Folder Title:	President Clausen's Personal Files on Managing Committee - Minutes - Volume 1
Folder ID:	1775255
Series:	President's committee files
Dates:	11/05/1981 - 03/04/1982
Subfonds:	Records of President A. W. Clausen
Fonds:	Records of the Office of the President
ISAD Reference Code:	WB IBRD/IDA EXC-09-5766S
Digitized:	04/14/2023

President A W Clausen Managing Committee - Minutes 1981 - 1982 (Apr)

1

Managing Committee

CONFIDENTIAL
February 12, 1982
Amended: February 26, 1982
Record: March 4, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of February 8, 1982 Meeting

Members Present: Messrs. Clausen, Qureshi, Benjenk, Chenery, Golsong, Paijmans, Thahane
Members Absent: Mr. Stern
Also Present: Mr. Rohrbacher

Opening Comments

Board Concerns re DPS/CPS Reorganization

Mr. Clausen commented on the Board's reported concerns over the announcement on the DPS/CPS reorganization issued to staff: (1) EDs feel they were not sufficiently consulted; this is not accurate, in his view, as he had briefed them in December together with Mr. Chenery; (2) EDs consider the VP, E&I a "cave-in" vis-a-vis the proposed energy affilliate. It was pointed out that the Board should have been notified in advance about the new VP position as a courtesy. Members agreed and Mr. Clausen asked Mr. Lafourcade to advise him on the proper protocol in such matters. Another member pointed out the Board's prerogatives vis-a-vis the announced 15% reduction in research. Mr. Thahane clarified the Board's concerns as follows: (1) the Board was informed, in general, about the reorganization and the reduction in research but not specifically about the actual percentage reduction or the new VP position; (2) EDs are concerned they are not on the distribution list for staff announcements. Members agreed that henceforth Mr. Thahane should distribute staff announcements to EDs together with a cover letter in accordance with the procedure for advance information to EDs. On a related matter, it was pointed out that the Board was irritated over certain of Mr. Clausen's public statements that touched on new policy initiatives. The Board feels that these should be discussed with them prior to going public. A member cautioned against over-reacting to these stated concerns in relation to their real significance.

1. Minutes of January 25 Meeting

Committee Action

Approved as amended.

2. Minutes of February 1 Meeting

Committee Action

Approved.

3. End-December Financial Report

Attending: Mr. Hattori

Documentation — 3.1 Memo (Hattori) January 29: Financial Report for December 1981 together with attached Tables 1-8

Presentation — Topic presented by Mr. Hattori who pointed out that the end-December report compares the first six months of FY82 with both budget forecasts and the first six months of FY81. As of December, net income is ahead of the budget forecast. Overall, borrowing targets appear achievable. Disbursements are slightly below but are catching up. Exchange rate movements have turned in favor of an improved income position.

Discussion — Mr. Qureshi confirmed Mr. Hattori's statements, adding that borrowings, while only 50% of the year's target in the first six months rather than two-thirds, are expected to achieve the annual target by end-June. Financial expenses are lower because of less borrowing and concentrated borrowing from official sources in low interest rate currencies (e.g. Yen). Administrative expenses are slightly over target, but target figures did not include the large salary increase of last May. If taken into account, administrative expenses are well below forecast.

A member questioned how exchange rate adjustments can best be handled for reporting purposes and for what time periods. Mr. Qureshi reported that for financial statement purposes, they reflect end of period rates. For forecasting borrowing and interest, average rates for the period are used. For currency pooling, daily rate adjustments are reflected. Mr. Hattori added that emphasis is being given to reducing the impact of exchange rate fluctuations on financial operations as depicted in the flow of funds statement (Table 3).

Conclusions — A member questioned what the Managing Committee should focus and take specific action on, based on mid-year results. Mr. Hattori responded that there should be a study on the impact of foreign exchange fluctuations on income. Also, more borrowing should come from lower interest rate currencies (e.g. Yen). Mr. Qureshi summarized four key points for Managing Committee attention: (1) net income: members should be comfortable with the current position, prospects for the next six months and measures taken to improve performance; (2) borrowing and liquid assets are lower than forecast; 45% of the FY82 borrowing targets remains to be secured in the face of rising market interest rates which may result in pressures to limit borrowings and thus reduce liquidity; (3) administrative expenses: there is room for reductions, but concrete measures have to be taken in order to realize savings; and (4) the lending rate system must be changed; the Board must be convinced to provide management with the flexibility to borrow in short-term markets. The importance of monitoring progress vis-a-vis subscriptions from the GCI and selective capital increase was also noted, and it was decided that the Managing Committee would be kept informed of both on a monthly basis.

A member brought up the issue of releasing local currencies for administrative expenses. Messrs. Hattori and Qureshi reiterated the Bank's policy of using the local currency portion of capital subscriptions for covering administrative expenses in countries where field offices are located and noted the well-established practice of tapping income first for U.S.-based expenses. A member pointed out that some Board members regard this as inconsistent and ask why the Bank could not use first the local currency equivalent of the U.S. capital subscription. Under the Bank's Articles, the use of the local currency portion requires approval of the country, except if it is to cover administrative expenses. This has not been used in the case of the U.S. The U.S. has one protection though since the Bank must use first the income derived from the capital subscriptions. At any rate, the situation may become more difficult if the French and others decide to follow the example of the U.S. Mr. Hattori mentioned the specific case of Kenya where the 9% local currency portion has been exhausted for covering administrative expenses of the Regional Mission. He suggested that the whole matter should come under review, although it is not a pressing issue. On a related issue, it was reported that IDA contributions now exceed commitments after receipt of the U.S. payment. This means that credit commitments can be stepped up by about $1 billion to the limit of $2.6 billion.

4. Expanded Public Affairs Program

Attending: Mr. Vogl

Documentation

4.1 Memo (Benjenk) January 29: Proposal for an Expanded Public Affairs Program

4.2 Memo (Vogl) January 29: Information and Public Affairs together with accompanying packet of chapters from the Proposed IPA Program.

4.3 Telex (Stern) February 8: Views in re Political Program.

Presentation

A telex from Mr. Stern dealing with the subject matter was first distributed to and read by Committee members. The topic was then introduced by Mr. Benjenk who noted that this is the first program ever in the area of Public Affairs. The proposal is for a comprehensive program, quantified in terms of budget, requiring small financial increases and minimal additional staff. With respect to the political program included in the proposal, Mr. Benjenk pointed out that it is not a lobby which is being proposed. In particular, contacts with politicians are not to be limited to the U.S. Congress, but will also include Western Europe.

Discussion

The discussion focused first on the budgetary aspects. The Chairman noted that the proposal did not specify what the actual expenses were for FY81, or for the first six months of FY82. Without this data as a reference point, it is not possible to approve now an increase in the budget for FY83.

Mr. Vogl explained that until a year and a half ago, there was no clear budgeting in External Relations. More specifically, there were no objectives, guidelines and programs in the IPA Department. Budgets were prepared and approved only on the basis of previous budgets. Since then, a major look took place over the External Relations complex, with subsequent reorganizations and adjustments. For instance, internal communications was added recently to IPA, while Publications activities were separated in a new department.

Mr. Vogl then turned to the political side and summarized the three possible options contained in the proposal: (a) to ask a major public relations company to do the job for the Bank, which would carry all the risks and disadvantages mentioned in Mr. Stern's telex; (b) to rely on a high-level specialized consultant, which would carry about the same problems; and (c) to hire a full-time specialized professional. The clear preference is for the third option. Mr. Vogl stressed the point that what is recommended is not a major lobbying campaign, but rather an education program, e.g. for more than 300 members of Congress who know nothing about the World Bank. What the Bank does now is only intelligence gathering on Capitol Hill, and this is quite insufficient. Likewise, in the financial area, there are so far no structured programs, while there is a great need for seminars for brokers and the like. The request for a few additional positions in the IPA Department is meant to address such problems, with the recognition that existing staff is already extremely stretched.

Several members expressed their full support for a more systematic Public Affairs program, since several constituencies have been largely neglected in the past, especially in Part I countries. Some members, however, expressed their concern that the proposed program does not draw clear dividing lines among the various functions of IPA, i.e. intelligence gathering, education, information and lobbying. The Bank's presence on Capitol Hill for instance, although limited to intelligence gathering, has been a very sensitive area in the past, leading to considerable resistance by the U.S. Treasury. A member stated that the Bank can talk to congressmen primarily outside of a voting period or when there is no specific bill such as IDA.

Another member pointed to the need to keep a proper balance between public affairs efforts in the public and private sectors (the latter including academic, business and financial communities). With respect to the former, a balance should be kept between the U.S. and Europe, and bureaucracies in general should not be forgotten, in contrast to political circles. In terms of resources, it was noted that DPS alone provides more than 150 appearances each year for conferences and seminars and also contributes to the preparation of public appearances of others in the Bank. This points to the need for coordination of these activities.

A member expressed strong reservations with the political program presented in the proposal. Steps proposed, such as meetings with committee members in Congress, can be very risky and give way for Congressmen to get into the Bank. In addition, such steps may lead to strong objections from other countries. Another member added that this is also a very sensitive area for the Board.

Conclusion and Committee Action

The Committee approved the general thrust of the proposal. It agreed, however, that the political program should be viewed with great sensitivity. One of the first steps should be to talk with the U.S. Treasury to offer assistance in dealing with Congress. The Bank should be very careful of not appearing as lobbying in Congress, or other Parliaments, and in general should avoid the risks of political interference.

The Committee also agreed that the proposal must now follow the normal budgetary process through PAB. (Action Responsibility: Messrs. Benjenk, Vogl)

5. Answer Line

Documentation

5.1 Memo (Benjenk, Paijmans) February 4: Answer Line

resentation

Topic introduced by Mr. Benjenk who pointed out concerns expressed by PMD that if an Answer Line program were introduced too rapidly at a time of major personnel policy changes, resulting questions might overtax capacities to respond. In addition, certain issues may require consideration of legal implications which will cause further delays in responding. This could further complicate the ability of PMD and COM to introduce policy changes in an effective manner.

Discussion

A member asked if policies were being developed before employees' concerns are known. Mr. Benjenk responded that he was cautioning against the use of Answer Line as a "relief valve" in lieu of clear and concise policy statements. A member suggested that employee questions need not be published in Answer Line; rather, they should be individually and privately answered. Another member commented that this can be excessively complex and time consuming; until the organization can be equipped to respond properly, the proposal is to "soft pedal" Answer Line. One example of how responding to employees results in increased workload is the new work requirements associated with the Ombudsman. These require private responses and, if they were public, it would take even longer. There is no quarrel with the goal of being an open organization; the Bank will simply "have to learn to walk before it can run."

Conclusions

Members agreed it was important to be an open organization and to treat employee concerns and questions seriously and with candor. However, care must be taken when responding to employee inquiries to recognize implications on related issues and other concurrent channels of communication. It was also acknowledged that it may take awhile for the institution to gear up to respond to employees in a fully effective manner.

6. Other Business

IDA

In connection with the strategy outlined at the Managing Committee meeting of January 25, Mr. Qureshi mentioned that there is already a good mobilization of support for IDA, both from Executive Directors and others.

Board Matters

Mr. Thahane reported on his meeting with Mr. El Naggar, Chairman of CODAM, on the issue of how to cut down group travel of Executive Directors. The outlook is promising since EDs are likely to accept the limited guidelines. They are also being urged to set examples themselves in reducing administrative expenses.

Mr. Thahane also reported that the Chinese ED and Alternate ED are lobbying strongly against the proposal to hold the 1985 Annual Meetings in Korea. He explained that he told the Chinese that management's role is only to respond to the invitations from governments not to seek them. Once an invitation is received, management looks carefully at the country's capacity in terms of facilities to hold the meetings and to provide the necessary assurances in issuing visas to all delegations.

Research Program

In reference to the forthcoming Board meeting on the Bank's research program, a member observed that the final impact of the DPS/CPS reorganization is not yet known, and argued that the total research program may be cut substantially. The Committee agreed that specific figures are still debatable and should not be discussed at the meeting with EDs.

Front-End Fee

A member suggested that the issue of capitalization of the newly established front-end fee should be discussed at a Committee meeting after Mr. Stern's return, since there appears to be some confusion in some parts of the Bank on how to deal with this. The Committee agreed that the front-end fee should not be part of the loan, and the necessary guidelines to the staff (especially in connection with the preparation of loan documents) should be issued.

Switzerland Membership

Mr. Qureshi mentioned that the issue of Swiss membership in the United Nations is likely to come before that of membership in the Bretton Woods institutions. Both Messrs. Jolles and Leutwiler, whom he had met during his recent trip to Switzerland, feel that if the UN membership issue does not go through, it would make matters more difficult for joining the Bank and IMF.

Staff Association Report

Mr. Paijmans reported that there have been few reactions of the staff to the Staff Association Report on the Bank in the 1980s. Some members observed that the style of the report was changed substantially compared to earlier versions. The Committee agreed that the least the report is talked about, the better.

IDA Retrospective Study

Mr. Benjenk reported that he now has a list of Bank staff from which a selection should be made to form part of the team responsible for the IDA retrospective study decided by the Committee on January 25. Messrs. Benjenk, Chenery, Qureshi and Stern should meet quickly to decide on the names. There are also three names of people from outside: R. Ayres, E. Fried and R. Asher. The Committee agreed that the list of outsiders should not be made only of Americans.

McNamara Fellowships

Mr. Golsong confirmed that a paper on this subject will be submitted for consideration at the MC meeting of February 22. Mr. Benjenk said that the proposal now is that a first selection of candidates would be made by EDI, and final selection would be made by a high-level body of Bank management. The fellowships would be administered through universities, so that no direct payment to the individual would preserve the tax exemption aspect.

Mr. Benjenk and Mr. Thahane have already met with a group of EDs to keep them informed on this subject.

Bank Finances

The Committee agreed that it would be appropriate to inform the Board on the Bank lending Fed securities. This could be done orally by Mr. Clausen at a Board meeting under "Other Business."

ɔard ʒeminar

Mr. Qureshi reported on the budget seminar of Feburary 4 which left EDs less than satisfied. They wanted more clear indications on the implications of the IDA shortfall. They were told that it was not possible to answer their queries specifically at this time, but another seminar would be scheduled before the FY83 budget discussion at the Board.

Mr. Chenery said that he intended to use some country examples to illustrate the process of structural adjustment at the Board Seminar on February 11. He will not discuss the lending aspects which are left for a subsequent seminar in the spring.

Managing Committee

CONFIDENTIAL
February 5, 1982
Record: February 9, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of February 1, 1982 Meeting
Members Present: Messrs. Clausen, Qureshi, Benjenk, Chenery, Golsong, Paijmans, Thahane
Members Absent: Mr. Stern
Also Present: Mr. Rohrbacher

Opening Comments

Report on Chenery Trip

Mr. Chenery reported first on his extended trip to the Middle East, India, Sri Lanka, Thailand and the Philippines for the main purpose of discussing the World Development Report and to follow up on the collaboration between the Bank and these countries on research. In all places, the interest for the Bank's work is high. Audiences to the various meetings and seminars were very broad, from academia to private businessman and government officials. In general, discussion showed widespread interest in the issue of the adjustment process both outside and within the countries he visited. Mr. Chenery concluded that the Bank must increase its efforts to tailor its economic analytical work to the specific situations of the countries.

Report on Qureshi Trip

Mr. Qureshi reported on the seminar he attended at Davos, Switzerland, and on his visit to Germany where he met a number of key officials, e.g. Genscher, Schulmann. The atmosphere at Davos was basically focused on the issue of U.S.-European relationships, and the seminar was a good vehicle for the airing of views on issues such as Poland and the Third World. Mr. Qureshi also mentioned his meeting with several OECD ministers of industry where the discussion focused on energy.

Bank Policy re Political Questions

Mr. Clausen asked whether the World Bank should have and publicly express views on the resolution of the economic problems of Poland. More generally, and especially in view of the forthcoming applications for membership from several Eastern European countries, what should be the Bank's answers to questions with a high political content? In general, members agreed that the Bank should not publicly express views on an issue with strong political motivation. It is, however, possible for the Bank to explain its views on the implications of a given situation. For instance, the Bank explained its views on the implications of the oil shocks, but without passing judgment on OPEC.

The Committee agreed that this issue should be discussed in depth at a forthcoming meeting. Resources for the answers to questions and for public statements should come first from the Operational complex and the Legal Department. A general strategy ought to the designed, and Mr. Benjenk will be responsible for putting together the necessary documentation for the Managing Committee discussion. (Action Responsibility: Mr. Benjenk)

1. Minutes of January 25 Meeting

Committee Action

Corrected as indicated in attached amended version.

2. Personnel Management Policies

Attending: Messrs. Clarke and Kaji

Documentation

2.1 Memo (Paijmans) January 21: Personnel Management Policies together with related documentation on Performance Appraisal, Reward Systems and Job Grading.

Presentation

Topic introduced by Mr. Paijmans who stressed the inter-relationships among the three policy areas covered and their critical importance to the staff and employee-management relations. Staff may view recommended new policies as a threat. Performance appraisal is likely to be the least controversial; rewards systems will be perceived as the greatest threat, and job grading a possible threat by insecure individuals. All three policy initiatives are needed to provide a proper framework for the institution and demonstrate clearly that true merit concepts underlie overall personnel policies. It is hoped that these proposed new steps will be view as moving in a more positive direction.

Discussion: Performance Appraisal

Mr. Paijmans summarized the overall objectives, principles and recommended policy approaches contained in the background material. In essence, the proposal amounts to a new performance appraisal system, differentiated among managers, professional staff and support staff. Mr. Paijmans stated his intention of coming back to the Managing Committee in June with detailed proposals for the implementation of the new system for both managerial and non-managerial professionals. This implementation could then be initiated in July. A member asked for clarification of the different standards to be applied to managerial and professional staff. Members stressed that there should not be two separate systems but a single system using different criteria for different categories of staff. The criteria should capture the essential differences in what is expected from managerial professionals versus non-managerial professionals. Mr. Kaji explained that, currently, job descriptions relate to broad categories of staff and are not specific to the organization. The intent is to render job descriptions position-specific by "customizing" them to the organization. A member questioned how this would be done. Mr. Clarke responded that all 5,500 jobs would be done in "blocks" over an 18-month period as a basis for completing the job grading exercise. Another member pointed out that job descriptions are crucial for effective performance appraisal as well as job grading.

