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Dates: 07/01/1990 - 07/31/1991

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Fonds: Records of the Office of the President

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THE WORLD BANK

Washington, D.C.

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The World Bank

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Washington DC 20433

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PUBLIC DISCLOSURE AUTHORIZED

EXECUTIVE DIRECTORS



1782571

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Administrative Files: Executive Directors - Correspondence

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2000

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

BARBER B. CONABLE
President

July 30, 1991

Mr. Frank Potter
Executive Director
The World Bank

Dear Mr. Potter:

Your July 22 letter raised questions about Bank practice vis-a-vis the financing of salary supplements for civil servants charged with the implementation of Bank-financed *investment projects*. You also asked whether *it makes sense for the Bank to consider temporarily topping up the salaries of selected senior civil servants whose skills are critical to the reform effort so as to avoid their being bid away from the civil service*.

Let me provide some background on the project-related question first. As you know, civil service salary levels in many poor countries provide insufficient incentives to attract and motivate high-caliber staff. In these countries, it is common for civil servants to devote time and energy to second jobs and to adopt low efficiency standards. In the past, governments and donors circumvented the low salary/low efficiency dilemma in several ways. Donors—and the Bank—financed the creation of parastatals, particularly in agriculture and infrastructure, which set salaries above those of the civil service. Use of project implementation units outside government also facilitated payment of higher salaries and other benefits to project staff. But, with the move a few years ago to dismantle parastatals and project units and to rely on greater use of government services to implement projects, the issue of supplementing the salaries of civil servants arose. Governments themselves instituted a number of supplements to get around low and rigid civil service salary structures, such as travel allowances, housing, and vehicles. These in some ways legitimized the introduction by donors of additional incentives, including salary supplements, housing and travel allowances, training, overseas missions, and vehicles. Many of these can be justified strictly as legitimate project costs that incidentally provide benefits to civil servants. But the size of the allowances has had the effect of increasing significantly the real income of national staff associated with the project.

The incentives have caused problems. They have led to situations where civil servants are, or feel they should be, paid supplements for doing the work for which they were originally hired. Sizeable supplements foster jealousy between those inside and outside projects. They may precipitate a bidding war among donors for scarce skilled personnel. In the absence of specific criteria or procedures for judging performance, it is difficult to draw the line between who is and who is not deserving of a supplement, and the Bank either becomes directly involved in passing judgment on national staff, or leaves it to national managers who may be subject to pressures to include factors other than merit when awarding bonus pay. Providing incentives also creates vested interests among implementation staff to prolong project execution over as long a period as possible and may bias the distribution of scarce skilled personnel towards project investments. Since most supplements are for project investments, they attract the best people and may thus undermine the effort to build government capacity in core functions and for the long term.

The long-run solution is for governments to reduce the size of the civil service and to increase the level of remuneration to those remaining, especially for those with skills in short supply, such as economists, accountants, computer specialists, etc. But pending large-scale civil service reform and recognizing the

difficulties of achieving extensive reforms in the near term, we believe it would be counter-productive to completely rule out all forms of incentives in all cases. The problems cited above are real: when national staff are asked to perform at a productivity level that equals or exceeds that in the private sector, and the disparity between private and public sector salaries is large, it is naive to expect Bank-financed projects to attract or retain high-caliber staff—or to be implemented with any greater level of success or commitment than other government-orchestrated programs—if the remuneration corresponds to current government levels. Such an approach will only lead to inability to recruit capable nationals and a resulting need for more expatriate technical assistance. Nevertheless, to be workable, any interim solution will require agreement among the entire donor community active in a given country.

Meanwhile, in current practice, Bank financing of salary top-ups is rare and, based on the lessons learned from the past, is becoming less frequent. Policy in the Africa Region encourages the reduction of supplements, within the context of overall civil service and salary reform. It stipulates that interim measures should support, and not undermine, future civil service reform. For virtually all Africa projects submitted to the Board in the last 18 months, salary supplements have been stopped altogether or are being phased out. In most cases, only the salaries of staff of project implementation units or other transitory agencies are financed, and these positions are filled by persons outside the civil service (consultants or staff who have left, or on leave of absence from, the civil service). Since we are moving away from use of implementation units, these cases are diminishing in frequency.

Your letter cited the case of Mozambique, where the Bank previously followed the practice of supplementing civil service salaries, but abandoned it in agreement with the Government over a year ago. Other donors, however, continue to finance cash supplements, payments-in-kind, study trips abroad, etc. There is little question that, over the past few years, the administrative capacity of the public sector has lost out to donors—and to the emerging private sector—who have recruited away from the civil service highly skilled personnel. Administrative capacity has also suffered as senior government officials have engaged in part-time consultancy work. We have reviewed the situation in a soon-to-be-finalized Public Sector Pay and Employment Review, and intend to discuss the report with the donor community. Among other areas, the report deals with the need for a cooperative donor agreement on the recruitment of highly-skilled Mozambicans and the possibility of temporary donor support for high-level Civil Service salaries on a more transparent basis.

In the LAC Region, it is the basic policy not to introduce special salary structures for civil servants under Bank or IDA-financed projects. A very few exceptions have been allowed to provide for extraordinary functions or where the fundamental objective of the project could not otherwise be met. In the Bolivia Economic and Social Fund and Social Investment Fund Projects, and in the Haiti Economic and Social Fund, IDA funds are used to help finance fixed-term appointment of key staff drawn from the private sector to manage these special fund arrangements. The issue of sustainability is not material in these cases, as the operations, and the units to manage them, are of a temporary nature. The staff involved were not originally in the civil service, so no issue arises of siphoning off government staff needed to implement economic reforms. In response to the extreme budgetary constraints in Haiti and the particular difficulties in attracting and retaining qualified managers for environmental protection and forestry management, the upcoming Haiti Forestry and Environmental Protection Project would finance a limited salary supplement for up to 15 persons, including preexisting staff. This would not introduce significant distortions in civil service incentives. Meanwhile, LAC has been working with governments of the region to introduce broad civil service reform that would inter alia streamline staff complements and institute a more competitive salary structure. Among these efforts is the upcoming Argentina Public Sector Reform Loan, which would support the development of a professional civil service corps with competitive compensation levels.

July 30, 1991

Pressures to supplement civil servants' salaries in EMENA countries rarely arise. The practice is discouraged and there are no known instances in the current portfolio where this is taking place. The Region is actively pursuing salary remedies in the context of civil service reform.

Practice in the Asia Region varies, depending on the competitiveness of the civil service salary structure. In India, for example, supplements for individuals are generally not permitted. However, in other countries, such as Bangladesh, the Bank may decide on a project by project basis, to finance special allowances, such as post and travel allowances, on a declining basis during the project implementation period.

Turning to your second question, the Bank does not finance local costs in adjustment operations. Hence the narrow issue is moot. The broader issue of whether we endorse the idea of Government or donor-financed supplements will need to depend on country circumstances. But my personal judgment would be on the side of prudence in these matters. Adjustment programs, as you know, inevitably have a political dimension. It could be subject to unfortunate misinterpretation if those responsible for implementing a program were perceived to be benefiting from it in a personal way—even as others in society were being called on to make sacrifices. In the circumstances, I am wary of such supplements, although I agree that it would be highly desirable to find a way of retaining key staff.

Sincerely,



Barber B. Conable

bcc: Messrs. Qureshi, Thalwitz, Shihata

CP

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

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TO:	Mr. M. Qureshi (E-1241)	DATE:	7/25/91
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SUBJECT: |

Document From: Frank Potter
To: bbc
Dated: 7/22/91

Reference No.: EXC910723002

Topic: Re: practice of "topping up" salaries by donors and the Bank
attract skilled personnel, etc. BUT discontinued in Mozambique

=====

ACTION INSTRUCTIONS: | DUE DATE: |

- _____ HANDLE
- _____ REVIEW AND RECOMMEND
- _____ FOR YOUR INFORMATION
- _____ DISCUSS WITH _____
- _____ AS WE DISCUSSED
- ___XXX___ PREPARE RESPONSE FOR _BBC' SIGNATURE
- _____ FOR YOUR FILES
- _____ RETURN TO _____
- _____ OTHER: _____

7/31/91

Remarks: cc: Messrs. Thalwitz, Shihata

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EXPEDITE

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

FRANK POTTER
Executive Director

July 22, 1991

Dear Mr. Conable:

During the board discussion of the public management sector reform paper there was mention of the practice of "topping up" salaries by both donors and the Bank in order to attract skilled personnel to various projects. As I understand it, often this practice bids high-caliber staff away from the civil service and in doing so undercuts the objectives of civil service reform efforts.

The paper which came to the board stated that the Bank had "officially" discontinued this practice in Mozambique. I would be interested to know how pervasively this Bank practice is in other countries -- I have been told it is substantial -- and why the Bank has decided to officially discontinue its use only in the case of Mozambique.

I would also be interested in whether you believe it makes sense for the Bank to consider temporarily topping up the salaries of selected senior civil servants whose skills are critical to the reform effort so as to avoid their being bid away from the civil service. I have written to Mr. Shihata to ask if there is any legal impediment in using Bank resources for this purpose.

Sincerely,



Mr. Barber Conable
President
The World Bank

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

BARBER B. CONABLE
President

July 26, 1991

Mr. Rosario Bonavoglia

Rosario:

re: USSR's Application for Membership

With reference to your memo of July 24, the letter, signed by President Gorbachev, was given to Mr. Stern in my absence at 5 p.m. on Monday, July 22. Mr. Stern informed the Board of the letter of application from the Soviet Union at the beginning of the Board meeting on Tuesday, July 23. Mr. Stern's note advising the Executive Directors of the application was circulated by the Secretary on the same day. A copy of SecM91-947 is attached.

Mr. Stern also noted that the submission of the application did not affect the plans for technical assistance I discussed with you and the other Executive Directors on July 18.

Concerning your reference to the Soviet ambassador, he informed me late last week that an application would be forthcoming. We had heard expressions of intent earlier and felt that it would be wise to wait until a signed application was received before informing the Board.



Attachment

bcc: Messrs. Stern, Qureshi, Thahane

International Bank for Reconstruction and Development
International Development Association
International Finance Corporation
Multilateral Investment Guarantee Agency

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AUG 29 2022

WBG ARCHIVES

SecM91-947
IDA/SecM91-287
IFC/SecM91-102
MIGA/SecM91-37

FROM: Vice President and Secretary

July 23, 1991

UNION OF SOVIET SOCIALIST REPUBLICS - APPLICATION FOR MEMBERSHIP

Attached is a memorandum from the Acting President dated July 23, 1991 regarding the application for membership by the Union of Soviet Socialist Republics in the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation and the Multilateral Investment Guarantee Agency. The letter is being acknowledged, with the advice that further action would be taken when the Fund (where also an application has been filed) has determined an appropriate quota.

Distribution

Executive Directors and Alternates
President
President's Council
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads,
Bank, IFC and MIGA

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ERNEST STERN
Senior Vice President
Finance

July 23, 1991

To: Executive Directors

Soviet Membership Application

This is to advise you that we received a letter late yesterday afternoon from the USSR applying for membership in the IBRD, IDA, IFC and MIGA. The application is dated July 15, 1991 and signed by President Gorbachev.

A handwritten signature in black ink, appearing to read 'Ernest Stern', with a large, stylized flourish extending to the right.

Ernest Stern
Acting President

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

W/SS/LM FYI
CALM

7/26

TO: Mr. E. Stern (E-1227) DATE: 7/24/91

SUBJECT:

Document From: Mr. Rosario Bonavoglia
To: BBC
Dated: 7/24/91
Topic: Soviet membership

Reference No.: EXC910724054

ACTION INSTRUCTIONS:

DUE DATE:

- HANDLE
- REVIEW AND RECOMMEND
- FOR YOUR INFORMATION
- DISCUSS WITH _____
- AS WE DISCUSSED
- PREPARE RESPONSE FOR _ BBC _ SIGNATURE
- FOR YOUR FILES
- RETURN TO _____
- OTHER: _____

7/26/91

Remarks: Please provide response by c.o.b. Friday, July 26
cc: Messrs. Qureshi & Thahane

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

ROSARIO BONA VOGLIA
Executive Director

July 24, 1991


Dear Mr. President,

I was informed towards the end of last week by my Italian counterpart in the International Monetary Fund about a visit of the Ambassador of the Soviet Union to the Managing Director of the Fund. During this visit a letter requesting the membership of his country to the Fund was shown.

I would like to know whether a similar step was taken at the same time by the Ambassador of the Soviet Union with the World Bank and, in the affirmative, why this Board was not informed.

Besides those formal aspects, I would also like to know if and how this application is going to modify the technical cooperation on programs with the Soviet Union as discussed at the meeting of July 18, 1991, and to be finalized in the paper to be discussed at the Board on August 20.

Best regards,


Rosario Bonavoglia

Mr. Barber B. Conable
President
The World Bank
Washington, D.C. 20433

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

BARBER B. CONABLE
President

July 25, 1991

Mr. J. Ayo Langley

Re: Proposed IDA Allocations for Africa

I want to assure you that our commitment to Sub-Saharan Africa has not changed. The recent economic performance of countries which are receiving our support shows that the reform programs are working. We remain optimistic that further economic progress can be achieved. For that reason, we are continuing to increase the IDA resources to the region. Although the Africa share of IDA lending may fall slightly in the next few years, especially if policies and performance in some of the larger countries worsen or fail to improve, IDA flows to Africa are increasing in real terms.

The SPA program is, as you note, an excellent vehicle for supporting the reform efforts in Africa. Both IDA and the donor community are planning to contribute substantially more to SPA2 than to SPA1. IDA's contribution to SPA2 is expected to be 37% higher than its contribution to SPA1. I hope this will dispel any notion of possible complacency on our part toward Africa.

The growing number of new IDA recipients will indeed have implications on the allocation of resources for the remainder of IDA9 and for IDA10. As I indicated in my response to Mr. Potter, the Board will have an opportunity to discuss this issue in September, when the IDA9 Annual Report is presented. In order to help assist these new entrants during the remainder of IDA9 without significantly reducing IDA support to existing recipients, Management proposed an exceptionally large transfer to IDA out of the FY91 net income.

The criteria for IDA eligibility have not changed. All of the six countries which became eligible for IDA in FY91 met the three standard criteria for eligibility--in terms of their level of per capita income falling below the operational cut-off, their limited or lack of creditworthiness to borrow on market terms, and their ability to use IDA resources effectively. The particular circumstances which prompted a decision on eligibility this past year differed, of course, by country. Angola and Nicaragua only now have the internal stability to permit the effective use of IDA resources. For Cote d'Ivoire, Egypt, Honduras, and the Philippines, which are marginally creditworthy, a real decline in income or substantial exchange rate devaluations resulted in a drop in their per capita income below the operational cutoff for IDA.

In summary, let me reiterate our continuing commitment to Sub-Saharan Africa. I would be happy to discuss any of these points further with you.

Barber Conable

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

HR
SS

w/miss

7/26

TO: Mr. B. Conable (E-1227) | DATE: 7/15/91

Stein

SUBJECT:

Document From: Mr. Langley

To: bbc

Dated: 7/12/91

Reference No.: EXC910715001

Topic: IDA - Proposed FY92-92 *74*

ACTION INSTRUCTIONS:

| DUE DATE: |

- HANDLE
- REVIEW AND RECOMMEND
- FOR YOUR INFORMATION
- DISCUSS WITH _____
- AS WE DISCUSSED
- PREPARE RESPONSE FOR BBC'S SIGNATURE
- FOR YOUR FILES
- RETURN TO _____
- OTHER: _____

7/24/91

Remarks: cc: Messrs. Qureshi, Thalwitz, Thahane

EXPEDITE

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

J. AYO LANGLEY
Executive Director

Ref: 23/WB/91

July 12, 1991

Mr. Barber B. Conable
President
The World Bank

Dear Mr. Conable:

IDA - Proposed Allocation FY92-94

If I may, I would like to follow up, if only briefly, on my intervention during the budget discussions on the sensitive question of IDA allocations. The proposed IDA allocation to Sub-Saharan Africa over the next 3 years, FY92-94 continues to give me some concerns. I thought I should share with you my concerns on this matter in the spirit of the informal exchange we have had regarding the matter of resources for Sub-Saharan Africa.

First of all, I realize that with new IDA eligible membership and intensified need for concessional resources by existing eligible countries, there is bound to be greater competition in the near future for these scarce resources. I also understand the concern about performance that should be taken into account in assessing how the resources should be allocated. However, as has been acknowledged by all, the sustainability of structural adjustment programs of African countries, to mention only one critical program, is largely dependent on adequate funding. I am therefore somewhat apprehensive about what implications for these programs the proposed allocation may have showing as it does, a decline from 48% in FY89-91 to 46% in FY92-94. At the very least, it is not a very encouraging or hopeful sign for the future. Secondly, many of the countries I represent have the impression, which, in my view, may not be entirely mistaken, that the establishment of the SPA program, which is a very commendable initiative by the Bank, is now beginning to be viewed by the institution as justifying a diversion to other regions of IDA resources which would otherwise be available to them. Matters were certainly not helped when during Tuesday's (July 9th) discussion on IFC borrowing plan a suggestion was made that IFC should consider borrowing from IDA. Third, I am concerned that the eligibility criteria for accessing IDA resources may not be as transparent as one would have wished; eligibility appears to be in danger of becoming political and selective. I would of course be pleased to report to my authorities that this is not the case - but in these matters, as in many others, the proof of the pudding, as they say, is in the eating. Perhaps the Board could start with a systematic review as suggested by Mr. F. Potter, Executive Director for Canada, in his July 2 memorandum to you.

I have just received a copy of your reply to Mr. Potter's memo under reference and I am glad to know that the allocation issue will be discussed in September but in the light of the concerns I have expressed in this letter, I would be pleased to receive your assurances that my perceptions and those of my authorities are, in fact, wrong.

I would be happy to discuss this matter with you at your convenience.

Yours sincerely,

J. Ayo Langley


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

BARBER B. CONABLE
President

July 16, 1991

Mr. Rosario Bonavoglia
Executive Director
World Bank

Dear Mr. Bonavoglia:

Thank you for your letters of July 5 and 9 conveying the invitation by Mr. Gianni De Michelis, Minister of Foreign Affairs, for Bank participation in the Third National Conference on Development Cooperation, to be held in Rome from October 17 to 19. As you know, I will be retiring in September, and also the Annual Meetings of the Board of Governors will be taking place in Bangkok at this time.

Given the importance that we attach to the National Conference on Development Cooperation, I have asked Mr. Wilfried P. Thalwitz, Senior Vice President, Policy, Research and External Affairs, to attend. Because of his commitments in Bangkok, Mr. Thalwitz will arrive in Rome on the morning of the 18th and be available to participate in the discussions that afternoon and on the 19th. Any additional information that you can provide Mr. Thalwitz regarding the arrangements for the meeting would be appreciated.

Please convey my thanks and best wishes to Minister De Michelis for the successful outcome of the deliberations.

Sincerely,

(Signed) Barber B. Conable

Cleared with & cc: Mr. Thalwitz
cc: Messrs. Qureshi and Stern

Log Nos: EXC910708002
PPR910710003

MMcDonald

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

~~AK~~
SS

TO: Mr. Thalwitz (D-1202) | DATE: 7/08/91

SUBJECT:

Document From: Rosario Bonavoglia
To: bbc
Dated: 7/05/91

Reference No.: EXC910708002

Topic: Conveying an invitation fr. Minister De Michelis to participate
or designate a high-level staff re Conference in Rome, 10/17-19

ACTION INSTRUCTIONS:

DUE DATE:

- HANDLE
- REVIEW AND RECOMMEND
- FOR YOUR INFORMATION
- DISCUSS WITH _____
- AS WE DISCUSSED
- PREPARE RESPONSE FOR BBC'S SIGNATURE
- FOR YOUR FILES
- RETURN TO _____
- OTHER: _____

7/18/91

Remarks: cc: Mr. Qureshi, Mr. Stern

***IMPORTANT**

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

ROSARIO BONA VOGLIA
Executive Director

July 9, 1991

Dear Mr. President,

Following the invitation sent by Minister Gianni De Michelis, to participate to the Third National Conference on Development Cooperation in Rome (October 17-19, 1991). It would be appreciated if an intervention by the Bank's representative be focused on the impact of International Financial Aids to the developing countries, both in general terms and in some specific issues (i.e., external debt, reserves, etc.)

Thanking you for your cooperation, I remain

Sincerely yours,


Rosario Bonavoglia

Mr. Barber B. Conable
President
The World Bank
Washington, D.C. 20433

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

ROSARIO BONA VOGLIA
Executive Director

July 5, 1991

Dear Mr. President,

I have the honor to transmit the letter addressed to you by the Italian Minister of Foreign Affairs, Mr. Gianni De Michelis, with reference to the participation of the Bank to the Third National Conference on Development Cooperation to be held in Rome from October 17 to 19, 1991.

Sincerely,


Rosario Bonavoglia

Encl.
Mr. Barber B. Conable
President
The World Bank
Washington, D.C. 20433

*Ambasciata d'Italia
Washington*

L'Ambasciatore

July 3rd, 1991

Dear Mr. President,

I am pleased to inform you that the Minister of Foreign Affairs, the Hon. Gianni De Michelis, will be hosting the Third National Conference on Development Cooperation to be held in Rome from October 17 to 19, 1991.

The aim of this important initiative, which is in the wake of the previous meetings on the same topic held in 1981 and in 1985, is to establish criteria and procedures for directing resources to international assistance in the Nineties.

The Ministers of the donor countries in charge of development cooperation, as well as decision-makers and those at the helm of International Organizations most active in this sector, are expected to attend the Conference. They will be able to make statements which will then be published in the Proceedings of the meeting.

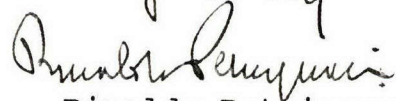
I will forward to you, in the next few days, a note summarizing the main topics of the meeting. In the meantime, I would appreciate it, Mr. President, if you would let me know whether you might be able to attend, in order to enable the Minister of Foreign Affairs to send you a formal invitation.

./. .

Mr. Barber B. Conable
President
The World Bank
701 19th St., N.W.
Washington DC 20433

Should you be unable to attend the Third National Conference on Development Cooperation, Minister De Michelis would be most grateful if you would designate one or more of your high-level officials to represent the IBRD, IDA, IFC and MIGA at the Rome Conference on October 17, 1991.

I thank you in advance for your cooperation and I hope to hear from you soon in this matter.

Yours Truly

Rinaldo Pettrignani

ITEM 12

Other Business

FAREWELL TO MR. BOEHMER

Today we are bidding farewell to Mr. Boehmer, Executive Director for Germany, who joined the Board in September 1985. Previously, Mr. Boehmer served as Head of the Multilateral Finance Institutions Division and Head of the United Nations Division in the German Ministry for Economic Cooperation.

Mr. Boehmer, the precise, clear, forthright and balanced judgement that you have brought our Board have^s been appreciated by all. ~~Your strong support for the Bank Group was evident throughout your~~ ~~discussions.~~ ^{Source here} The first time you spoke at the Board you supported the proposed increase in the general capital of the Bank. Last week, at the close of your tenure, you spoke clearly and strongly in favor of an increase in the capital of IFC. In the interim you strongly supported many initiatives, including the establishment of MIGA and the Global Environment Facility. Your guidance and counsel helped Bank ~~management~~ ^{the} to fashion and ~~undertake~~ ^{and successfully manage} many of these important initiatives. While welcoming these ^{institutional changes} ~~initiatives~~, you were always clear that the Bank should continue to focus on its comparative advantage in medium- to long-term investment and project work.

