to  
Mr. Murayama,  
Executive Director,  
World Bank
- Mr. Tadahiko Nakagawa  
Technical Assistant to  
Mr. Murayama,  
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20. Venezuela

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Deputy Director  
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Mr. Michael Boerner  
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Assistance  
State Department

Mr. John Lemoine  
International Finance  
Division  
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the Federal Reserve

Mr. Francisco Suárez  
Manager  
International Economic  
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Bank of Mexico

Mr. Nestor Caldera  
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Director  
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Mr. Guillermo Heyden  
Central Bank of Costa Rica  
San José, Costa Rica

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Regional Vice President  
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Mr. M.M. Ahmad  
Deputy Executive Secretary

Mr. Luis Escobar  
Deputy Executive Secretary

Mr. Stanislas Kpognon  
Assistant Executive Secretary

Mr. J.R. Everts  
Assistant Executive Secretary

Ms. Barbara Norwood  
Deputy Assistant Executive Secretary

## OFFICE MEMORANDUM

File  
Dev. Comm

TO: Files

DATE: December 6, 1977

FROM: Helen Hughes *HH*SUBJECT: Discussion with Mr. Stern: Private Direct Foreign Investment

1. Mr. Billerbeck and I called on Mr. Escobar yesterday at his invitation, to discuss mutual problems in the analysis of private direct foreign investment.
2. Mr. Escobar outlined the Development Committee approach to the problem of private direct foreign investment, and told us something about the 16 studies being commissioned by him for completion by the end of January. He also told us that Mr. McNamara had assigned IFC to assist him in the work on PDFI, and that Dale Weigel had been doing so in spite of the severe limitation on his time.
3. We told Mr. Escobar that Mr. Billerbeck was attempting to put a first cut at an overall view of PDFI issues as they might affect the Bank's operations, so that we have a better feel for the subject in the global framework. Isaiah Frank is working with Mr. Billerbeck.
4. We told Mr. Escobar that we would be most interested in seeing the reports and other papers prepared for the Development Committee. He, in turn, would like to see our "work in progress".
5. Mr. Escobar invited us to sit in on the Development Committee meetings on December 12. I said I would not be able to attend but Mr. Billerbeck would be pleased to do so.

c.c. Messrs. Karaosmanoglu, Billerbeck  
Chandra Hardy

HHughes/kg

done ✓ 1) CC: Mrs. Hughes - Mr. Hag.  
2) File Dev. Comm.

Messrs. McNamara, Knapp, Cargill, Chenery

November 14, 1977

Ernest Stern, VP, South Asia

Development Committee

Attached, for your information, is a paper which the Development Committee Secretariat has tabled for discussion with the Working Group on Capital Markets on December 12.

You will recall that this subject was suggested, and promoted strongly, by the U.S. Hitherto there has been considerable opposition to any discussion of debt and the dispute was covered by the innocuous sounding phrase, "the role of external borrowing in financing development." Now that the topic is being defined, it will be interesting to see whether members wish to pursue it in this forum.

If anything like this is undertaken, we undoubtedly will be asked to contribute. I have been, and will continue to remain, in touch with J. Wood/C. Hardy.

I will keep you advised of developments after the Working Group has met.

Attachment  
EStern/lis

bcc: Mr. Karaosmanoglu ✓





# Record Removal Notice

<b>File Title</b> Development Committee - Working Group on Capital Markets Access - 1977 - Volume 02		<b>Barcode No.</b>  30021221		
<b>Document Date</b> 14 November, 1977	<b>Document Type</b> Report (draft)			
<b>Correspondents / Participants</b>				
<b>Subject / Title</b> DC/WG/CM/77-12 Working Group on Access to Capital Markets Role of External Borrowing in Financing Development				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"> <tr> <td><b>Withdrawn by</b> Sherrine M. Thompson</td> <td><b>Date</b> August 15, 2023</td> </tr> </table>	<b>Withdrawn by</b> Sherrine M. Thompson	<b>Date</b> August 15, 2023
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<b>Document Date</b> 14 November, 1977	<b>Document Type</b> Notice			
<b>Correspondents / Participants</b>				
<b>Subject / Title</b> DC/WG/CM/77-7 Working Group on Access to Capital Markets Notice of Meeting				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
<b>Additional Comments</b>		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
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<b>Document Date</b> 14 November, 1977	<b>Document Type</b> Report			
<b>Correspondents / Participants</b>				
<b>Subject / Title</b> DC/WG/CM/77-10 Working Group on Access to Capital Markets Information Document				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
<b>Additional Comments</b>		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
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<b>Document Date</b> 14 November, 1977	<b>Document Type</b> Report			
<b>Correspondents / Participants</b>				
<b>Subject / Title</b> DC/WG/CM/77-8 Working Group on Access to Capital Markets Direct Foreign Investment				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
<b>Additional Comments</b>		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
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<b>Document Date</b> 14 November, 1977	<b>Document Type</b> Report			
<b>Correspondents / Participants</b>				
<b>Subject / Title</b> DC/WG/CM/77-9 Working Group on Access to Capital Markets Direct Foreign Investment (Background Material)				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
<b>Additional Comments</b>		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
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<b>Document Date</b> 14 November, 1977	<b>Document Type</b> Report			
<b>Correspondents / Participants</b>				
<b>Subject / Title</b> DC/WG/CM/77-11 Working Group on Access to Capital Markets Mexican Proposal for Further Work on Restrictions on Access to Capital Markets				
<b>Exception(s)</b> Information Provided by Member Countries or Third Parties in Confidence				
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