Conclusions

Members reviewed recommendations in the area of performance appraisal contained in the Summary section of the background material. Para 1.2(a) was clarified to read not separate systems but separate job descriptions reflecting separate job-specific criteria. Para. 1.2(b) was clarified to read that performance would be rated against the job description. Para. 1.2(c) generated considerable discussion over the notion of linking vs. de-linking performance appraisal and reward systems. Mr. Kaji pointed out that the recommendation called only for a separation in the process. Although closely related, evaluation and reward should be kept separated in time. Evaluation implies more the notion of absolute value of the individual. It is forward looking, effectiveness oriented, and related to the training aspects. By contrast, reward introduces ranking, peer comparison, and therefore relative value criteria. Mr. Paijmans argued that, based on the past experience of the Bank, it was indeed preferable to keep performance appraisal separate from merit review. In order to better spread the workload, especially for managers, performance appraisal can be distributed over the year, but, for administrative reasons, the merit review ought to be kept at the same time for all staff. Members generally agreed with this assessment. Para. 1.2(d) relating to the implementation strategy calls for drawing lessons learned from the experimental programs in EAP and EMENA and extending the approach Bank-wide. A member cautioned against applying Operations experience to the support departments.

Discussion: Reward Systems

Mr. Paijmans directed members' attention to Para. 2.2 which lists problems to be overcome and cites Option C and Para. 2.7 as the recommended approach for resolving these problems. The proposed combination of General Salary Increase (GSI) and merit increase is certain to arouse strong reactions from the staff. There are also legal implications, i.e. possible appeals to the Administrative Tribunal. An important aspect is that this approach is common in the U.S. private sector but not at all in the U.S. public sector and outside the U.S. Implementation timing calls for applying the GSI adjustments to the January 1 merit base in May 1982 retroactive to March 1 and, post-1982, treating all salary adjustments (GSI and merit increase) at one time on May 1. A member pointed out the history of this issue which dates back to the McKinsey study in 1972 and the Kafka exercise started in 1977. As a result of Kafka, overall salary adjustments are guided by comparator movements and, therefore, include both the across the board adjustment and the merit increase. Based on this history and the judgment of the Administrative Tribunal last year, the Bank would probably lose its case in the Tribunal if Option C remains as presented. Another member observed, however, that the Kafka exercise took the Bank away from granting full cost-of-living adjustments indexed on the Washington CPI. There is, therefore, some flexibility for reducing the proportion of the overall salary increase indexed to the COL, and the question is to decide how much of the total salary increases should be granted across the board. Another member questioned the proposed timing and advocated waiting until FY83 to implement the new program but announce it now.

Messrs. Kaji and Clarke cited the benefit of introducing the merit basis for the GSI adjustment this year if management is willing to stand up to pressures from the staff. The principle of parallelism with the IMF will be met so long as equivalent total amounts are distributed even though the Bank may diverge from the Fund on how and to whom they are distributed. A member observed that, in the past, about 80% of the total increase in salary was due to the GSI based on external factors (COL) while only 20% was attributable to merit reward, i.e. internal factors. The intention now is to reverse the relative weight and possible arrive at a 30-70 ratio as an ultimate objective. In the short term, however, i.e. for this year, a 50-50 ratio would seem more appropriate.

Conclusions

There is a risk involved in reducing the proportionate share of the GSI attributable to the COL below 50%. Hay Consultants have advised the Bank that private sector practice in the U.S. calls for at least 50% COL in times of inflation. Other considerations that should be taken into account include: (1) staff reactions, (2) Board, (3) IMF, (4) Administrative Tribunal. A member suggested it was preferable to test the Tribunal's reaction by announcing the program for FY83. The strategy involved in introducing the approach this year is to take advantage of the current climate of uncertainty among staff. It may be preferable to assume this risk now in order to help motivate good performers in the face of an upcoming period of no staff growth. Management's case is strongest this year if the proportionate shares are kept at 50-50. The split can be modified to 36% across the board, 64% merit in future years, or somewhere between 1/3:2/3 and 1/4:3/4.

Members acknowledged this policy will be difficult to articulate to all concerned parties. It was felt, however, that the Board would be sympathetic given their admonitions to strengthen merit bases in salary increases. Also, applying a partial COL to the January merit base this year will mean that everyone, even the non-performers, will get something from the general increase. The announcement will have to be drafted carefully to convince staff that management is not "massaging the numbers." Overall, members agreed on a policy to combine merit and general increases in future years, and apply a 50-50 split to the overall general increase in May 1982 which takes into account the merit increase already granted in January. An announcement will be prepared to meet legal requirements. The matter will be taken up next in the Senior Management Council.

On Para. 2.7(c), it was agreed that professional growth increases should be discontinued but that more thought should be given to what controls should be applied to ensure equity. Para. 2.7(d) was accepted. Para. 2.7(e) was rejected, for now, but PMD is to continue developing a policy with the precaution that this subject be treated "very carefully." Para. 2.7(f) and (g) were also agreed to along with proposed next steps (Para. 2.8).

<u>Conclusions: Job Grading</u>

After Mr. Paijmans summarized problems with the present system and outlined alternatives for addressing these problems, members considered the recommendations contained in Para. 3.7. All points (a)-(i) were agreed to by the members with one minor modification to Para. 3.7(g). Hay Consultants will be retained for this purpose on a sole source basis, but they will serve as technical advisors only and not chair meetings. Job descriptions should be completed for positions in units currently being reorganized as an outgrowth of reorganization efforts. Final grading of all positions should be delayed until all jobs have been defined.

<u>Committee Action</u>

The Committee approved the general thrust of the proposals which can now serve as a basis for initiating discussions with all parties concerned, i.e. managers, EDs, the IMF and the Staff Association. Mr. Paijmans is to keep the Committee informed of the developments resulting from these discussions. (Action Responsibility: Mr. Paijmans)

4. <u>Taiwan-China</u>

<u>Documentation</u>

4.1 Draft Memo (Benjenk and Golsong) January 29: Treatment of Taiwan, China in Bank Reports, Documents and Maps.

<u>Conclusion and Committee Action</u>

The Committee endorsed the proposed draft prepared by Messrs. Benjenk and Golsong, with minor editorial changes. Once finalized, the memo can be delivered to Mr. Wang in the morning, with a request for a meeting later in the day. (Action Responsibility: Messrs. Benjenk, Golsong and Thahane)

5. <u>McNamara Fellowships</u>

<u>Documentation</u>

5.1 Memo (Golsong) January 28: McNamara Fellowships

<u>Presentation</u>

Mr. Golsong summarized his recommendation that the activities concerning the fellowships be initiated within the Bank. At the same time, the idea of a Foundation can be pursued, but it will take time because of the tax implications with the IRS. When the Foundation comes to life, the internal activities within the Bank can be discontinued.

<u>Discussion</u>

Several members urged that action should be taken quickly on this issue. The Board has already asked for a progress report. The Committee agreed that the Foundation should be tax exempted. On the issue of selection of applicants, the idea was suggested that a list of about 20 institutions could be drawn (including from Part II countries). These institutions would select candidates according to criteria which a Bank committee would set up.

<u>Conclusion</u>

The Committee agreed that concrete action and recommendation should be presented to the Committee at its February 22 meeting. (Action Responsibility: Mr. Golsong)

6. DPS/CPS Reorganization

Documentation 6.1 Memo (Rohrbacher) January 26: Draft Announcement.

Presentation Mr. Rohrbacher reported that some further discussions are necessary for the determination of the precise number of positions transferred. The main final decision to be taken by the Committee is the nomination of individuals to the three managerial positions and the Research Adviser position.

Discussion Mr. Paijmans reported that E. Stoutjesdijk is favored by both Messrs. Stern and Chenery for the position of Director of the new Development Research Department. Mr. Waide is well qualified for the position of Director of the new Country Policy Department. B. Kavalsky is already acceptable for the Assistant level position responsible for Country Economic Policy, while there is still some doubt as to whether S. Chernick is interested in heading the other component of this department dealing with Bank Assistance Strategy. A member commented that Chernick is likely to accept the position. Jack Duloy could become Research Adviser. In addition, since Waide would move immediately to CPD, there is the need to appoint somebody in DPS to act as Vice President during Chenery's absences. Peter Wright would be suitable for this, and the Committee agreed there was no need to make an announcement to that effect.

Conclusion The Committee approved the appointments of Messrs. Stoutjesdijk and Waide and agreed that a definitive reply should be obtained from Mr. Chernick and that Mr. Chenery would get confirmation that Mr. Duloy would accept the Research Adviser position. Several members made comments on the style of the announcement which should be improved. Some members suggested a number of editorial changes which they submitted to Mr. Rohrbacher. One member questioned the substance of the paragraph relating to the function of PAB, but Mr. Rohrbacher assured him that the wording was the result of a meeting he attended with Messrs. Stern, Gabriel and Vergin. The Committee further agreed that the appointments agreed upon would be effective immediately, i.e. date of the announcement. (Action Reponsibility: Mr. Rohrbacher)

7. Other Business

Travel Policy Mr. Paijmans reported on the results of the first meeting of the Personnel Administration Subcommittee. One of the items discussed was the review of the Travel Policy. Extremely strong views were expressed on the inadequacies of the current policy which is felt very cost ineffective and, among other things, invites staff to cheat. In addition, the rest stop policy is seen as excessively generous. In general, the subcommittee expressed the need to restore the sense of urgency and effectiveness. With respect to first class travel eligibility, three recommendations are under review: (a) return to the zone concept; (b) reduce the frequency limit from 90 days to 50 or 60; and (c) establish a tier system according to hierarchial position in the Bank. ADM has now been asked to look into these options. The Committee agreed that it should take the final decision in this matter, given its importance.

Managing Committee

CONFIDENTIAL
January 28, 1982
Amended: February 5, 1982
Record: February 9, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of January 25, 1982 Meeting

Members Present: Messrs. Clausen, Qureshi, Stern, Benjenk, Golsong, Paijmans, Thahane
Members Absent: Mr. Chenery
Also Present: Mr. Rohrbacher

Opening Comments

Report on Asia Trip

Mr. Clausen reported on his trip to Asia. He characterized meetings in Japan with the Minister of Finance and Mr. Suzuki as good; borrowing prospects look favorable. His stop in Pakistan was also reported as productive; meetings with the Finance Minister and dinner with President Zia went well. In India, all ministers he met expressed their concern over the reduction in India's 40% proportionate share of IDA. However, Mrs. Ghandi made the government's position clear that they looked to the President of the World Bank to solve the current situation. Overall, Mr. Clausen stated that despite some disappointments in India, he felt relationships in all three countries were better as a result of his trip. Press treatment now characterizes the Bank as "less liberal" than before; while not an entirely fair characterization, he pointed out that a "harder" line may help the Bank with IDA over the long run. Such treatment by the press will have to be watched carefully to protect the Bank's image from being harmed unduly, however.

The Bank's World

The first issue has been published, and Mr. Clausen reported that he has gotten favorable reactions. Mr. Benjenk stated that he was generally pleased although minor improvements were called for. Mr. Clausen questioned the lack of attribution to the replies in the question and answer section. Overall, he praised this first effort as 75% of what is needed and expects improvements to come over time. He also cited Mr. Stern's statement on energy as an excellent response to questions about the Energy Affiliate which come up repeatedly in his travels.

1. Minutes of January 11 Meeting

Committee Action

Approved as amended.

2. Minutes of January 18 Meeting

Committee Action

Approved.

3. Procurement Policy

Documentation

3.1 Stern (Memo) January 21: Procurement Policy and Accompanying Report to Executive Directors on 7-1/2% Preference Policy (Baum) January 7.

Presentation and Discussion

Topic introduced by Mr. Stern who called attention to the popularity of this policy with Part II countries. A member questioned the notion of an "expiration date", and Mr. Stern responded that this was a very controversial subject when it was first issued, and the Board decided to review it periodically. A board seminar on the subject chaired by Mr. Baum on January 22 was characterized as very successful.

Committee Action

Members raised no objections to forwarding the paper to the Board. A member cautioned that treatment in Board papers and Bank policies must be consistent and cited the case of the use of a "cut-off" as opposed to a "trigger" for the graduation policy. (Action Reponsibility: Mr. Stern)

4. Internal Documentation

Attending: Messrs. Cosgrove and Bloomfield

Documentation

4.1 Issues Paper (Twining) January 19: Internal Documentation Management

Presentation

Topic introduced by Mr. Paijmans whose remarks were augmented by Mr. Cosgrove. The Administrative Services Department identified documents as an area of potential cost savings. Benefits of establishing a new approach and unit include: (1) authors avoid duplication, (2) improved quality, (3) authors assisted in reaching their audience, (4) helps to assure a copy for the record. For readers: (1) cuts down on volume of reading requirements, (2) helps to focus in on what is really needed, (3) provides a consistent format, (4) assures better retrieval from stores. On the departmental side, better budgeting, better planning, better control and overall cost savings are anticipated.

Discussion

A member questioned whether the proposed new unit would reduce paperflow and eliminate reports that are not useful. Mr. Cosgrove responded that the unit can help by forcing staff to identify needs. The member again questioned whether this was enough to be effective and suggested, in addition to such a unit, an objective, "tough" review of report distribution patterns by an impartial group as potentially more effective. Another member categorized three different problems: (1) one set of papers is that of formal management reports (e.g. financial)--it will be possible to subject those which have a regular cycle to a team review approach as suggested; (2) another set of problems is that of the length of reports, the number of clearances, etc.--this is quite different and ways must be found to standardize and avoid duplication, without upsetting Board members (progress has already been made with the President's Reports); and (3) a number of papers are prepared and distributed although they are irrelevant--this will require instilling in line managers an awareness of the need to cut down.

A member questioned whether this unit would prevent, for example, 8,000 copies to be printed when only 2,000 are needed. Mr. Cosgrove responded the new unit would indeed be canvassing originating departments and authors to pinpoint printing and distribution needs. This would include drafts as well as final copies, but overall length and contents would not be controlled. An attempt will also be made to get further "upstream" in order to better control photocopying usage. A member pointed out that this was appropriate for regular reports, but not for occasional documents whose authors need to circulate for comments.

A member cautioned that this should be kept in perspective. Bank staff are intelligent people, and excessive control is inappropriate. The idea is to provide useful tools to managers. In this vein, a charge-back system is being looked at to associate publication costs with an author's budget. Another member pointed out though that out-of-pocket publication costs are small compared to labor-intensive preparation, reading, handling and so forth.

Conclusion

Members agreed that it was important to get this program underway, although greater clarity was needed in what is going to be done and how they are going to do it. For instance, all documents should be covered, not just those in excess of 20 pages. Implementation steps need to be spelled out including relationships to Reports Desk, central files, etc. Good coordination will be required between Administrative Services and External Affairs in order to make this work effectively. One member cautioned that distributing a reports index would result in adding rather than reducing the magnitude of paper. Certain documents would not be recorded, such as draft papers to the Managing Committee, but all other papers would be subject to document control regardless of their number of pages or copies. In addition, more work must be done to reduce paper at its source (i.e. authors). The Committee approved the proposal and agreed that the paper should be adjusted to take account of the points raised in the discussion. The Committee agreed that, in general, approval of a proposal to set up new units such as the one presently suggested, does not automatically carry with it the budget positions and funds. Such proposals must still go through the normal budgetary process. (Action Responsibility: Mr. Paijmans)

5. Mid-Year Budget

Attending: Messrs. Gabriel and Vergin

Documentation

5.1 Memo (Qureshi) January 22, 1982: FY82 Fiscal and Operating Programs and Administrative Budgets--Mid-Year Review

Presentation

Topic introduced by Mr. Gabriel. A seminar for the Board is scheduled February 4 in which it will be reported that savings are possible this year. Administrative expenses are currently estimated at 1.5% below the original program which reflects the Bank's inability to capture the effects of program changes quickly.

Discussion

A member strongly questioned the use of "original programs" as the reference base instead of the "actuals" for the previous year. He then asked for clarification on higher level staff years: why are FY82 estimates higher than FY81 actuals and what is their rate of growth compared to non-professionals. Mr. Gabriel responded that units were granted "right" to staff up to 2715; steps have been taken only recently to withdraw this authorization. Overall strength is at 2600 as of December 31. Mr. Vergin stated that this year's lending work program for FY83 and 84 projects is currently being reassessed. It may be possible to cut back by as much as $10-12 million although only $6 million is being reported to the Board. This level of savings would come from reductions in the U.S. tax reimbursement, more favorable exchange adjustments, staff savings, etc., in addition to a reduced lending work program.

A member questioned why the growth rate in professional staff was higher in FY82 than previous years. Another member pointed out that the growth must be occuring primarily in support areas and not Operations. Mr. Gabriel confirmed this point, stating that two-thirds of the growth was non-operations and only one-third was Operations. However, management must caution against sending a wrong signal that could be interpreted by managers to use up this year's budget to reduce the rate of increase for next year.

One member suggested that the rate of growth of commitments could be used as a base line for measuring increases in administrative expenses. Mr. Vergin confirmed this point, citing the example of underruns from FY80 and FY81 vis-a-vis energy projects and China affecting the pipeline inventory. Another member pointed out the phenomenon that increasing the number of projects under a fixed lending amount reduces average project size, while increasing average project size reduced the number of projects and, hence, staff requirements. Consequently, there is a strong bias to overstate the number of projects. There may be adverse effects on the quality of projects in order to meet budget goals, although this has been less true in recent years. Operations management is careful to watch the quality of projects toward the end of the fiscal year to ensure that pressures to meet budget targets don't provide countries an opportunity to take advantage. Country pressures can be countered by virtue of a solid, quality backlog of projects.

A member questioned how the use of consultants was controlled. Mr. Vergin stated that there was greater scrutiny over consulting usage in budget formulation than in execution; once funded, consulting resources are entirely at the discretion of the RVPs with an overall control exercised by PMD over unit costs. On another point appropriate for Managing Committee attention, it was stated that several new initiatives are being funded out of the contingency budget, e.g. internal communications, external communications, new PMD and COM policies, etc. This will also affect FY83 as these expenses are rolled forward. A member cited this as a good example of the value of the net zero growth in staff years wherein reductions would have to occur elsewhere to offset these initiatives.

One member pointed out that certain areas in the Bank have been victims of past neglect and should not be further hurt by virtue of requiring any new pluses to be offset by minuses. No adequate system exists for monitoring. Taking exception, another member reminded the Committee of their agreement on a zero growth policy and stated that PAB staff are working hard to achieve this objective with the vice presidencies and will report back by the end of March if it is not feasible.