Often you have been impatient with policy that was too theoretical and you have praised effective, pragmatic action. You expressed a strong commitment to the principle of multilateral cooperation in the Bank's decision-making processes and through the staffing of the Bank. You have stressed the need for a complementary and interactive relationship between the Bank and others that are involved in assisting economic development. *You have facilitated a strong partnership between the Bank and your own country's aid program.* We appreciated, as well, your valuable assistance in the negotiations for the Berlin Annual Meetings and your subsequent advice concerning the preparation and conduct of the meetings.

In addition to your devotion to the Board's work, you have always exhibited a deep regard for the institution, ~~often complimenting the quality of the Bank's work and the personal dedication of the staff.~~ You have concerned yourself with the welfare of staff--particularly of the support staff--regarding conditions of employment, work conditions and salary and benefits. I would also like to express our deep appreciation for your work as Chairman of the Joint Audit Committee in addressing such thorny issues as arrears and loan loss provisioning, and as a member of the Committee on Cost Effectiveness and Budget Practices, the Ad Hoc Committee on Criteria for Allocation of Shares of Bank Capital, and the Committee on Personnel Policy Issues. *In fact, we have depended on you for help in*

many committees. Your clear perception of the respective roles of the Board and the Management contributed to the mutual respect which is necessary for an institution like ours to function smoothly.

~~Your country is universally admired for its economic management~~
and, accordingly, we have valued your advice, and constructive criticism,
as well as the ^{constant} deep support of your country for the Bank Group. ~~On a more~~
~~personal note,~~ Gerhard, your warmth, accessibility and understanding have
endeared you to many on the Board and among the Bank staff. We ~~will~~ ^{are} all be
sorry to see ~~you go.~~ ^{such a helpful friend leave.}

On the other hand we are grateful

~~I am told that~~ you will take up the post of Deputy Secretary
General in the Ministry of Economic Cooperation on your return to Germany.

You leave many friends among the Board members and Bank staff, who wish you
~~every success for the future.~~ ^{of your success and confident of your}

~~I would now, like to present you with the mementos~~ of your tenure.
^{of the splendid mementos}

splendid

(Presentation - clock and certificate)

Response by Mr. Boehmer

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

BARBER B. CONABLE
President

July 10, 1991

Mr. Frank Potter

Re: New Claimants for IDA-9 Resources

I share your concern about the implication of the growing list of IDA recipients for the allocation of IDA resources. As you know, the share of those IDA recipients outside of Sub-Saharan Africa, China and India, is in effect constrained to 20% to 25% of total IDA allocations. Four of the six new recipients belong in this group, including the two largest, Egypt and the Philippines. If we are to provide new recipients with allocations on the same basis as existing recipients, we will face a very difficult set of trade-offs. The problem did not come up in FY91 because we allocated relatively small amounts to Egypt and the Philippines and these were offset by the additional commitment authority which was provided to deal with the Gulf crisis. Obviously it is going to be a major issue for both the remainder of IDA9 and for IDA10.

The IDA9 Annual Report will cover this issue and the Board will have an opportunity to discuss it in September. In addition the background papers which will be prepared for IDA10 are likely to discuss this question in some detail.

Barber Conable

cc: Executive Directors

7-05
7-5-91

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

Original to FD

please prepare response

for BBC's signature

by c.o.b. 7/10

cc:ESV

BK to handle, note replies and

7/91 attention fall
papers

TO: Mr. E. Stern (E-1227) DATE: 7/05/91

SUBJECT:

Document From: Frank Potter
To: bbc
Dated: 7/02/91

Reference No.: EXC910703007

Topic: IDA eligibility; suggests systematic examination of prospects f
further reallocations & implications for remainder IDA-9 perio

ACTION INSTRUCTIONS:

DUE DATE:

HANDLE
 REVIEW AND RECOMMEND
 FOR YOUR INFORMATION
 DISCUSS WITH _____
 AS WE DISCUSSED
 PREPARE RESPONSE FOR 'BBC' SIGNATURE
 FOR YOUR FILES
 RETURN TO _____
 OTHER: _____

7/12/91

Remarks: cc: Messrs. Qureshi & Thalwitz

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

FRANK POTTER
Executive Director

July 2, 1991

Dear Barber,

Recently we have seen a growing list of countries which were not eligible for IDA at the time of the last IDA replenishment but which have since or are expected to become eligible. The list includes Angola, Egypt, Honduras, Nicaragua, the Philippines, Zimbabwe and now Cote d'Ivoire.

The note for Cote d'Ivoire says that IDA eligibility will assist the country to reestablish financial viability by reducing the cost of new financial assistance from the Bank through a blending of IDA and IBRD resources. This implies using IDA resources which otherwise would have gone to others.

It seems to me that we might take a systematic look at this. The planned review of the IDA-9 replenishment which is scheduled for board discussion in September would be an appropriate vehicle. I suggest that as part of that discussion we should examine the prospects for further reallocations and the implications for the remainder of the IDA-9 period.

Frank Potter

Mr. Barber Conable
President
The World Bank

cc. Executive Directors

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

BARBER B. CONABLE
President

July 2, 1991

Dear Colleagues:

As you know, at the Houston summit last year, the heads of state of the Group of Seven requested that the World Bank, in cooperation with the Commission of the European Communities (CEC), prepare a proposal for a pilot program to counteract the threat to tropical rainforests in Brazil. It is my pleasure to submit to you the attached proposal, prepared by the Government of Brazil with technical input from staff of the World Bank and the CEC. The proposal is accompanied by a cover note that reflects the joint understanding and agreement of the management of the World Bank and the staff of the CEC. The cover note proposes the establishment of a trust fund under the Global Environment Facility. However, the intention is not to exclude other options. The exact management of the fund and the participation of various agencies will need to be considered by the donors and the Government of Brazil.

Sincerely,



Mr. Rosario Bonavoglia
Mr. E. Patrick Coady
Mr. Fritz Fischer
Mr. Jean-Pierre Landau
Mr. David Peretz
Mr. N. Frank Potter
Mr. Masaki Shiratori

attachment

cc: Mr. Jacques Delors, President, Commission of the European Communities
Mr. Paulo Ximenes-Ferreira, Alternate

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

BARBER B. CONABLE
President

*Solomon
3/8/89*

July 2, 1991

Dear Colleagues:

As you know, at the Houston summit last year, the heads of state of the Group of Seven requested that the World Bank, in cooperation with the Commission of the European Communities (CEC), prepare a proposal for a pilot program to counteract the threat to tropical rainforests in Brazil. It is my pleasure to submit to you the attached proposal, prepared by the Government of Brazil with technical input from staff of the World Bank and the CEC. The proposal is accompanied by a cover note that reflects the joint understanding and agreement of the management of the World Bank and the staff of the CEC. The cover note proposes the establishment of a trust fund under the Global Environment Facility. However, the intention is not to exclude other options. The exact management of ~~any~~ fund and the ~~role~~ of various ~~organizations in it~~ will need to be agreed upon as detailed discussions proceed.

Sincerely,

Mr. Rosario Bonavoglia
Mr. E. Patrick Coady
Mr. Fritz Fischer
Mr. Jean-Pierre Landau
Mr. David Peretz
Mr. N. Frank Potter
Mr. Masaki Shiratori

attachment

cc: Mr. Jacques Delors, President, Commission of the European Communities
Mr. Paulo Ximenes-Ferreira, Alternate

agencies

participation

*the
considered by the
donors and the
Government of
Brazil.*

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

BARBER B. CONABLE
President

July 2, 1991

Dear Colleagues:

As you know, at the Houston summit last year, the heads of state of the Group of Seven requested that the World Bank, in cooperation with the Commission of the European Communities (CEC), prepare a proposal for a pilot program to counteract the threat to tropical rainforests in Brazil. It is my pleasure to submit to you the attached proposal, prepared by the Government of Brazil with technical input from staff of the World Bank and the CEC. The proposal is accompanied by a cover note that reflects the joint understanding and agreement of the management of the World Bank and the staff of the CEC.

Sincerely,

Mr. Rosario Bonavoglia
Mr. E. Patrick Coady
Mr. Fritz Fischer
Mr. Jean-Pierre Landau
Mr. David Peretz
Mr. N. Frank Potter
Mr. Masaki Shiratori

attachment

cc: Mr. Jacques Delors, President, Commission of the European Communities
Mr. Paulo Ximenes-Ferreira, Alternate

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

BARBER B. CONABLE
President

July 2
June 28, 1991

Dear Colleagues:

As you know, at the Houston summit last year, the heads of state of the Group of Seven requested that the World Bank, in cooperation with the Commission of the European Communities (CEC), prepare a proposal for a pilot program to counteract the threat to tropical rainforests in Brazil. It is my pleasure to submit to you the attached proposal, prepared by the Government of Brazil with technical input from staff of the World Bank and the CEC. The proposal is accompanied by a cover note that reflects the joint understanding and agreement of the management of the World Bank and the staff of the CEC.

Sincerely,

Barber B. Conable

Mr. E. Patrick Coady, EDS
Mr. Masaki Shiratori, EDS
Mr. David Peretz, EDS
Mr. Jean-Pierre Landau, EDS
Mr. Gerhard Boehmer, EDS
Mr. N.F. Potter, EDS
Mr. Rosario Bonavoglia, EDS

Why not alphabetical?
Fritz Fischer

cc: Mr. Jacques Delors, President, Commission of the European Communities ✓
Mr. Paulo Ximenes Ferreira, Alternate, EDS.

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

BARBER B. CONABLE
President

June 24, 1991

Mr. Carneiro

Board Schedule for Week of June 24

With reference to your memorandum of June 21, 1991, I want to assure you that I fully appreciate the pressures that bunching is imposing on you in carrying out your responsibilities. It is for this very reason that my associates and I have kept the scheduling of Board operations for the last two weeks of June under continued close scrutiny to ensure that the burden on you is evened out and that you are given as much lead time as possible before the Board is asked to take up individual operations. We have also tried to take account of the request of certain Directors to ensure that not more than 2 - 3 quick-disbursing operations are considered on the same day, and at the same time respect the wish of other Directors that certain projects in which they are interested not be presented on the last scheduled Board meeting of the month.

I believe that the schedule as set out in SecM91-752 of June 14 meets these objectives to a large extent. However, due to requests last week for postponement of two major operations, the agenda this week has become somewhat less balanced than previously. I am somewhat reluctant at this stage to make further changes to the rest of the schedule since all arrangements for proceeding with our work as scheduled have been finalized by now.

Again, I regret the heavy burden presently placed on you but hope that I can count on your cooperation and support in completing the current program for June 25-27 as now scheduled.

Barber Conable

cc: Messrs. Qureshi, Thahane, Sandstrom, Bock

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

TO: Mr. Thahane (D-11-067) DATE: 6/21/91

SUBJECT:

Document From: Mr. Fernando Carneiro
To: BBC
Dated: 6/21/91

Reference No.: EXC910621005

Topic: Expressing dissatisfaction at bunching and requesting a better balanced agenda for next week.

ACTION INSTRUCTIONS:

DUE DATE:

HANDLE
 REVIEW AND RECOMMEND
 FOR YOUR INFORMATION
 DISCUSS WITH _____
 AS WE DISCUSSED
 PREPARE RESPONSE FOR BBC's SIGNATURE
 FOR YOUR FILES
 RETURN TO _____
 OTHER: _____

6/24/91

Remarks: Please look into this and prepare a response which Mr. Conable can sign on Monday, June 24.
cc: Mr. Qureshi

ROUTING SLIP		Date	6-21-91
OFFICE OF THE PRESIDENT			
Name		Room No.	
Mr. Thahane			
cc: Mr Qureshi			
To Handle		Note and File	
Appropriate Disposition		Prepare Reply	
Approval		Per Our Conversation	
Information		Recommendation	
Remarks			
<u>Board Schedule</u>			
Please look into this and prepare a response which Mr. Conable can sign on Monday the 24th.			
From			
Sven Sandstrom			

E1307

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

FERNANDO S. CARNEIRO
Alternate Executive Director

June 21, 1991

Dear Mr. Conable,

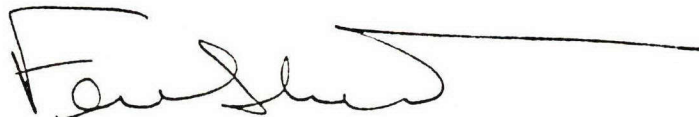
We are all aware of the difficulties and pressures that bunching represents for all of us. In my statement, when the subject was discussed in the Board, I requested for some common sense measures, in order to correct illogical distortions.

The agenda for this coming week is, I am afraid, an action in the opposite direction. On Tuesday and Wednesday alone, we will be discussing 12 IBRD projects, totalling more than US\$ 3.0 billion (with only two of them postponed from the previous session), which represents almost 20% of our year target.

In the second half of that same week, we will have a very light schedule.

Mr. President, the burden is hardly acceptable for it is unbearable. Twelve very important and large projects in two days is an invitation to "rubber stamping". Therefore, I ask for your best effort in order to get a better balanced agenda during next week.

Sincerely,



Mr. Barber Conable
President
The World Bank
Washington, D.C.

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

BARBER B. CONABLE
President

June 18, 1991

His Excellency
Simon Alberto Consalvi
Ambassador
Embassy of Venezuela
1099 30th Street, N.W.
Washington, D.C. 20007

Dear Mr. Ambassador:

Thank you for your letter of May 28 conveying the invitation extended to me on behalf of the Governments of Venezuela and France to participate in the ministerial level meeting of oil producing and consuming countries in Paris on July 1 and 2. I will not be able to attend due to a heavy schedule of commitments I have at that time.

In view of the importance that I attach to these discussions, I have asked Mr. Robert Picciotto, Vice President, Corporate Planning and Budgeting, and Ms. Afsaneh Mashayekhi, Chief, Energy Sector Operations Division, Industry and Energy Department, who is an expert with long-standing experience in this area, to attend on my behalf. They both will be available to participate actively in the discussions and Mr. Picciotto will present a short paper.

I should be grateful if you would convey my thanks to both Minister Duran and Minister Armas for their kind invitation and my best wishes for the successful outcome of the deliberations.

Sincerely,

(Signed) Barber B. Conable

Cleared in substance with & cc: Mr. Picciotto (CPBVP) and
Ms. Mashayekhi (IENOD)

cc: Messrs. Stern, Qureshi, Thalwitz, Rajagopalan

Log Nos: EXC910531006
PPR910605002

MMcDonald/TCullen

WORLD BA. OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

*Called → Athena checking
(6/12)*

TO: Mr. Thalwitz (D-1202) | DATE: 6/05/91

SUBJECT:

Document From: Simon Consalvi

To: bbc

Dated: 5/28/91

Reference No.: EXC910531006

Topic: Ambassador: conveying an inv. from the Governments of Venezuela & France to join/participate in a meeting July 1-2, 1991.

ACTION INSTRUCTIONS:

DUE DATE:

_____ HANDLE
_____ REVIEW AND RECOMMEND
_____ FOR YOUR INFORMATION
_____ DISCUSS WITH _____
_____ AS WE DISCUSSED
XXX PREPARE RESPONSE FOR _BBC_'S SIGNATURE
_____ FOR YOUR FILES
_____ RETURN TO _____
_____ OTHER: _____

6/12/91

Remarks: NOTE: This was previously assigned to OPS but they feel it should be rerouted to PRE.
cc: Messrs. Stern, Qureshi, Ryrice

URGENT

*Original received
M 110-614*

EMBAJADA DE VENEZUELA
WASHINGTON, D. C.

N° 740/B-4

May 28, 1991

Mr. Barber Conable
President
The World Bank
1818 H St. N.W.
Washington D.C. 20433

Dear President Conable:

The Governments of Venezuela and France have joined efforts to convene a ministerial level meeting of oil producing and consuming countries and selected international organisations, to be held in Paris, France, on July 1 and 2, 1991.

I have the honor to transmit, herewith enclosed, the text of the invitation to the World Bank.

I sincerely hope you will be able to participate personally in the meeting. Your guidance and expertise will undoubtedly contribute to make this dialogue an opportunity of extreme importance in an area of critical interest for the world economy.

Yours truly,



Simón Alberto Consalvi
Simón Alberto Consalvi
Ambassador

encl.

INVITACION

"Los Gobiernos de Venezuela y Francia organizan un encuentro ministerial entre representantes de países productores y consumidores de petróleo, que tendrá lugar en París los días 1 y 2 de julio próximo, y en la cual estarán igualmente representadas varias organizaciones internacionales.

Los Gobiernos de Venezuela y de Francia desean invitar al Presidente del Banco Mundial a que tome parte en el mencionado encuentro.

Tomando en consideración las lecciones de la reciente crisis del Golfo, la cual puso de manifiesto que los países productores y consumidores poseen hoy mayor conciencia de la convergencia a largo plazo de sus intereses, Venezuela y Francia han estimado conveniente analizar las consecuencias y organizar a la mayor brevedad una discusión abierta entre los principales actores del escenario petrolero.

Los temas de discusión podrían ser los siguientes: intercambio de datos, análisis del mercado, funcionamiento de los mercados a plazo, informaciones recíprocas sobre políticas energéticas, cooperación industrial y protección del medio ambiente.

Armando Durán
Ministro de Relaciones Exteriores

Celestino Armas
Ministro de Energía y Minas"

UNOFFICIAL TRANSLATION

INVITATION

"The Governments of Venezuela and France are organizing a ministerial-level meeting between representatives of oil producing and consuming countries, to take place in Paris next July 1 and 2. Several international organisations will equally be represented.

The Governments of Venezuela and France wish to invite the President of the World Bank to participate in the afore mentioned meeting.

Taking into account the lessons of the recent Gulf crisis, which showed that oil producing and consuming countries are today more conscious of the convergence of their long term interests, Venezuela and France have deemed of interest to analyze the consequences and to organize, at the briefest delay, an open discussion between the main actors in the oil scene.

The possible discussion items could be the following: data exchange, operation of long term markets, mutual information about energy policies, industrial cooperation and environmental protection.

Armando Durán
Minister of Foreign Affairs

Celestino Armas
Minister of Energy and Mines"

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

BARBER B. CONABLE
President

June 18, 1991

Mr. Jean-Pierre Landau
Executive Director
World Bank

Dear Mr. Landau:

Thank you for your memorandum of June 3 conveying the invitation extended to me on behalf of the Governments of France and Venezuela to participate in the ministerial level meeting of oil producing and consuming countries in Paris on July 1 and 2. I will not be able to attend due to a heavy schedule of commitments I have at that time.

In view of the importance that I attach to these discussions, I have asked Mr. Robert Picciotto, Vice President, Corporate Planning and Budgeting, and Ms. Afsaneh Mashayekhi, Chief, Energy Sector Operations Division, Industry and Energy Department, who is an expert with long-standing experience in this area, to attend on my behalf. They both will be available to participate actively in the discussions and Mr. Picciotto will present a short paper.

I should be grateful if you would convey my thanks to your Ministers for their kind invitation and my best wishes for the successful outcome of the deliberations.

Sincerely,

(Signed) Barber B. Conable

Cleared in substance with & cc: Mr. Picciotto (CPBVP) and
Ms. Mashayekhi (IENOD)

cc: Messrs. Stern, Qureshi, Thalwitz, Rajagopalan

Log Nos: EXC910604026
PPR910605003

MMcDonald/TCullen

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

52
BK

TO: Mr. Thalwitz (D-1202) DATE: 6/04/91

SUBJECT:

Document From: Jean-Pierre Landau

To: bbc

Dated: 6/03/91

Reference No.: EXC910604026

Topic: Transmitting inv. to attend a seminar on July 2, in Paris, to discuss consequences of Gulf crisis, environment, energy, etc.

ACTION INSTRUCTIONS:

DUE DATE:

- _____ HANDLE
- _____ REVIEW AND RECOMMEND
- _____ FOR YOUR INFORMATION
- _____ DISCUSS WITH _____
- _____ AS WE DISCUSSED
- ___XXX___ PREPARE RESPONSE FOR BBC'S SIGNATURE
- _____ FOR YOUR FILES
- _____ RETURN TO _____
- _____ OTHER: _____

6/13/91

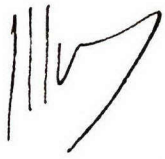
Remarks: cc: Messrs. Stern, Qureshi, Rylie

EXPEDITE

OFFICE MEMORANDUM

DATE: June 3, 1991

TO: Mr. Barber Conable

FROM: Jean-Pierre Landau 

EXTENSION: 623-6505

SUBJECT: Transmittal of Invitation

JPL/pk

I have been asked by my authorities, through diplomatic channels, to forward to you the attached invitation.

From: Min^{is}. of state, Economie
Finance, Budget & ^{state}
External Affairs (combined
message)

Govts. of France & Venezuela are
organizing a seminar for representatives
of countries which produce & consume oil
which are also represented in several intl
organizations.

To be held in Paris July 2.
Will discuss consequences of Gulf
crisis, industrial cooperation,
environment protection, energy
matters, etc.

Gives list of consuming countries to
attend, producing countries, international
orgs, and European Petroleum Industry
Assn.

*Ambassade de France
aux Etats-Unis*

MESSAGE DE LA PART DU MINISTRE D'ETAT,
MINISTRE DE L'ECONOMIE, DES FINANCES ET DU BUDGET
ET DU MINISTRE D'ETAT, MINISTRE DES AFFAIRES ETRANGERES

Les gouvernements français et vénézuélien organisent à Paris les 1er et 2 juillet un séminaire ministériel entre représentants de pays producteurs et consommateurs de pétrole, auquel seront également représentées plusieurs organisations internationales concernées.

Les gouvernements français et vénézuélien ont souhaité inviter le Président de la Banque Mondiale.

La France et le Venezuela, partant des enseignements de la récente crise du Golfe, qui a vu pays producteurs et consommateurs prendre davantage conscience que par le passé de la convergence à long terme de leurs intérêts, ont estimé qu'il convenait d'en tirer les conséquences et d'organiser rapidement une discussion ouverte entre les principaux acteurs de la scène pétrolière.

Les sujets suivants pourraient être discutés : échanges de données, analyse du marché, fonctionnement des marchés à terme, informations réciproques sur les politiques énergétiques, coopération industrielle, protection de l'environnement.

Nous serons très heureux d'accueillir à Paris le Président de la Banque Mondiale./.



Washington, le

1. Producteurs : Vénézuela, Arabie Saoudite, Emirats Arabes Unis, Iran, Indonésie, Algérie, Nigéria, URSS, Mexique, Norvège, Oman, Egypte.

2. Consommateurs : France, Etats-Unis, Japon, Allemagne, Italie, Canada, Royaume-Uni, Pays-Bas (au titre de la présidence de la Communauté), Inde, Brésil, Corée du Sud, Tchécoslovaquie.

3. Organisations internationales : AIE, OPEP, CCEAG (Etats du Golfe), FMI, Banque Mondiale, BERD.

4. L'association de l'Industrie Pétrolière Européenne (EUROPIA).

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

June 18
8:15 am
(Breakfast)

TO: Mr. B. Conable (E-1227) | DATE: 6/17/91

SUBJECT:

Document From: S. Burmester
To: bbc
Dated: 6/14/91

Reference No.: EXC910617002

Topic: BRIEF: Mtg. with the Joint Committee on the Remuneration of
Executive Directors -- Breakfast mtg. on TUESDAY, June 18 @ 8:15 am.

ACTION INSTRUCTIONS:

DUE DATE:

- _____ HANDLE
- _____ REVIEW AND RECOMMEND
- _____ FOR YOUR INFORMATION
- _____ DISCUSS WITH _____
- _____ AS WE DISCUSSED
- _____ PREPARE RESPONSE FOR _____ SIGNATURE
- _____ FOR YOUR FILES
- _____ RETURN TO _____
- _____ OTHER: _____

Remarks: cc: Mr. Sandstrom



Record Removal Notice

File Title Administrative Files: Executive Directors - Correspondence		Barcode No. 1782571		
Document Date 14 June, 1991	Document Type Letter			
Correspondents / Participants From: Sven Burmester, Deputy Secretary World Bank and Christian Brachet, Deputy Secretary IMF To: The President and Managing Director IMF				
Subject / Title Meeting with the Joint Committee on the Renumeration of Executive Directors with CV of Pablo Rodolfo Better				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td>Withdrawn by Ann May</td><td>Date October 11, 2022</td></tr></table>	Withdrawn by Ann May	Date October 11, 2022
Withdrawn by Ann May	Date October 11, 2022			

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

BARBER B. CONABLE
President

June 13, 1991

Mr. Jean-Pierre Landau

Re: Proposal for an Overall Legal Framework
Protecting Foreign Direct Investment

Thank you for your note of June 4 regarding the above subject.

I am pleased to inform you that this issue already is receiving considerable attention. A number of working papers will be prepared on the basis of existing bilateral investment agreements, multilateral conventions, and recent judicial, arbitral and scholarly works. These working papers will be prepared by ICSID and MIGA, under the guidance of a Working Group chaired by Ibrahim Shihata and consisting of the General Counsels of the Bank, IFC and MIGA. The Working Group then will prepare a draft report including a set of principles for a legal framework. The draft report will serve as the basis for consultation with other international organizations, and a revised version then may be submitted for consideration by the respective Boards.

At an appropriate future date, an exchange of views with your authorities will be arranged, as you have suggested.



bcc: Members, President's Council

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

SS
#6-14

TO: Mr. Shihata (E-7-071) DATE: 6/06/91

SUBJECT:

Document From: Jean-Pierre landau
To: bbc
Dated: 6/04/91 Reference No.: EXC910605014
Topic: Proposal for an overall legal framework protecting foreign
direct investment.

ACTION INSTRUCTIONS: DUE DATE:

- _____ HANDLE
- _____ REVIEW AND RECOMMEND
- _____ FOR YOUR INFORMATION
- _____ DISCUSS WITH _____
- _____ AS WE DISCUSSED
- ___XXX___ PREPARE RESPONSE FOR _BBC'_S SIGNATURE
- _____ FOR YOUR FILES
- _____ RETURN TO _____
- _____ OTHER: _____

6/14/91


Remarks: cc: Messrs. Thalwitz, Ryrrie, Terasawa, Sandstrom

EXPEDITE

OFFICE MEMORANDUM

DATE June 4, 1991

TO Mr. Barber Conable

FROM Jean-Pierre Landau 

EXTENSION 623-6502

SUBJECT **Proposal for an overall legal framework protecting foreign direct investment**
PFV/ct
91-298

As you certainly recall, Mr. Pierre Bérégovoy, Minister of State, Minister of Economy, Finance and the Budget, proposed, during the last Development Committee, to create a "common charter" establishing international standards for legal security of investments. As it is stated in paragraph 8 of the communiqué "the Committee recognized the need of an overall legal framework which would embody the essential legal principles so as to promote FDI; in this regard, it took note of some proposals, notably by France, and urged MIGA to consult with other competent institutions and report to the next spring's Development Committee".

Taking into account the importance of this task, the large involvement of the World Bank Group, and the time constraint, I would like to suggest the creation of a "task force" specially dedicated to this issue. It seems essential to me to benefit from the experience of the different institutions of the Group and to allocate some resources for this purpose.

The Board's discussions on the budget of the different institutions and the Private Sector Development Action Plan will provide some opportunities to raise this issue. However, because of the clear statement of the Development Committee and the involvement of different parts of the Group, I would appreciate being informed, as soon as possible, of the modalities you envisage.

My authorities would also be grateful for any opportunity to exchange views on this subject. In this regard, they would be pleased to welcome in Paris the person you will designate.

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

~~AK~~
~~SS~~
~~JWS~~

TO: Mr. B. Conable (E-1227) DATE: 5/20/91

SUBJECT:

Document From: Mr. Patrick Coady
To: bbc
Dated: 5/20/91 Reference No.: EXC910520004
Topic: Nuclear Energy Safety Initiative for Central and Eastern Europe.

ACTION INSTRUCTIONS: DUE DATE:

- HANDLE
- REVIEW AND RECOMMEND
- FOR YOUR INFORMATION
- DISCUSS WITH _____
- AS WE DISCUSSED
- PREPARE RESPONSE FOR _____ SIGNATURE
- FOR YOUR FILES
- RETURN TO _____
- OTHER: _____

Remarks: _____

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

May 20, 1991

TO: Mr. Barber B. Conable, President
Mr. Moeen A. Qureshi, Senior Vice President, Operations
Mr. David R. Bock, Director, Operations Staff

FROM: E. Patrick Coady, ^{eps} U.S. Executive Director

SUBJECT: Nuclear Energy Safety Initiative for Central & Eastern Europe

Attached for your information is a White House press release regarding nuclear energy safety in Central and Eastern Europe. If you have any questions regarding the World Bank (see last paragraph), please give me a call.

The second press release does not involve the World Bank, but is attached for your information.

Attachments

MAY 20 '91 8:31 FROM NSC

PAGE.002

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

FACT SHEET

U.S.-GERMAN NUCLEAR ENERGY SAFETY INITIATIVE
FOR CENTRAL AND EASTERN EUROPE

The President and Chancellor Kohl today announced that the United States and Germany will offer joint technical assistance programs to enhance nuclear energy safety in central and eastern Europe. This initiative was prompted both by the shared commitment of the U.S. and Germany to the safe operation of peaceful nuclear facilities worldwide and to requests from governments in central and eastern Europe for assistance in nuclear energy safety.

As technological leaders in the field, the U.S. and Germany will offer joint assistance to central and eastern Europe as well as working through the and with the International Atomic Energy Agency (IAEA) in Vienna. Cooperation will focus initially on safety matters related to older reactors operating in the region, with the primary objective of enhancing operational safety at these facilities. Both sides anticipate that this initially modest program will lay the foundation for further U.S.-German joint efforts with central and eastern Europe, as part of their broader commitment to the success of these new democracies.

The IAEA is currently engaged in a comprehensive safety review regarding first generational nuclear reactors in central and eastern Europe. The United States and Germany will continue to provide experts to support this work, and will also make matching contributions of up to \$200,000. Specific attention will focus on instrumentation and control, operating procedures, fire protection, and facility management and organization.

The United States and Germany expect to support follow-on measures to the IAEA safety review in key areas such as operator training, power plant maintenance, and safety procedures. They have agreed to matching financial commitments of up to \$1 million over the next two years in support of these activities.

In addition, the United States and Germany will work closely with the World Bank and the newly established European Bank for Reconstruction and Development to encourage a priority focus on safety and environmental concerns in their energy-related lending programs. This could include, for example, funding for alternative sources of electricity to cover energy demands while safety repairs are performed at nuclear power plants. Both sides will also continue dedicated efforts to promote adequate supplies of energy resources in these countries. The U.S. and Germany will also work jointly through the Organization for Economic Cooperation and Development and the International Energy Agency to promote nuclear energy safety in central and eastern Europe.

MAY 20 '91 8:30 FROM NSC

PAGE.001

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

FACT SHEET

U.S./SOVIET BILATERAL INITIATIVE ON
NUCLEAR REACTOR OPERATIONAL SAFETY

The President and Chancellor Kohl of Germany announced today that they will develop and coordinate their existing programs of nuclear operational safety cooperation with the Soviet Union.

The cooperative initiative between the U.S. and Soviet Union on nuclear reactor operational safety was first proposed by Secretary of Energy James D. Watkins in September 1989, and the implementing agreement was signed in Moscow on March 16, 1990. It is being implemented under a long standing U.S.-USSR Memorandum of Cooperation on Civilian Nuclear Reactor Safety.

The initiative emphasizes improved operational safety practices through strengthened operating instructions, training, and management and operational controls, derived from U.S. experience and lessons-learned from the Three Mile Island accident in March 1979, and by similar Soviet experience.

The Department of Energy (DOE) is being assisted in this initiative by the Institute of Nuclear Power Operations (INPO). INPO is the organization formed by nuclear utilities in 1979 after the Three Mile Island accident to promote the highest standards of safety and reliability in the operation of civilian powerplants. Participating U.S. utilities are New Hampshire Yankee, Pacific Gas & Electric Company, and Vermont Yankee.

The initiative is being implemented through an Executive Steering Committee and Expert Working Groups on Operating Instructions, Training, and Management and Operational Controls. Each group is co-chaired by an INPO technical expert and a Soviet counterpart. They are implementing symptom-based emergency operating instructions to assess and stabilize plant conditions, a systematic and performance-based approach to training based on specific job functions, and improvements in the manner in which operations personnel oversee plant operations and maintenance. While the U.S. is providing basic principles and lessons learned by U.S. utilities, the Soviet Union is responsible for adapting the principles and lessons to apply them to the Soviet system.

Proceeding from the very positive Soviet response to this initiative, the three Expert Working Groups have been developing recommendations for improvements of current Soviet practices in each of the three areas. The improvements are being applied first to Soviet VVER-440, Model 230 reactors, an early design. Plans developed by each group call for implementation of operational safety improvements at units 3 and 4 of the Soviet Novovoronezh nuclear powerplant site beginning by the end of 1991.

BBC

LM

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

TO: Mr. Lewis Preston DATE: 5/15/91

SUBJECT:

Document From: Frank Potter
To: mr. preston
Dated: 5/15/91 Reference No.: EXC910515002
Topic: Few comments on issues about the Bank.

ACTION INSTRUCTIONS:

| DUE DATE: |

- HANDLE
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Remarks: cc: AK/SS

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

FRANK POTTER
Executive Director

May 15, 1991

Dear Mr. Preston:

Enclosed are a couple of pages on which I have set out a few comments on issues which I think are germane to the bank and about which you will no doubt be hearing from others over coming months. Some are structural, others topical.

Sincerely,

Frank Potter

enclosure

Mr. Lewis T. Preston
President-designate
The World Bank
Washington, D.C.

Board and Management

- The relationship between the board and management needs repair. The board is weakened by its structure: half represent borrowers who cannot afford to offend the institution; the other half focuses too often on politics, jobs and procurement. Those factors undermine the wider interests of the institution. Exploiting these weaknesses is a temptation to which the institution too often yields. The challenge which both the board and management face is to redress this situation. The days in which a strong management and a weak board served the interests of the institution are behind us.
- Though not a long tradition, the recent relationship between the board and management has become more like the executive branch and the congress than the usual commercial model. Your predecessor has been persuaded that the two have different mandates and different loyalties. It is not a formula which serves the institution's longer-term welfare.
- The board and management are both more comfortable discussing priorities and policy directions than ensuring effective implementation. To realize its mandate, the institution needs to pay greater attention to quality control.
- Establishing reasonable shareholder control over the institution has been an uphill fight. An instructive anomaly is that the bank introduced country assistance strategies for IDA borrowers a year ago but has no such arrangement for IBRD borrowers. We scrutinise IDA money which is lent on soft terms more rigorously than IBRD money on hard terms. A committee on board procedures is currently trying to remedy this situation. It is also attempting to streamline board meetings and rationalise paperflow to encourage more effective use of board time.

Role of the Development Committee

- Development Committee meetings in the spring and fall present an opportunity for governors to provide guidance to the bank and fund. The bank has been asked to provide papers which are "concise, analytical, and policy-oriented." However, it continues to be reluctant to increase the operational content of such papers. This is a dangerous strategy which does not invite shareholder interest or build shareholder loyalty.

Governance

- This is a growing issue with which the bank will have to deal in coming years. More attention will need to be paid to accountability for public funds, transparency of government policy, the rule of law and enforceability of contracts. Donors are tired of seeing resources delivered to corrupt and inefficient recipients. The bank will be well advised to engage the problem rather than hide behind its articles.

The Staff

- The staff for the most part is bright and dedicated. However, an institutional preference for active country lending programmes has imparted a bias toward more rather than better lending, not unlike commercial banking in the late 1970s. Moreover, the volume of bank lending often seems independent of events in the outside world.
- Staff compensation remains contentious. It continues to be among the fastest growing items in the budget. The result is a compensation regime which stifles turnover and promotion. Departures are rare, especially to return to a developing country.

Standing in Capital Markets

- The evolving international economic climate presents new risks for the credit-standing of the World Bank in capital markets. A decade of adjustment lending has skewed the bank's portfolio away from project loans with more predictable rates of return to policy-based loans which in many cases have been questionable. More recently, the United States has suggested that the bank should play a stronger role in private sector development by lending directly to the private borrowers without government guarantees. That will clearly entail greater risk.
- The "preferred creditor status" of the bank is under pressure. As commercial banks exit from many developing countries, the bank is increasingly cast as the international lender of last resort. Tight aid budgets faced by major shareholders are likely to put increased pressure on the bank to accept that role. A manifestation is the recent acceptance of a "rights approach" in the debt workout process. This runs perilously close to rescheduling for countries with protracted arrears, something the bank has told capital markets it would scrupulously avoid.
- What is a prudent level of reserves in the current environment? To date, the bank has been fortunate in that non-accruals have been limited to a number of smaller borrowing countries. It has been able to cope with these non-accruals and post annual profits in excess of \$1 billion while still building reserves. Potential problems in Brazil, however, have led some directors to think that the bank may well be under-provisioned. If a major borrower were to fall into arrears for an extended period, the net income of the bank could be wiped out. The fact that we and Brazil both know this has led to a kind of "mutual hostage" situation. We need to avoid situations in which bank lending may be compromised simply to protect repayments.

The Budget

- While the budget process has improved, it still has a long way to go. The board has asked the staff to provide better efficiency indicators to judge the growth of administrative costs against the growth of lending and non-lending activities. This has not been done. The board has asked the staff to assess the implications of alternative growth scenarios -- i.e. what the bank would do with more or less resources? This has not been done. The board has asked the staff to provide budget projections in cash terms as well as real terms. This has not been done.
- Travel is widely available, not very well controlled, and mainly first class. It is an irritant to shareholders who finance the bank and themselves travel coach.

IFC

- Over and above the debate on the size and timing of an IFC capital increase, there is still a need for greater efficiencies and better clarity within IFC. While it likes to think of itself as a lean market participant, it too often acts like a bureaucracy. It increasingly makes investments where it is not needed.

MIGA

- MIGA has been slow out of the starting blocks. It needs help in dealing with the bank and IFC, both of which give it short shrift. It may also need stronger management.

ED's

May 3, 1991

PROMOTION OF NMVs (Non-Motorized Vehicles)

Background

Eveline Herfkens, in a memo of April 18, asked for a meeting on this subject.

She did so also on behalf of Messrs Baijal, Coady, Flano, Le Bouder, Wang.

They feel that NMVs are not being considered as a low-cost alternative in Bank transport projects,

and that the Bank "has unwittingly been encouraging the move to motorization, especially in cities."

They would like to see a major change in FY92:

- * seminar on bicycle use early this Fall,
- * technical studies initiated, and
- * operational guidelines in force early FY93.

Talking Points

Thanks for your memorandum. We have all studied it very carefully.

Would you like to add something before I comment?

This is an important subject, and far from new to the Bank.

Already our first urban transport project (Kuala Lumpur in 1972) included dedicated bicycle paths.

Since then, special NMV facilities have been included in projects in India, Brazil, Tunisia, China, Chile, Mozambique, Ghana -- and would be included in future projects in Vietnam and Indonesia.

You are suggesting in your memo that we do not consider NMVs as regularly as we should in our transport projects --

my impression is that work in this area has increased over the last couple of years -- maybe you Wilfried, or David, can comment on this later?

Nevertheless, we clearly can and will do more -- important aspect of our enhanced focus on poverty reduction.

Strategic reviews of the urban transport sectors have been undertaken in both the Africa and Asia regions -- the need for an in-depth review of NMV transport issues was identified.

The Africa and Asia regions have now initiated regional reviews of NMV transport. A Bank-wide steering group will be established to guide and coordinate the work.

We have identified several areas which require further research and technical studies. I believe some of this work is being started.

We will prepare and issue technical guidelines to staff in FY93.

You have in your memo proposed a seminar on bicycle use this Fall -- maybe we could discuss what kind of seminar you have in mind, and what audience.

There are, of course, on-going meetings between our transport staff and external experts to discuss the studies and the preparation of the guidelines.

We would also hold a seminar for Bank staff late in FY92 -- once we have some results from the technical studies and have draft guidelines ready.

Also, EDI covers NMV transport in its seminars. E.g.:

EDI seminar in Washington next week on "Transport Policies in Mega-Cities" has a special session on "Mobility for the Urban Poor" and a local NGO will also address this subject in one session.

Wilfried, do you have anything to add? Or Louis (Pouliquen) Or David (Bock)?

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

FDs 5/3
9:30

TO: Mr. B. Conable (E-1227) DATE: 5/02/91

SUBJECT:

Document From: Mr. Thalwitz
To: bbc
Dated: 5/01/91 Reference No.: EXC910502001
Topic: BREIFING: meeting with Mrs. Eveline Herfkens on Friday,
May 3, 1991 @9:30 a.m. Re: Non-Motorized Vehicles

ACTION INSTRUCTIONS: DUE DATE:

- _____ HANDLE
- _____ REVIEW AND RECOMMEND
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Remarks: cc: SS/AK

BRIEFING NOTE: NON-MOTORIZED VEHICLES (NMV)

1. Mrs. Herfkens has enlisted the support of several of her colleagues to urge the Bank to promote more actively the use of NMVs in developing countries. Specifically, they propose that the Bank should undertake technical studies of NMVs during FY92, so that in early FY93 we can issue operational guidelines to promote the use of these types of vehicles in developing countries. The EDs also propose that we hold a seminar on this topic. Staff from the Asia Region have previously discussed the issue with Ms. Herfkens and her staff.

2. This initiative is consistent with the Bank's continuing support of these modes of transport and current initiatives in both the Asia and Africa Regions. The need for further research had been recognized as well as the need to provide further operational guidance. The balance of this short note reviews Bank project components which have promoted the use of NMVs and responds to the EDs' requests, with a description of our plans for further studies, research publications and their dissemination.

BACKGROUND

3. The first urban transport project for Kuala Lumpur went to the Board in 1972. This project included a 5.8 kilometer bike path. Since then a total of 23 dedicated urban transport loans have been presented to the Board with a total loan value of \$1480 million. In addition, a larger number of other transport and urban sector loans have included urban transport components.

4. When preparing urban transport projects, Bank staff and their local counterparts have tended to concentrate upon the most obvious set of problems which generally involve the transport of large volumes of goods and people. Within urban transport projects, the majority of the funds has been devoted to road construction, street improvements, improving traffic flow and increasing the capacity of the bus systems. Only limited amounts have been spent to support NMVs. However, in cities where there is wide spread use of cycles, and other types of NMVs, components have been included for these modes.

5. In addition to the Kuala Lumpur project, NMV components in past projects include 80 km. of bikeways in Brazil and cycle facilities in Sfax, Tunisia. Components in current projects approved by the Board include: Bike facilities in Shen Yang, a 14 km bikeway in Santiago, Chile, lanes for NMVs in two cities in Mozambique, and a rural transport project in Ghana, which includes a component dedicated to the development and financing of NMVs. The Shanghai urban transport project, which is due to go to the Board in the autumn, includes 20 km of bikeway. Future projects, now being prepared, include: 440 km of paved shoulders for cycles built alongside intercity roads in Vietnam, NMV facilities in Surabaya, and further NMV facilities in a number of cities in China.

MAIN ISSUES

6. Many of our clients have resisted the inclusion of NMV components in loans. Where NMVs are not used, they do not see the advantages of encouraging them and may often view them as a backward step in the evolution of technology in their countries. Where there are NMVs, they are often perceived as an undesirable anachronism which should be severely controlled if not eliminated. Furthermore, for some it may not appear to be a worthwhile end-product for valuable foreign exchange.

7. One of the more puzzling issues to be addressed is why NMVs are popular in one country but not in another. It is unlikely that the obvious variables such as topography, climate, the lack of dedicated infrastructure, and city size provide sufficient explanation by themselves. For example, in Africa, the lack of finance is almost certainly a barrier for many; hence, the financing components in the projects for both Ghana and Mozambique. Also, import duties and the lack of local manufacturing facilities for both vehicles and spare parts are almost certainly obstacles to ownership in others.

8. NMVs have many potential advantages; they are a relatively affordable and economic form of personalized transport which is environmentally friendly, especially in comparison to fast expanding fleets of motorcycles, which are developing in Asia. For the many who do not have access to motor vehicles, and may not be able to afford public transport, the benefits of providing them with a personalized form of transport will be substantial.

9. There will also be situations where NMVs will not be the most appropriate mode of transport. For example, there is evidence that cycles do not use road space as efficiently as buses, with the people moving capacity of a well designed busway being substantially higher than that of a cycle lane. Furthermore, in large cities, travel distance is likely to be a constraint upon the development of NMVs, with motorized transport being required for the longer journeys.

10. In most countries where motorization is growing rapidly, the promotion of NMVs should be seen as part of a package of measures designed to reduce the usage of motor vehicles. To tackle this problem, policy and fiscal measures will be needed, including charging motor vehicle users for the costs (congestion, accidents and environment) they impose on everyone else, coupled with measures to promote the use of both public transport and NMVs.

RESPONSE TO THE EXECUTIVE DIRECTORS' REQUEST

11. The Bank has a role to play in promoting the use of NMVs. We agree with the EDs that there is a need for further study and research to explore the issues raised above, to develop technical and economic guidelines for the use and promotion of NMVs, including project preparation and appraisal, and to disseminate them.

12. **Research.** For a variety of developing country environments, research is required to explore a number of issues and to fill gaps in our knowledge:

- To review the experience of NMVs in developed and developing countries;
- To investigate the factors which promote and constrain the ownership, role and use of NMVs;
- To develop an appropriate framework for the appraisal of NMV projects;
- To develop appropriate design guidelines and standards for NMVs and infrastructure.

13. Following from strategic reviews of the urban transport sector in their regions, both the Africa and Asia Technical Departments have initiated regional reviews of NMVs. Trust fund support for the African study has already been secured while the Asia TD is currently seeking funds. It is hoped that the scope of the studies in Africa and Asia will be broad enough to draw

inferences about developments in Europe and Latin America. Data from studies of the bikeway in Santiago will also provide useful insights.

14. To facilitate the coordination of these studies, an inter-regional and inter-complex steering group or task force will be established, with the Asia TD probably taking the Chair.

15. **Technical Guidelines.** We propose to issue technical guidelines in FY93 to assist Bank Staff, consultants and others with the preparation of NMV components in Bank projects. Topics to be addressed include:

- The appropriate policy framework for promoting the manufacture and use of NMVs;
- The appropriate role of different types of NMVs with a typology which accounts for travel demands and journey length;
- Appropriate methods for the financing of NMVs, including use of NGOs as intermediaries,
- Design standards for infrastructure.