Conclusion

Members agreed that the Board paper should be cleared for distribution to the EDs for the February 4 seminar and February 16 Board meeting. Mr. Qureshi alerted members that G5 EDs are likely to explore the effects of resource cutbacks on administrative staffing and expenses. This opportunity will likely be used by the EDs to raise various questions, and management should be well-prepared to respond. It was noted that this issue could be tied with the slow subscriptions to the GCI, although new commitments are now likely to come in faster because of the politics of the situation. It was agreed that GCI progress would be tracked monthly. (Action Responsibility: Mr. Qureshi)

6. IDA VI Reprogramming

Documentation

6.1 Memo (Stern) January 21, 1982: IDA VI Reprogramming

Discussion

Mr. Stern explained that, in the light of his discussions with all the EDs, support to management's proposal can be expected from the Board at the January 26 meeting. A member said that several Part I countries are likely to voice a major concern over the issue of the additional $800 million for IBRD lending which they view as a one-year exceptional increase justified only because of the IDA shortfall and not to be replicated in following years. The Committee agreed that management's position on this issue should be that next year's program will need to be judged strictly on its own merits.

7. Graduation

Documentation

7.1 Memo (Stern) January 21, 1982: Graduation

Discussion

Mr. Stern said again that he had spoken with all the EDs and that Mr. Clausen should have no difficulty in summarizing a consensus on this issue at the January 26 Board meeting. Mr. Lundstrom's proposal for a redefinition of creditworthiness is acceptable to the management and to the U.S., if necessary. Some EDs have expressed concern about the case of some of the larger middle income countries near the graduation level, but they have been assured that lending programs for these countries will have a ceiling anyway, and the share of these countries in the total lending program will continue to decline. The U.S. is unlikely to raise the issue of the use of SDRs since the French would link it with that of the valuation of capital. The Latin Americans are unhappy about the proposal and have been lobbying intensively, but they know they have no chance of getting it modified. A question was raised as to why the "Managing Committee recommends" and the President signs. Mr. Golsong responded that since the Managing Committee is not cited in the Articles of Agreement, it is necessary for the President to sign.

8. Railway Lending

Documentation 8.1 Paper (Stern) January 15, 1982: Railway Lending

Discussion Mr. Stern explained that the paper is a technical note to be distributed to the Board for information. The paper represents a shift in policy in view of the lessons of experience from the past. In many countries, the objectives set in railways projects have not been achieved. Rather than to withdraw entirely from this sector, the Bank is now proposing to sharpen the preconditions for lending. If this policy does not work, then the Bank may have no alternative but to withdraw altogether. Following a member's suggestion, the Committee agreed that the paper should be issued to the Board for discussion at a seminar rather than strictly for information.

9. Seminar on Structural Adjustment Process

Discussion Mr. Thahane reported that the German ED will send a note asking for discussion of structural adjustment lending at the seminar on February 11. Several members objected to such a discussion taking place on February 11. One member explained that the Germans are concerned about the Bank's credit rating being affected by an insufficient share of strict project lending. Since Mr. Stern is scheduled to visit Bonn in March, the seminar could be postponed until his return. The Committee agreed, however, that the seminar on February 11 should take place to focus on the adjustment process as originally planned. The lending side of structural adjustment will be dealt with later in the spring. Mr. Thahane is to inform the German ED accordingly. (Action Reponsibility: Mr. Thahane)

10. IDA Retrospective

Documentation 10.1 Memo (Qureshi) January 22, 1982: IDA Retrospective

Presentation The Committee fully endorsed the idea of a retrospective study of IDA. Time required for completion of the study was estimated at about six months. The Committee discussed at length the issue of authorship for the study, weighing the pros and cons of an author from outside (a Robert Ayres-like) and a team from the Bank from a credibility standpoint. The latter was eventually preferred. The proposed staffing of the team was also considered. Some members expressed the view that somebody from the Public Affairs Department should be the main author since the study would be essentially meant for outside readers. It was agreed that Mr. Benjenk would come back to the Managing Committee with the names of the study team. (Action Responsibility: Messrs. Benjenk and Qureshi)

11. IDA VI Strategy

Documentation 11.1 Memo (Qureshi) January 22, 1982: IDA VI - Plan of Action for Increasing Available Commitment Authority

Presentation

Mr. Qureshi reported that the U.S. notification on its second installment is expected momentarily which automatically will trigger the release of other donors' proportional shares as per the last September arrangements. Waivers for the full release of the second installment have been received from all Scandinavian countries and some Part II countries. It is now time for the Bank to move on some key countries, e.g. Canada, the Netherlands and France, to lead them to reconsider their position and release their full second installment. The critical country is Germany which, if it could also be persuaded, would lead Japan to follow. This in turn would put a lot of pressure on the U.K. to go along.

Since there appears to be no point in pushing at the administrative level in these countries, the pressure should be applied at the level of the heads of state. The best way to do this may be to put a key group of Part II heads of states to pressure their counterparts in [selected] Part I countries. The former could convincingly tell the latter of how serious the impact of the IDA shortfall is on their countries. Likewise, heads of states of non-IDA recipient countries (e.g. Lopez Portillo) could be mobilized. In a second stage, Mr. Clausen would then get into the scene with meetings with Mr. Mitterrand and others.

The nagging problem is that all these donor countries believe now that the U.S. will not go for the three-year IDA stretch out, and the U.S. Administration gives them some reasons to doubt that the Congress will allocate the amounts which it claims it will request.

Discussion

The Committee discussed some of the elements of the strategy outlined by Mr. Qureshi. One member cautioned that this approach should not appear as excessively orchestrated. The selection of Part II countries heads of states should be conducted carefully, with a proper balance. Another member argued that this exercise should be viewed more in the light of IDA VII than to obtain marginally more for IDA VI.

Committee Action

In general, it was agreed that it is important to approach heads of states. In this connection, the Committee agreed that a proposal concerning the "redesign of the IDA product" should be presented to the Committee on February 8. (Action Reponsibility: Mr. Qureshi)

12. China-Taiwan

Documentation

12.1 Memo (Benjenk) Janury 21, 1982: Taiwan-China Issue together with accompanying memo from Mr. Wang Liansheng (January 21): Treatment of Taiwan Province

Presentation

Topic introduced by Mr. Benjenk. The letter of the Governor, Mr. Wang Bingqian, is somewhat threatening to the Bank. It is also a threat to the Bank's independence in publishing. On the other hand, for China this is part of a bigger issue which includes overall relationships with the U.S.

Discussion

Several members explained that they have met with the Chinese ED and Alternate ED who claim that Bank management does not appreciate how important a political issue this is for their government. They argue that the Bank does not give them an opportunity to educate their own people on this matter. At the same time, they emphasize that they understand the problems facing the Bank.

Mr. Wang and Mr. Chen have been told repeatedly that the Bank has already moved a long way in their direction. However, the Chinese want nothing short of the Bank agreeing 100 percent to their request. Several members debated over the issue of whether the Bank would be ready to lose China membership for the publication of the Atlas. The Committee generally felt that if it came to this extreme, the Atlas should not be published, but the likelihood of this happening was very small.

Committee Action

Since Mr. Wang asked that his governor's letter be distributed to the Board, the appropriateness of a reply by management being also distributed was discussed. The Committee agreed that such a reply distributed together with the Chinese letter would appear to close the door to their request, which would be impolite. It was agreed that an answer would be drafted and shown to the Chinese ED before distribution. (Action Reponsibility: Messrs. Benjenk, Golsong)

13. Management Efficiency Improvement Program (MEIP)

Attending: Mr. Lynn

Documentation

13.1 Memo (Lynn) January 2, 1982

Presentation

Topic introduced by Mr. Lynn. The project inventory was prepared over the course of the previous week by each Managing Committee member, after consultation with OPD. There are 56 projects which have been characterized: (a) by objective, i.e. efficiency, effectiveness; (b) by topic, e.g. procedures, paperwork reduction; (c) by time frame (several to be completed in the course of FY82); and (d) by end results to be achieved. Perhaps the list should be supplemented and alternatively some items may be dropped for being already considered elsewhere.

Discussion

The Committee generally expressed satisfaction that the list of projects was a good starting point. Several members expressed concern over the issue of monitoring of the implemention, which may carry the risk of creating more bureaucracy. A member noted that the often stated need to cut documentation flow is not specifically identified as an item in any of the projects. It was recognized, however, that it is implicitly contained in several projects. Another member argued strongly that the list of projects should not be cut.

Committee Action

The Committee agreed that the program should be implemented. Monitoring by the Committee will be done on a quarterly basis, the first progress report covering the period until April 30. The Committee also agreed that something about the program will be included in the next issue of Bank's World, but without specifically mentioning the number of projects. (Action Responsibility: Mr. Lynn)

14. Managing Committee Procedures

Documentation

14.1 Memo (Rohrbacher) January 21: Draft Managing Committee Procedures

Discussion

The Committee generally felt that the proposed procedures were excessively institutionalized and in many instances much too specific, taking away the essential element of flexibility which is needed in the functioning of the Committee. The proposed membership of the Committee for instance raised a number of objections for being too specific. Rather, membership in the Committee should be based on a broad representation of the key aspects of management of the Bank. Likewise, the paper should stipulate that members of the Committee should be appointed by the President.

Committee Action

The Committee agreed that each member will take another look at the paper and will submit his recommendation to Mr. Rohrbacher. The paper can and should be streamlined. The Committee agreed that once the paper is ready, it can be distributed to the Senior Management Council members, Department Directors and Executive Directors.

In related matters, the need for each MC member to respect the procedures for submitting papers and items for the agenda to the Secretary was reaffirmed. It was also agreed that all documentation to be distributed to MC members, including that which is for information only, should be issued through the Secretary of the Committee. (Action Reponsibility: Mr. Rohrbacher)

K. Clausen

Managing Committee

CONFIDENTIAL
January 21, 1982
Record: January 26, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of January 18, 1982 Meeting
Members Absent: Messrs. Clausen and Chenery
Chairman: Mr. Qureshi
Also Present: Mr. Rohrbacher

1. Minutes of January 11 Meeting

Committee Action — Corrected as indicated in attached amended version.

2. Management Efficiency Improvement Program

Attending: Mr. Lynn

Documentation — 2.1 Memo (Lynn) January 15: Work in Process.

Presentation — Topic presented by Mr. Lynn who called attention to emerging pressures for increased administrative efficiencies and cited several projects in this vein already underway. Work on the MEIP over the past week consisted of further discussions with Managing Committee members and a revised approach is being presented. Managing Committee members are being asked to designate a representative to work with OPD to identify candidate projects in each vice presidental group. These projects would then be integrated into an overall work program to be presented to the Managing Committee for approval at its next meeting.

Discussion — Members expressed general misgivings about the program and its objectives. One member questioned if the program were not "raising expectations" unrealistically by virtue of identifying specific projects and suggested general "consciousness raising" on the part of the institution toward increased administrative efficiencies as more appropriate. In addition, the proposal runs the risk of being implemented at the expense of other longer term management improvement measures already underway. The program was also characterized as unimportant in comparison to the more fundamentally significant work required of Bank staff over the next six months. Another member stated that program objectives should be more clearly set forth and questioned the wisdom of expressing expected results in dollar terms. A third member pointed out, however, that the Managing Committee had already gone on record for zero staff growth in the FY83 budget, and the proposed program was compatible with that objective. There is a perception that administrative inefficiencies are present, and some tightening up, particularly in paper processing, may be warranted. Examples of other possible areas for increasing efficiency were cited, including telephones, telex, dollar budgeting, task-oriented budgeting and travel practices. It was pointed out by another member that these reflected current Bank policies and were not necessarily inefficiencies. Reopening the question of travel practices was challenged as particularly inappropriate at this time in view of its likely adverse impact on staff morale.

Conclusions and Committee Action

In summing up discussion, it was suggested that members "take another look" at their management practices to see what ongoing tasks might result in increased administrative efficiencies and what new tasks might be warranted. In terms of the proposed program, the objective should not be to realize concrete savings by the end of June but to install an ongoing efficiency orientation among line managers and staff. Member pointed out that the real objective should be to lower unit costs. There must also be a clear distinction between management efficiency improvements and budget cutting. A statement should be prepared for the Managing Committee which: (1) expresses more clearly what is the underlying concept of the program; (2) states clearly what is feasible and what is not; and (3) sets forth what needs to be done now, including an inventory of ongoing and new tasks and time schedules for completing them. For the next meeting, it was suggested that Mr. Lynn meet separately with each Managing Committee member to inventory tasks and schedules and present this as a package along with OPD's commentary. (Action Responsibility: Mr. Lynn)

3. Other Business

Documentation

3.1 Memo (Golsong) January 14: IDA--Proposed Credit Participations for Raising Additional Commitment Authority.

IDA Commitment Authority

Mr. Stern commented again on the intent of his proposal in relation to the points addressed in Mr. Golsong's memo. Mr. Qureshi reported on his discussions with EDs in which he received very negative reactions (e.g. Dutch, Germans) to the proposal. Overall, he is dubious about its ultimate acceptability and feels alternative approaches must be tried, for instance additional IDA funding outside the IDA VI arrangement. The French have suggested to the Germans the setting of a separate facility under EIB, which would have disastrous consequences for IDA VII. Conversations with the Dutch, Germans and Italians suggest a specific purpose effort (e.g. for Africa) might be more acceptable as a supplement to IDA VI in the third and fourth years. This won't succeed unless supported by the Germans and Canadians, but it has some potential as an alternative to the French proposal. Mr. Qureshi explained that the approach now would be to schedule a three-part IDA deputies meeting in April: (1) possible measures to increase the third IDA VI installment; (2) analysis of alternative options for supplementing commitment authority; and (3) an exchange of views vis-a-vis new directions and structuring of IDA VII. This would imply that some preliminary views should be put by the Bank to the capitals. However, it is clear that working only with the bureaucracies of these capitals will not get the Bank very far. Rather, the Bank should enlist the support of the political leadership of a few countries (e.g. Mr. Trudeau, Dutch Prime Minister) to convince others such as Mr. Schmidt.

In the ensuing discussion, members agreed that this sort of concentrated effort was long overdue; the Bank has been much too complacent in sitting back and waiting for other countries to pressure the U.S. into living up to its commitments. On the other hand, pursuing a strategy of a separate funding facility would be unwise in that it would allow U.S. to "wash their hands of it all" and reduce its IDA contributions even further. One member's suggestion was to permit countries to "circumvent their own rhetoric" through the vehicle of the proposed credit participations. They must be convinced that the U.S. will eventually pay up, as they have always done, and that new tools have to be provided to help the Bank through the transition.

A member cautioned that whatever is decided should be politically sound and suggested that an IDA Deputies meeting might be the proper forum for presenting new approaches. Several members stressed the importance of strong leadership from Mr. Clausen on this issue, and raised the desirability of his visiting European leaders (especially Messrs. Schmidt and Mitterrand) before the April meeting.

It was pointed out that, theoretically, $12 billion could be committed over three years, but most countries won't permit that rate of commitments because of their desire to induce the U.S. to live up to its obligations. Therefore, the best approach tactically is to stretch commitments out to 3-1/2 or 4 years and hope there will be no gaps between IDA VI and VII. Some members argued, however, that the Bank should be resigned to a four-year stretch out.

In that respect, therefore, Mr. Clausen should not be brought prematurely to seek support from political leaders for a lost cause. In addition, the issue extends beyond the immediate commitment authority difficulty. Rather, it is necessary first to define clear long-term objectives and possible alternatives, especially with respect to IDA VII, for which new approaches must be envisaged (e.g. different burden sharing). A member pointed to the fact that there is at this moment very little interest on the part of many Part I countries (Japan, U.K., Germany) in discussing IDA VII. They would much prefer to delay discussion until the IDA VI situation is cleared up. However, from the Bank's vantage point, discussing IDA VII now is a good way to pressure for a resolution of the IDA VI problem. At any rate, the Committee agreed that it is important for Mr. Clausen to come out publicly on where the impact of the IDA shortfalls is going to fall, something his recent speeches have not focussed on.

A member suggested that there are two complementary ways to go, from the political side: (a) convince some key politicans of donor countries; and (b) mobilize selected politicans of Part II countries (e.g. Nyerere, Houphouet-Boigny). It was pointed out that while the U.S. obviously holds a key position, several European countries are not unhappy with the U.S. objective of reducing the commitment authority.

Another member argued that the whole IDA question has already been put forward at the G6 minister level where it got nowhere. The reason is that these countries view the problem in the context of other non-Bank related policy differences with the U.S. The issue now is whether the dialogue should be escalated above the ministerial level. It is "worth trying" in that there is little risk; some credibility would be sacrified in case of failure, but the Bank would benefit from having tried.

Members agreed that any such appeal should be couched in a "broad IDA goal" context and must guard against being forced into dealing only with the U.S. government. The weak element in the Bank's position is that current sympathies are for Africa and other poorest countries, whereas little sympathy exists for increased concessional aid to India and even China. Bank management must stake out a clear position with respect to India in particular. The prospects of increased IBRD lending to India (in substitution for IDA) are limited, both because India's creditworthiness is limited and India will represent 8% of the IBRD portfolio next year and cannot go much farther without serious implications.

CGIAR

Mr. Stern reported that a search committee for a new Executive Secretary of the CGIAR has been established. The position, to be opened next fall, may be taken by a non-Bank employee, in which case a fixed term appointment would be be considered.

Mr. Clausen

Managing Committee

CONFIDENTIAL
January 15, 1982
Amended: January 22, 1982
Record: January 26, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of January 11, 1982 Meeting
Members Absent: Messrs. Clausen, Benjenk, Chenery
Chairman: Mr. Qureshi
Also Present: Mr. Lynn

1. Minutes of December 21 Meeting

Committee Action: Approved as amended.

2. Minutes of January 4 Meeting

Committee Action: Approved.

3. Other Business

IDA Commitment Authority

The Committee discussed again some aspects of the proposal presented last week by Mr. Stern to increase IDA commitment authority. Some members who had been absent the previous week expressed doubts on the interest which such a proposal may present for a number of countries. Likewise, there may be important political implications attached to the proposal in view of the arrangement arrived at in September 1981 with the IDA deputies. Some Part I countries (Germany, Japan) are firmly opposed to any scheme which would appear to lessen the pressures on the U.S. to live up to its commitments. Doubts were also expressed on whether the proposal would not affect the drawdown arrangements of IDA contributors as they now stand. In addition, there may be some legal implications which need further consideration.

Mr. Stern clarified several of the points raised, emphasizing again some of the basic features of the proposal: (a) any share of an IDA project sold to a bilateral donor under the scheme would be administered under strict IDA criteria; therefore, there would be none of the tied-aid risks generally attached to bilateral assistance programs; (b) there would be no impact on the drawdown arrangements of the September meeting since the shares of projects sold to donors could be counted, if they so desire, as a portion of their proportional share of their IDA contribution or bought from the donors' regular bilateral programs; (c) the scheme would offer some countries the possibility of making a gesture at no cost; (d) participation in the scheme would not violate the trigger clause agreed upon at the IDA deputies meeting.

The Committee agreed that Mr. Golsong should give an opinion on the proposal, since he had not attended the January 4 meeting. (Action Responsibility: Mr. Golsong)

MIIA

Mr. Golsong reported on his visits to Hamburg and Brussels in which further issues related to the proposed scheme were discussed. In Brussels, the EEC has opened its archives. A proposal had been tried in the context of the last Lome negotiations but failed. In Germany, a report is being prepared for the German government on a multi-national insurance scheme. The German bilateral arrangements are unlike any other, since they lay down very specific rules of behavior. In the long run, however, the Germans will be isolated if the same approach is not used elsewhere. This is why they are quite interested in what the Bank is currently doing. On the other hand, there is a strong feeling in Germany that the multilateral scheme is basically designed as part of a U.S. strategy to reduce support for straight concessional aid. It is, therefore, important to convince the Germans that the Bank is not moving exactly on the same lines as the U.S. In general, it may be necessary to push further the idea of the "national sponsor" system in Europe to avoid the European fear of having to pay for the U.S companies.

Relationships w/Executive Directors

Mr. Thahane reported on the feedback from the January 5 Board Meeting, after which the Committee discussed the general issue of relationships between senior management of the Bank and the Executive Directors. A better coordinated leadership on the part of senior management is felt to be necessary, and contacts with small groups of EDs should be increased in parallel with meetings with individual EDs and with all the EDs together. Caution must be applied in meeting separately with constituted groups of EDs, such as the G6 or the G9, since this tends to give a certain legitimacy to the split between EDs of developed vs. developing countries. Approaches and contacts with EDs should be consistent among members of the Managing Committee.

Some members argued that staff do not normally take the initiative to meet with the G6 or the G9. Rather, when such meetings take place, it is at the specific request of these groups. It was emphasized that the existence of these groups is a fact of life which cannot be ignored, and they can provide a convenient vehicle for communication between management and specific constituencies of member countries. The key point is to avoid limiting meetings with EDs only to these groups.

Board Schedule

At one member's suggestion, the Committee agreed that two items to be scheduled for discussion, i.e., Report of the Task Force on Non-Concessional Flows and Progress Report on the Composition and Terms of Reference of the Task Force on Concessional Assistance, should be combined under the same heading: "Preparation for the Helsinki Meeting of the Development Committee."

The Committee also agreed that a seminar on "systems of lending" should be scheduled. In addition, it was agreed that there is no need for a special seminar on staff compensation, since there is already a Board Committee on Compensation and a seminar on Personnel policies is scheduled for May 1982. (Action Responsibility: Mr. Thahane)

CODAM Paper on ED Travel

Mr. Paijmans summarized the proposal of several Alternate Executive Directors put to CODAM for new guidelines governing the travel of EDs and Alternate EDs. In essence, and among other things, they want that: (a) each Director and Alternate be allowed to visit projects once a year; (b) guidelines be established for the preparation of briefing papers for their trips; and (c) they be accompanied on their visits by Bank managers (e.g., Division Chiefs). All this has very serious cost implications.

The Committee agreed that the proposal is totally undesirable. Mr. Thahane stressed that there was no likelihood that this proposal would be accepted by CODAM. He had spoken with CODAM's Chairman (Mr. El Naggar) and with the authors of the proposal whom he reminded that guidelines for travel are decided by the full Board where the U.S., Japanese and German EDs can be expected to object strongly. A member suggested that Mr. Thahane should emphasize again to CODAM that the purpose of travel is for EDs to see for themselves the Bank operations in borrowing member countries, but that they are not to negotiate anything with Government officials in these countries on behalf of the Bank. The Committee agreed that Mr. Thahane should convey these points to CODAM and report again to the Committee.

Staff Association

Mr. Paijmans reported that the Delegate Assembly of the Staff Association finally decided to circulate the Association's report on the Bank in the 80s to the staff of the Bank, but only after some redrafting has been done. He will inform the Committee further at the next meeting.

Mr. Paijmans also reported that the Staff Association is in the process of acquiring legal advice from outside the Bank for three areas of concern to them: (a) status of secretaries (i.e., the issue of local recruitment of secretaries, especially as it affects the benefit package in comparison with other staff); (b) the F/I exercise, which has resulted in a wholesale regrading of staff in lower categories; and (c) the Rules and Regulations exercise. On the last point, Mr. Paijmans asked that this item be discussed at a forthcoming Managing Committee meeting.

Subcommittees

Mr. Lynn reported that a draft announcement is being prepared and, pending clarification on the membership of subcommittees with the respective chairmen, can be issued by the end of the week. Mr. Paijmans received authority from Mr. Clausen to do so.

Mr. Lynn also reported that the search for a Secretary to the Managing Committee and Senior Management Council is underway, with the objective of identifying three preferred candidates before the end of January. On a related matter, the paper on the proposed procedures for the Managing Committee will be issued to Committee members within two weeks.

Documentation

3.1 Paper circulated at meeting (Lynn) January 8: Management Improvement Program and attached list of illustrative projects.

Management Efficiency Improvement Program

Mr. Lynn reported on Mr. Clausen's interest in getting a management efficiency improvement program underway expeditiously. Mr. Lynn circulated a short paper outlining preliminary ideas for such a program, emphasizing that the concept would be not so much a single project but rather a number of separate improvement initiatives. The responsibility for the whole program will rest directly with the Managing Committee, support being provided by OPD and PAB. Emphasis should be placed on projects of a "quick-fix" nature.

Managing Committee

CONFIDENTIAL
January 8, 1982
Record: January 15, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of January 4, 1982 Meeting
Members Absent: Messrs. Chenery and Golsong
Also Present: Mr. Rohrbacher

1. Minutes of December 14 Meeting

Committee Action — Approved as amended.

2. Minutes of December 21 Meeting

Committee Action — Corrected as indicated in attached amended version.

3. FY83 Budget Formulation

(Attending: Messrs. Gabriel and Vergin)

Documentation — 3.1 Memo (Gabriel) December 23: FY83 Budget Planning Objectives and Assumptions, together with back-up table (Annual Rates of Change).

Presentation — Topic presented by Messrs. Gabriel and Vergin. The lending work requirement for FY83 is about 215 staff years less than the level budgeted in FY82 due to the revised planning assumptions for FY82-84. Redeployment of staff on the existing project inventory could take 35 staff years of this total in FY82 (i.e., reduction in redundancy in the lending work). Total redundancy in staff years currently budgeted for lending work in FY83 would therefore be 180. Other work programs may be expanding and may absorb part of this: 10% expansion for economic and sector work (28 SY); small increase in supervision (6 SY). On the other hand, less project throughput results in lesser need for central quality control (10 SY). This leaves a total of 155 staff years of redundancy. Linked to this reduction, there can be some savings of about 10 SY in administration and overhead which brings the redundancy level to 165 SY.

On the source side, the consulting budget can be reduced by about 25% before cutting into the availability of highly specialized skills, and this generates about 70 SY in savings. The YP program can be cut by about 20 SY, and the cooperative programs can be reduced by 10 SY. With some offsetting factors such as the redeployment of DPS staff, this leaves overall savings in paid staff on the order of 85 staff years.

The paper offers two options for the FY83 budget: (a) no growth in administrative expenses for the Bank as a whole in real terms, which implies a 5% reduction in professional positions; and (b) an overall increase of 2% in the budget, implying no change in professional positions. The recommendation is to adopt Option 1. It may not be possible, however, to be consistent with a zero budget growth target by relying on a reduction of 85 staff years through existing vacancies and attrition (Option 1). Option 2 assumes no reductions from vacancy and attrition, which is consistent with a zero staff growth.

Budget Discussion

Some members felt that the approach presented in the paper is somewhat mechanistic. The issue should be first to determine what kind of general approach the institution wants to take. There are a number of elements which could be taken into consideration and on which a clear policy message should be given. Among these are: (a) is the trough which the Bank is entering now likely to last beyond two years; (b) the adjustment processes for the proposed retrenchment in staff are assumed to take place with ease, which is doubtful; (c) in addition to attrition, is it possible to find employment for redundant/excessive staff with what kind of cost; (d) can something be done about the excessive overtime problem; (e) should the size of projects be reduced (as is often argued by the staff). All this is important to define the kind of posture which PAB should assume when it initiates discussions with individual units.

The Committee discussed at length these aspects and the assumptions underlying the proposal and their implications. What is important is to define precisely the kinds of savings which can be effected through various measures. Several members expressed their concern that, in comparison with the average 5% annual growth in staff over the last few years, a sudden 0% growth may be too drastic a change. Some members cautioned that the proposed measures bear some risks (e.g., the Bank does not want to lose the wrong people through attrition) and are likely to impair, at least temporarily, some of the objectives of the Personnel Administration in terms of targets for nationalities (Part II countries), employment of women, etc. It was noted that a number of savings can be done from cutting paper work, eliminating redundancies, and reducing a seemingly excessive number of advisors and assistants of senior managers. A task force to be created by Mr. Rohrbacher should look at the whole issue of paper flow and documentation and report to the Managing Committee within a month.

In general, the Committee endorsed the basic policy that, barring attrition, an attempt should be made to maintain a zero growth rate in professional positions with an attempt to match this with a zero growth in related expenses. It was noted that no change in professional positions is consistent with the budget frame of Option 2.

ommittee Decision

The Committee agreed that the Secretary to the Managing Committee will issue a note to the Senior Management Council on the general framework for the FY83 budget process. Within this framework, PAB will then contact the various units and help them prepare their respective budgets. The main points to be included in the note are: (a) IDA funds will be curtailed over the next two years, and it is difficult to predict what IDA commitment authority will be beyond these two years; (b) management's recommendation is to increase IBRD lending to offset the reduction in IDA lending; (c) because of this reduction in IDA, every effort should be made to increase cofinancing with all sources; (d) against this background, adjustments are necessary, but it is expected that there will be no need for reductions in Bank staff beyond normal attrition; (e) units will be expected to move towards a better deployment of staff and other budgeted resources; (f) the YP Program will be cut back; and (g) the amount of outside consultants will be reduced. Beyond the impact of these measures, a zero increase in staff years will be expected. The specific issue of how to treat existing vacancies will be dealt with jointly by PAB, PMD and the Regional Vice Presidents, under the general criterion that only essential vacancies should be filled. (Action Reponsibility: Messrs. Vergin, Lafourcade)

4. Monthly Financial Report

(Attending: Mr. Hattori)

ocumentation

4.1 Paper (Hattori) December 29: Financial Report for November 1981 and attached exhibit tables 1-5 and Table 1c (December 17)

Presentation

Topic presented by Mr. Hattori who gave particular attention to Table 3 of his paper dealing with sources and application of funds. The most noteworthy item is the exchange rate adjustment of $1.1 billion due to the 3% depreciation of the U.S. dollar against other currencies. This causes the overall financial position of the Bank at the end of November to be very close to what was projected at budget time in May 1981. On the source side, net income is only $4 million behind forecast, loanable capital advanced more than expected (because of the early release of U.S. capital), loan repayments are slightly behind. The major slippage is the $1.1 billion shortfall in net borrowings. On the applications side, loan disbursements are lagging slightly. Mr. Hattori noted that the U.S. dollar has appreciated in December, and further appreciation could again affect income negatively.

Discussion and Conclusions

Members expressed their general satisfaction with the format in which November financial results were presented. A question was raised on the long-standing issue of presentation of Bank accounts in SDRs. Management owes a paper to the Board on this issue. Mr. Hattori responded that his intention was to present year-end figures in SDRs, which reduces the effect of exchange rate adjustments. Financial results would, however, need to be shown also in U.S. dollars for the benefit of the U.S. bond market, and a parallel presentation in SDRs and U.S. dollars may be appropriate. Several members cautioned that the paper expected by the Board is separate from the presentation of year-end figures. It has some political implications, especially because of the issue of valuation of capital (the U.S. is opposed to the presentation of Bank accounts in SDRs for this reason). Mr. Hattori explained that his plan was to prepare end-December figures in SDRs to show the Finance Committee first and then the Joint Audit Committee of the Board. Members agreed that the JAC should be kept out for the time being and that the study should be prepared and reviewed by the Managing Committee within the next 60 days. It was also agreed that a presentation of past Bank accounts in SDRs would be prepared. (Action Reponsibility: Mr. Hattori)

5. Employee Attitude Survey

(Attending: Messrs. Kaji and Rosen)

Documentation 5.1 Memo (Paijmans) December 22: Attitude Survey, together with accompanying Attachments 1-4.

Presentation Topic introduced by Mr. Paijmans. Four issues require Managing Committee decision in terms of how the survey is to be conducted as outlined in the December 22 memo, para. 2(i). It is proposed that: (1) results be reported simultaneously to managers and employees, (2) units be defined as including subordinate managers reporting to a unit chief, (3) demographic variables be included in the survey, and (4) the Managing Committee exercise a leadership role in enlisting management support for this exercise.

Discussion and Conclusions Discussion touched on all four issues. One member questioned the inclusion of "cultural background" as a demographic variable if it implied more than nationality. As to enlisting management support, it was recognized that even though timing is critical in order to meet the February 25 target date suggested by Mr. Rosen for presenting results of the pilot test, it was important for Managing Committee members to discuss the survey with their vice presidents and senior staff before Mr. Clausen's letter is distributed. As to distribution of results, members agreed that the principle of "full reporting" should apply. All employees (unit heads and subordinates) should receive the summary at the same time according to the principle that the institution is concerned with the welfare of the employee and that constructive feedback is helpful in that regard. (Action Responsibility: Messrs. Paijmans and Kaji)

6. IDA Commitment Authority

Documentation 6.1 Memo (Stern) December 30: Proposal to Raise Additional IDA Commitment Authority.

Presentation — Topic presented by Mr. Stern who pointed out that the essence of the proposal is to sell shares in IDA projects to bilateral donors. This proposal attempts to get around the proportionality barrier to getting adequate commitment authority. Countries taking advantage of this proposal could decide later whether to maintain a separate participation or to convert the instrument for credit against their proportionate IDA contribution.

Conclusions — Members enthusiastically supported the proposal as an imaginative and "can't lose" proposition, although some doubts were expressed on whether it could be sold.

7. DPS Reorganization

Documentation — 7.1 Memo (Stern) December 24: Reorganization of DPS, together with accompanying memos--(Chenery) December 21 and (van der Tak and Waide) December 23.

Discussion — The report by Messrs. Waide and van der Tak has been prepared and distributed. Their proposal goes far in reallocating assignments. In addition, a memorandum has been issued by Mr. Chenery to the DPS which essentially outlines a proposal for the reorganization of the remnant staff and functions in the new Vice Presidency for Economics and Research. The Committee agreed that this process of reorganization in VPER should be left to the responsibility of the new Vice President. In the meantime, things should remain as presently organized, and Mr. Chenery should be informed accordingly. With respect to the search for a new Vice President, ER, the Committee agreed that an advisory council of four or five outstanding economists, from outside the Bank, should be established with the objective of suggesting four or five names of possible candidates, including from within the Bank.

Discussion on the Waide/van der Tak report led to a questioning of whether the recommended reduction in research (15%) was sufficient to generate sufficient savings. It was agreed that the managers responsible for research should themselves decide how they want to reorganize their programs within the broad guidelines of the 15% cut. In addition, the structure of CPS now needs to be look at.

Committee Decision — The Committee agreed that the next step should be for Messrs. Kaji, Rohrbacher, van der Tak, Vergin and Waide to meet and work out the details of the transfers, priority being first given to assigning functions and then defining work programs. Messrs. Stern and Chenery should provide overall guidance and serve as a "court of appeal." (Action Responsibility: Mr. Rohrbacher)

8. Secretary to the Managing Committee

Documentation 8.1 Memo (Rohrbacher) December 29: Process for Appointing a Secretary to the Managing Committee and Senior Management Council

Discussion Mr. Rohrbacher mentioned that members of the Managing Committee will be contacted by a representative of PMD with the objective of identifying possible candidates for the position of Secretary to the Managing Committee and Senior Management Council. The Committee agreed that the position should be held on a rotating basis. Several members expressed reservations about item 5 of the job description outlining proposed responsibilities of the Secretary to undertake and/or coordinate research on selected issues. It was agreed that there was no need for such responsibility. In general, the Secretary would be expected to serve as an instrumentality of the Managing Committee and should essentially cause the Committee to focus on important issues. Several members also objected to the proposed formal liaison role of the Secretary (item 9). It was decided that the Secretary could play a role of assistance in the implementation of Committee actions and in communicating Committee decisions. (Action Responsibility: Mr. Rohrbacher)

9. Group of Nine Report

Discussion Mr. Qureshi reported on his meeting with the Group of Nine in relation to the January 5 meeting of the Board. The G-9 takes a very political view of the process of increasing financial charges and strenthening the Bank's income. Several EDs are prepared to go along with the 1% front-end fee, but they feel the package of measures is a big change, and they would prefer a graduated approach, e.g., deferring the increase in the commitment fee for a few months. If there is a vote on January 5, it will be split between Part I and Part II countries, and the latter feel unhappy to be seen as opposing Mr. Clausen's first attempt to work on the financial side of the Bank.

The Committee discussed the appropriateness of giving in to some of the alternatives proposed by Part II countries and some Part I Directors, e.g., deferral of implementation of the measures for six months from the date of approval, substitution of higher front-end charge for the increase in the commitment fee. It was agreed that not much would be gained from these alternatives, and the cost would be high in creating a precedent of Management yielding to pressures from negotiations. The Committee agreed that Management should hold firm on its proposal. It agreed, however, that a letter will be sent under Mr. Clausen's signature, after an agreement at the Board has been reached, asking Part I countries to speed up their capital contributions. (Action Reponsibility: Mr. Qureshi)

10. Other Business

Documentation — 10.1 Memo (Paijmans) December 22: Staff Association, together with accompanying attachments.