16. **Seminars.** A seminar will be held for Bank staff to discuss the guidelines, probably in late FY92. The note from Mrs. Herfkens proposed a seminar for this fall. However, it would seem to be more sensible to await the results of the technical studies. To disseminate the information to officials in developing countries maximum use will be made of seminars organized by EDI. For example, an EDI seminar, "Transport Policies in Mega-Cities", will be held next week in Washington for officials from eight mega-cities. This seminar incorporates a session on "Mobility for the Urban Poor" during which the role of NMVs will be discussed. In addition, Michael Repogle from the Institute for Transportation and Development Policy, a local NGO, will also address this topic in a separate session. EDI proposes to follow this seminar with a series of regional seminars on the subject of urban transport and these should provide an ideal forum to disseminate the results of the NMV studies and guidelines. The first of these is scheduled for the next financial year.

WORLD BANK OFFICE TRACKING SYSTEM
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Routing and Action Transmittal Sheet

AK
SS
910423001

TO: Mr. Thalwitz (D-1202) DATE: 4/23/91

SUBJECT:

Document From: Mrs. Herfkens
To: bbc
Dated: 4/18/91 Reference No.: EXC910418026
Topic: Promotion of the use of NMV (non-motorized vehicles)
in the developing countries.

ACTION INSTRUCTIONS: DUE DATE:

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4/30/91

Remarks: Mr. Thalwitz: pls. prepare a briefing note for Mr. Conable. He would then like you and Mr. Qureshi to join him in a meeting with Mrs. Herfkens, et al cc: Mr. Qureshi, Mr. Pouliquen, JV (sched) Mr. Sandstrom

***IMPORTANT**

OFFICE MEMORANDUM

DATE : April 18, 1991 286/91
TO : Mr. Barber Conable, President
FROM : Eveline Herfkens, Executive Director *EH*
EXTENSION : 82052
SUBJECT : Promotion of the use of NMV (non-motorized vehicles)

Also on behalf of my colleagues Messrs. Baijal, Coady, Flano, Le Boudier and Wang, I have the pleasure to ask for a meeting with you on the issue of the use of non-motorized vehicles in developing countries.

Reason for this meeting is from discussions in the Board over the past months on several transportation projects, it became clear that the NMV issue had not been considered as a low-cost alternative for the serious transportation problems developing countries are faced with.

A special reason to discuss this matter with you would be the impact of NMV policies on the mobility of the poor, mitigating the social impacts of structural adjustment and developing more user friendly transport modes which respond to community needs.

If you agree with us on the urgency of this issue, I would appreciate if you could arrange for such a meeting.

Enclosed you find a short note summarizing the views of the undersigned on this important issue.

cc: Executive Directors

Even though the World Bank has been involved in lending for the transport sector for several decades, little has been done in Bank projects to encourage the use of bicycles and other forms of non-motorized vehicles. Probably less than 1 percent of the population in developing countries can afford an automobile; many cannot afford a bus fare and public transport services in most cities cannot meet the demand for those that can afford them. Those entering the middle class are turning to motorcycles as cheaper alternatives to the car as they strive for personal mobility. The World Bank has unwittingly been encouraging the move to motorization, especially in cities, by concentrating its efforts on resolving the congestion of motorized vehicles and providing road space and traffic devices, encouraging motorization. This in turn has serious impacts on air pollution, global warming and energy use (including in many countries for the need for petroleum imports). This also exacerbates the trend toward urban sprawl and reduces the prospects for use of non-motorized transport.

Can this tide be reversed? We believe it can and should be reversed and that the World Bank has an important role to play in this process. For many developing countries the decade of the 1990s will be decisive for urban transport. Further increases in motorization in the rapidly developing economies of Asia will choke the very cities which are providing the powerhouses for this growth. In less developed economies in Africa, car based urbanization will further marginalize the poor. In the fragile economies of Latin America, continued reliance on the motor car and the emulation of North American car based life styles will frustrate efforts to improve public transport and use resources more wisely. In the emerging economies of Eastern Europe there is a danger of spectacular increases in motorization as people strive to emulate the Western development model.

It goes without saying that cities in developed and developing countries alike can "function" very well with non-motorized vehicles. Holland and China have proven this for years. Japan has one of the World's highest levels of car ownership but the vast majority of urban trips are by rail based public transport and many short trips and trips to railway/metro stations are made by bicycle. "Bike and Ride" facilities are common in Western Europe, Japan, India and China and are being introduced in Santiago de Chile. In rural areas, throughout the developing world, bicycles provide an essential element in the transport of people and goods for low income groups. By their very nature, the production and use of non-motorized vehicles is labor intensive. It can be a major source of employment and the capital base for the development of micro-enterprises.

Although the attractiveness of non-motorized vehicles as non-polluting, affordable, user friendly modes of urban transport is well understood, little is known about the number and use of bikes in the developing world and what can be done to encourage their use. An estimate of the number of bikes in developing countries is 500 million. We know there are around 300 million in China and 50 million in India; data on other countries is sporadic. We know that many countries see bicycles as problems rather than solutions in the urban transport mix.

We have heard that some initiatives are being taken within the Bank to address the issue of non-motorized transport. A study is underway in Asia which is looking at non-motorized vehicles and vehicle emissions within the context of urban transport policy for the region. The March 1990 issue of "The Urban Edge" was devoted to bicycles and mentioned several individual efforts in Bank projects in Africa (Ghana) and in Asia (Shanghai in China). Much more needs to be done. We would like to see the Bank make a major contribution to examining the potential for bicycle use and we would like to see this happening in FY 1992. We would expect the institution to study the issue with the intention of having some operational guidelines in force by the beginning of FY 1993. We would expect the guidelines to demonstrate how, through Bank lending, attitudes can be changed and how developing countries could promote bicycle use in situations where it would benefit their development. We would also expect the Bank to initiate technical studies designed to demonstrate how the use of bicycles can be facilitated within urban and rural road networks.

As a way of achieving this we would like to propose to hold a seminar on bicycle use early in the fall. This would provide an opportunity to discuss what is inhibiting bicycle use in developing countries and what can be done to overcome these constraints. It would provide an opportunity for the Bank to say what it intends doing for bicycles in the future and the role that bicycles can play in the development process, in reducing vehicle emissions, assisting in improving the mobility of the poor, mitigating the social impacts of structural adjustment and developing more user friendly transport modes which respond to community needs.

EDS

April 24, 1991

INFORMAL MEETING WITH EXECUTIVE DIRECTORS

Exchange views on few subjects - no doubt will be discussed during upcoming Spring Meetings, formally and in corridors.

Helpful to have your comments and advice before things get too hectic.

IFC CAPITAL INCREASE

To help support the IFC proposal for a capital increase, we have:

- * reviewed Bank Group's overall approach to private sector development,
- * clarified respective roles of Bank and IFC
- * and identified further steps to strengthen the Bank Group's private sector support.

A paper summarizing will be distributed to you by week's end.

Approach recognizes that private sector development cuts across all aspects of Bank Group's work

Therefore, cannot have bureaucratic enclaves for PSD -- the aim is to reinforce emphasis on PSD in all aspects of our work throughout the institution.

Must treat PSD as one among several key operational emphases which make a major contribution to poverty reduction.

As you will soon get the paper itself, I don't want to go into too much detail here -- but let me briefly list some of the steps we are taking to strengthen our PSD efforts:

1. The Private Sector Development Committee has been reconstituted with the President as chairman. We have already met twice this month.
2. No new private sector development divisions will be established. However, the existing Trade and Finance Divisions in the Bank's four Technical Departments will be given the additional mandate of ensuring region-wide support for PSD.

Staffing skills in these divisions and in the Country Departments will be reviewed to ensure that they are appropriate.

The Cofinancing and Financial Advisory Services in central Operations is being strengthened. A consultant study is under way to determine how CFS work can be more effectively integrated as part of our country assistance strategies.

The Legal Department and PRE already have Private Sector Development Units which are being strengthened.

3. Bank/IFC Staff Guidelines for Cooperation have been prepared. They will be made available to you as an annex to the paper you will receive this week.
4. Private Sector Development Strategies will be prepared jointly by the Bank, IFC and MIGA and reflected in CSPs.

Actually, since last year, CSPs and business plans deal explicitly with this subject, although PSD strategies must become even more of a joint product of the Bank, IFC and MIGA.

In the future, IFC staff will participate when the Bank's country assistance strategies are discussed in the Board.

5. Private Sector Assessments will be done jointly by the Bank and IFC for about 20 selected countries.

Universal country coverage is not necessary and not planned.

This approach is similar to the special assessments we do in other areas of operational emphasis, such as poverty reduction, environment, women in development, etc.

6. A central coordinating unit in IFC will be set up to ensure full participation by IFC in private sector assessments and strategy formulation.
7. A small PSD Research Coordination Committee chaired by Larry Summers has been set up to ensure that Bank and IFC research is coordinated and focused on jointly agreed priority areas.

We have also reviewed IFC's financial policies and feel that policy changes would not be appropriate.

But we are reviewing some of IFC's financial projections -- e.g., the projected 6% return on capital -- to make sure that we are not overly conservative.

It has been proposed that by FY95, at least 50% of all Bank Group lending should directly promote the private sector.

We do not feel that this type of targeting would be appropriate. It would also lead us into all kinds of definitional arguments.

It has been proposed that IFC provide policy advice to governments.

We feel that IFC should focus on doing this indirectly by advising the Bank.

I very much hope that you can support our approach and the steps we are taking, and that the Development Committee will agree that we should move rapidly to conclude the IFC capital increase before the end of June.

In particular, I hope that you can make the delegations attending the meeting aware of the progress we have made and of the urgency of the capital increase.

Do you have any comments or advice at this stage?

THE MIDDLE EAST

As you know, in my report to the Development Committee, I have asked the Ministers for their views on how the Bank can be of further assistance in support of economic development in the Middle East.

In collaboration with the Fund, we have outlined the approach which we believe should be followed. It has three major themes:

- * country-specific economic reform and coordination of assistance, very much along the lines of our current work program,
- * greater emphasis on regional cooperation: trade, labor markets, regional infrastructure projects, etc.,
- * and a regional coordination mechanism along the lines of the SPA for Africa (but modified to include recipients as well as donors).

We would be prepared to play whatever role is appropriate within these broad themes, but important that progress is made at both country and regional levels.

At country level, we will organize a first consultative group meeting for Egypt in July.

Generally clear what needs to be done and what our role is at country level. But less clear what the next steps should be at regional level.

What advice do you have on what our role and our posture should be? We need to be particularly sensitive to the views of the Governments in the Middle East region.

THE SOVIET UNION

I also want to touch base with you on the Soviet Union. Internal turmoil is continuing.

We have had only sporadic contacts, mainly in the context of some follow up on the Joint Study of the Soviet Economy.

Small Bank and Fund missions are planned for May to help the government disseminate the findings of the Joint Study.

But nothing specific is planned beyond that, although the Government is pressing us, particularly for training and other technical assistance.

The question is whether we should be more active, particularly in the area of technical assistance which they clearly need very badly. (The EC have a technical assistance program of ECU 400 million for calendar year 1991.) How do you see the situation? What should our posture be?

LEW PRESTON

Let me also say a few words about the transition to my successor.

I have agreed with him that we will have a very open and collaborative transition and that I will do all I can to help introduce him to the Bank.

He plans to come here at least a couple of times before September and spend a couple of days with us each time.

He will not use an outside "transition office" the way I did. Instead, he will use one of the offices in my office suite when he visits.

He is tentatively planning his first such visit for a couple of days in mid-May. We are preparing a program for him.

He would not have time to meet with you individually so I would like to suggest that I organize an informal meeting with all of you over coffee and tea here in the lounge.

If you agree, I would also like to ask him to sit in on one of our Board meetings to get a flavor of what we discuss and how we do it (although our procedures will be completely revamped and streamlined by September, once Jonas Haralz committee has finished its work...).

ORGANIZATIONAL AND STAFFING CHANGES

Moeen Qureshi will introduce a small organizational change in the EMENA Region. He will create a small new department which will cover Bulgaria, Romania, Yugoslavia and Albania when it joins the Bank.

This will relieve some of the pressures on the existing Central and Eastern European Department and enable us to give more management attention to these countries.

GEF

Progress in implementing the GEF is also on the agenda of the Development Committee.

And the first regular meeting of the GEF will take place next week.

Participants will review first GEF related work program of 3 involved agencies and a set of projects on which further work is proposed.

It is an ambitious program, the beginning towards the task of testing a wide variety of approaches to meeting objectives in four principal areas.

Initial portfolio weighted towards biodiversity. It is the objective to add as we go and achieve balance. In any case, at this stage not a single project ready for approval today. That is the job for the next 6 months.

Collaboration with other agencies in professional manner. In particular we are looking forward to STAP (scientific and technological panel) to help establish the range of scientific issues to be tested.

We must establish and maintain an open and constructive dialogue with all GEF donors and partners. I believe we are making good progress -- PRE and Operations are working very hard and very ably on this.

Collaboration with UNDP and UNEP is good and improving. I will meet with Draper and Tolba on Monday before the GEF meeting begins in order to discuss any outstanding issues.

OFFICE MEMORANDUM

*Discussed -> Board Seminar**4/24
2:30*

To: Mr. Barber B. Conable, EXC April 23, 1991

From: David Peretz, EDS03 *DP*

Tel: 623 4560

Subject: IBRD: THE TRANSFORMATION OF ECONOMIES IN CENTRAL AND EASTERN EUROPE: ISSUES, PROGRESS AND PROSPECTS (SecM91-398)

To save time at tomorrow's Board Seminar, I am circulating these thoughts in advance.

The report is a very useful one. I would expect that this sort of retrospective evaluation is as useful for the staff as it is for Directors, and I hope that it helps to inform the design of future operations in the region.

Rather than discuss the report's wide-ranging conclusions, I will focus these comments on the issues raised in the body of the report, particularly on how macroeconomic stabilisation policy interacts with a process of radical structural reform.

Sequencing of Reform

Let me start with the sequencing of structural reform. Obviously structural reform should be implemented as fast as possible. But there is a huge task to be carried out which will inevitably take many years. It has become fashionable to dismiss the concept of sequencing in favour of progress on a broad range of policies at the same time. I have some sympathy with this view but I doubt its realism. This means that it is essential to focus on priorities, and to accept second best solutions in some areas.

One question is which should come first: a macroeconomic stabilisation program or structural reform. The answer to this is easy: the two have to go together. Indeed, I doubt whether stabilisation policy can be effective without a degree of structural reform. Another question is--given that everything cannot be done at once--what is the optimal sequencing of structural reform? Obviously a substantial degree of price liberalisation and trade liberalisation need to come first. After that I think that experience in Poland, Hungary and Yugoslavia suggests that the urgent priority should be those structural reforms which do most to bolster financial disciplines at the enterprise level. I have in mind two main areas.

First, the restructuring and reform of the banking sector. This is needed if there is to be any semblance of a hard budget constraint on enterprises. It is also needed for effective transmission of monetary

policy, a problem that has cropped up time and again in countries undertaking the transition from central planning. For if enterprises know they can always borrow what they need from banks, then the level of interest rates may have little impact on their behaviour. So it is important to do as much as possible as soon as possible to increase competition in the banking sector. This will involve reducing market segmentation and expanding retail networks. The easiest and quickest way may well be to encourage foreign participation. Alongside this it may be necessary to recapitalise domestic banks, probably by issuing government paper in place of the non-performing assets. Without this, the temptation to widen spreads between lending and borrowing rates--which has greatly complicated the operation of monetary policy in Poland -- may be too great. Until these financial sector reforms are in place, there is probably a case for retaining administrative controls, such as ceilings on credit and interest rate spreads.

The other priority area for action is, I believe, public enterprise reform. As the report says, privatisation, even in an industrial country, is a lengthy process. In the end it is the only satisfactory answer. But in the short-run it is important to start dismantling monopolies and put in place quasi-market disciplines for enterprises remaining in the public sector. By this I mean the sort of controls on wages, prices and borrowing by which most industrialised countries regulate their public sector and monopoly enterprises. The absence of these controls may have contributed to the disappointing price-output response to stabilisation policies in several of these countries. Meanwhile, it could help if non-economic financing of loss-making enterprises were transferred from the banks to the national budget, with some assurance that only genuinely viable enterprises go through the restructuring process. One way of doing this--which I understand is under consideration in Hungary--is to assign the task to holding companies with substantial foreign and private-sector shareholdings.

Administrative Controls

This leads me on to the extent to which administrative controls are needed to keep non-competitive forces--and hence inflation--in check during the transition to a full market economy.

I have already mentioned the possible role for some forms of administrative controls in banking and public enterprises. This may also apply to trade liberalisation. Freeing trade is a quick way of opening up the economy to competition, before monolithic state enterprises have been split up and sold. And, needless to say, for trade liberalisation to be fully effective it needs to be accompanied by a considerable degree of current account convertibility. But I can see that there may be a case for administrative controls to ease the initial impact of international competition on domestic producers, provided that these measures go with the

grain of reform. Protective tariffs should in general be lowered, but there may be a case in some instances for lowering them more slowly for consumer imports than for capital goods and intermediate products. The retention of such measures, if strictly temporary, could have advantages over a lower exchange rate.

Wage Policies

I confess that I am rather more agnostic than the authors of the report on the question of a wages policy. This does not simply reflect the unhappy experience of wages policies in my own country and their mixed record to date in Eastern Europe. My doubts are because a wages policy will impede the very substantial shift in wage relativities that is required to redirect labour to its most productive uses. So while I can see that there may be a case for a wages policy in the short-term to ensure that price liberalisation does not trigger a wage-price spiral, and while controls on the wage bills of state enterprises will need to be kept in place for a good deal longer, the costs of a wages policy on the newly emerging private sector will, I believe, quickly outweigh its usefulness.

Exchange Rate Anchor

The exchange rate however will, in my view, often have a useful role as an anchor during the transformation process. Economies undergoing this kind of revolutionary structural change have an inbuilt tendency to slip into hyper-inflation. And the only really effective way that has been found in modern times to stem a tendency to hyper-inflation, which is a manifestation of a complete loss of confidence in the currency, is to enhance credibility by adopting a fixed exchange rate. Both the Polish and Yugoslav experiences demonstrate this. They also demonstrate that an exchange rate anchor--or indeed a wages policy for that matter--can only be as strong as the underlying fiscal and monetary policies.

The case for relying on the exchange rate is strengthened by the fact that interest rates have not proved a very powerful transmission mechanism for monetary policy during the early stages of reform. In Poland, for example, monetary policy was blunted by inefficiencies in the banking system, the absence of hard budget constraints and the ease with which enterprises could pass on higher borrowing costs in higher prices. Moreover, the discipline of foreign competition will not work if enterprises believe that they will be bailed out by devaluation.

Capital Account Restrictions

As a practical matter, the exchange rate may well be the best available guide to domestic policy at a time of deep structural change, when the "underlying" inflation rate is difficult to determine. In addition to current account convertibility, I think that some degree of capital account convertibility would help to bring the signals through more quickly of when

policy action is needed. Greater capital account convertibility has other benefits as well: it provides the surest means of attracting foreign investment and providing domestic enterprises with access to international capital markets. And it is of course doubtful whether capital controls can these days be truly effective.

Concluding Comment

I think there is a growing recognition that the successful transition to a market economy depends on an appropriate combination of stabilisation policies and structural and institutional reform. There are deep interlinkages between the two. Without some degree of macroeconomic stability, the reform process is all too likely to slip into hyperinflation and anarchy. Without a sufficient degree of structural reform, stabilisation policy will be ineffective; or the loss of output (I am sure that some loss of output, at least of measured output, is inevitable in the circumstances) will be more severe than it need be. This places a special emphasis and urgency on the role of the World Bank to play an early and active role in the design and implementation of adjustment programs in Eastern Europe, both by providing financial and technical assistance. I hope that it will not be long before substantial World Bank operations are underway in all six of the former CMEA countries attempting the transition to a market economy.

cc: The Secretary
Executive Directors
Mr. Wapenhans (EMNVP)
Mr. Lari (EM4)
Mr. Gelb (CECSE)
Mrs. Gray (CECSE)

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

BARBER B. CONABLE
President

April 10, 1991

Mr. Fernando S. Carneiro
Alternate Executive Director
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Carneiro:

Thank you for your letter of April 1, 1991. I share your interest in strengthening the link between recruitment and the pursuit of geographic diversification. The Mid-Career Professionals Program (MCP) is one of the options we are currently considering to increase representation from underrepresented member countries. I will let you know about the precise steps that we propose to take within the next few weeks.

The support and suggestions for implementing a new Program from you and your constituency are encouraging and appreciated. Increasing representation from those countries who are less represented is our goal; your support enhances the Bank's efforts in accomplishing this objective.

On a related subject, you will be pleased to know that the Selection Committee of the Young Professionals Program met on April 4 and decided to extend offers to one Portuguese and two Italian candidates.

Sincerely,

Barber Conable

cc: Mr. Bonavoglia, EDS21

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Note:
Should be
ready for sign.
by C.O.B. - 4/10
Per Gene.

~~AK~~
~~SS~~

TO: Mr. Allsbah (D-1252) DATE: 4/01/91

(CP
4/9)

SUBJECT:

Document From: Mr. Carneiro
To: bbc
Dated: 4/01/91 Reference No.: EXC910401010
Topic: Strongly support the creation of Mid-Career Professionals Program.

ACTION INSTRUCTIONS: DUE DATE:

- _____ HANDLE
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4/08/91

Remarks: _____

EXPEDITE

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

FERNANDO S. CARNEIRO
Alternate Executive Director

April 1, 1991

Mr. Barber B. Conable
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 22433

Dear Mr. Conable,

As you are aware of, we have strongly supported the creation of Mid-Career Professionals Program as a way to solve some of the distortions of the existing World Bank recruitment system. We believe that this is an essential piece in the process of improving the representation of countries less represented at the staff level. Therefore, we were very supportive for the inclusion of the referred program within the budget exercise, and I would like to convey to you that we would feel very disappointed if it did not go ahead, as soon as possible, in the way it was originally scheduled. As a matter of fact, a possible setback of this program could even affect negatively the favorable attitude of some countries of my constituency vis-a-vis the future financial requirements of the World Bank Group, like the disbursement of GEF contribution or IDA-10 replenishment.

Best regards, ~~and~~ Thank you for your attention
to this important matter.

Fernando



Record Removal Notice

File Title Administrative Files: Executive Directors - Correspondence		Barcode No. 1782571		
Document Date 3/21/1991	Document Type CV / Resumé			
Correspondents / Participants				
Subject / Title CV of Rosario Bonavoglia, Director - Bank of Italy				
Exception(s) Personal Information				
Additional Comments		<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>Withdrawn by Ann May</td><td>Date October 11, 2022</td></tr></table>	Withdrawn by Ann May	Date October 11, 2022
Withdrawn by Ann May	Date October 11, 2022			

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AUG 29 2022

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

DATE: 21-Mar-1991 08:05am EST

TO: JULIAN GRENFELL

(JULIAN GRENFELL AT A1 AT PARIS)

FROM: CARMELO FURCI, EXTEU

(CARMELO FURCI AT A1 AT PARIS)

EXT.: 3044

SUBJECT: ITALIAND ED.

I would like to inform you that the Italian government has indicated Mr. Rosario Bonavoglia as the new Italian ED. The appointment is not yet official but the announcement should be public very soon. Therefore for the moment please do treat this information as confidential. Mr. Bonavoglia has been a staff member of the Bank in the early 1970's and he is at the moment Bankitalia representative in Japan.

Best regards.