Staff Association Report — Mr. Paijmans reported that the Staff Association Delegate Assembly is to meet on Tuesday, January 5. The Report on the Bank in the 80s reads better but still needs improvement. Mr. Stern cautioned that the overall reaction will likely die down quickly and that management should formally rebutt only if there is a major flap.

Public TV Show — Mr. Benjenk reported that he will appear for a discussion of the World Bank on WETA-TV (Channel 26) on Tuesday, January 5, along with Jude Wanniski and Robert Ayres.

Muldoon Report — Mr. Stern reported that IMF has decided to publish the Muldoon report and would like the Bank also to publish it. Members agreed that Mr. Thahane should call Mr. Van Houten to convey Bank management's position that it shouldn't be published, but that if the IMF did so, the Bank would too.

Service Payments — It was reported that the Sudan has become current in its service payments and that disbursements for projects in that country have been resumed. Liberia, however, has been put on notice of suspension by January 15.

Managing Committee

CONFIDENTIAL
December 30, 1981
Amended: January 7, 1982
Record: January 15, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of December 21, 1981 Meeting
Members Absent: None
Also Present: Mr. Rohrbacher

1. Minutes of December 14 Meeting

Committee Action — Corrected as indicated in attached amended version.

2. World Bank Magazine

Attending: Mr. Vogl

Documentation — 2.1 Memo (Vogl) December 17: Terms of Reference for The Bank's World.

Discussion and Conclusions — Members reviewed the wording of Mr. Vogl's memo of December 17 and suggested several changes: (1) the publication's objectives should include "to instill an institutional perspective" in lieu of "to dispel rumors," (2) the "Answer Line" should be broader than simply Bank policies and procedures, (3) news of speeches and conferences should include other than Managing Committee members, (4) coverage should be given to member countries' vantage point and perhaps what Bank staff and countries are accomplishing together, (5) a committee of designated representatives of each Managing Committee member should meet periodically to review issues affecting the magazine, but the editor and editor-in-chief are to have full responsibility for overall editoral balance.

3. International Investment Protection and MIIA

Documentation — 3.1 Memo (Golsong) December 18: International Investment Protection and Multilateral Investment Insurance Agency.

Presentation — Topic presented by Mr. Golsong. A number of contacts with various government representatives and business officials have been made to obtain preliminary reactions to the idea of a multilateral insurance scheme. In general, there have been numerous questions and reservations expressed over this idea, but little hostility except from some Latin American countries. These countries worry about their sovereignty and argue that they cannot give foreign companies better protection than what they give national companies. They have, however, softened their position somewhat in recent years with the establishment of bilateral agreements with some European countries. In the US, the Treasury expects to have no real contribution to such a scheme, but it does not have objections to a scheme being put forth. A much more positive reaction came from OPIC which sees a need for such a scheme especially in fields such as energy and mining. Arab governments are also interested because they have no national schemes, and they look for protection of financial investments, both private and semi-private. In general, OECD countries express interest in a scheme which would complement national schemes, especially when joint ventures among several countries are involved and the combination of protection from their individual national schemes would still be insufficient.

Mr. Golsong suggested that a new idea could be explored, which would essentially consist of creating an agency with the sponsorship of only a handful of countries, instead of one endorsed by the 141 member countries of the Bank. In such a scheme, there would be no financial responsibility for the Bank as such. The agency could be financed either through callable capital subscribed by sponsor states, or each member state could sponsor specific investment guarantees. In addition, the agency could lay down very specific rules of behavior, by way of "General Insurance Conditions."

Discussion

In the general discussion which followed the presentation, it was first noted that the basic objective is to establish an umbrella to attract foreign capital into third world countries. There are several ways to do that, e.g., private insurance companies, World Bank guarantees and others including a multilateral investment insurance scheme. It was pointed out that developing countries can now react more strongly to foreign investment than in the past without having to go through the expropriation process, e.g., with administrative harassement which can be very effective. At any rate, there should not be a preconceived idea at this stage on one particular avenue, i.e., the multilateral investment insurance agency, to contribute to improving the investment climate in developing countries. A possible alternative, for instance, as recommended by Mr. Stout of the Government Research Corporation, would be to establish a re-insurance facility, since there may be doubts that a general insurance scheme could be viable (it runs the risk of remaining in the abstract) and a scheme with a small number of countries may be too limited. On the other hand, a small scheme with few member countries can lead to the establishment of very specific rules of behavior.

The Committee recognized that private insurance companies look for information which the Bank has. In that respect, the Bank can provide a service. There are, however, legal constraints preventing the Bank from providing information and these should be clearly identified. If the legal obstacles can be removed, then the Bank could make information accessible to any insurance company. On this issue of confidentiality of information, it was noted that little information related to project work is confidential and much of it is made available to co-financiers. There can be, however, highly confidential information in the energy field. Generally, the more sensitive data is related to the debt situation of a country. The private sector is interested in the Bank's assessment of the future in a given country, both in terms of specific data related to creditworthiness and in terms of how decision makers are likely to behave in the future. The private sector looks for short-term assessments to guide its investment decisions.

A member cautioned that providing information alone will not trigger greater insurance by private companies. These companies are little involved in insurance against political risks, and giving information will not provide such an insurance. There may, therefore, be a case for a re-insurance mechanism to be confined to non-commercial risks. The Bank itself can certainly provide a "comfort blanket" which it, and IFC, have already provided in several instances in the past.

Noting the remarks concerning OPIC's interest in an insurance scheme for the energy and mining fields because of the large investments and long lead times involved, another member stated that it was important to not start a scheme in these two sectors which can take care of themselves. The focus should be more on the manufacturing sector, especially agribusiness.

With respect to the paper submitted for discussion, three main questions were raised: (a) the insurance problem has little to do with ODA and therefore an insurance scheme should not be advertised as a possible substitution for ODA; (b) a limited number of countries in a small agency not formally part of the Bank would receive no protection from the Bank itself; and (c) the suggestion of participating countries bringing their own callable capital is not very attractive for OPEC countries for which such a scheme would amount to insuring themselves.

Conclusions

The Committee agreed that it is important to define the minimum size and nature of a package which would appeal to countries. At any rate, concrete proposals must be prepared before the end of February if the momentum and interest in the ideas presented at last year's Annual Meetings are to be maintained. (Action responsibility: Mr. Golsong.)

4. FY83 Budget Process

Documentation

4.1 Memo (Gabriel) December 8: FY83 Work Program and Budget Issues.
4.2 Memo (Gabriel) November 25: Retrospective Review of FY81 Programs and Budgets.

Discussion

The FY83 budget process is about to get underway with the Managing Committee expected to prescribe broad budget guidelines within which PAB can frame planning assumptions and specific guidelines for each vice presidential group. The broad guidelines must take into account changes in the lending program attributable to IDA and its impact on IBRD. They must also be flexible enough to accomodate additional resources which will come in eventually. Mr. Qureshi's stated purpose for bringing this topic to the Committee at this time was to elicit a "broad reaction" from members. Discussion on this issue ranged from clarifying the process itself to exploring the implications of alternative total lending targets and administrative expense limits.

The current situation was summarized as follows. IDA funding for FY82 was originally set at $4.1 billion. $2.6 billion is now in hand leaving a gap of $1.5 billion. Since it is assumed that IBRD lending will be increased $.8 billion for this year only, this leaves a net gap of $700 million. This represents the amount by which the work program exceeds commitment authority. Looking forward, IDA contributions are projected to amount to $3.5 billion in FY83 and $3.2 billion in FY84 assuming a four-year contribution schedule. Under this scenario, the work program would be smoothed out over time by holding the line on staff growth.

On the IBRD side, it was pointed out that no staff growth would have a serious impact on the pipeline of projects. It will be possible to increase the IBRD lending program to the projected $10.4 billion for FY82 and Board approval can be expected. Another member cited the practical constraint of borrowing capacity and continuing uncertainty over the market's ability to absorb new issues. There are political implications as well, with a U.S./West Germany objection expected to the $.8 billion increase in IBRD lending which they had agreed to previously under the assumption of a U.S. IDA 6 contribution for FY82 of $530 million and not the $700 million finally agreed by Congress. In addition, both countries are concerned about the sustainable level of Bank lending which was originally expected to come about in FY86 but may now be reached as early as FY84. The U.S., in particular, feels that the Bank may be advancing too fast on the need for a new capital increase. There are also some fears that the substitution of IBRD funds for IDA money may bring poor risk countries into the Bank's portfolio. While the $10.4 billion is not considered sacred, there is general acknowledgement of the principle of sustaining a 5 percent increase in lending in real terms each year.

Discussion then turned to administrative expenses and staffing. In order to meet a zero growth target for FY83, the Bank would have to consider a reduction of approximately 180 equivalent staff years in relation to previously projected levels. This could be accomplished by reducing consultants, slowing recruitment, etc. However, there would be disproportionate impacts on a Bank-wide basis, i.e. Operations would have to absorb greater reductions in order to permit Personnel, External Affairs, et al, to grow. The practical effect of reducing Operations, it was pointed out, means deferring project work in early stages of the pipeline.

A question was raised as to why the Managing Committee's starting point shouldn't be the notion that the Bank is overstaffed and that economies must be achieved. It was pointed out that the Board has asked about the implications of a zero growth rate in administrative expenses over the next five years, and they were told that was not possible to achieve without a serious negative impact on the volume of Bank operations. A member noted that one implication on the cost structure of reducing pipeline work or diverting time to intellectual activity or technical assistance would be an increase in the unit cost per dollar lent.

It was stated that the Managing Committee should look at the needs of the whole organization, not just the trade-offs between different organization units. It was agreed that slowing down recruitment efforts would provide some breathing room. Mr. Paijmans pointed out that PMD has initiated a new Manpower Planning program as of December 1 that will eventually be helpful in this area.

Conclusion

It was agreed that the far-ranging discussion served the intended purpose of providing Mr. Qureshi with broad reactions from the members as to the upcoming budget process. A concern was raised as to how to proceed to implement the notions discussed, e.g. what to reduce, what to increase, etc., in the context of a "macro" target for the whole organization. It was suggested that the Managing Committee hold hearings with each major requesting unit with PAB in attendance. The first step in the process, however, is the presentation of PAB's broad assumptions and guidelines in a memorandum to be discussed at the Managing Committee of January 4. (Action Responsibility: Mr. Qureshi)

5. Other Business

Documentation

5.1 Letter (Baig) December 15: Staff Association Task Force Report on the Bank in the 1980's.

Circulated by Mr. Paijmans for information of members. He reported that the Executive Committee voted on Management's letter and a slight majority felt it to be non-responsive. The report will be modified slightly and sent to the Delegate Assemby on a confidential basis. No rebuttal is necessary at this time.

Technical Assistance for Italy

Mr. Paijmans reported that the Italian government still wishes the Bank to release Messrs. Pennisi and Grilli for a special assignment in Italy. Members noted that to follow precedent, Italy should be asked to pay for technical assistance. Since it is important for the individuals selected for this purpose to be Italian, it was agreed to release Mr. Grilli for this purpose as a Bank technical assistance mission, and that the Italian government must pay for his time.

Graduation Policy

Mr. Stern reported that a new paper on graduation is ready, but it won't be released to the Board until after January 5.

Commitment Fee

Mr. Qureshi reported that some Board members have expressed some interest in replacing the commitment fee by an equivalent increase in the front-end charge. However, Part II countries would like a gesture on the part of the Board in general to suggest they are not being singled out for sacrifice (e.g. acceleration of capital subscriptions, more liberal access to capital markets, release of local currency). Some Part I Directors feel that such a gesture can be made.

DPS Reorganization

Mr. Chenery reported that Messrs. Waide and van der Tak are working togethe on a proposed implementation program for the realignment of DPS and CPS. Mr. Thahane added that in an informal meeting with the EDs, the proposed reorganization went over quite well. The Board viewed this as a management decision and welcomed the reduction in overlapping functions and the increased emphasis on operations.

Compensation

Mr. Paijmans reported that the Board's Committee on Compensation has decide to seek contact with the IMF Board through its representatives, Messrs. Dra and Razafindrabe.

Administrative Tribunal

Mr. Golsong reported that the Administrative Tribunal has handed down decision in two cases, each upholding the Bank's termination actions, but pointing also to the "uncertainities" concerning rules and regulations in t Bank.

EDI

Mr. Benjenk reported that agreement has been reached with three Arab funds (Saudi Arabia, Kuwait and Abu Dhabi) on two new EDI courses for next year, one in the spring and one in the fall.

Mr. Clausen's book

Managing Committee

CONFIDENTIAL
December 17, 1981
Amended: December 31, 1981
Record: January 5, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of December 14, 1981 Meeting
Members Absent: None
Also Present: Mr. Rohrbacher

1. Minutes of December 7 Meeting

Committee Action

Approved.

2. DPS Reorganization

Documentation

2.1 Memo (Rohrbacher) December 11, 1981: Reorganization of Economic Analysis, Research and Policy Activities.
2.2 Memo (Chenery) December 14, 1981: DPS Reorganization.

Discussion

Mr. Chenery circulated a memo (December 14, 1981) offering an alternative to the recommendations made in Mr. Rohrbacher's memo of December 11, 1981. The alternative proposal is to transfer only part of the DED functions to the operational complex, especially responsibility for sectoral analysis and research which would be centralized in CPS, leaving responsibility for macroeconomic research and some operational support in DPS.

In the ensuing discussion, several members noted that both the OPD memo and Mr. Chenery's note were not fully in accord with, and in some respects represented a step back from, the agreements reached at the conclusion of the December 7 meeting. Several of the conclusions of that meeting were discussed and reaffirmed: (a) the proposed reorganization, whose principal objective is to release manpower resources from research and economic analysis for more country-focused, operationally oriented economic work, should be viewed in the context of the constraints (especially budgetary) facing the Bank; (b) most of the policy planning staff of the PPR Department is expected to be transferred to the operations complex, although a small unit would be left with the new Vice Presidency, Economics and Research; (c) the bulk of the program review staff of the PPR may be expected to move to operations, and consideration may need to be given to moving a smaller part to PAB; and (d) with respect to the Development Economics Department, a fair number of people would transfer to operations, but some may be expected to remain in an enlarged DRC.

In effect, the OPD note does not sufficiently take account of constraints on the Bank and, in the specific case of the program review function, it does not consider the possible transfer of staff to PAB. More fundamentally, however, the proposals contained in the OPD note rely primarily on synergistic savings to come from the transfers from DPS. It would leave the reprogramming to reduce research until later, after the functions and positions had been transferred. The savings from synergy alone are likely to be small. Larger savings can be expected from: (a) reductions in the magnitude of the research component; and (b) reprogramming, not only in the parts transferred from DPS but also in the parts left in DPS, in CPS, in the Regions and in other parts of the Bank. The Committee wanted to see a first rough estimate of where savings from reprogramming would come from, and the implications of such reprogramming before it gives its final approval.

As far as the research side is concerned, it is important to define what research ought to be kept and what research resources should be freed up over time. In that respect, the setting of specific targets is necessary. In addition, much needs to be known from the demand side, i.e., the Regions, and this calls for someone like a Programs Director of a Region to contribute to the definition of what research ought to be continued.

The issue of reprogramming is more complex. One element which has so far been left unclear is the nature and extent of the quality control required over the economic work performed in the Regions. Basically, this quality control is the responsibility of the Regions. However, a second line quality control check needs to be done, part of which can be provided by CPS, as it also provides sectoral knowledge to regional staff. This second line check is not coming from senior or chief economists in the Regions. Several members agreed that, if country specific economic analysis is to be restructured, the quality control function must be performed within the operational complex. On the other hand, the non-country specific macroeconomic work which cuts across sectors and countries must remain in the research component.

<u>Conclusion and Committee Action</u>

The Committee agreed that, within the framework of the conclusions of the December 7 meeting, the reprogramming exercise should be looked at from the perspective of constraints on the Bank (e.g., budgetary constraints). The first step is to decide what research should go on and what should be discontinued. A specific target of 35 positions to be freed up from the redefinition of the research component, both within DPS and CPS, was agreed upon. However, it was acknowledged that the 35 might be modified, down or up, after the Managing Committee has been provided information on the implications of a reduction in research activities. The phase-out of these positions from research should take place over a period of five to six months.

With respect to the announcement to the staff of the Bank, the Committee agreed that it should emphasize: (a) the "macro" nature of the proposed reorganization; (b) the "constraints" aspects of operations; and (c) the need for reallocation of manpower resources for special emphasis on country operations. The announcement should make a strong statement of the need for the Bank to continue at the cutting edge of knowledge of the development process through research and sound economic analysis and projections. It should also talk about the steps to be taken to work out the specific details of the reorganization in terms of functions, activities and individuals, and mention a specific timing for the phasing of the reorganization.

Mr. Rohrbacher will draft the announcement which will then be fine-tuned by Messrs. Clausen, Stern and Chenery. (Action Responsibility: Mr. Rohrbacher)

3. World Bank Magazine: "The Bank's World"

Attending: Mr. Vogl

Documentation
3.1 Memo (Vogl) December 10, 1981: Internal Communications.
3.2 Memo (Sagnier) December 9, 1981: "The Bank's World" stories.

esentation
Topic introduced by Mr. Benjenk and presented by Mr. Vogl. The memo on internal communications is intended to provide a context for the new program, the first element of which is the magazine "The Bank's World." Mr. Bahl of IPA will work with a new editor who just came on board to publish the first issue in late January. A publication of Bethlehem Steel was then circulated to illustrate the kind of professional publication intended for the Bank. The Managing Committee is being asked to serve more in the capacity of a Board of Directors for this publication than an editorial committee. The desirability of launching a series of management seminars for staff starting late January was also mentioned.

Discussion
Managing Committee members sought clarification from Messrs. Benjenk and Vogl as to the full scope, contents and other pertinent details of these new programs. It was pointed out that, in a previous meeting, members had decided that the magazine's editor should clear articles of substance with designated contact points around the Bank. Also, that the publication was not to include want ads and that the Managing Committee was to be provided with a paper on proposed contents. The memo and sample articles do not reflect these ground rules. Mr. Vogl responded that, in general, the contents would include policies of the Bank as a whole and topical issues as decided by top management. As to details of the seminar series and other new programs, these have not been fully worked out yet. Members reiterated their concern over making this publication an effective management instrument for communicating with staff and cited proposed letters to the editor and obituaries as inappropriate in the context of this objective. It was noted that a preferable "escape valve" for employees was an open line where employees could speak without attribution.