Carmelo

CC: TIMOTHY CULLEN
CC: Olivier Lafourcade
CC: ALEXANDER SHAKOW

(TIMOTHY CULLEN @A1@VAX12)
(OLIVIER LAFOURCADE AT A1 A)
(ALEXANDER SHAKOW @A1@VAX12)

International Bank for Reconstruction and Development

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AUG 29 2022

WBG ARCHIVES

SecM91-348

FROM: Vice President and Secretary

March 25, 1991

ELECTION OF EXECUTIVE DIRECTOR

With further reference to SecM91-272 dated March 6, 1991, the only nominee, Mr. Rosario Bonavoglia of Italy, has been elected to serve the remainder of the term of Mr. Cesare Caranza, i.e., until October 31, 1992, as Executive Director of the International Bank for Reconstruction and Development and its affiliates, with effect from March 25, 1991.

Distribution:

Executive Directors and Alternates
President
President's Council
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC and MIGA

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Multilateral Investment Guarantee Agency

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AUG 29 2022

WBG ARCHIVES

MIGA/SecM91-16

FROM: The Secretary

March 25, 1991

ELECTION OF DIRECTOR

With further reference to MIGA/SecM91-11 dated March 6, 1991, the only nominee, Mr. Rosario Bonavoglia of Italy, has been elected to serve the remainder of the term of Mr. Cesare Caranza, i.e., until October 31, 1992, as Director of the Multilateral Investment Guarantee Agency, with effect from March 25, 1991.

Distribution:

Directors and Alternates
President
Executive Vice Presidents
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads,
Bank, IFC and MIGA

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

BARBER B. CONABLE
President

March 15, 1991

Mr. Frank Potter

Frank:

RE: ZAMBIA: Economic Recovery Credit

In your letter of March 7, you raise several questions concerning the Board's approval of the Zambia Economic Recovery Credit, namely:

- (i) Had the old Economic Recovery Credit, Cr. 1720-2A of 1986, lapsed since its closing date of June 30, 1990, had passed?
- (ii) Does the passing of a closing date have any impact on the audit of the credit?
- (iii) How do we account for the use of IDA 8 resources after the start of IDA 9?
- (iv) Are there IDA 8 resources still undisbursed for adjustment or project lending?
- (v) How much of IDA 8 resources are still undisbursed for non-accrual countries?

With regard to question (i), the original closing date of the old Economic Recovery Credit 1720-2A was June 30, 1990. Withdrawal rights under a credit do not lapse automatically with the passing of the closing date. This only happens if a credit is canceled. However, management did not cancel the credit at that time because Zambia was embarking on an economic adjustment program. On January 4, 1991, management formally extended the closing date of the old Recovery Credit to June 30, 1991, in accordance with Operational Directive 13.30. Authority to release the second tranche as part of Zambia's financing plan was granted by the Board through its approval of the memorandum on the release of second tranche of Cr. 1720-2A on March 5, 1991, document IDA/R91-20.

The passing of the closing date of a credit has no impact on the audit of a project as such, since the audit normally takes place after formal closure of a project. With regard to question (iii), it is normal for IDA credits committed under one replenishment to take several years to

disburse. Indeed, there are undisbursed balances of IDA credits going back as far as IDA 6. The second tranche release of the old Economic Recovery Credit, which was committed during the IDA 7 replenishment, is part of the \$5 billion undisbursed balance of the IDA 7 replenishment.

There are still large undisbursed balances from IDA 7 and IDA 8 replenishments as shown below. About half of the IDA 7 replenishment and 73 percent of the IDA 8 replenishment are still undisbursed.

IDA 7 and IDA 8 Commitments and Undisbursed Balances
(as of February 28, 1991)
Amounts in USD billions

	Commitments			Undisbursed		
	Project	Adjustment	Total	Project	Adjustment	Total
IDA 7	8.3	1.4	9.7	4.9	0.07	5.0
IDA 8	11.4	3.5	14.9	9.7	1.2	10.9

As for the outstanding undisbursed balances for IDA borrowers in non-accrual status, (question (v) above), the amounts are shown below (as of Feb. 28, 1991) in US\$ millions.

	<u>Adjustment</u>	<u>Project</u>	<u>Total</u>
Total IDA Non-Accrual Borrowers	50.7	170.4	221.1
of which Zambia	31.0	140.6	171.7
Others (Liberia, Sierra Leone)	19.7	29.8	49.5

Reimbursements similar to those in Zambia's operation may occur, if and when the arrears are cleared, the financial plans warrant, and the Board lifts suspension of operations in these non-accrual countries.


 Barber B. Conable

cc: Messrs. Qureshi (OPNSV), Jaycox (o/r), Sarbib (AFRVP), Denning (o/r),
de Ferranti (AF6DR), Bock, Grilli (OPNSV), Robless (OPNMS),
Sandstrom (EXC), Patel, Grawe (AF6CO)

JKaruga/JTodd:GJ/BT

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91 MAR -8 AM 10:36

3/15

TO: Mr. M. Qureshi (E-1241) | DATE: 3/08/91 | OFFICE OF THE SYPOP |

SUBJECT: |

Document From: Frank Potter

To: bbc

Dated: 3/07/91

Reference No.: EXC910308007

Topic: ZAMBIA: discussion at the Board on Tuesday -- March 5th.

ACTION INSTRUCTIONS: | DUE DATE: |

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3/15/91

Remarks: NOTE: Received through regular inter-office mail on Mar. 8 (am).

cc: Mr. Stern



The World Bank

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

FRANK POTTER
Executive Director

March 7, 1991

Mr. Barber B. Conable

Barber,

As I mentioned during our discussion of Zambia at the Board Tuesday, I am perplexed by the resuscitation of the Economic Recovery Credit which was approved by the Board in December 1986. Specifically, given that the original closing date was June 30, 1990, I would have thought that in the absence of action by management that Zambia's access would have simply lapsed. It was indicated in the Board, however, that the expiration of the closing date has no impact on the audit. If this is the case, I'm uncertain as to what we are trying to achieve by setting out closing dates in the first place.

In addition, the Zambian operation suggests three other questions. First, how do we account for IDA8 money after the end of the IDA8 period? The second tranche of the Economic Recovery Credit uses IDA8 money that I had thought would have been transferred to IDA9 on July 1, 1990. Second, is there any more IDA8 money still sitting in undisbursed adjustment or project credits? And third, as part of the Zambian financial package, the Bank made available about \$13 million from the reimbursement of expenditures incurred by Zambia under ongoing investment credits which continued after the suspension of operations by IDA. How much similar reimbursement is the Bank likely to incur among the other countries that still remain in arrears?

Mr. Barber B. Conable
President
The World Bank



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

BARBER B. CONABLE
President

March 7, 1991

Mr. Mohamed Benhocine

Re: Impact of the Gulf Crisis on the Tunisian Economy

Mohamed:

Thank you for the information contained in your letter to me of February 28, 1991, relating to the impact of the Gulf crisis on the Tunisian economy.

As you are aware, Regional staff had extensive discussions with a Tunisian delegation that visited Washington during February 11-22. The focus of the discussions was on (i) ensuring that disbursements from ongoing operations are speeded up; and (ii) identifying the feasibility of, and the appropriate channel for, a possible new quick-disbursing operation.

With regard to ongoing operations, we have identified with our Tunisian colleagues the actions that they need to undertake to speed up disbursements. We are awaiting their response. With reference to a new adjustment operation, we have agreed tentatively with the Tunisian authorities that a Bank mission will arrive in Tunis around April 7 to assess the impact of the crisis in more detail and to examine the justification for, and the objectives and focus of, a possible adjustment operation. Mr. Wapenhans will keep you informed of these initiatives and of the Bank's program in Tunisia in general.

Sincerely,

Barber Conable

cc: Mr. Wapenhans

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CC: KPC dir SS

910301011

TO: Mr. M. Qureshi (E-1241) | DATE: 3/01/91 |

SUBJECT: |

Document From: Mohamed Benhocine
To: bbc
Dated: 2/28/91 Reference No.: EXC910301001
Topic: Impact of the Gulf Crisis on the Tunisian Economy
(Thanking BBC for his letter of Feb. 12, in resp. to his note.)

ACTION INSTRUCTIONS: | DUE DATE: |

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Remarks: NOTE: A copy of BBC's response dated Feb. 12 to Mr. Benhocine is attached for your reference. (CP)

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

MOHAMED BENHOCINE
Executive Director

February 28, 1991

Mr. Barber B. Conable, President

Impact of the Gulf Crisis on the Tunisian Economy

Mr. Conable,

Many thanks for your letter of February 12, 1991, in response to my earlier note.

In response to your request, my Tunisian authorities have sent me a note giving a preliminary evaluation of the impact of the crisis on their economy.

Please find attached the original in french of this note as well an english translation.

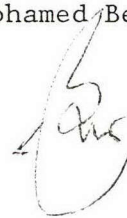
As you could see, this preliminary assessment indicates that there will be a major shortfall of over US\$1 billion in current receipts in the balance of payments attributable for more than half to the sagging of tourism receipts.

I understand that adding Tunisia to the list of most impacted countries, would not automatically translate into any type of Special Assistance, but I hope such an action would focus more Bank attention on the problems of Tunisia. I also accept your assurances that a number of initiatives in the lending program are being examined by Staff. It is my hope that such an assessment by Staff would lead not only to advancing some of the existing programs but also the processing of possible new programs, so that Tunisia would receive additional funding to maintain its ongoing restructuring efforts.

Sincerely,

Mohamed Benhocine

Enclosures: 2



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

BARBER B. CONABLE
President

March 7, 1991

Mr. Frank Potter

Re: Debt and Debt Service Reduction Analysis

Frank:

Thank you for your constructive and helpful note of February 21 concerning the analysis in the SARs for our debt and debt service reduction operations. I appreciate your bringing these concerns to my attention.

The points you have raised are important, and I have asked staff to make certain that they take them into account in analyzing future DDSR operations.

In the eventual review of the results of the Bank's program in support of DDSR operations, the points you raised will be covered, among others.

Sincerely,

Barber Conable

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cc: Messrs. *Crilli* *SS*
SS

TO: Mr. M. Qureshi (E-1241) | DATE: 2/22/91

SUBJECT:

Document From: Frank Potter
To: bbc
Dated: 2/21/91 Reference No.: EXC910222001
Topic: Debt and Debt-Service Reduction (DDSR) Analysis

ACTION INSTRUCTIONS:

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3/05/91

Remarks: cc: Messrs. Stern, Thalwitz, Shihata

URGENT

The World Bank

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

NK POTTER
utive Director

February 21, 1991

Barber B. Conable

DEBT AND DEBT-SERVICE REDUCTION (DDSR) ANALYSIS

A number of Executive Directors have raised concerns regarding the Bank's presentation to the Board of debt reduction operations (DROPs). Let me take the opportunity of this letter to suggest a few improvements.

- First, the usual counterfactual for the purpose of calculating the cashflow effect, which assumes that the debtor would have met scheduled principal and interest payments in the absence of DDSR, should be discontinued.

If such a counterfactual were likely, banks would never accept DDSR in the first place. Given that virtually no problem debtor has managed to repay principal in recent years, it appears more realistic to assume as a base case that interest would have been paid, but principal rescheduled, in the absence of DDSR. A discussion of the prospects for new money in the absence of DDSR, should also be a regular feature of such operations.

To date, only Mexico and Venezuela have included the assumption that principal is rescheduled, rather than repaid. The Venezuelan counterfactual to the effect that principal would have been rescheduled with a seven-year grace period in the absence of DDSR appears to be a good model to use for future DROPs.

- Second, calculated cashflow savings from DDSR should pay greater attention to the profile of savings in individual years -- especially, the negative cashflow in the first year. Given that this negative cashflow can sometimes be substantial, attention should also be focussed on the length of time required for (the present value of) cumulative cashflow savings to turn positive.

To date, no DROP has discussed either the magnitude of the negative cashflow effects in the first year or the length of time required for cumulative cashflow savings to turn positive. Somewhat disingenuously, the Venezuelan operation and the recent note on Uruguay discuss materiality in terms of the positive cashflow in years 2 through 6 of the operation. As for the time required for the cumulative cashflow to turn positive, it is worth noting that this will take three years in the case of Venezuela and six years in the case of Uruguay.

- Third, the Bank should treat the incentive (i.e. the so-called indirect or secondary) effects associated with DDSR as exceptional, rather than the general case.

An incentive effect arises not so much from the reduction of uncertainty as the restoration of investor confidence. In turn, this depends not only on the elimination of the debt overhang, but also on a proven track record of economic adjustment. In the case of Mexico, the country had implemented the structural policies and domestic fiscal measures required for sustainable growth well before DDSR. In many other countries, however, this is not the case.

In part, the incentive effect is associated with substantial reflows of flight capital and inflows of foreign investment which helps bring about a substantial reduction in domestic interest rates and significant fiscal savings. In the case of Mexico, the incentive effect was demonstrated by the decline in domestic interest rates from 56 percent to 36 percent almost immediately after the details of the Mexican deal were announced. In addition, there was a significant widening of the maturity structure of public debt. Despite asserting the importance of incentive effects, none of the other operations were able to demonstrate similar contributory evidence.

- Fourth, each operation should include a detailed discussion of the budgetary implications of DDSR.

The link between DDSR and a strong private sector investment response is an increase in fiscal savings. However, none of the DROPs include a meaningful discussion of the impact of DDSR on the budget deficit. Two points are worth mentioning here. First, as the case of Costa Rica illustrates, when actual debt-service payments are only a fraction of scheduled payments, DDSR can actually increase the fiscal deficit in the short run. Second, when an amount of foreign debt carrying a relatively low real interest rate is converted into domestic debt which carries a much higher real rate, the fiscal consequences are uncertain.

- Fifth, each operation should include a detailed discussion of financial robustness.

Costa Rica is the only DROP to include any discussion of financial robustness. The discussion, however, was limited to the implications of lower-than-projected earnings from coffee and non-traditional exports. A list of more routine calculations might usefully focus on the magnitude of the change in international interest rates, world oil prices, and terms of trade that would be required to offset the cashflow benefits of DDSR.

- Finally, each operation should project the country's key economic indicators over the medium-term with and without DDSR.

To date, this has been done only in the case of Venezuela. By comparison, Costa Rica and Mexico limit their projections to the medium-term growth before and after DDSR, while the Philippines provides no projections.

I trust that these concerns will be taken into account in the preparation of any future debt reduction operations. I look forward to your comments.

Frank Potter

cc. Executive Directors

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

File

~~SS~~
SS

TO: Mr. B. Conable (E-1227) DATE: 3/12/91

SUBJECT:

Document From: Jonas Haralz
To: bbc
Dated: 3/11/91

Reference No.: EXC910312004

Topic: Ad Hoc Committee on Board Procedures

ACTION INSTRUCTIONS:

DUE DATE:

- HANDLE
- REVIEW AND RECOMMEND
- FOR YOUR INFORMATION
- DISCUSS WITH _____
- AS WE DISCUSSED
- PREPARE RESPONSE FOR _____ SIGNATURE
- FOR YOUR FILES
- RETURN TO _____
- OTHER: _____

Remarks: * Sven: Any action needed on this? (CP)

Yes: I will follow up with Tim and PC

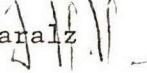
Sven
3-12

SS: Distribution to PC members already done by Mr. Haralz's office. BT.

OFFICE MEMORANDUM

DATE: March 11, 1991

TO: Barber B. Conable

FROM: Jonas H. Haralz 

EXTENSION: 81081

SUBJECT: Ad Hoc Committee on Board Procedures

As you know, at your informal meeting with the Executive Directors on January 30, 1991, you suggested that the Executive Directors should consider the possibility of reviewing Board procedures in order to conduct our work more efficiently. As a follow-up to this suggestion, the Executive Directors met privately on February 19 and established an Ad Hoc Committee on Board Procedures. The following Executive Directors were selected as members: Messrs. Al-Assaf, Boehmer, Haralz, Le Boudier, Naim and Peretz. I was selected as Chairman and Mr. Naim as Vice Chairman.

At an informal meeting held on March 7, the Executive Directors approved the Committee's terms of reference and a list of items for discussion (see Attachments I and II). The Committee agreed to approach its work by assigning each member the responsibility for coordinating specific items listed in the work program (see attachment III). These Executive Directors will prepare the issue for discussion and will consult with the other Executive Directors and appropriate Management and staff. The Committee's meetings will be open to attendance by all Executive Directors and secretariat services will be provided by the Secretary's Department as is normal practice. The Committee is expected to complete its task before the end of June.

cc: President's Council

Ad Hoc Committee on Board Procedures

Terms of Reference

The Committee should review the functioning and procedures of the Executive Board with the guidance of the attached list of items. It should aim at completing its work before the end of June.

Ad Hoc Committee on Board Procedures

List of Items for Discussion

1. General Policy Discussions

The forms under which policy proposals are presented to the Board and their discussions are conducted (Board, COW, Seminars, Briefings). The conclusions of these discussions and their presentation (Chairman's summing up).

2. Review of Policy Implementation

The Board's role in following and reviewing policy implementation. Periodic reviews of experience and policy in particular sectors and types of projects.

3. Discussions of Bank Country Policy

The ways the Bank's policy towards a country (lending, advice, technical assistance) is presented to and discussed in the Board with the background of the country's own policy. (SALs, SECALs, Hybrid Loans, Country Lending Strategies, PFPs) (cf. items 4 and 5).

4. Consideration of External Environment

How are the implications for developing countries of their external environment, including industrial countries' policy, taken into account? The consideration of these implications in papers on short-term outlook and long-term prospects and in country lending strategies.

5. Lending Operations

Ways and means to make the Board's consideration of lending operations more efficient:

- a. Limiting Bank country policy discussions to one, or fewer, per year (cf. item 3).

- 2 -

- b. Special procedures.
- c. Bunching.
- d. Use of Executive Directors sub-committees for loan/credit approvals.

6. Board Discussions in General

Chair

Consideration of the following subjects:

- a. Pre-Board briefings.
- b. Directing of questions of detail to staff outside meetings.
- c. Limitation of staff representation at meetings.
- d. Introduction of lead speakers' system.
- e. Introduction of indicative time limits for Board discussion of items.
- f. Introduction of the option of circulating written statements in advance or for the record.
- g. Orientation of new directors and their staff regarding Board procedures.
- h. Orientation of staff members regarding presentation at Board meetings and the answering of questions.

7. Review of Board Reports

Review the reports now regularly circulated and submitted to the Board with the view of reducing their number or extending their periodicity.

JHH:gmr

Ad Hoc Committee on Board Procedures

Program of Work

March 15 - April 17, 1991

<u>Date</u>	<u>Time</u>	<u>Place</u>	<u>Topic for consideration</u>
March 15 (F)	2:45		Items 1 and 2
March 28 (Th)	1:00		Item 3
April 4 (Th)	2:30		Item 6
April 12 (F)	2:30		Items 4 and 5
April 17 (W)	1:00		Item 7

Committee Members in Charge of Items

<u>Item</u>	<u>Committee Member</u>
1. General Policy Discussions	Mr. Peretz
2. Review of Policy Implementation	Mr. Peretz
3. Discussion of Bank Country Policy	Mr. Haralz
4. Consideration of External Environment	Mr. Al-Assaf
5. Lending Operations	Mr. Le Boudier
6. Board Discussions in General	Mr. Naim
7. Review of Board Reports	Mr. Boehmer

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

② AK
① SS

TO: 3 Mr. B. Conable (E-1227) | DATE: 2/05/91

4 op

SUBJECT:

Document From: Sven Burmester
To: bbc/mc
Dated: 2/05/91

Reference No.: EXC910205029

Topic: Joint Committee on Executive Directors' Remuneration -
Meeting in Quito, on January 28-29, 1991.

ACTION INSTRUCTIONS: | DUE DATE: |

- _____ HANDLE
- _____ REVIEW AND RECOMMEND
- XXX FOR YOUR INFORMATION
- _____ DISCUSS WITH _____
- _____ AS WE DISCUSSED
- _____ PREPARE RESPONSE FOR _____ SIGNATURE
- _____ FOR YOUR FILES
- _____ RETURN TO _____
- _____ OTHER: _____

Remarks: _____



Record Removal Notice

File Title Administrative Files: Executive Directors - Correspondence		Barcode No. 1782571		
Document Date 05 February, 1991	Document Type Letter			
Correspondents / Participants From: Sven Burmester, and Christian Brachet To: The President and Managing Director of the World Bank and IMF				
Subject / Title Joint Committee on Executive Directors' Remuneration Meeting in Quito				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		<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>Withdrawn by Ann May</td><td>Date October 11, 2022</td></tr></table>	Withdrawn by Ann May	Date October 11, 2022
Withdrawn by Ann May	Date October 11, 2022			

455

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

TO: *2)* Mr. B. Conable (E-1227) | DATE: 1/18/91

seen

SUBJECT:

Document From: Mr. Coady
To: bbc
Dated: 1/15/91

Reference No.: EXC910118003

Topic: Executive Directors' Code of Conduct.

ACTION INSTRUCTIONS: | DUE DATE: |

- _____ HANDLE
- _____ REVIEW AND RECOMMEND
- _____ FOR YOUR INFORMATION
- ___XXX___ DISCUSS WITH ___ BBC FOR COMMENTS ___
- _____ AS WE DISCUSSED
- _____ PREPARE RESPONSE FOR _____ SIGNATURE
- _____ FOR YOUR FILES
- _____ RETURN TO _____
- _____ OTHER: _____

Remarks: *BBC spoke to Coady by phone on 1/22/91.
No further action needed - Per SS.*

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

January 15, 1991

TO: Mr. Barber B. Conable, President
FROM: E. Patrick Coady, ^{EPC} U.S. Executive Director
SUBJECT: Executive Directors' Code of Conduct

I anticipate inquiries, and perhaps requests for actions to strengthen Bank policy regarding the code of conduct for Executive Directors. I would appreciate your thoughts on this.

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

SENT TO
G-7 EDS.

BARBER B. CONABLE
President

January 11, 1991

Mr. Gerhard Boehmer

Re: The Soviet Union

Gerhard:

As you know, on December 12, 1990, the United States proposed a "Special Association" between the Soviet Union and the Bank and the Fund, "that will give Moscow access to the economic and financial expertise in those institutions". The United States also stated: "We believe it is best to establish such a relationship with these institutions before addressing the issue of full membership."

This "Special Associate" status was proposed to include the following elements, as far as the Bank is concerned:

- provision of technical advice on specific structural issues, such as changes in the transportation, energy and financial sectors, as well as on critical micro-economic issues, such as development of markets;
- establishment of a mission in Moscow;
- continuation of Soviet attendance at the Annual Meetings, as they did in 1990; and
- Soviet participation in EDI courses.

The Bank's Articles of Agreement, as you know, make no provision for any form of membership other than full membership. Because we will wish to discuss how the Bank can best respond to a Soviet request for technical assistance, it is important that any special relationship with the Soviet Union not be complicated by the use of language which raises fundamental constitutional issues which, in turn, lead to unnecessary concerns.

I would be grateful if you could bring this to the attention of your Finance Minister attending the G-7 meeting next week. I understand Bank/Fund assistance to the Soviet Union may be discussed at this meeting. If so, and if referred to in the communique, use of the term "special relationship", rather than "associate status" or "associate membership", would help avoid misunderstanding and would facilitate our ability to respond positively.

Barber Conable

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

BARBER B. CONABLE
President

January 7, 1991

Mr. David Peretz
Executive Director
The World Bank
Washington, D.C. 20433

Dear David:

Thanks very much for your December 13, 1990, letter informing me that the UK intends to propose Mr. Peter Mountfield to succeed Mr. Yves Fortin as Executive Secretary of the Development Committee. Mr. Mountfield has an impressive background. If he is elected by the Development Committee members on April 30, I am sure he would be a valuable and effective colleague in strengthening the work of the Committee.