Conclusions and Committee Action

Members agreed that IPA should proceed with publication of the first issue of the new magazine. At the same time, criteria are to be developed for what is appropriate for inclusion so there will be no further misunderstandings about approved contents. These criteria should be discussed and agreed upon at the next meeting of the Committee. (Action Responsibility: Mr. Vogl)

4. China/Taiwan

Attending: Mr. Husain

Documentation

4.1 Memo (Husain) October 27, 1981: China: Reference in Bank Publication and Statistics to Taiwan.

Presentation

Topic presented by Mr. Husain. Referring to his memo of October 27, Mr. Husain stressed the extreme delicacy of the Bank's relations with China. The Chinese are especially sensitive about any occasion which could lead to resurrecting the issue of two China's. The issue of reference to Taiwan, if not resolved, may have a long lasting adverse impact on the Bank's relationships with the PRC.

Conclusions and Committee Action

After considerable discussion on the nature of the problem, options available to management were summarized as follows: (1) delete mention of Taiwan altogether, (2) refer to Taiwan as "Taiwan Province", (3) footnote all references to China with "Does not include Taiwan, China whose statistics are..." Also, Taiwan would not be separately colored on maps. Members concurred that the third option was preferable, and agreed that authors of Bank documents which reference Taiwan must clear with Mr. Golsong prior to their publication. Mr. Golsong will consult with Mr. Husain as necessary. The whole issue will be reviewed again prior to publication of the 1982 Atlas. On a related matter, the Committee confirmed again that data concerning centrally planned economies will be presented in the 1981 Atlas with an appropriate footnote. (Action Reponsibility: Messrs. Golsong and Husain)

5. Staff Association--Report on the Bank in the 1980s

Documentation

5.1 Memo (Paijmans) December 8, 1981: Follow-up discussions on the Association's report on the Bank in the 80s.
5.2 Memo (Paijmans) December 9, 1981: Draft statement for the Staff Association.

Presentation

Topic presented by Mr. Paijmans. The Executive Committee of the Staff Association expressed several concerns after meeting with Managing Committee members over the draft of the Bank in the 80s report. They are willing to rewrite it but are concerned over the reaction of their Delegate Assembly. They would like a statement from management along the lines of the draft circulated to members. Such a statement goes beyond the issue of the Bank in the 80s report in that it, in effect, acknowledges the existence of the Staff Association.

Discussion

A question was raised as to whether this statement would constitute de facto legal recognition of the Staff Association. It is referred to in the Retirement System, and the Board has invited its members to occasional meetings, but otherwise the subject has been consciously avoided. Members agreed, however, that the Staff Association is a fact of life, and meeting with its Executive Committee on topics along the lines of their recent discussions can be constructive.

Committee Action

Issuance of the draft statement, as modified by members, was approved. It is to read "Members of the Managing Committee have appreciated having had a recent opportunity to discuss with the Executive Committee of the Staff Association concerns relating to certain issues that the Bank staff will face over the coming years, and the effect of these issues on such personnel matters as career planning, training, redundancy and termination, retirement and insurance, and new office technology. Management wishes to take this opportunity to confirm that it looks forward to further constructive dialogue with the Executive Committee on such matters." (Action Reponsibility: Mr. Paijmans)

6. Other Business

Meeting with Secy. Regan

Mr. Clausen expressed his concern over several cancellations of meetings scheduled with U.S. Treasury Secretary Regan.

Bank Name and Logo

Mr. Clausen stated his concern over the confusion associated with the Bank's official name and logo and its implications for the Bank's external image. Mr. Paijmans pointed out that there are three issues of a related nature: (a) the matter of the Bank's name, which the Organization Planning Department is already working on, and on which recommendations will be made shortly; (b) the matter of styles and formats of documents and publications, which AOP has started looking into; and (c) the matter of the internal distribution of documents (number of copies). A "charge back" system is one way to get this under control, and work on this concept has already started. As a first step, charge back has been introduced as of November 1 for services provided by the Joint Computer Center, and we expect to expand this as user statistics become available.

Managing Committee

CONFIDENTIAL
December 10, 1981
Record: December 15, 1981

FROM: Olivier Lafourcade

SUBJECT: Minutes of December 7, 1981 Meeting
Members Absent: Mr. Golsong
Also Present: Mr. Rohrbacher

1. Minutes of November 23 Meeting

Committee Action — Approved as amended.

2. Minutes of November 30 Meeting

Committee Action — Approved.

3. Yearly Merit Increase

Attending: Mr. Kaji

D mentation 3.1 Memo (Paijmans) December 4, 1981: Analysis of Proposed FY82 Merit Increase Actions by Vice Presidency

3.2 Memo (Golsong) December 4, 1981: Yearly Merit Salary Review

Presentation — Topic presented by Mr. Paijmans. This year's YMR exercise represents a new interim system designed to introduce more flexibility for differentiation in the allocation of merit increases. One of its main features is that the "norm" concept is abandoned. It has resulted in a general broadening of the pattern of merit increases. There are higher increases than awarded last year, and more zero increases. The latter one still largely due to many individuals being already at the ceiling of their salary range. The variations among Vice President groups in their differentiation among individuals have serious implications for the Bank in the future.

Discussion — Discussion centered around the problem of assuring reasonable equity where no Bank-wide guidelines or standards have been provided. One member noted the problem raised in Mr. Golsong's memo, and Mr. Paijmans assured the Committee that YMR results would be "all legal." Another member expressed the concern that he can assure his own staff of equitable treatment within his own Vice Presidency, but doesn't know how to account for the rest of the Bank. Messrs. Paijmans and Kaji responded that, overall, Bank managers did very well and that all that is really necessary is to have good and valid reasons on an individual basis and to record those reasons in the files. It was acknowledged that, in the past, Bank-wide guidelines provided increased assurance of equity, but other drawbacks led to trying a new approach. This year's YMR exercise represents a transition to a new and better system. One member suggested that the presentation of the YMR results could be strengthened by showing what kind of performance warranted what level or percentage of increase.

Discussion then turned to the relationship of the YMR exercise to the Bank's total compensation system. It was pointed out that the structure of the system inhibits the ability of a manager to reward outstanding performance when the individual is already at the top of the salary scale. Mr. Paijmans pointed out that the new system, which will allow for bonuses and other incentives, should handle this. One member questioned what can be done with salaries that are already above the market. In addition, the timing of granting cost of living increases in May or June retroactive to March was questioned. Several members recounted the history and background of the compensation system, and the pros and cons of the current situation. It was pointed out that the system has been modified from a full inflation increase to an adjustment in line with selected comparators, and the March 1 timing picks up all comparator merit increases. Members acknowledged that the complexities of the compensation system need to be rationalized in a way that can be explained to staff. One member suggested using the vehicle of the YMR to explain the system and what is coming in the near future to staff, but Mr. Paijmans cautioned that this was premature given the complexity of having to deal with six separate groups on compensation issues.

Conclusion and Committee ction

Members agreed that the message on this year's YMR exercise conveyed to staff through PMD's memo to Department Directors needed to be reinforced through constructive individual counselling for all staff. The desirability of reflecting managerial performance in areas like this was also noted. It was agreed that PMD would follow up with departments that did not comply sufficiently with the guidelines (e.g. Legal, OED). (Action Responsibility: Messrs. Paijmans and Kaji).

4. DPS Reorganization

4.1 Memo (Paijmans) December 3, 1981: Reorganization of Economic Analysis Research and Policy Activities

4.2 Memo (Chenery) December 5, 1981: Comments on OPD Report on DPS

Opening Comments

Mr. Clausen introduced the subject reminding the Committee that the proposal under consideration stems from the broad challenges facing the Bank. In essence, constraints on Bank resources now make it more imperative to find better ways to use staff. In addition, circumstances in developing member countries dictate that the Bank must try to utilize its country program approaches in broader terms. Finally, reminding the Committee that Mr. Chenery will be leaving the Bank next year, Mr. Clausen explained that the change of a senior official makes it convenient for looking at changes in the organizational structure. Mr. Clausen also acknowledged the sensitivity of the issue under consideration, noting that it has already led to considerable unrest and uneasiness in some parts of the institution.

Presentation

Topic presented by Mr. Rohrbacher. The paper is rather simple and straightforward. It summarizes the pressures accumulating on the world economic scene, in the Bank at large and in DPS. The paper then attempts to articulate the objectives of an improvement program and suggests three broad approaches to achieve these objectives: (a) a reprogramming of DPS; (b) the restructuring of at least part of DPS; and (c) a combined approach involving both restructuring and reprogramming. The paper recommends the third approach to be conducted in two parts: (a) move part of DPS staff (especially the Development Economic Department) to the operations complex (CPS); and (b) reprogram and restructure CPS. The problem of restructuring the Policy Planning and Review Department is of a different nature from that of DED. The issue with PPR is whether there is a clear need for a separate group to: (a) help formulate development policies; and (b) look at country programs. A consensus seems to exist that there is no such need. The case of DED, however, is much more difficult, since there is not a neat distinction between its functions with respect to broad and applied research, policy work and support to operations. The recommendation is not to eliminate research conducted by DED, but rather to combine it with that of CPS so as to make it more operationally oriented and to eliminate existing redundancies.
Mr. Rohrbacher then circulated to the Committee a chart summarizing the proposal for reorganization. Once part of DPS is moved to CPS, the proposal is to split CPS in two: Central Advisory Staff and Central Operating Projects Staff. This would mean adding one new department within CAS: Country Economics Staff. A separate new department could also be attached to the Senior VP Operations: the Operations Policy and Review Department (OPRD). At this stage, these proposals are only indicative and have not been studied in detail.

Discussion

The Committee discussed extensively the various issues and concerns raised by the proposals, examined the underlying fundamental principles and reviewed possible alternatives. The discussion centered on general aspects concerning research on one side and economic work on the other, and more specific aspects of the proposed reorganization as they would affect two departments in particular, PPR and DED.

General Aspects. The Committee recognized the dilemma faced by the Bank. On one hand, the Bank must be more economical in its organization, which may imply having to cut back some activities. On the other, the Bank must be at the cutting edge of the state of the art in terms of research on economic development. It is, therefore, critical to decide how much to cut on one side and how far the Bank needs to go to retain its expertise at the cutting edge of knowledge of the development process.

In general terms, the weight of research should be reduced to be more focused and more operationally oriented. It is recognized that there is already some research done in CPS which is clearly operation-oriented. Some people can be moved from DPS to CPS to further that orientation. What is left in DPS can be more sharply focused. The question then becomes one of personalities and talents of the individuals concerned. Some trade-off is inevitable. The difficulty, however, is that what people would be asked to do in their new situation is not precisely known. In addition, it could be very wasteful to ask specialists to become "general practitioners." It is, therefore, important to define precisely what research ought to be, as well as to try to define where research stops and policy work and other operation support begin.

On the other side, i.e., with respect to the need to strengthen economic policies at the individual country level, there is no alternative to strengthening the manpower and expertise available to work at this level. This is an issue that faces all regions in varying degrees, the most urgent and important needs being for Africa. It must be recognized, however, that "savings" in manpower cannot be expected to occur from other regions for possible allocation to the Africa regions.

Reviewing the arguments for reprogramming of DPS instead of the full transfer option, one member argued that it would be easier to do, especially if the problems of reassignments of senior staff are considered. Reprogramming would imply the need for clear statements of priorities and precise work programs, some of which may mean the deferring of ongoing work of lesser priority. DPS could be conceived as a consulting firm. What is important is to maintain the quality of the specialists. In that respect, it should be noted that the quality of economists in the region tends to deteriorate through time, and, in that sense, DPS can help in staffing the regions with qualified economists and training the regions' economists. In sum, it is argued that the objectives can be accomplished without the costs attached to the splitting and relocating.

The discussion led to an examination of what the overall staffing situation of the Bank is, in view of the likelihood of scaling down operations. In this connection, the Young Professional Program recruitment is already being scaled down, and a number of managers, especially in the regions, have already slowed down recruitment. However, there are not yet sufficiently concrete data to lead to more specific measures, which perhaps will need to be somewhat drastic. In this respect, much depends on the decision of the U.S. concerning IDA and the subsequent Board decisions. The situation is expected to be much clearer by mid-January.

In essence, the proposed transfer of DPS staff to CPS leads to the need to redefine the functions and scope of DRC activities and, as importantly, to look carefully at CPS where some individuals may need to be transferred either to the regions or to the redefined DRC. In other words, the whole package needs to be looked at and resliced in view of the resource constraints. In general, the Committee stressed the importance of restructuring work programs along with the shifting of units.

PPR. In splitting PPR, the bulk of its activities would go to the proposed Operations Policy and Review Department in CPS; however, part of it would need to go to PAB and that side needs to be looked at. PAB and PPR reviews of CPPs are almost identical, but PAB has a viewpoint on CPPs which operations do not have: e.g., monitoring function on a Bank-wide basis and analysis of creditworthiness from the financial complex angle. The main current contribution of PPR comes from its across-the-board experience. The overall review functions of the Program Review Division is important, but the Division must rely on other units to perform it. The input of the Division could, however, be provided more upstream in the elaboration of country programs. In any event, the question remains on whether the overview function should not be better located in the operational complex.

As for the policy side of PPR, the small Policy Planning Division serves essentially as a secretariat to the Policy Review Committee, although it does conduct some analysis itself. The question is whether such an independent group is needed. It was pointed out that the Division does more than just secretariat work: it initiates some policy analysis; it identifies topics on which research is needed; it prepares speeches for managers of the Bank; and, in general, it is a group available for assignments of a short lead-time nature. Some members argued that the PP Division could stay where it is since there is the need for a conduit between the (reformulated) DPS and the rest of the Bank. In addition, there may be the need for such a group to initiate studies over and above what comes from the two main complexes, Operations and Finance.

Several members expressed uneasiness about such a group having policy decision responsibilities. The discussion clarified, however, that the "policy" being talked about in this context is not that which the Managing Committee is called to decide upon, this being rather the result of activities of subcommittees, working groups and task forces. Therefore, the small unit would take more the form of a contributor to the policy-making process. There is indeed the need somewhere for skills to write policy statements.

DED. There are several alternatives concerning DED, from moving 100% out of DPS to not moving any of it out but reprogramming its activities. DED is currently involved in a broad spectrum of activities, with various types of research, policy work and support to country program work. The recommendation is to move all of DED to operations and then subdivide its activities to combine the research side with what is currently being done in CPS, the objective being to get to more relevant policy advice.

The reason why DPS has so far kept functional responsibilities in the same areas as CPS (e.g., Population and Human Resources, Urban Development) is that it looks at relationships among sectors. In essence, the macroeconomic work is done in DPS while the sector and project work is done in CPS. In other words, DPS provides support to the programs divisions in the regions while CPS provides support to the projects divisions. While this has been the case in the past, the dilemma is that, as DED becomes more operationally oriented, it is doing more and more what CPS is doing. The question is, therefore, whether the combination of both would not be more efficient.

The fundamental issue is the need for relasing manpower from this type of work to be transferred more into country policy and direct operational support work. For instance, about 20-25 people should be made available to work in and on the countries of Africa.

One member expressed doubts as to the merits of placing people released from DPS to CPS if what is expected from them is substantially different from what they are used to doing now, i.e., putting them more into "production line" work. Why not transfer them directly to the regions? The reply pointed to the fuzziness which exists in CPS and DPS in the continuum from research (broad and/or applied) to operational support. The transfer to CPS gives time to sort out these aspects, i.e., redefine functions. At the same time, however, the increase in staff and responsibilities in CPS may exacerbate some feelings in the regions where there are already reservations about distribution of responsibilities between them and CPS.

The Committee recognized that there is not a 100% transferability of staff from research in DED and CPS or regional work. There has so far been no attempt to find out whether some individuals could go straight to the regions. It is clear, however, that some could or should remain in DPS to do research work in the expanded/reprogrammed DRC.

<u>Conclusion and Committee Action</u>

The Committee agreed that the Bank must keep a strong research component, but research activities must be reduced in magnitude and need to be refocused. For this purpose, it is important to examine carefully what sort of research needs to be carried out, which points to the necessity of looking at what is currently being done in the Bank. The basic objective of reducing the magnitude of research is to free up manpower resources (a minimum of 35 people) which can be applied to more operationally oriented economic work.

The Committee agreed that the answer to a more focused research lies in the strengthening of the DRC through transferring part of the Development Economics Department to it. At any rate, a reprogramming and restructuring of the research component is necessary, which implies also the need to examine carefully the research activities of CPS. Reprogramming and restructuring research activities of CPS (those it now performs together with those which are transferred to it from DPS) should also lead to freeing up additional personnel for more operationally oriented economic analysis.

It is important to keep in mind the initial transition period (which may extend over more than one year) in the process of reducing research. Clear objectives need to be decided upon for this purpose. In particular, what should be looked at is the magnitude of the economic work needed in the Regions so as to determine the number of additional people necessary and then find out what proportion of these could come from reprogramming of the research (in DPS and CPS) and transferring. It is also important to look at individual skills, talents and preferences in this process.

With respect to the economic analysis side, the Committee agreed that the part of DED not transferable to the reprogrammed DRC should be transferred to the operational complex (some individuals may be transferred to OED or other units in the Bank). Likewise, it was ageed that the Policy Planning and Review Department should leave the DPS complex, with the exception of a small unit whose function will be to formulate and address selected development policies on behalf of the new Vice President, Economics and Research, whose responsibilities extend across sectors and across countries. The largest part of PPR is expected to the transferred to the operational complex, but some individuals, especailly from the Policy Planning Division, may be transferred to PAB in the financial complex.

The Committee gave Mr. Rohrbacher license to proceed with discussions, first with Messrs. Stern and Chenery, and then with Messrs. van der Tak and Waide, on specific matters relating to programs and individuals likely to be affected by the proposed changes. Mr. Rohrbacher is to report on the results of these initial discussions at the next Committee meeting. The Committee further agreed on the establishment of a steering group to work out further the details of personnel and organization concern once the initial review had been completed. This group, chaired by Mr. Rohrbacher and reporting to Mr. Paijmans, will include: Messrs. Waide, Director, Development Policy; van der Tak, Director, Projects Staff; Karaosmanoglu, Director, Country Programs I, EMENA; Kaji, Acting Director, Personnel Management Department; and Vergin, Director, Programming and Budgeting Department.