Thanks again for letting me know.

Sincerely,

Barber Conable

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

~~AK~~
~~SS~~
~~BBC~~

TO: Mr. Thalwitz (D-1202) | DATE: 12/14/90

SUBJECT:

Document From: David Peretz

To: bbc

Dated: 12/13/90

Reference No.: EXC901214016

Topic: U.K. intends to propose a candidate for the post of Executive Secretary of the Development Committee (Peter Mountfield)

ACTION INSTRUCTIONS: | DUE DATE: |

- HANDLE
- REVIEW AND RECOMMEND
- FOR YOUR INFORMATION
- DISCUSS WITH _____
- AS WE DISCUSSED
- PREPARE RESPONSE FOR 'BBC' SIGNATURE
- FOR YOUR FILES
- RETURN TO _____
- OTHER: _____

1/07/91

Remarks: cc: Messrs. Qureshi, Stern, Thahane, *Alidark*

=====

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

Executive Director

Mr. Barber Conable
President
The World Bank
Washington DC 20433

December 13, 1990

Dear Barber,

THE EXECUTIVE SECRETARY OF THE DEVELOPMENT COMMITTEE

I am writing to let you know that the United Kingdom intends to propose a candidate for the post of Executive Secretary of the Committee, at the election on April 30.

Our candidate is Peter Mountfield. He is well qualified for the post. For the last seven years he has been in charge of the Aid and Export Finance Group of the Treasury, dealing with the aid budget and with our bilateral relations with developing countries. He is closely involved with IMF and IBRD programs for these countries. He has also been the UK delegate to the Paris Club, and he played a big part in the design of the Toronto debt package and of Mr. Major's Trinidad proposals.

Previously he was head of the Treasury's General Expenditure Planning Group; he has spent three years as Deputy Head of the Economic Secretariat at the Cabinet Office, and before that served in a wide range of other Treasury posts. In 1966-67 he spent a sabbatical year at Harvard, specialising in development work.

Yours sincerely

David Peretz

David Peretz

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

~~* 0 SS~~
~~2 Ak~~
File - ED's
CSPs
Country
Strategy
Reviews

TO: (3) Mr. B. Conable (E-1227) | DATE: 12/06/90

SUBJECT:
Document From: F. Potter
To: bbc
Dated: 12/05/90 Reference No.: EXC901206003
Topic: Country Strategy Papers (Reference made to his Oct. 17 memo & BBC's reply of Oct. 29.)

ACTION INSTRUCTIONS: | DUE DATE: |

- _____ HANDLE
- _____ REVIEW AND RECOMMEND
- XXX FOR YOUR INFORMATION
- _____ DISCUSS WITH _____
- _____ AS WE DISCUSSED
- _____ PREPARE RESPONSE FOR _____ SIGNATURE
- _____ FOR YOUR FILES
- _____ RETURN TO _____
- _____ OTHER: _____

Remarks: * NOTE: Memo of Oct. 17 & BBC's reply dated Oct. 29 is attached for your reference. Pls. return package back to me. (CP)

OFFICE MEMORANDUM

DATE: December 5, 1990

TO: Mr. Barber B. Conable

FROM: Frank Potter *P.*

EXTENSION: 8-0077

SUBJECT: COUNTRY STRATEGY PAPERS

May I return to the issue raised in my October 17th memorandum to you and your reply of October 29th?

I think there may be a misunderstanding. I am not suggesting that the board should concern itself with working papers nor am I advocating some kind of involvement in negotiating the relationship between the Bank and a member country. I am not disputing the need for a line manager to have a secure and direct relationship with his clientele. I am not questioning that it should be protected from a wider audience so as to engender candour and confidence.

I hope, therefore, that we can avoid arguments about board interference in the day-to-day work of the Bank. I am not suggesting board participation in the dialogue which leads to the assistance strategy. There is a difference to be drawn, however, between process and product. It is management's job to attend to the former and the board's to judge the latter.

It is appropriate to distinguish between board and management documents, as indeed you do in your reply. During the intermediate stages there is bound to be a need for working papers and I have no disagreement with your reluctance to see those distributed more widely. At some stage, however, we arrive at the point at which we have a CSP which one assumes is the document which articulates the Bank's assistance strategy. It is that document which the board should examine and judge.

SS

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

BARBER B. CONABLE
President

October 29, 1990

Mr. Frank Potter

Frank:

Regarding your note on Country Strategy Papers (CSPs), let me assure you that no one in management regards the Executive Directors as "outsiders". We do see differences, however, in the roles of the Board and management, and thus in the type of documentation that is used for Board decisions vs. staff analysis. CSPs are working papers used by staff to analyze options and build consensus at the management level on the country-specific objectives and programs to be pursued consistent with the Bank's overall policies and priorities. The main thrust of agreed country strategies and aggregate work programs are then outlined in various documents sent to the Board. Given their nature as working documents intended to open dialogue rather than to present a definitive conclusion, it would be quite inappropriate for the CSPs themselves to be circulated to the Executive Directors.

I am certain you accept that the Bank's management--like management of any other institution--must have a large measure of flexibility in deciding the form in which it (a) conveys proposals to the Board; and (b) manages analysis by the staff leading up to such proposals. Executive Directors, on the other hand, need to maintain a certain "arms length" relationship to the day-to-day work in order to fulfill their oversight role. The line between oversight and day-to-day management is imprecise and constantly shifting, but CSPs are most useful as working papers, rather than Board documents.

I believe we are making progress in enhancing the Board's discussion of country strategies. You have made the point many times that you wish to see this go further, on the basis of more elaborate documentation. A full Board consensus on this point does not exist, however. Should a consensus emerge, we would probably need to consider expanding presentations of country strategy in some cases, and reducing them in others (e.g. for PFP countries). We would, of course, at that stage have to consider what kind of documentation would best serve the Board's requirements.

Barber Conable

October 23, 1990

Mr. Sandstrom

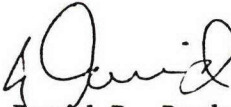
Sven,

I discussed this with Sven Burmeister. His advice was for you to go see Potter and try to mollify him without a big fight. Sven is also getting Langley to send a note saying he is happy with the info he gets.

My suggested talking points are as follows:

- Yes, this is an old issue
- It relates to the appropriate roles of management and Board
- The Bank is no different from other organizations
 - o The Board exercises oversight
 - o Management runs the institution's day to day business
 - o Management is expected to make proposals to the Board
 - o The process of developing those proposals should be left to management
- All managements make use of working papers, etc. to formulate and evaluate options
- The outcome of this process is what matters to the Board; Directors should maintain an "arm's length approach" in order to remain objective and perform their oversight role properly
- Staff working papers--of which the CSP is one--need not and should not be given to the Board
- This is not internal vs. external audiences, but "internal to the proposal formulation process of management"

Let me know what you want to do.


David R. Bock

WORLD BANK OFFICE TRACKING SYSTEM
SENIOR VICE PRESIDENT OPERATIONS
Routing and Action Transmittal Sheet

TO: Mr. Bock (F.1220) DATE: 10/19/90

SUBJECT:

Document From: Frank Potter
To: BBC
Dated: 10/17/90 Reference No.: OPS901019004
Topic: Memo re GSPs -
Director's access to documents in order to do their work

Incoming Reference Number: EXC901018020
Incoming Action Requested: PREPARE RESPONSE FOR BBC'S
Requested Due Date: 10/23/90

ACTION INSTRUCTIONS: DUE DATE:

HANDLE
REVIEW AND RECOMMEND
FOR YOUR INFORMATION
DISCUSS WITH _____
AS WE DISCUSSED
XXX PREPARE RESPONSE FOR _____ SIGNATURE 10/19/90
FOR YOUR FILES
RETURN TO _____
OTHER: _____

Remarks: PRIORITY #1
CC: MESSRS. GRILLI AND WYSS

WORLD BA. OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

AK
SS

TO: Mr. M. Qureshi (E-1241) | DATE: 10/18/90

SUBJECT:

Document From: Frank Potter
To: BBC
Dated: 10/17/90
Topic: Memo re CSPs

Reference No.: EXC901018020

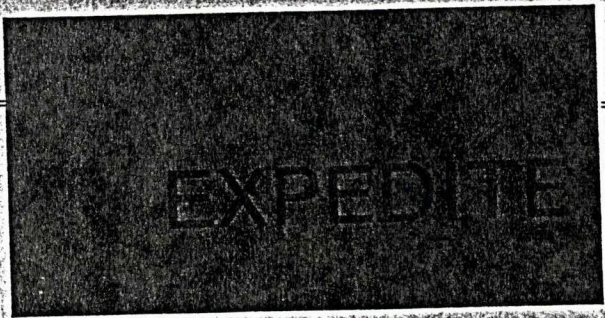
ACTION INSTRUCTIONS:

| DUE DATE: |

- HANDLE
- REVIEW AND RECOMMEND
- FOR YOUR INFORMATION
- DISCUSS WITH
- AS WE DISCUSSED
- PREPARE RESPONSE FOR BBC'S SIGNATURE
- FOR YOUR FILES
- RETURN TO
- OTHER:

10/23/90

Remarks: CC: Mr. Chahane



The World Bank/IFC, GA

OFFICE MEMORANDUM

DATE: October 17, 1990

TO: Mr. Barber B. Conable

FROM: Frank Potter *P.*

EXT.: 8-0077

SUBJECT: COUNTRY STRATEGY PAPERS

During the colloquium on Wednesday, you may recall that Mr. Langley mentioned that in the course of attempting to understand the Bank's relationship with one of his constituents, he had asked for and been denied a copy of the country strategy paper. Mr. Qureshi in response to his comment, had replied by saying "Oh yes, but that's an internal paper."

This as you know is an old subject and one which I had thought had been resolved. My understanding is that the directors have access to any information which they need to do their work. Obviously, certain types of files, personnel matters for example, do not fall within that definition, but operational papers such as the CSP do. And why does Mr. Qureshi refer to an internal paper? Is the board an external audience?

I would like to be sure that I understand this correctly.

OFFICE MEMORANDUM

DATE: November 28, 1990

TO: As listed below

FROM: Frank Potter *P.*

EXTENSION: 8-0077

SUBJECT: COUNTRY STRATEGY REVIEWS FOR BANK BORROWERS

The accompanying list of country strategy reviews for Bank borrowers reflects the arrangements agreed when we last met. You will note a couple of minor adjustments but in each case they have been cleared with the respective sponsors.

Also attached is a summary of issues requiring further action. I have had an initial word with Messrs. Qureshi and Thahane in the hope that we can coordinate and schedule our work to the advantage of all concerned. There are, however, as you well know, sensibilities which surround these questions and it is not clear how we will make out.

attachment

cc. Mrs. Herfkens

Messrs. Boehmer
Caranza
Coady
de Groot
Haralz
Landau
Lim
Peretz
Shiratori

November 26, 1990

COUNTRY STRATEGY REVIEWS

- The G10 will continue to sponsor country discussions for Bank borrowers until such time as the programme can be integrated with the new IDA country strategy schedule being put in place by management.
- There is a need for the board to agree on procedural questions raised by the volume of IDA CSRs now in prospect:
 - what is the board's capacity to deal with CSRs over the course of a year?
 - should there be a limit on any one day?
 - what criteria should determine annual or less frequent board review?
- Can the PFP process be simplified (in agreement with the US Treasury) so that eventually it should circulate on a no-objection basis and form a companion document to the CSR? Meanwhile, the PFP list should be reviewed systematically, certain PFPs chosen for discussion, and then allocated according to a rotating roster. Discussion would be coordinated in the usual way by one director and supported by a limited number of others. PFPs not selected could be given cursory treatment, directors choosing to reserve more substantive comment for the subsequent CSR.
- When IDA transactions are selected for CSR treatment, the board document should be clearly identified as such.
- The format should follow faithfully the outline contained in the IDA IX deputies' report.

COUNTRY STRATEGY REVIEW: IBRD BORROWERS

1. COMPLETED

SPONSOR

DECEMBER 88	MOROCCO SAL I	CANADA
FEBRUARY 89	COSTA RICA SAL II	BELGIUM
MARCH	PAKISTAN FIN. SECTOR	AUSTRALIA
APRIL	GHANA SAC	FRANCE
MAY	MOZAMBIQUE SECOND REHAB.	FRG
JUNE	URUGUAY SAL II	UK
JUNE	MEXICO FIN. SECTOR	USA
JUNE	KENYA FIN. SECTOR	NORDICS
AUGUST	ALGERIA EC. REFORM	CANADA
NOVEMBER	INDONESIA TRANS. SECTOR	NETHERLANDS
DECEMBER	SUDAN HIGHWAT REHAB.	UK
JANUARY 90	PHILIPPINES ENERGY	JAPAN
FEBRUARY	POLAND EXPORT DEV.	NETHERLANDS
MARCH	JAMAICA AGRIC. SECTOR	USA
MARCH	BANGLADESH EDUC. SECTOR	AUSTRALIA
APRIL	YUGOSLAVIA SAL II	FRANCE
JUNE	VENEZUELA FIN. SECTOR	JAPAN
JUNE	GUYANA SAC	BELGIUM

2. SCHEDULED (TENTATIVE DATES)

DECEMBER 11	ECUADOR FLD CNTL	USA
DECEMBER 18	ARGENTINA PROV. DEV.	AUSTRALIA

1991

JANUARY 8	PHILIPPINES IND. RECONST.	BELGIUM
JANUARY 29	BRAZIL HYDROCARBON	ITALY
FEBRUARY 19	TURKEY PRIVATE INVEST.	GERMANY
FEBRUARY 28	JORDAN EMERGENCY ASSIST.	UK
MARCH 12	CZECHOSLOVAKIA T.A. REFORM	FRANCE
MARCH 26	HUNGARY HUMAN RESOURCES	ITALY
APRIL 4	KOREA HOUSING	CANADA
APRIL 9	CHILE PSM	NETHERLANDS

RESERVE

DECEMBER 18	COLOMBIA PUBLIC SECTOR
JANUARY 29	HONDURAS SOCIAL FUND
FEBRUARY 19	MALAYSIA FORESTRY II
MARCH 26	EGYPT RAILWAYS III
APRIL	TBA

G-9: Executive Directors, Alternates, and Advisors

<u>EDs</u>	<u>Alternates</u>
Al-Assaf	✓ Al-Sehail
✓ Al-Sultan	Hosny
✓ Baijal	Rahman
✓ Benhocine	Omeish
✓ Camarasa	Flaño
-	✓ Carneiro
-	-
-	✓ Skapin
✓ Langley	Matambo
✓ LeBouder	Bourhane
✓ Leung	Ximenes
✓ Lim	-
Naim - out of country	Charpentier
-	✓ Ellis
Vibul	✓ Pe
✓ Wang	Jin

Al Sultan : Escobar
 Lim : going beyond IDA to IBRD
 G7 part
 Part I/II confrontation
 Leung : Board insufficient
 too many questions, repetition
 Camarasa : agreed with HQ that IBRD
 would not follow IDA procedure
 Langley : - want to let you know our concern
 maybe we should review
 experience of IDA
 BC : too soon → procedure now
 BC : we have to respond to questions but
 without prepared statement/paper
 Baijal : after IDA country discussion at
 beginning of year, EDs continue
 to ask macro questions throughout
 the year, contrary to agreement
 BC : how to simplify / reduce duplication
 say PFPs
 must be done in atmosphere of
 trust and confidence
 so this may not be right time
 I want to reduce tension / confrontation
 out of country
 Wang : Board now too political
 must reduce confrontation
 US asks macro questions not related
 to project in question
 Tim : CSPs ?!

Omeish : concerned about policy / strategy discussion in context of IBRD projects
 and circulate memo asking others to participate. Why? Mgt is always ready
 BBC's rulings important.

BC : RVP chair COW?
 Lim : circulate PFP on no-objection basis!
 Camarasa : my chair never partici
 Lim :
 Al Sehail : OD on CSPs

Excerpt for the "Report of the Ad Hoc Committee on Board Procedures (R88-11)" on Lending Operations: Board Consideration of the Bank's Country Lending Strategies

Lending Operations:

Board Consideration of the Bank's Country Lending Strategies

15. The Ad Hoc Committee considered the document entitled "Board Consideration of the Bank's Country Lending Strategies (CLS) - Note by Mr. Lankester" (BPC/87-6 dated November 6, 1987), which contained a proposal to include on the Board's agenda the consideration of the Bank's country lending strategy, and a summary of the Board Informal discussion on the Country Assistance Strategy (BPC/87-7). As stated in the paper (BPC/87-6), two recent developments have strengthened the country focus of the Bank's operational work: (a) the Country Assistance Management (CAM) which integrates formulation of country strategies based on agreed priorities and objectives, coordination of the resources required for timely delivery of outputs, and the monitoring of progress and costs to react to changing circumstances; and (b) the recent reorganization of the Bank in respect of the Operations Complex which integrates structures of Program and Project Departments at the country level to reestablish and strengthen the country focus in the Operations Complex.

16. A number of Ad Hoc Committee members stated that despite the central role of country programming in the Bank's operations, the Board was not significantly involved in the process. They maintained that it essentially deals with the work of operational side of the Bank by approving individual lending operations. However, this process does not provide a satisfactory opportunity to consider lending strategy. While some material about the Bank's program in the country is included in the documentation the Board receives, the documentation does not contain an overview of the Bank's future lending plans in that country. It would clearly be an inefficient use of the Board's time to rediscuss strategic questions each time a project was submitted. Although such issues are sometimes raised by individual Directors, the Board never addresses them systematically. The recent discussions of the Policy Framework Papers in the Committee of the Whole have demonstrated the Board's interest and capacity to discuss country strategies over the medium term. But they are focused on a country's development prospects and policies rather than on the Bank's contribution, which is dealt with only partially and in passing, and being joint documents of the Bank, the Fund and the Government, they do not provide a wholly suitable vehicle for discussing the Bank's own country lending strategies.

17. These Committee members further noted that it was abnormal for the Board of a major lending institution to lack substantive and systematic involvement in its lending strategy. The Management in its recent report, "Review of Bank Operating Procedures" (R86-34) stated that: "Management believes that it is essential for the Board to have an opportunity to discuss the Bank's assistance strategy for each borrower to provide the overall context for individual lending operations." Furthermore, the recent papers circulated for the Joint Audit Committee by OED on the reviews of Bank/Country relationship proposed to review the Bank's lending program from the viewpoints of size, content, assessment of the integrity of each operation and quality of the overall program on the basis of certain criteria. These Committee members remarked that it was somewhat ironic that JAC should have determined to review these matters retrospectively before the Board itself had decided to take a role in the forward planning and evolution of the Bank's country lending strategy. Finally, these members stated that the members they represented are sensitive with regard to the stewardship of the Bank's loan portfolio; without adequate knowledge of the Bank's country lending program, they stated, the Executive Directors are not discharging their responsibilities adequately.

18. Some other Committee members noted that the subject of Board discussion of the Bank's country assistance strategy for individual countries has been discussed on a number of occasions in the past. Widely divergent views have been expressed and the issue has always been contentious because of lack of clarity about the objectives of such an exercise. Some members noted that in the early 1970's an experiment in organizing country economic seminars was tried which had to be given up in September 1973 as it was found not to have served any useful purpose. These members noted that it needs to be recognized that borrowing funds and making loans constitutes the core business of the Bank and approval of individual operations which facilitates the conduct of the business can be said to be the primary function of the Board. Discussion of country assistance strategy in the context of specific loan proposals is thus fully appropriate and justified, as noted in the summary of discussion on Country Assistance Strategy (See BPC/87-6). Indeed these members felt that the current procedures provide adequate opportunity for this. The President's Report deals with the general economic and sectoral contexts of the proposals with the details varying with the nature of the loan and the purpose for which it is sought. Sufficient background information is also available to the Executive Directors through the Country Economic Memorandum and the Monthly Operational Summary. This framework should normally be suitable for addressing issues relating to Bank's assistance strategy in relation to any particular country. It should be noted that the Bank's relationship with borrowing countries is a dynamic one in which assistance strategy needs to be constantly adapted to the changing external environment and evolving needs of the borrowing countries. Any formal arrangement for discussion of either country strategy or details of operational policy could impart needless rigidity in the Bank's operations and could also detract from the Bank's ability to apply policy with flexibility to the varying conditions of different countries and types of projects.

19. These Committee members also pointed out that there are a number of other practical considerations which make such country discussions in the Board inadvisable. There is the question of maintaining symmetry through discussions of policies of non-borrowing industrialized countries which have a bearing on the international economic and trading environment. In the case of borrowing countries, there would be the question of the role of the Executive Directors concerned and their participation in such discussions, especially in the case of the Executive Directors from multi-country constituencies. There is also a likelihood of political orientation in Board discussions of this nature which could be harmful for the institution in the long run. For these reasons, these members stated that no additional procedures for discussing Bank's assistance strategy for individual countries need to be introduced in the Board except in association with a specific operation.

20. In view of the divergent views amongst the members, the Committee concluded that there was no consensus for adopting formalized Board discussion of the Bank's country lending strategies for individual countries. It was agreed that the Executive Directors should continue to be able to raise issues concerning the Bank's lending strategies in the context of Board consideration of a lending proposal for the country concerned.

Excerpt from the Report of IDA Executive Directors on
"Additions to Resources: Ninth Replenishment"

25. Donors underscored the importance of sound macroeconomic and sectoral policies as a basis for effective use of IDA funds in all recipient countries, and urged that IDA's regular assessments of country performance specifically include a determination on the adequacy of these policies, with a view to identifying where improved performance is necessary to help build sustainable and increasingly self-supporting development. In order to ensure that IDA credits are approved in the context of adequate macroeconomic and sectoral policies, the donors recommended that the Executive Directors assess the policy framework for each IDA borrower annually, or as necessary in the case of small borrowers, and record their conclusions. This would be done in the context of a lending operation and under procedures which the Executive Directors will determine. As a basis for the deliberations of the Executive Directors, management should prepare documentation which covers the following points:

- assessment and determination of performance (as discussed above) including any major issues in macroeconomic and sectoral management, poverty reduction and the environment;
- the progress in implementation of the plans set forth in the PFP or other relevant country documents;
- the state of the policy dialogue;
- the country lending strategy and priorities;
- the possible need for IDA-supported adjustment and the choice and sequencing of adjustment operations;
- the composition of project lending;
- aid coordination with other multilateral and bilateral agencies and cooperation with the IMF; and
- criteria by which progress would be judged.

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SD90-37

FROM: The Acting Secretary

July 30, 1990

Summary of Discussions at the Meetings of the Executive Directors
of the Bank/IDA and IDA, June 21, 1990*

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Approaches to Country Strategy Reviews of IDA Countries

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* This summary consists of staff notes of the discussion and is not an approved record.

** The Summary of Discussion of the items on the agenda of the Bank/IDA Board Meeting of June 21, 1990, will be distributed separately.

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IDA MEETING

APPROACHES TO COUNTRY STRATEGY REVIEWS OF IDA COUNTRIES

1. The Executive Directors of IDA discussed the President's Memorandum entitled "Approaches to Country Strategy Reviews of IDA Countries" (IDA/R90-97, dated June 5, 1990). They approved the proposal in paragraph 7 of that memorandum which said:

2. "The management proposes to enhance, systematize and make uniform the presentation of information on country performance development problems and prospects and the Bank's country assistance strategy. The Bank will provide its assessment of each country's performance to facilitate discussion of the country policy framework by the Executive Directors. This will be done on the occasion of the first SAL or SECAL to be presented each fiscal year; in those active IDA countries without adjustment operations, the information would be provided in the first relevant investment credit presented to the Board in the fiscal year. In each case, the President's Report or the President's Memorandum will aim at providing a self-contained discussion that will address all the issues that are listed in the attachment."

3. The attachment was paragraph 25 of "Additions to IDA Resources: Ninth Replenishment" (IDA/R90-1, dated January 5, 1990). It listed the following:

- assessment and determination of performance... including any major issues in macroeconomic and sectoral management, poverty reduction and the environment;

- the progress in implementation of the plans set forth in the Policy Framework Paper (PFP) or other relevant country documents;

- the state of the policy dialogue;

- the country lending strategy and priorities;

- the possible need for IDA-supported adjustment and the choice and sequencing of adjustment operations;

- the composition of project lending;

- aid coordination with other multilateral and bilateral agencies and cooperation with the IMF; and

- criteria by which progress would be judged.

4. A speaker opposed the proposal. Another speaker abstained.

Staff Introduction

5. The staff said that the President's Memorandum responded to a request by the IDA9 Deputies that the Executive Directors review the policy framework for each IDA borrower on a regular basis. Technical assistance and supplementary credits would not be vehicles for the information promised in paragraph 7, since new and significant issues of strategy did not typically arise on such occasions.

6. In order to constrain the length of the relevant President's Reports and Memoranda, they would be cross referenced to other relevant documents available to the Executive Directors such as PFPs, country briefs and economic and sector reports. At the same time, the staff would ensure that there was adequate information in the self-contained section of each President's Report or Memorandum to enable the Executive Directors to reach a judgment about the country situation and the strategy.

7. About 10 such presentations were expected during the next three months. If every IDA country was to be included, about 46 reviews would be expected during the next fiscal year. The format and content of the enhanced reports would evolve in response to the Board reviews and comments. The staff intended to make every effort to meet the needs of the Executive Directors for additional information and hoped that the new procedure would lead to productive discussions.

Support and Reservations

8. A number of speakers supported the proposal, and several of them said that this was something they had been urging for years.

9. A number of different speakers indicated they could go along with the proposal with reservations. Some of them said they could do so only reluctantly.

10. Two speakers could not support the proposal. One of them opposed it and one abstained.

A Long Awaited Proposal

11. The speakers who strongly supported the proposal called it a logical evolution of procedures. Several of them added that it would better allow the Board to exercise its oversight role regarding the lending program. One of these speakers said his authorities believed that an assessment of the Bank's country lending strategy, with a background of the country's development policies and performance, was an essential part of the Board function. The Board could not come to a sensible and realistic conclusion regarding the usefulness of individual credits, whether for structural or sectoral adjustment or for investment, without such a consideration.

12. Some speakers said the Board's involvement until now had been haphazard. One of them stressed the fact that the Board was already essentially guiding the Bank's activities; this new approach would simply make it more systematic and transparent, and the Board would be able to do a better job.

13. Another speaker said that borrowing countries had a unique responsibility to bring their views into the discussions of Bank lending, and he said he hoped this matter would not be seen as only a donor policy issue. It was a way for the Board and the institution to sharpen its effectiveness, he said.

14. Many of the speakers who strongly supported the proposal asked that the documentation prepared by management facilitate substantive Board discussions. They asked that it not be purely descriptive or simply an elaborated index of the country briefs, PFPs and economic and sector studies; they stressed the need to provide the Board with a self-contained analysis that covered all relevant information that the Board needed in order to make judgments, presented in a way that facilitated discussion.

15. Some of the speakers said that the documentation for the discussions should synthesize the other reports and studies on the country and present a well-summarized and balanced assessment that addressed all the issues listed in the attachment. Some other speakers said the assessment should go a step beyond the PFPs, country briefs and economic and sector studies. One of them said he hoped that the documentation would embrace the kind of thinking that was usually done in country economic memoranda and consultative group documents, focusing on the specific areas listed in the attachment.

16. Another speaker said that the assessment should go beyond the descriptive and show why the shape of each country's lending program was considered optimal.

17. A speaker added that his authorities attached considerable importance to the definition of performance in paragraph 23 of the IDA9 report, namely that equal attention be given to: (1) sound economic management; (2) efforts towards growth with equity and poverty reduction; and (3) efforts towards sustainable long-term development.

18. A speaker said that, after a country strategy review, he hoped that each subsequent credit proposal for the country would briefly make reference to the review and explain how the proposal related to it.

Duplication and Divisiveness

19. The speakers who went along with the proposal with reservations, and those who opposed or abstained, pointed out their concerns about country strategy reviews.

20. These speakers said that the proposed discussions were not needed; the existing reports and procedures were adequate and gave the Board sufficient oversight.

21. The speakers noted that Executive Directors already raised questions on the macroeconomic performance of countries and on the Bank's lending strategy in the context of individual operations brought to the Board for approval. SAL and SECAL documentation contained detailed information on macroeconomic issues, the state of the policy dialogue, external financing requirements and the Bank's lending strategy. The PFPs were periodic reviews of the policy frameworks of countries. Executive Directors had access to country briefs and economic memoranda, as well as other studies and reports, on individual countries.

22. Further, since there was no proposal to streamline the existing procedures, the proposed discussions would represent a significant duplication of effort by Bank staff and the Board.

23. Several speakers noted that the PFP contained most of the information required for the Executive Directors to be certain that there was an appropriate macroeconomic framework in the borrowing country, which had been the main concern of the IDA Deputies. Several speakers noted that there were discussions in the IMF, consultative groups and the regional banks, as well as when sector and project credits come to the Bank/IDA Board. Therefore, they said, it was not clear that an additional layer of documentation was needed.

24. The speakers who had reservations about country strategy reviews also expressed serious concern that these discussions were potentially divisive for the institution and endangered its cooperative, multilateral character.

25. Some speakers noted that, in the first place, there had not been complete agreement among the IDA Deputies about the need for these discussions. One of them said that a country in his constituency that was an important IDA donor, in fact, had expressed serious reservations about the intentions behind and the contents of paragraph 25 of the IDA report. He and several other speakers pointed out that the cooperative, multilateral nature of the institution was based on the concept of consensus. The forcing by a few countries of their views on others was not in this spirit, they said.

26. Several speakers further said that the cooperative nature of the Bank also had been built on the ongoing dialogue between the borrowing countries and Bank staff. This had built a unique tradition of confidence and partnership which could be badly damaged if the country strategy discussions were not handled very carefully. If the details of the continuous dialogue between Bank staff and borrowing country officials at different levels was reported to and discussed by the Executive Directors, the access of Bank staff to borrowing country government officials would be dramatically reduced. This would erode the Bank's influence and, in the long run, be counterproductive.

27. The speakers stressed the importance of the country's ownership of its development and adjustment program. This grew out of the dialogue with the Bank, and it was a constructive process. Borrowing countries would balk if they felt that policy change was being imposed on them through the country strategy discussions, particularly if it appeared politically motivated, which would also be counterproductive.

28. Finally, several speakers expressed concern that the discussions could introduce an undesirable rigidity into such aspects of the Bank/country relationship as the sequencing and timing of operations. It would be a shame, said a speaker, to lose the flexibility to move ahead fast with a particular operation when the circumstances in a given country were ripe.

29. The speaker who abstained said it appeared the Bank was moving a bit in the direction of authoritarianism, or feelings of intellectual self-sufficiency, because country strategy reviews implied that correct solutions to a country's problems could be set out and implemented. He noted that other Bank activities also were moving toward a position in which the institution stated its priorities, which would lead to eventually constructing a strategy on the basis of the institution's priorities and trying to deliver that to a country.

30. He said this approach was very risky for the institution and undesirable. In the first place, the state of the art was not such that anyone could say clearly at a given moment in time exactly what a country should do. And, even if one could come close to defining a solution, one had to question whether the institution could actually deliver it, he said.

31. The speaker further said that he believed the recommendations in the Lankester Report (The Report of the Ad Hoc Committee on Board Procedures, R88-11), which had been endorsed by this Board on February 9, 1988, continued to represent the degree of consensus on this Board on the issue of country strategy discussions. He cited paragraph 4(e):

32. "The Committee recognized that there was no consensus for recommending a formal Board discussion of the Bank's specific country lending strategies. It agreed, however, that Executive Directors should continue to be able to raise issues concerning the Bank's lending strategies in the context of Board consideration of lending proposals for the country concerned."

33. He also noted the content of sections f, g and h of paragraph 4, which asked that information about the Bank's lending strategy in the Country Briefs be improved by addressing specific questions, that the Regional Vice Presidents periodically report to the Executive Directors on the main economic and development issues facing their regions and reiterated that discussions of specific lending operations should concentrate on issues of policy or special features. He suggested that it would be useful for Executive Directors to reread paragraphs 15 to 22 of the Committee's report.

34. Several speakers noted that paragraph 25 of the IDA9 report asked that conclusions of the discussions be recorded. They expressed particular concern about this, especially since it was not clear what purpose the conclusions were supposed to serve. A speaker asked who the users of the conclusions would be. Another speaker observed that conclusions could be either a form of direction to Bank management and the country regarding the policies that should be imposed on a country, or they could be simply a hodgepodge of Board views without any influence on the policies the Bank should follow regarding a given country. A speaker opposed recording conclusions.

35. Several speakers observed that any attempts to draw conclusions were likely to become confrontational. One of them said he hoped the Board would not split into blocs of industrial countries and borrowing countries, because the cooperative nature of the Bank had generally avoided this to date.

36. In the same vein, several speakers noted the lack of objective indicators or criteria by which to assess the areas listed in paragraph 25 of the IDA9 report. Some of them expressed particular uneasiness about trying to assess performance in poverty reduction and the environment in the absence of objective criteria.

Constructive Restraint

37. The speakers who expressed concerns about the country strategy reviews stressed the need for constructive restraint in order to avoid the pitfalls they pointed out.

38. Several of the speakers who strongly supported the proposal acknowledged the potential for these problems and joined in the call for constructive restraint.

39. One of the speakers said he wanted to assure the concerned speakers that he had no intention whatsoever to use the new procedures as a tool to impose specific policies on borrowers. Ownership of policies belonged with the borrowing countries. He said that his objective was to make sure, in the framework of his responsibility as a Board member, that the Bank's strategy of assistance to a particular borrower really did comply with the policies as they had been devised and owned by the borrower. He agreed with the speaker who warned against the institutional arrogance of claiming to know what was right or wrong in terms of policies for a specific country. He said he believed it was important that all members of the Board sit together and question the policies of the Bank in relation to a particular country at periodic intervals, and in a more serious way, on the basis of pertinent analytical information. This would better serve the Board's mandate to supervise the institution and ensure that the Board was guiding the Bank's assistance strategies, he said.

40. Some other speakers explicitly concurred with the speaker. One of them stressed the importance of keeping in mind that in the field of

development there was no absolute truth. We are all groping through trial and error, said the speaker. That was one reason it would be an improvement to have this new, more transparent and more systematic process.

41. The staff said that the criteria against which progress would be judged would include the country's own policy framework contained in its PFP, where a PFP existed. Where a PFP did not exist, there were Government statements of policy objectives. In addition, in a country in which there were adjustment operations, there was a matrix of policy actions to which the Government was committed. The staff would essentially make judgments on performance in terms of the extent to which issues which had been identified in the past had been tackled.

42. The staff added that it wanted to assure the Executive Directors that it would try to implement the new procedure with good will and with as much sagacity as it could muster.

43. The staff said it wished to clarify what would be in the documentation. There would be account of the country's strategy. This was not the Bank's strategy; it was the country's strategy based on the dialogue with the country. This would not represent a change since an account of a country's strategy now was given in some other documents.

44. Based on the dialogue, the paper would also give an assessment of country performance as the staff saw it. Finally, the paper would talk about what the lending strategy in the country would be. The staff would not be providing precise numbers in terms of projected lending volumes. It would provide a sense of the priorities and the focus in terms of the lending strategy for a country and how it correlated with the country's approach to its economic management and performance. It was in these areas that the staff hoped to provide enough information for the Executive Directors to try to take up the issues in a cohesive fashion.

45. The staff echoed the call for constructive restraint and said it hoped that the discussions could get underway in an amicable and effective manner.

The Blend Countries

46. Some speakers stressed the fact that this new process for country strategy reviews applied only to IDA countries.

47. A speaker asked for clarification regarding the blend countries. He said he believed it would be appropriate only to have discussions of the IDA lending to a country, and not lending from the Bank.

48. The staff said that it would be necessary to deal with the overall strategy in a particular country. The staff would try to fit in IDA funding for the financing of particular areas and sectors where it was more appropriate, but the account of the lending strategy and country's economic management strategy had to be overall in order to have a meaningful response.

49. The speaker noted that discussion would not take place for countries that borrowed only from the Bank, so the blend countries would be the exceptions for which Bank lending also would be discussed. He said that he wished his vote to be recorded as opposed to the proposal before the Board on the grounds that it discriminated against the blend countries.

The Added Workload

50. A number of speakers noted that the country strategy discussions would add to the workload of the Executive Directors. Some of them said they hoped this would not lead to more bunching. A speaker asked that the country strategy reviews be included in the staff paper on the structural elements of bunching that the Board hoped to receive in January.

51. The staff said that the proposal attempted to debunch to the extent possible, because the discussions would take place in the first adjustment or other operation of the fiscal year for each IDA country. Therefore, most of them were likely to occur before the fourth quarter of the fiscal year. Nevertheless, with 46 countries involved, it was not possible to say that none of these discussion would take place in the fourth quarter. This was particularly true in the case of very small borrowers that had only one or two operations a year. The January paper on bunching would contain a likely schedule of these discussions for the Board's assessment.

52. Several other speakers indicated that they saw this new process as an added and repetitive layer of work for everyone. Several speakers said they believed that the PFP discussions in the Committee of the Whole should be discontinued now that this new process would be in place because they were essentially repetitive. Further, the speakers questioned the quality or usefulness of the PFP discussions.

53. Some different speakers said there was a distinction between the PFP and these new discussions. The former was the country's plan and the latter was the institution's response to it.

54. Another speaker said that if the new process worked well after a time, the Board could be more generous about Special Procedure, which would streamline its workload. For example, discussions of individual projects could be reduced. He said he would be willing to go as far as referring consideration of projects to a loan committee of the Board, with the full Board formally signing off on them without discussion.

55. Another speaker disagreed. He said project discussions could be useful, but the PFP discussions were largely irrelevant. Another speaker said that the Board should stop discussing the PFPs, and make the PFP a background annex for each country strategy discussion. He said that this was the approach the Fund had adopted. It was not discussing the PFP separately from the SAF or ESAF for a country.

56. The staff said that the country strategy documentation would add substantially to its workload. The Board was strongly insisting that bunching and the Board's workload be reduced, but at the same time asking for more. The staff said it believed something should be done about the PFPs. This new process would make them somewhat redundant. Other areas also might be less effective or partially redundant. The staff said that the Board had to consider how it would deal with some of these areas, because the staff could not be told to reduce the material going to the Board and at the same time maintain several parallel processes. The staff said this was an institutional problem.

57. The Chairman said that he believed it was necessary to try out the new process and see how it worked and come to some conclusions about that.

58. Two speakers suggested that the new process be reviewed in about a year.

59. A speaker said that the country strategy discussions raised another serious issue. It was that of the staffing of the Executive Directors' offices. He noted that these discussions were supposed to be taken quite seriously as the Board was being asked to play a more clear role in the shaping of the development strategies of the borrowing countries. That meant that the Executive Directors had to raise the level of sophistication of their interventions in the Board. The current staffing levels already made it very difficult to deal adequately with the generally increasing flow of information to the Board.

60. He said that the Executive Directors who were blocking thorough discussion of the issue of the staffing of the Executive Director's offices were the same ones who were asking for more information from the management, thus a heavier workload for the offices of the Executive Directors. He suggested a more coherent approach and said the problem could not continue to be treated as if it did not exist.

The Chairman's Concluding Statement

61. The Chairman said that, in order to facilitate discussion of country policy frameworks, management would provide the information that was required for a discussion of each country's strategy and performance. This would be done on the occasion of the first SAL or SECAL to be presented each fiscal year. In those active IDA countries without adjustment operations, the assessment would be provided in the first relevant investment credit presented to the Board in the fiscal year. The format and content of the enhanced credit documents would evolve in response to Board discussion so as to ensure that the Executive Directors had all the information necessary to review the Bank's assistance strategies.

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For consideration on
Thursday, June 21, 1990

IDA/R90-97

FROM: Vice President and Secretary

June 5, 1990

APPROACHES TO COUNTRY STRATEGY REVIEWS

OF IDA COUNTRIES

Attached is the President's Memorandum entitled "Approaches to Country Strategy Reviews of IDA Countries" dated June 4, 1990.

Questions on this document may be referred to Mr. Ray (ext. 78073).

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BARBER B. CONABLE
President

June 4, 1990

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: APPROACHES TO COUNTRY STRATEGY
REVIEWS OF IDA COUNTRIES

1. The recent report on "Additions to IDA Resources: Ninth Replenishment (IDA/R90-1), which was discussed by the Executive Directors on January 30, 1990, referred to the great importance that the IDA Delegates attach to the macroeconomic context of IDA-funded operations and "recommended that Executive Directors assess the policy framework for each IDA borrower annually." The management was asked to prepare documentation "as a basis for the deliberation of Executive Directors." Paragraph 25 of that report, which is reproduced in the attachment, also lists expected coverage of this documentation. This paper reviews the information that is currently made available to the Directors and explains the management's plans for ensuring that the documentation for the assessment of the Executive Directors is timely and comprehensive.

2. To enable the Executive Directors to assess the policy framework for each IDA borrower annually the management proposes to incorporate the necessary information on country development problems and prospects, the Bank's country assistance strategy, and the Bank's assessment and determination of a country's overall performance in a self-contained section in the President's Report for the first adjustment operation in a country presented to the Board in the fiscal year. In IDA countries without adjustment lending the Presidents' Memorandum of the first relevant investment credit in the fiscal year would include a similar self-contained section. The assessment provided in the President's Report would be supplemented by the discussions of strategic issues that are presented in country economic and sector reports as well as other documents available to the Board, particularly Country Briefs and Policy Framework Papers (PFPs). The management would also continue to provide additional information on an ad hoc basis as and when requested by the Directors.

3. The coverage given in various types of reports to development problems and priorities in individual countries and on the Bank's assistance strategy in those countries has increased over time. In response to a specific request from the Board, the Bank's management introduced a policy in early 1988 of including in the Country Briefs a discussion of the country's development plans and policies, the main economic issues facing the country in the context of its development efforts and how the country is addressing these issues, the Bank's assistance strategy and ongoing and planned lending operations, of how

these lending operations fit into the development strategy and the overall external resource needs of the country. These Country Briefs, which are currently produced twice a year, have proven to be important supplementary sources of information to the PFPs and President's Reports on adjustment operations.

4. Comprehensive statements of country strategies, covering major macroeconomic and sectoral issues and the Bank's program of assistance, are also available in the PFPs which are prepared for all IDA countries seeking access to the IMF's SAF or ESAF. Although the PFPs are not intended to discuss the Bank's lending strategies in any detail, they are key economic planning and monitoring documents, and as such they cover practically all the other points on which the IDA Delegates have sought documentation. In addition to assessments of economic performance and progress reports on the implementation of agreed plans, PFPs also indicate macroeconomic, sectoral and institutional issues being addressed or to be addressed in existing or proposed future Bank lending operations. The financing requirements are quantified as completely as possible for the three-year period. The likely sources of financing (e.g., IBRD, IDA, SPA, SAF/ESAF and other Fund resources, and multilateral and bilateral sources), the nature of the financing (e.g., concessional aid, amounts in pipeline, debt relief, etc.), and potential financing gaps, if any, are also indicated. Second- and Third-Year PFPs provide assessments of actual versus intended program performance, linking performance to changes in the government's objectives and commitments for the following three years.

5. The President's Reports for structural adjustment credits also provide the information needed for the assessment of country strategies. In particular, they provide information on recent economic history, key macroeconomic issues, the overall policy agenda, the need for external capital, the rationale for Bank support, and the Bank's operations strategy in the country. Links with other agencies, in particular the IMF, are also discussed. For the sake of brevity, however, the presentation minimizes duplication of other documents available to the Board, including PFPs, by making appropriate cross-references.

6. The format and content of some of the President's Reports for sector adjustment credits are similar to those for structural adjustment credits. However, since a sector adjustment credit is typically more narrowly focussed on the sector concerned, there has usually been less in-depth coverage of overall country strategies and policy issues and greater use of cross-references to concurrent structural adjustment credits and PFPs. The President's Memoranda for investment credits do not provide macroeconomic and/or strategic discussions.

7. The management proposes, therefore, to enhance, systematize and make uniform the presentation of information on country performance development problems and prospects and the Bank's country assistance strategy. The Bank will provide its assessment of each country's performance to facilitate discussion of the country policy framework by the Executive Directors. This will be done on the

occasion of the first SAL or SECAL to be presented each fiscal year;^{1/} in those active IDA countries without adjustment operations, the information would be provided in the first relevant investment credit presented to the Board in the fiscal year. In each case, the President's Report or the President's Memorandum will aim at providing a self-contained discussion that will address all the issues that are listed in the attachment.

Andrew B. Condit

^{1/} Of the 43 IDA borrowers in FY89, 20 received structural or sectoral adjustment credits.

Attachment

(Excerpt from "Additions to IDA Resources: Ninth Replenishment"
(IDA/R90-1 dated January 5, 1990)

25. Donors underscored the importance of sound macroeconomic and sectoral policies as a basis for effective use of IDA funds in all recipient countries, and urged that IDA's regular assessments of country performance specifically include a determination on the adequacy of these policies, with a view to identifying where improved performance is necessary to help build sustainable and increasingly self-supporting development. In order to ensure that IDA credits are approved in the context of adequate macroeconomic and sectoral policies, the donors recommended that the Executive Directors assess the policy framework for each IDA borrower annually, or as necessary in the case of small borrowers, and record their conclusions. This would be done in the context of a lending operation and under procedures which the Executive Directors will determine. As a basis for the deliberations of the Executive Directors, management should prepare documentation which covers the following points:

- o assessment and determination of performance (as discussed above) including any major issues in macroeconomic and sectoral management, poverty reduction and the environment;
- o the progress in implementation of the plans set forth in the PFP or other relevant country documents;
- o the state of the policy dialogue;
- o the country lending strategy and priorities;
- o the possible need for IDA-supported adjustment and the choice and sequencing of adjustment operations;
- o the composition of project lending;
- o aid coordination with other multilateral and bilateral agencies and cooperation with the IMF; and
- o criteria by which progress would be judged.

Chun

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

BARBER B. CONABLE
President

October 29, 1990

Mr. Frank Potter

Frank:

Regarding your note on Country Strategy Papers (CSPs), let me assure you that no one in management regards the Executive Directors as "outsiders". We do see differences, however, in the roles of the Board and management, and thus in the type of documentation that is used for Board decisions vs. staff analysis. CSPs are working papers used by staff to analyze options and build consensus at the management level on the country-specific objectives and programs to be pursued consistent with the Bank's overall policies and priorities. The main thrust of agreed country strategies and aggregate work programs are then outlined in various documents sent to the Board. Given their nature as working documents intended to open dialogue rather than to present a definitive conclusion, it would be quite inappropriate for the CSPs themselves to be circulated to the Executive Directors.