The Committee also agreed that an announcement on the changes will need to be made, the nature and timing of which will be decided at the next meeting of the Committee. Likewise, the Executive Directors will be informed in advance of the announcement, in an informal meeting with Mr. Clausen to be attended also by Messrs. Chenery, Stern and Thahane. (Action Responsibility: Mr. Rohrbacher.)

5. Other Business

Lending Rate

Mr. Qureshi reported that the forthcoming $600 million issue in U.S. dollars is likely to be priced at below 15%. If this is the case, total borrowing costs for the period forecast (twelve months centered on December 1, 1981) will be close to 11.05%. Accordingly, he recommended that the Board be informed that the Management of the Bank does not see the need to increase the lending rate further, as recommended in the paper to be discussed at the Board on December 15. After discussing the respective advantages of informing the Board before or at the December 15 meeting, the Committee agreed that it should be before. A memorandum to the Executive Directors will be issued. (Action Reponsibility: Mr. Qureshi)

Central America

Mr. Stern reported that IDB is in the process of agreeing to chair the proposed steering group on Central America. (See Minutes of November 16, 1981 meeting)

Managing Committee

From: Olivier Lafourcade

Confidential
December 3, 1981
Record: December 9, 1981

Subject: Minutes of November 30, 1981 Meeting
Members Absent: None
Also Attending: Mr. Rohrbacher

Opening Comments

Before turning to the agenda, the Committee discussed some developments which took place on selected issues during Mr. Clausen's absence in East Africa. In the first place, it was noted that no progress had been made in the U.S. Congress with respect to IDA6. If the continuing resolution is passed as it now stands, the U.S. allocation to IDA6 for next year will not extend much beyond this year's level, i.e., slightly more than $500 million. The U.S. Treasury report on MDB's is now nearing completion, and there are indications that the U.S. is taking a rigid position with respect to IDA7, with proposed annual levels not to exceed $750 million. The Committee agreed that the whole IDA issue should be discussed soon with Secretary Regan. A meeting should be arranged to include Messrs. Clausen, Qureshi and Stern. The Committee also discussed several other areas or issues of concern which should be discussed at the meeting with Mr. Regan: (a) energy, as there are doubts that the U.S. Government would be prepared to come up with funds for additional lending for energy by the Bank; (b) the General Capital Increase, as there are indications that the U.S. may propose to phase down its subscription; (c) the reluctance of the U.S. Government to release the local currency share of its capital sub- scription for Bank lending; and (d) the issue of Central America, for which the U.S. views on what the Bank's role ought to be are unclear.

The Committee discussed the results of the Board discussion on the structural adjustment loan to Ivory Coast on November 24. It was recognized that Board discussions of SAL usually indicate considerable uneasiness of Executive Directors, partly out of fear of being involved in country policy discussions. The same type of questions and doubts are often expressed by EDs, such as: unclear dividing line between the IMF's and the Bank's responsibilities; questioning as to whether policy changes cannot be achieved without lending money, or could be achieved through project lending. The Committee recognized that SAL is more difficult to manage and, therefore, will always lead to extended Board discussions, in the case of countries with large market-oriented sectors, compared to countries with large public sector where policy changes can be more easily controlled.

1. Minutes of November 16, 1981 Meeting

Committee Action — Approved as amended.

2. Minutes of November 23, 1981 Meeting

Committee Action — Corrected as indicated in attached amended version.

3. Bank's Financial Statistics--October Table Ic

Attending: Mr. Hattori

Documentation — 3.1 Memo (Hattori) November 19, 1981: October Table Ic.

3.2 Paper (Hattori) November 25, 1981: Financial Report for October 1981 and Attached Tables 1-3.

Presentation — Topic presented by Mr. Hattori. Overall, the financial position of the Bank at the end of October represents a slight improvement over what had been predicted as of one month ago, but falls somewhat behind what had been projected for this fiscal year-to-date as of last May vis-a-vis forecasted year-end results. The more favorable position over the past month is attributable to several factors: mainly, (1) a larger than anticipated favorable exchange adjustment, (2) new capital subscriptions (principally India) and further release of prior U.S. subscriptions, and (3) greater retained earnings than planned.

Discussion — Discussion centered principally upon the way in which figures were presented for Managing Committee review. The value of tracking forecasts that change on a monthly basis was questioned and a suggestion made that tracking against a fixed beginning of fiscal year forecast would be more beneficial. It was acknowledged that the Board approved the "May" column as the official budget for FY82, so henceforth that will serve as the approved budget against which actuals and changes in year-end forecasts (i.e., June 1982 "outlook") can be compared. A question was raised as to whether the $36 billion of loanable resources was on-track or off-track, and it was acknowledged that the financial figures needed to be presented in a way that made them more self-explanatory. It was pointed out that the Bank has not made it a practice up to now to forecast month-by-month changes in financial position as part of the annual budget exercise.

Conclusion and Committee Action — Members agreed that it was important to "watch" monthly changes in key financial statistics (e.g., liquidity, ratios, profits, loanable assets) in terms of actual results versus budget and that an effective way of visibly presenting this information to learn from the past was with graphs and charts. The objective to strive for is a clear, crisp presentation that can be tracked over time. A response along these lines will be provided to the Managing Committee in two weeks. (Action Responsibility: Messrs. Qureshi and Hattori.)

4. Seminars of the Board--List of Subjects

Documentation 4.1 Memo (Thahane) November 24, 1981: Suggestions for subjects to be taken up by the Executive Directors in Seminars or Informal Meetings.

4.2 Board Memo (SecM81-869) November 2, 1981: Tentative Schedule of Meetings of IBRD/IDA/IFC Directors.

4.3 Memo (Chenery) November 26, 1981: Suggestions of Topics for Discussion.

Presentation Topic presented by Mr. Thahane who summarized from his memo of November 24 and referenced Mr. Chenery's suggestions in his memo of November 24.

Discussion Questions centered more on implied timing and schedules than subject matters proposed. The seminar scheduled for November 30 on MIIS was said to be preliminary. Several members expressed disagreement with the suggestion to discuss the nature of structural adjustment at the Board, especially given Management's commitment to submit a paper on structural adjustment lending to the Board. One member suggested that the subject be split into two topics: (1) how are countries "doing", and (2) what the Bank is doing in response, such as research, WDR, etc. Several members saw no difficulty in a Board discussion on the first topic (how countries are adjusting) while they objected to a seminar discussion of Bank lending for structural adjustment, which is a much more sensitive issue. This precipitated a clarification of the use of the terms "structural adjustment lending" versus "program lending" versus "non-project lending" in which it was pointed out that SAL's were "invented" to differentiate post-oil crisis general economy strengthening loans which supplement IMF from what was formerly connoted by "program" loans (e.g., reconstruction, project management capacity-building in Bangladesh).

Conclusion Members suggested several changes in target discussion dates and a few new topics vis-a-vis Mr. Thahane's memo of November 24:

- A(ii) Borrowing Program - March 1982
- A(iv) Issues Relating to Capital Subscriptions
- B(i) Personnel Policies - April/May 1982
- C(ii) Bank Poverty Focus - March/April 1982
- C(iii) Sectoral Implications of Poverty Focus - March/April 1982
- D(iii) Structural Adjustment Process - February 1982
- D(iv) Topics for Future WDRs - ?

It was agreed that Mr. Thahane would look into the implications of an earlier Annual Meeting date on the scheduling of seminars and that Messrs. Thahane, Golsong and Qureshi would discuss and report to the Managing Committee on the possibility of a seminar on pre-emptive rights. On the issue of the release of the local currency portion of capital subscriptions for Bank lending, it was agreed the Managing Committee should discuss and arrive at a position before taking to the Board.

Committee Action — A seminar program is to be finalized with specific topics and dates. As a general principle, topics are to be discussed first by the Managing Committee prior to presenting to EDs. (Action Responsibility: Mr. Thahane.)

5. New Monthly In-House Publication

Documentation — 5.1 Memo (Benjenk) November 24, 1981: Proposal for a new monthly in-house publication intended for all staff.

Presentation — Topic presented by Mr. Benjenk. A Task Force on Internal Communications is still looking into broader issues of how to improve communications within the Bank, but there is no question that in-house publications require improvement. In order to meet a January 4 date for a new improved publication, must go to press by thrid week in December and sign off on articles this week.

Discussion — Members recognized that if this is to serve as an instrument of management, it was important to be clear on how it should be used to inform staff and help develop improved attitudes toward the institution. In this regard, the proposed contents in para. 2 of Mr. Benjenk's memo were questioned as to their appropriateness in view of their sensitivity. It was pointed out that an Editorial Board was intended to serve as a review body for articles included in the publication. The Editorial Board would include broad representation from throughout the Bank, but there was a question as to whether the Staff Association should be represented. One member suggested that in lieu of an Editorial Board, clearances should be obtained on an informal basis from contact points in all concerned departments and that External Relations staff could then be held accountable. As to staff input, it was acknowledged that it was important for staff to obtain answers to their questions but not through the vehicle of a management publication.

Conclusions and Committee Action — Members agreed that a process of clearances was preferable to an Editorial Board and that other vehicles would be established for staff communications. In that regard, letters to the editor were inappropriate for the in-house publication. As to the remaining proposed contents in para. 2, it was agreed that this should be re-examined, but that External Relations staff should still strive to produce a January issue. Other decisions reached by the Committee were: (1) the format should be magazine style, not a tabloid, (2) the title should tentatively be The Bank's World but leave open the possibility of a better suggestion, (3) it should be produced on a monthly basis, (4) the requested supplementary budget was approved. (Action Responsibility: Mr. Benjenk.)

6. Small Grants Program

Documentation — 6.1 Memo (Benjenk) November 23, 1981: Proposal to rationalize and coordinate cash contributions of the Bank to Development Institutions and International Conferences.

Presentation — Topic presented by Mr. Benjenk. A review was conducted by External Relations and PAB staff of the small grants program on a Bank-wide basis. As a result of this review, it is being recommended that the program continue but be subject to a ceiling amount and that more attention be given to securing good will from Bank contributions. A "Contributions Committee" is proposed to manage this program.

Discussion and Committee Action — Members questioned why different types of contributions have been mixed together (e.g., memberships, payments for seminars and conferences, outright grants). In general, contributions should be sorted out as being operations-related or for general purposes. The Committee agreed that it should have the responsibility for determination of all major contributions. It also agreed that the proposal should be reconsidered after a more systematic classification of the various types of contributions has been completed. (Action Responsibility: Mr. Benjenk.)

7. Clearance on Public Statements and Public Appearances by Bank Staff

Documentation

7.1 Memo (Benjenk) November 25, 1981: Clearance of Public Statements by Bank staff.

7.2 Draft circular on Clearance of Public Information Material, November 18, 1981.

7.3 Draft circular on Clearance of Staff Attendance at Meetings, November 18, 1981.

Discussion and Committee Action — Overall, members agreed with the general thrust of the draft statements, but felt more specifics should be worked out. Procedures regarding media contacts were felt to be too limiting and impractical. The objective should be to encourage staff to have contact with the media but not to speak out on subjects that are the province of management where careful judgment needs to be exercised. Another draft should be prepared and circulated to the Managing Committee for decision at a forthcoming Committee meeting. (Action Responsibility: Mr. Benjenk.)

8. Co-Financing: Informal Meeting with Executive Directors

Documentation — Oral summary.

Presentation and Discussion — Mr. Stern reported on the results of his meeting with the ED's on co-financing. ED's are interested in new techniques being developed such as "balloon maturities" but caution that any new alternative techniques introduced by the Bank will soon be demanded for general application to all borrowing countries. ED's expressed particular interest in the Bank of England program and would like to see it extended to Germany, U.S., Holland, etc. Mr. Stern has promised to present a paper to the Board on co-financing strategies some time early next year. On a related matter, Mr. Clausen asked Mr. Thahane to help keep track of promises made to ED's to ensure management delivers on its obligations.

9. Other Business

Bank Atlas--A Committee member noted that a decision had been taken not to publish GNP data in centrally planned economies in the next issue of the Bank Atlas. He questioned the justification for such a decision, especially at a time when new countries belonging to that group are joining the Bank. Another member argued that it was precisely because the Bank knew that data concerning these new member countries would be carefully scrutinized that there was some hesitancy in publishing data which is of a highly tentative or speculative nature, given the problems of methodology and definitions in arriving at reliable estimates.

The Committee agreed that the data for centrally planned economies ought to be published anyway, with a footnote explaining the tentative and approximative nature of the estimates.

Management Retreat--A member asked whether there would be a structured discussion at the forthcoming Management Retreat. Mr. Clausen explained that there would be no rigid agenda but rather three broad areas for discussion: (a) how to improve the efficiency of the Bank, a topic to be introduced by Messrs. Stern and Qureshi; (b) how to improve management/employee relations in the Bank, to be introduced by Mr. Paijmans; and (c) some ideas on medium- and long-term development issues to be presented by Mr. Chenery. The retreat will end with personal remarks by Mr. Clausen.

Mr. Qureshi's Visit to Japan and UK--Mr. Qureshi reported that Japan continues to be very supportive of the Bank and will try its best to allow the Bank to increase its borrowing there. With respect to IDA6, both Japan and the UK are quite clear that they are not prepared to go beyond the agreement reached at the deputies' meeting last September. They already take it that IDA6 will inevitably be stretched out over four years. Both countries are not keen to discuss IDA7 matters in the near future. In general, they are not in favor of the idea of IDA borrowing directly from Governments and, for budgetary reasons, they would prefer the interest subsidy approach.

Managing Committee

From: Olivier Lafourcade

Confidential
November 25, 1981
Amended: December 3, 1981
Record: December 8, 1981

Subject: Minutes of November 23, 1981 Meeting
Members Absent: Messrs. Clausen, Qureshi, Golsong and Paijmans
Also Attending: Mr. Rohrbacher

1. Minutes of November 9, 1981 Meeting

committee action
Approved as amended.

2. Minutes of November 16, 1981 Meeting

committee action
Corrected as indicated in attached amended version.

3. FY81 Retrospective Review

(Attending: Messrs. Gabriel and Vergin)

documentation
3.1 Memo (Gabriel) November 18, 1981: FY81 Retrospective Review of Programs and Budgets for IBRD and IDA.

3.2 Reference Files, November 16, 1981.

presentation
Topic presented by Mr. Vergin. This retrospective review for 1981 represents the fifth such exercise for operating departments and the first for most support departments. It had three overall objectives: (1) get managers to focus on results in relation to plan in terms of budget and work program--this appears to have succeeded; (2) serve as a basis for the FY83 budget planning cycle and FY82 budget administration; and (3) provide a tool for monitoring the efficiency with which the Bank does its work. Overall, tools available for monitoring efficiency require improvement.

discussion
The discussion addressed a number of specific issues associated with the retrospective review exercise as outlined in para. 8a-f of the P&B memorandum. Members asked Messrs. Gabriel and Vergin why operational managers question the longer-term significance of the reduction in staff cost per lending operation which had occurred in FY81. Two recurrent reasons were noted: (1) an atypical composition of the FY81 lending program, i.e., high proportion of repeater projects and projects in lower cost sectors, and (2) higher incidence of projects which in the pre-appraisal stage had benefitted from technical assistance financed from

other sources. Members commented that some of the skepticism could be discounted because of budgetary posturing. It was also noted that processing costs had now come down two years in a row and that such reductions could reflect the persistent effort to shift preappraisal work from Bank staff to technical assistance. PAB agreed with this conjecture, but cautioned that statistically defensible evidence was, as yet, not available to suggest that these cost data indeed reflect a sustainable change in the Bank's cost structure.

On budget fungibility, the members agreed with PAB's assessment that fungible use of budget resources, as presently practiced, was highly desirable. In this context, PAB requested the support of the Committee to keep representation expenses within budget.

On the issue of budgeting for operational travel, PAB acknowledged the need to improve the tools which are used to determine travel budgets. Changes would be introduced in the formulation of the FY83 travel budgets. The new approach would focus more clearly on travel frequency and duration and would provide opportunities to question the increases in frequency and/or duration of travel that have occurred in several units. One member pointed out, and PAB confirmed, that most analyses to date have confirmed the staff's tendency to maintain a long-zone travel frequency which, under present rules, ensures maintenance of first-class travel status. An AOP task force is also examining this aspect of travel policy.

PAB representatives alerted the Managing Committee that budgeting for the Cooperative Programs may involve "tricky" negotiations this year. There has been a tendency among Bank managers to substitute Bank resources in lieu of using cooperative program staff. If this trend, for which there are generally good reasons, continues, PAB's response will have to be a reduction in the cooperative program budgets. It was suggested that Mr. Benjenk look into what the Bank has done with UNIDO because the subject might come up at the ACC. The UNIDO experience might serve as a model for dealing with other programs such as WHO and UNESCO, i.e., leave them 1-2 slots for liaison and money for consultants.

One member contended that the retrospective review gave insufficient attention to the analyses of the Bank's non-operational output and also cited the preponderance of attention given to operational work in the budget presentation. It was pointed out that PAB's overview of program and budget issues had to build on the programming and budgeting system which the vice presidential units were applying to non-operational output. Also, PAB's analysis was largely dependent upon data supplied by the vice presidential units regarding cost and efficiency of the non-operating programs. PAB representatives responded that they welcomed suggestions for change and were available to assist senior managers to modify their systems and to undertake additional analyses. Several specific examples of ongoing efforts to improve the programming and budgeting system for the non-operating programs were cited.

conclusion	Members agreed that PAB should circulate this paper among all Vice Presidents and Department Directors. In addition, a seminar on the budget process is to be provided by PAB for ED's during the first week of February. In this context, PAB mentioned that it was taking the initiative to revise the presentation of the FY83 program and budget to both Senior Management and the Board so as to facilitate program cost comparisons over time and to highlight efficiency considerations. In this regard, members mentioned several presentation issues which needed to be addressed in order to respond to specific concerns expressed by the Board. Overall, however, it was recognized that the Managing Committee should not be involved in deciding the format for budget presentation.
committee action	Decision to circulate this paper to all Vice Presidents and Department Directors. (Action Responsibility: Messrs. Gabriel and Vergin)

4. Revised Special Procedures for Board Presentation of Projects.

documentation	4.1 Draft Board Paper (Stern) November 19, 1981: Special Procedures
conclusion and committee action	Members have already discussed this topic in detail. There was no objection to the recommendations contained in the draft Board paper. It was suggested that the innovation of extending the limit for special procedure projects up to $75 million under certain conditions as described in para. 4 be foreshadowed in para. 2 of the paper. (Action Responsibility: Mr. Stern).