I am certain you accept that the Bank's management--like management of any other institution--must have a large measure of flexibility in deciding the form in which it (a) conveys proposals to the Board; and (b) manages analysis by the staff leading up to such proposals. Executive Directors, on the other hand, need to maintain a certain "arms length" relationship to the day-to-day work in order to fulfill their oversight role. The line between oversight and day-to-day management is imprecise and constantly shifting, but CSPs are most useful as working papers, rather than Board documents.

I believe we are making progress in enhancing the Board's discussion of country strategies. You have made the point many times that you wish to see this go further, on the basis of more elaborate documentation. A full Board consensus on this point does not exist, however. Should a consensus emerge, we would probably need to consider expanding presentations of country strategy in some cases, and reducing them in others (e.g. for PFP countries). We would, of course, at that stage have to consider what kind of documentation would best serve the Board's requirements.

Barber Conable

WORLD BA OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

Barmester SS

*"Talking Points"
given to SS for
review/handle.*

*CP
10/25*

TO: Mr. M. Qureshi (E-1241) | DATE: 10/18/90

SUBJECT:

Document From: Frank Potter
To: BBC
Dated: 10/17/90
Topic: Memo re CSPs

Reference No.: EXC901018020

ACTION INSTRUCTIONS:

DUE DATE: |

- HANDLE
- REVIEW AND RECOMMEND
- FOR YOUR INFORMATION
- DISCUSS WITH _____
- AS WE DISCUSSED
- PREPARE RESPONSE FOR BBC'S SIGNATURE
- FOR YOUR FILES
- RETURN TO _____
- OTHER: _____

10/23/90

Remarks: *cc: Mr. Chahane*

EXPEDITE

OFFICE MEMORANDUM

DATE: October 17, 1990

TO: Mr. Barber B. Conable

FROM: Frank Potter P.

EXT.: 8-0077

SUBJECT: COUNTRY STRATEGY PAPERS

During the colloquium on Wednesday, you may recall that Mr. Langley mentioned that in the course of attempting to understand the Bank's relationship with one of his constituents, he had asked for and been denied a copy of the country strategy paper. Mr. Qureshi in response to his comment, had replied by saying "Oh yes, but that's an internal paper."

This as you know is an old subject and one which I had thought had been resolved. My understanding is that the directors have access to any information which they need to do their work. Obviously, certain types of files, personnel matters for example, do not fall within that definition, but operational papers such as the CSP do. And why does Mr. Qureshi refer to an internal paper? Is the board an external audience?

I would like to be sure that I understand this correctly.

October 23, 1990

Mr. Sandstrom


Sven,

I discussed this with Sven Burmeister. His advice was for you to go see Potter and try to mollify him without a big fight. Sven is also getting Langley to send a note saying he is happy with the info he gets.

My suggested talking points are as follows:

- Yes, this is an old issue
- It relates to the appropriate roles of management and Board
- The Bank is no different from other organizations
 - o The Board exercises oversight
 - o Management runs the institution's day to day business
 - o Management is expected to make proposals to the Board
 - o The process of developing those proposals should be left to management
- All managements make use of working papers, etc. to formulate and evaluate options
- The outcome of this process is what matters to the Board; Directors should maintain an "arm's length approach" in order to remain objective and perform their oversight role properly
- Staff working papers--of which the CSP is one--need not and should not be given to the Board
- This is not internal vs. external audiences, but "internal to the proposal formulation process of management"

Let me know what you want to do.


David R. Bock

AK
SS

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

TO: Mr. M. Qureshi (E-1241) | DATE: 10/18/90 |

SUBJECT:

Document From: Frank Potter
To: BBC
Dated: 10/17/90
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Reference No.: EXC901018020

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- _____ AS WE DISCUSSED
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- _____ FOR YOUR FILES
- _____ RETURN TO _____
- _____ OTHER: _____

10/23/90

Remarks: cc: Mr. Shahane

EXPEDITE

The World Bank/IFC/IDA

OFFICE MEMORANDUM

DATE: October 17, 1990

TO: Mr. Barber B. Conable

FROM: Frank Potter

P.

EXT.: 8-0077

SUBJECT: COUNTRY STRATEGY PAPERS

During the colloquium on Wednesday, you may recall that Mr. Langley mentioned that in the course of attempting to understand the Bank's relationship with one of his constituents, he had asked for and been denied a copy of the country strategy paper. Mr. Qureshi in response to his comment, had replied by saying "Oh yes, but that's an internal paper."

This as you know is an old subject and one which I had thought had been resolved. My understanding is that the directors have access to any information which they need to do their work. Obviously, certain types of files, personnel matters for example, do not fall within that definition, but operational papers such as the CSP do. And why does Mr. Qureshi refer to an internal paper? Is the board an external audience?

I would like to be sure that I understand this correctly.

OFFICE MEMORANDUM

ED's

DATE : October 1, 1990

TO : Mr. Fawzi H. Al-Sultan

FROM : Moeen A. Qureshi *MQ*

EXT. : 82006

SUBJECT: Estimates of the Balance of Payments Effects of the Gulf Crisis on Egypt.

1. Thank you for sharing with us - in your note to Mr. Conable dated September 14 - your government latest estimates of the effects of the Gulf crisis on the balance of payments of Egypt. The staff has examined them carefully and has attempted to identify, on the basis of available information, the reasons for some of the differences that you noted. This is part of an ongoing process, which will continue in subsequent contacts between our staff and your government authorities. The enclosed table contains the details of our current estimate of the balance of payments effects of the Gulf crisis for Egypt and the explanation of the most notable differences between our and your estimates, which I hope you will find useful.

2. Let me note at the outset, that when the difference in presentation (CY vs FY) is taken into account, there is no disagreement concerning the estimate for the losses associated with worker remittances (\$2.4 billion in FY91). In going from remittances to total BOP effects, however, a major difference seem to be due to the fact that the estimates that you provided us fail to include the positive impact of the oil price increase on export revenues as well as the reduction in imports associated to losses in remittances. There is also some significant difference between our current estimates and those that you supplied us regarding tourism receipts. Let me also note that we have accounted in our numbers of the loss of cash and bank deposits of Egyptians returning from abroad.

3. When these factors are taken into account, the differences between your estimates for FY91 and those currently entertained by the staff are not as great as you feared. The IMF staff estimates also broadly conform with ours. Having said all this, let me assure you that we will continue to give this work maximum priority and will not fail to take into account any of the valuable inputs received from your country authorities. It is our firm intention to supply the donors with balance of payments estimates that do not underestimate any of the very severe consequences that the Gulf crisis is having on your country. We must, however, also ensure that our estimates are soundly based, and as credible as possible to the donor community. For the time being, if you deem it useful, our staff will be happy to meet with you and Ambassador Hosny to go over our estimates, the assumptions on which they are based and the supporting evidence.

cc: Mr. B. Conable

NOTE ON THE EGYPTIAN ESTIMATE
OF THE IMPACT OF THE GULF CRISIS
ON THE EGYPTIAN ECONOMY

1. Decline in transfers of Egyptian workers abroad: The Note estimates this impact at \$2.4 billion for FY91, which is also our estimate (Table 1). However, the Note ignores the corresponding decline in imports in kind associated with these remittances (51 percent of these transfers are in the form of imports of goods, which should decline if these transfers decline). We estimate that these imports would decline by \$1.1 billion, which would reduce the net impact to \$1.3 billion on the current account balance.

2. Decline in tourism receipts: Total tourism receipts for FY91 were estimated at \$1 billion before the crisis (Table 1). Assuming a reduction of 30 percent, the impact ought to be about \$300 million. Even if the reduction is 65 percent as the Note indicated, the impact would still be \$650 million and not \$1 billion as mentioned by the Note.

3. Suez Canal income: Here our estimate is higher than the Egyptian Note, since we assume a decline of 30 percent rather than 20 percent in the Note. The impact shown in the Note is \$300 million compared to \$416 million estimated by us.

4. Decline in other exports of goods and services: The Note uses a lump sum figure of \$820 million for this category and we believe that this figure is too high. Important exports in this category should include Egypt Air revenues, which we estimated to decline by \$230 million, and other income receipts (from Egyptian companies working in Iraq and Kuwait) estimated to decline by \$145 million. Thus our total estimate of the impact in this category is about \$400 million. We did not have information on the cancellation of project financing by the Kuwait Fund and the Arab Fund but it is expected that this capita account would be offset mostly by the decline in imports of equipment goods. We also understand that both Funds are likely to soon be again operational. At any rate, even if we take the Government figure for this category, the impact would be at most \$400 million more than what we have shown (see item 6 below).

5. Most importantly, the Egyptian estimate fails to include the positive impact on oil exports. As a net oil exporter, Egypt stands to gain from the oil price increase. Allowing for the increase in oil imports also, the net impact would be \$445 or \$867, depending upon the oil assumption used. It should be noted that even this figure is understated, because we have reasons to believe that as oil prices increase, the cost recovery share by the Government would decline, leaving the Government with more oil to export per constant volume of production.

TABLE 1 : IMPACT OF THE GULF CRISIS ON THE EGYPTIAN BALANCE OF PAYMENTS
 UNDER OIL PRICE SCENARIO A
 (millions of current US Dollars)

	FY91	FY92	FY93	Total
Exports of Oil a/				
Before	1250	1465	1596	4311
After	1826	1577	1534	4937
Impact c/	576	112	-62	626
Imports of Oil a/				
Before	-284	-278	-286	-848
After	-415	-299	-275	-989
Impact c/	-131	-21	11	-141
Exports of Manufactures				
Before	1255	1396	1601	4252
After	1292	1466	1681	4438
Impact c/	37	69	79	185
Non-Oil Merchandise Imports b/				
Before	-9131	-9610	-10465	-29206
After	-8030	-8648	-9817	-26495
Impact c/	1101	962	648	2711
Imports of Non-Factor Services				
Before	-2151	-2279	-2451	-6880
After	-2196	-2315	-2477	-6988
Impact c/	-45	-36	-27	-108
Suez Canal Dues				
Before	1488	1608	1738	4834
After	1072	1518	1685	4275
Impact c/	-416	-90	-53	-559
Tourist Revenue				
Before	1089	1199	1334	3622
After	784	1133	1317	3234
Impact c/	-305	-66	-17	-388
Workers' Remittances				
Before	3817	4046	4248	12111
After	1412	2013	2825	6250
Impact c/	-2405	-2033	-1423	-5861
Exports of Other Non-Factor Services				
Before	2332	2570	2831	7733
After	2101	2547	2819	7467
Impact c/	-231	-23	-12	-266
Factor Income Receipt				
Before	1378	1426	1512	4316
After	1233	1304	1494	4031
Impact c/	-145	-122	-18	-285
Factor Income Payment				
Before	-2458	-3190	-3157	-8804
After	-2458	-3340	-3421	-9220
Impact c/	0	-151	-265	-416
Total Impact c/	-1964	-1398	-1138	-4500
For Memorandum:				
Oil Price (\$/b)				
Before	16.7	17.6	18.6	
After	24.4	18.2	17.9	
Impact c/	7.7	0.6	-0.7	

Notes :

- a/ Based on IEC's assumption that due to the Persian Gulf crisis the average price of crude oil would increase by 46.1 percent in FY91 to US\$24.4 per barrel from the pre-crisis level of US\$16.7. The price of crude oil would drop to US\$18.9 and US\$17.9 per barrel in FY92 and FY93, respectively.
- b/ Non-oil merchandise imports were assumed to decrease by about 51.4 percent of workers' remittances gain due to the crisis since 51.4

percent of remittances were sent in terms of goods.
c/ "+": positive impact; "-": adver impact.

Source : RSM36G

'3CO 09/18/90
cri2

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

=====

TO:	DATE:
Mr. M. Qureshi (E-1241)	3/15/91

=====

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SUBJECT:

Document From: Mr. Al-Sultan

To: bbc

Dated: 9/14/90

Reference No.: EXC900917005

Topic: Potential Assistance to Countries Affected by the Gulf Crisis.

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ACTION INSTRUCTIONS:

| DUE DATE: |

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_____ AS WE DISCUSSED
_____ PREPARE RESPONSE FOR _____ SIGNATURE
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_____ RETURN TO _____
_____ OTHER: _____

Remarks: note 10/1: Mr. Qureshi responded by memo to Mr. Al-Sultan.

=====

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

DATE: September 14, 1990

TO: Mr. Barber Conable, President

FROM: Fawzi H. Al-Sultan, Executive Director *Fawzi* ✓

EXTENSION: 81030

SUBJECT: Potential Assistance to Countries Affected by the Gulf Crisis

With reference to the discussion in the Committee of the Whole today, I wish to call your kind attention to the fact that the figures mentioned in Tables 1 and 2 on Pages 3a and 4a, respectively, of the "Briefing Note" may grossly underestimate the effect of the Gulf crisis on the Egyptian economy in several respects.

1. The figures on the negative external effect are below Government estimates by a very wide margin (please compare the estimates in the "Briefing Note" with the Egyptian government estimates received on September 13, 1990, shown in the attached tables--Attachment Number 1. Our preliminary computation of the difference between the Bank's and Government's estimates are shown in Attachment number 2).

2. The comparison with countries affected by loss of export markets in Iraq and Kuwait underestimates the important difference between the loss of such markets which may be corrected through redirecting the exports to other markets, and the loss of remittances. There is hardly any scope for Egypt to redirect more than half a million workers to other markets.

3. The figures shown in the Bank's and Government's tables do not take into account the remittances in cash and also in kind which used to be transferred through channels other than the banking system. Such transfers were particularly significant in the case of Egypt.

4. Returning workers are coming back under difficult circumstances when they lost, for the time being at least, all their assets in Iraq and Kuwait. This makes their absorption in the economy of the home country much more difficult.

I hope that the above points and the two attachments will be taken into account in your further consideration of the matter and in the discussion with donor countries.

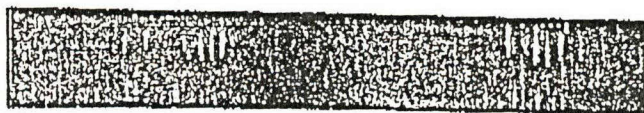
- cc: Mr. D. Bock
- Mr. R. Chopra
- Mr. H. Dinh
- Ms. E. Hubert
- Mr. E. Grilli
- Mr. M. Qureshi ✓
- Mr. S. Voyadzis
- Mr. W. Wapenhans

NOTE: The Egyptian estimates cover 11 months
(2 August 1990 till 30 June 1991).

SUMMARY OF THE IMPACT OF GULF CRISIS ON THE EGYPTIAN ECONOMY

1- Expected decline in 1990-1991 foreign currency	4520 million dollars
2- Expected increase in fiscal Burden 1990-1991	647 million Egyptian
3- Expected additional capital to create jobs for workers returning from the Gulf	4444 million dollars

* These Estimates Do Not Include The Loss of Cash And Bank Deposits Of EGYPTIANS Returning Back From KUWAIT And IRAQ. Preliminary Estimate Of This Loss Is



APPENDIX - DETAILED INFORMATION
 IMPACT OF THE GULF CRISIS ON
 THE EGYPTIAN ECONOMY

1- EXPECTED DECLINE IN FOREIGN CURRENCY INFLOWS
 1990/1991

SOURCE OF DECLINE	ESTIMATED DECLINE MILLION \$	BASIS FOR ESTIMATES
1 Decline in transfers of Egyptians working abroad	2400	<ul style="list-style-type: none"> - \$ 1000 million decline in transfers of Egyptians working in Iraq - \$ 660 million decline of transfers from Egyptians working in Kuwait. (estimated on the basis of 200,000 workers with an annual transfer of \$3300) - \$ 740 million decline of transfers of Egyptians working in other Gulf countries.
2 Decline in tourist receipts	1000	65% decline based on 1989-1990 actual annual receipts
3 Suez Canal income	300	Assumed decline of 20% in annual traffic
4 Decline in other exports of goods and services and capital inflows	820	<ul style="list-style-type: none"> - Based on actual payments due to Egyptian companies working in Iraq and Kuwait. - Decline in payments due to the national air carrier (Egyptair) - Cancellation of financing of projects by the Kuwait Fund and the Arab Fund in Kuwait. - Boycott of trade with Iraq. - Decline of foreign currency revenue of the social security department. - Decline of income of the telephone authority from international service.
TOTAL	4520	

2 _ EXPECTED IMPACT ON BUDGET DEFICIT
1990 _ 1991 Fiscal Year

ITEM	MILLION POUNDS	BASIS FOR ESTIMATES
1 _ Expected Increase In Government Expenditure		
1_1_ increase in The Wage Bill	189.6	Returning Civil Servant Re_Employed In The Government
1_2_ Increase In Expenditure Of Internal Security	29.2	Extra Expenditure For Strengthening Security
2 _ Expected Decline In Revenue		
2_1_ Decline In Suez Canal Revenue	400	Impact Of Decline In Suez Canal Income On Budget
2_2_ Decline On Taxes Paid by Egyptians Working Outside Egypt	28.5	Loss Of Revenue From Tax On Income Earned by Egyptians working Outside Egypt
TOTAL EXTRA BURDEN THIS YEAR	647.3	

This does not include the cost of resettlement, education and health care for returnees and their families estimated to be 1250 million pounds .

3 _ EXPECTED IMPACT ON CAPITAL REQUIREMENTS
FOR CREATING JOBS FOR EGYPTIAN WORKERS
COMING BACK FROM KUWAIT AND IRAQ

BASIS FOR ESTIMATES	VALUE
1 _ Total Number Of Egyptians Working in	
KUWAIT	200 000
IRAQ	850 000
JORDAN	150 000
TOTAL	1200 000
2 _ Expected No.Of Egyptian Workers Coming Back To Work In Egypt (50 %)	600 000
3 _ Capital Needed For Creating One Job In Egypt	20 000 L.E (Equal \$ 7407 U.S.)
4 _ Estimated Capital needed To create New Jobs .	12 000 [million Egyptian Pounds]

THE ADVERSE IMPACT OF THE GULF CRISIS ON THE EGYPTIAN ECONOMY

(Egyptian Government Estimates as compared to the
Bank's "Briefing Note" Estimates)

Preliminary

- 1- The estimates for 1990 in the Bank's "Briefing Note" cover the remainder of the calendar year as of the date of the Iraqi invasion of Kuwait (August 2nd till end December 1990, that is, five months).
- 2- The adverse impact on Egypt's foreign exchange earnings for the period 2 August till 30 June 1991 (11 months) has been estimated by the Egyptian authorities at US\$4,520 million, including the reduction in capital inflows from Kuwait and Iraq. The reduction in these capital inflows is about US\$300 million for FY91 (11 months). Accordingly, the reduction in current inflows is about US\$4,200 million (4,520 minus 300).
- 3- The details of the US\$4,520 million are:

	<u>(US\$ million)</u>
- Decline in remittances	2,400
- Decline in tourist receipts	500
- Decline in Suez Canal Receipts	300
- Decline in Exports of good and other services and capital inflows	820
	US\$ million 4,520

MINUS

	<u>(US\$ million)</u>
- Capital inflows from Kuwait and Iraq	300
- Increase in oil revenue	<u>200</u>
	500

Net Reduction in current foreign exchange earnings during FY91 (11 months) would thus be about 4,000

Estimated net reduction for only five months between August 2nd and December 31, 1990
 $(\$4,000 \times \frac{5}{11}) =$ 1,818

PLUS Reduction in capital inflows from Kuwait and Iraq for the 5 months $(300 \times \frac{5}{11}) =$ 136

TOTAL Reduction in current and capital foreign exchange inflows for five months 1.954
 or about about US\$1,950

This is much higher (by about US\$750 million) than the Bank's estimate of a reduction of only US\$1,200 million, over the period August 2, 1990 to December 31, 1990, that is, five months.

4- The above estimates do not include: (a) The loss of cash and bank deposits of Egyptians returning back from Kuwait and Iraq, (b) the loss of other (non-monetary) assets, and (b) other items particularly the cost of resettlement of returning Egyptians, such as out-lays for housing to accommodate the Egyptian returnees and other related expenditures (e.g. for additional operations and maintenance of the existing economic and social infrastructure as well as some expansions therein that will be required to accommodate a larger number of users and additional health and educational services).

5- A similar methodology may be followed by the Bank in consultation with the Egyptian authorities in estimating the adverse impact of the Gulf crisis on the Egyptian Economy for the Calendar years 1991 and 1992. Tables 1 and 2 of the "Briefing Note" may be adjusted accordingly.



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

DEPUTY MANAGING DIRECTOR

CABLE ADDRESS
INTERFUND

July 11, 1990

Dear Mr. Conable:

I write in response to Mr. Stern's letter to the Managing Director of July 5 concerning the compensation of Assistants to Executive Directors.

At its meeting on the subject this morning, the Fund Executive Board asked me to convey to you the Board's desire that the two committees dealing with Executive Directors' administrative matters meet informally in a joint session in order to seek to come to a common view on the compensation system for Assistants in the Fund and Bank. Mr. Cassell, the Chairman of the Fund Committee, will be in touch with his counterpart to fix a mutually satisfactory time for the meeting.

A handwritten signature in cursive script, appearing to read "R. D. Erb".

Richard D. Erb

Mr. Barber B. Conable
President
World Bank
Washington, DC 20433

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

ERNEST STERN
Senior Vice President
Finance

FAXED EARLIER

July 5, 1990

Mr. Michel Camdessus
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Dear Michel:

In the absence of Mr. Conable, I chaired a meeting of the Bank's Board this morning at which the compensation of the Executive Directors' Assistants was considered. At the conclusion of the meeting, the Executive Directors concurred in a summary to be forwarded to you, reflecting the decision on the proposal and their views on the procedure to be followed.

As you know, our Committee on Directors' Administrative Matters (CODAM) recommended that the remuneration of Assistants be at a flat rate which bears the same relation to the Advisors to the Executive Directors as that of the Advisors to the Alternate Directors, i.e., 83.7%. This conclusion was reached after extensive review of the function of the Assistants within the offices of the Executive Directors, and of data on remuneration. This was the proposal before them. The Executive Directors also were informed by the Chairman of the IMF's Committee, Mr. Cassell, that there was no majority in his Committee for a similar proposal, although there was some support for it.

The Board discussion demonstrated an almost universal support for the proposal, as tabled. There also was widespread support for taking an immediate decision on the grounds that the matter had been pending for too long. Nonetheless, great importance was given to a need to maintain parallelism both to support this important principle and because Assistants often are drawn from the same group of agencies in member countries.

Despite the strong interest in immediate action, the Board agreed to the conclusions, which they asked to be conveyed to you:


- (1) The proposal, as presented by CODAM, was approved in principle.
- (2) A final decision must be made before the Board recesses on August 13.

- (3) Although it does not involve a management proposal, the Executive Directors wish to follow a procedure similar to that in the case of staff compensation. They, therefore, request the Fund Board to consider the proposal as soon as possible. The Executive Directors expressed the hope that, although some differences of view as to the best approach remain despite the extensive deliberations of both Committees, it would be possible for the Fund Board to accept the flat rate approach to Assistants' salaries.
- (4) Should the Fund Board reach a different conclusion, the two Committees would be asked to meet to see whether any mutually acceptable alternatives are available. This step, if necessary, should, nonetheless, be completed before the end of this month, so that the Executive Directors can consider any alternative proposal prior to recess.

I hope that it will be possible for you to include this item for discussion shortly. It may well be that no common approach will emerge, but it would be unfortunate not to have tried to reach an identical position.

Mr. Thahane will be in touch with Mr. Van Houtven so that we can keep our Executive Directors informed of your decision regarding scheduling.

Sincerely,



Ernest Stern
Senior Vice President
Finance