5. Other Business

McNamara Fellowship	Mr. Benjenk reported that, following consultations with Messrs. Golsong, Wright (representing Mr. Chenery) and Thahane, it had been concluded that it would be inappropriate for Board members to serve on the Scholarship Board.
MIIS	It is important to include IFC participation in formulating the MIIS scheme to get the benefit of their experience with private investors. Additionally, IFC should participate in the seminar and operations group.
Board Seminars	Mr. Thahane is prepared to distribute a list of suggested seminar topics and proposed participants.

Managing Committee

CONFIDENTIAL
November 20, 1981
Amended: November 25, 1981
Record: December 2, 1981

FROM: Olivier Lafourcade

SUBJECT: Minutes of November 16, 1981, Meeting
(Members Absent: Mr. Qureshi
Also Present: Mr. Rohrbacher)

1. Minutes of October 26, 1981, meeting.

The revised minutes of the October 26, 1981, meeting were approved.

2. Minutes of November 9, 1981, meeting.

There was general agreement that the format of these minutes was an improvement over that of the previous meeting. The minutes are still too long; however, specific items were corrected as reflected in the attached amended version.

committee action — Approve as amended.

3. IBRD Finances--Draft Board Paper.
(Attending: Messrs. Gabriel and JWood)

documentation 3.1 Draft Board Paper, November 13, 1981.

presentation — Topic presented by Mr. Wood. The draft Board paper is a revised consolidated version of a set of papers discussed at the Managing Committee meeting of October 26. It essentially presents the Bank medium-term income prospects under revised assumptions, along with a fuller description of alternative policy responses. The conclusions and recommendations are the same as discussed in the previous meeting: (a) increase in the lending rate from 11.6% to 11.85%; (b) establishment of a 1% front-end fee (with the possibility for borrowers to capitalize the fee and have it financed out of the loan); and (c) increase of ¼% in the commitment fee on new IBRD loans. In addition, the service charge on IDA credits would now apply to both undisbursed and disbursed balances. In general, the paper places more emphasis than earlier on the "lag risk" attached to a fixed rate lending, and points to the desirability of more flexibility on the borrowing side.

discussion — Several members commented that additional explanations were needed for the treatment of various issues, while assumptions used in some cases should be revised:

-- assumptions used for the determination of income prospects (table on p.3) should be clearly spelled out;

-- lending projections should be presented, along with the borrowing projections, since one possible answer to the financial problems is to reduce the lending volume; it was agreed that the "base case" assumptions as presented in the budget document would be presented in an annex to the paper;

-- the concept of Interest Coverage Rates (ICR) is not necessarily well understood and it should therefore be explained in the paper; likewise, a presentation of what ICR has been in the past should be added;

-- strong objections were expressed on the use of a projection figure of 4.3% annual growth of staff (different from the 0% growth rate used for purposes of space planning, for instance); a target figure of 2% should be used instead;

-- there should be a clear separation between the issues of borrowing market size on one hand and accessibility to these markets on the other; this is a point which needs further explanation;

-- the fact that the paper is still preliminary in its discussion of various issues should be stated earlier; in addition, the paper ought to contain an outline, for better comprehension of the reader.

While no disagreement was expressed on the recommendation to (a) increase the commitment fee by ¼%, (b) raise the lending rate, and (c) establish a front-end fee, the members agreed that the timing for application of the first two changes would be the date of scheduled Board discussion whereas the front-end fee would apply to loans negotiated after Board approval of the proposal. The point was made that the issue of the front-end fee should be separated from that of the savings in administrative expenses in their respective impact on income level. Expense curtailment is something which needs to be done in any event. With respect to the reference to specific economies in the administrative budget, several members felt that this could lead to misinterpretation and it was therefore agreed to delete this.

Some reservation was expressed on the paper's discussion of commitment levels, giving the impression that these levels are driven by income considerations. This is not the impression which should be conveyed.

With respect to the proposed increase in the lending rate, the Committee agreed that the paper should also show the effective rates applied by other MDBs (e.g., IDB, ADB) in order to introduce some element of comparability.

In discussing the recommendation regarding the IDA fee, the meeting reached the conclusion that this is an issue quite separate from the rest of the paper, although the link is the net income of IBRD. The Committee agreed that the IDA fee issue should be the subject of a separate paper.

<u>committee action</u>

Decision was taken that the paper(s) should be revised by incorporating the amendments described above, and issued to Executive Directors no later than Monday, November 23, 1981. The paper will be issued as a recommendation of the Managing Committee, under the signature of the President (Action responsibility: Mr. Wood).

4. IDA6 Stretch-out: Contingent Planning
(Attending: Messrs. Gabriel, Vergin and Mistry)

ocumentation 4.1 Memo (Qureshi) November 5, 1981

resentation

Topic presented by Mr. Vergin. The paper was prepared as a result of the meeting of IDA deputies in September. Detailed work has already been done in the three regions most affected (Eastern and Western Africa and South Asia), with the assistance of P&B. In particular, IDA allocation among countries has been revised and what were policy options in the paper have now been translated into specific country proposals. In that sense, the process of reprogramming is more advanced than what the paper shows. The main remaining issue is how and when the reallocations should be communicated to the Board.

iscussion

Although a possible option would be to discuss the IDA stretch-out with IDA deputies, the Committee expressed a preference for issuing a Board paper, which can be done without having to wait for the mid-year budget review. The paper, on which a Board discussion should take place before the end of December, should contemplate two scenarios: an IDA shortfall of (between) $1 billion and $2 billion.

Much obviously depends on the final position of the U.S. after Congress passes approval of the continuing resolution (around November 20). The Bank does not need to hold firm on a specific IDA figure for FY72 since: (a) non-U.S. donors may decide to increase their contribution beyond what the trigger clause would imply (as a proportion of the U.S. share); and (b) if the U.S. contribution is small as a result of Congress's decision, the U.S. may come up with a supplemental allocation early next year and/or a full Foreign Aid bill. The Committee discussed the possibility that, if the non-U.S. donors' allocation is smaller than expected as a result of the trigger clause, the remaining IDA-pledged amounts could still be tapped, for instance, under cofinancing arrangements. Reservations were expressed about the viability of such eventualities since: (a) the U.S. may still come up with more than is now expected for its second tranche; and (b) cofinancing with non-U.S. donors within their IDA allocated shares may not be feasible since cofinancing is generally "tied" (e.g., on procurements), whereas IDA funds cannot be tied.

It was pointed out in the meeting that it is virtually certain that major non-U.S. donors do not intend to go to their legislatures until the situation of the U.S. second tranche is clarified.

mmittee
tion

The Committee agreed that the paper should stress the need for all non-U.S. donors to contribute their second tranche beyound the amounts called for by the trigger clause. It should also stress the importance of minimizing the possible shortfalls as well as the need to increase cofinancing outside of IDA resources.

The next IDA deputies meeting will take place in March 1982. Before then, Mr. Clausen will issue a special message to some EEC countries asking them to contribute more to IDA's second tranche than was agreed during the September meeting. In lieu of a message, a tour of capital cities by the President could be envisaged. At any rate, nothing along these lines can be done before the U.S. acts. (Action responsibility: Mr. Stern)

5. Graduation.
(Attending: Mr. Barletta)

documentation 5.1 Memo (Stern) November 4, 1981: Graduation from Bank and IDA.
5.2 Memo (Chaufournier) November 11, 1981: Graduation.
5.3 Memo (Haq) November 18, 1981: Comments on Stern memo "Graduation from Bank to IDA."

presentation

Topic presented by Mr. Stern. The paper recommends an update of the triggering level (measured by a country's per capita income level) for graduation from the Bank. There has been a long debate on whether to use a fixed dollar amount or a share of the average of the OECD North group of countries. The share formula was proposed in 1979 but rejected because of opposition of Executive Directors representing major shareholders. Among Part II countries, some are in favor of the share approach (e.g., Latin American countries) while others favor the absolute figure (e.g., Yugoslavia). In his presentation, Mr. Stern stressed the point that the issue of accessibility to capital markets should not be confused with that of triggering the graduation process. The paper also recommends a three-year phasing out after a country reaches the trigger income level. After graduation from the Bank, a country may still be eligible for IFC operations. The main issue now is whether a paper should be prepared for the Board.

discussion

Considerable discussion took place on the issue of an absolute trigger income figure vs. a relative one. Several members felt that the proposal for a fixed figure presented in the paper was excessively rigid. It was generally recognized that the Bank has a non-financial role to play and a phased-down lending could still allow the Bank to maintain a policy dialogue with important member countries. The question remains, however, as to how far the Bank is prepared to have a dialogue with a given country, based on a minimal financial involvement. With a reduced lending level, the Bank can have a significant impact on projects, but little on general economic policies. Likewise, for lending amounts getting smaller, administrative and other costs to the Bank are getting relatively higher.

The Committee generally agreed that graduation is the demonstration that the development process is successful. In addition, it serves to demonstrate that Bank lending is not an endless proposition. If the principle of graduation is accepted, then it is essential to have a simple yardstick to trigger the graduation process. Otherwise, endless political debate will take place on each case.

The Committee reached the conclusion that the trigger mechanism should be flexible rather than rigid. It agreed that there should be an absolute trigger figure for considering graduation rather than an absolute trigger for graduation itself. Prudent management dictates that examination of the graduation issue, as well as preliminary discussions with the country concerned, should start when a country reaches an income level lower than the trigger level. The phasing down of lending should start when a country reaches that lower level. Once consideration for graduation is initiated, then specific circumstances of the given country (e.g., accessibility to capital markets) and specific terms for graduation should be examined. On this latter point, the Committee felt that the length of the phase-out period should not be fixed rigidly at three years, but could vary from two to a maximum of five years.

Several members emphasized the need to look carefully at each country's specific circumstances, especially in the context of: (a) what the Bank may expect from it after it has graduated; and (b) what the country may still expect from the Bank. In this respect, it was recommended, and agreed by the Committee, that a list of questions to be addressed when a country becomes eligible for graduation be established. Such a list would include what the graduated country could expect from the Bank after graduation, e.g., procurement contracts, EDI courses, technical assistance. The key criterion is that the Bank can contribute to institutional improvement after a country has graduated.

The Committee also examined the special cases of possible new members whose income per capita may imply no lending operation under a fixed trigger income rule. The Committee agreed that the need for flexibility dictates that some operations should take place in order to lead to a policy dialogue with those countries.

conclusions and Committee action

The Committee agreed with the recommendations of the paper subject to the following clarifications:

-- the graduation issue should be discussed in an informal seminar of the Board;

-- the Managing Committee recommends a figure of $2,650 income per capita as the trigger to review a phase-out program over a five-year period or shorter;

-- the phasing down of lending operations should start at a lower income figure ($2,000);

-- at the Board seminar, a list of proposals to deal with countries where the Bank is not a lender will be presented: e.g., EDI, Technical Assistance (action responsibility: Mr. Stern).

6. Establishment of Central American Group
(Attending: Mr. Barletta)

documentation 6.1 Memo (Barletta) November 12, 1980: Central American Basin Plan and Establishment of Central America Group for Cooperation in Economic Development.

presentation

Topic presented by Mr. Barletta. The Central American countries and Panama, with the support of the U.S., Canada, Mexico and Venezuela, have requested the creation of a group similar to the recently created Caribbean Group. They have asked the World Bank to chair a steering committee of international financial institutions to help them coordinate the workings of the group: IBRD, IMF, IDB, CABEI, UNDP and ECLA. The Bank has already stated that it is willing to participate in the group but that IDB should take the lead in chairing it. IDB is now reluctant to do so and argues that the Bank has better expertise with consultative groups. Two options are suggested: (a) the Bank can suggest exploring, in a round of consultations, the ability and willingness of the donors' community to provide financial assistance to the countries, and the recipients' readiness to take appropriate adjustment policy measures, and then decide on whether or not to take the lead of the group; or (b) the Bank can insist immediately that the IDB takes this lead. In the latter case, Mr. Clausen should probably talk personally to Mr. Ortiz Mena, President of IDB.

discussion

Several members expressed strong reservations about the suitability of the Bank chairing the group, given the current political and economic situation of Central America. While there was general agreement on the usefulness of consultative groups, reservations were also expressed about the need for a single consultative group for the whole region, rather than several groups for individual countries or group of countries. The very different conditions and circumstances of the countries concerned make it very implausible to work out jointly with them all. In addition, the extent of the support of some major donors, particularly the U.S., was severely questioned. In fact, it was argued that what the donors' community will do is already well known, and the U.S. is very unlikely to come up with additional funds. The private sector will not move in any significant way in this area, and the Bank's own lending is severely constrained.

c :lusion

The Committee agreed that the Bank should express its support to the idea of establishing a consultative group for the region. It should also express its willingness to participate in the group and contribute to its work. However, under present conditions, the Bank cannot accept to chair the group. Mr. Barletta is to inform the countries and other institutions accordingly.

7. Field Offices--Staff Housing and Office Space

documentation 7.1 Note (Compensation Department) September 15, 1981

presentation

Topic presented by Mr. Paijmans. The proposal is very straightforward in explaining that the expected benefits of the Bank acquiring office and staff housing space in the field (especially in Abidjan and Nairobi) outweighs the expected costs. The recommendation is for the Eastern and Western Africa Regions to prepare firm proposals with updated cost estimates. Once proposals are firmed up, Board approval should be sought.

committee action

The Committee endorsed the principle of acquisition of housing and office space in the field as a general policy. There is no need, however, to seek Board approval since the eventual requests can be included in the capital expenditures of the budget. The Committee recognized that the original budget estimate of $2.6 million for Abidjan and Nairobi was made two years ago and would therefore need substantial upward revision. (Action responsibility: Mr. Paijmans)

8. Pre-Emptive Rights--Selective Capital Increases.

documentation 8.1 Memo (Golsong) November 6, 1981: Exercise of Pre-Emptive Rights by Latin American and Hispanic Members.

8.2 Memo (Thahane) November 9, 1981: Increase in Authorized Capital and Subscription by China. Exercise of Pre-emptive rights.

8.3 Note (Qureshi) November 5, 1981: Availability of IBRD Shares and Demands for Increases.

presentation

Topic presented by Mr. Thahane. When the change in the representation of China took place, it was assumed that no country would exercise its pre-emptive rights. However, India decided to move, with the result that several Latin American countries are now also requesting exercise of their pre-emptive rights. Because India may find its place among the five major shareholders in 1982 as a result of its early subscription to the GCI, the country which India would take the place of would have enough votes to elect its own ED, which may jeopardize the smallest constituencies in Latin America. The problem may be only temporary (and India has said that it would not request a separate ED if it is among the "big five") since there is every indication that Japan, Germany and probably France aim to subscribe early to the GCI.

discussion

The key to the problem at hand is with the U.S. The issue is whether or not the threshold for the U.S. "veto" power can be reduced from the current 20% level to a 15% or 17% level. Under the present circumstances, this is very unlikely to be accepted by other countries, especially Part II members. In addition, the likelihood of obtaining from the U.S. Congress an increase in the total number of shares to preserve the 20% level for the U.S. is much greater than that of changing the threshold level through a change in the Bank's Articles.

The Committee also examined the issue of how to deal with new member countries.

conclusion and Committee action

The Committee agreed that membership of new countries should be associated with an increase in the total capital of the Bank by the amount of shares allocated to these countries. For the rest, the Committee agreed to discuss again after Mr. Qureshi's return from abroad.

9. Publication of Muldoon Committee Report

documentation

9.1 Memo (Thahane) October 27, 1981. Publication of the Muldoon Committee Report on the Summary Proceedings of the 1981 Annual Meetings.

Committee action

Following the recommendation made by Mr. Thahane in his memorandum, the Managing Committee opposes the publication of the Muldoon Committee Report as proposed by the Secretary of the IMF. Mr. Thahane is to inform the IMF accordingly.

10. Board Agenda

documentation

10.1 Memo (Thahane) October 13, 1981: Board Agenda.

10.2 Note (Stern) August 6, 1981: Streamlining Board Procedures for Consideration of Projects.

10.3 Note (Thahane) August 6, 1981: Possible Options for Consideration of Board Procedures to Permit More Policy Discussion.

presentation

Topic presented by Mr. Thahane. Mr. Thahane mentioned that he had been in contact with all Executive Directors to elicit their reactions to Mr. Stern's proposal that oral staff presentations of projects at the Board be eliminated. He reported that the EDs' reactions were favorable. In addition, he reported that Executive Directors are quite divided on the issue of scheduling of projects vs. that of policy discussions. Some would prefer consideration of these on separate days.

Committee action

The Committee agreed that new criteria should be established to reduce or eliminate the "minutia" from Board meetings. The Committee recognized that Executive Directors want to know more about Bank affairs and the way for them to learn more is through informal meetings, lunches and seminars rather than formal Board meetings. The Committee agreed that a list of topics for lunches and seminars with EDs should be established. The Committee also agreed that this issue is only part of the more general issue of relationship between the Board and management of the Bank, which should be considered at a future Managing Committee meeting.

Mr. Thahane will prepare the list mentioned above for consideration at the November 30 meeting.

11. Multilateral Investment Insurance Scheme--Interim Report

cumentation

11.1 Memo (Golsong) November 6, 1981

11.2 Memo (Thahane) November 13, 1981.

presentation

Topic presented by Mr. Golsong. Mr. Golsong explained that he was seeking reactions of the Managing Committee on the procedures he suggested in his memorandum, namely to meet informaly with Executive Directors to discuss an issues list intended for use in subsequent discussions with governments and the private sector.

discussion

The discussion initially centered on the possible role of the World Bank in a proposed new corporation established for the purpose of administering the MIIS. A separate legal entity such as IFC or IDA could be envisaged. The discussion then moved to the subject of the existing private insurance schemes. It was suggested that a review of such existing schemes should be undertaken, and then the issue of complementarity of the proposed MIIS to these schemes should be analyzed. The Committee agreed that some background information on existing national insurance systems should be put together for the 20-odd countries which currently have such systems.

With respect to the GATT-type system, Mr. Golsong indicated that a paper will be issued next week.

12. Other Business

China/Taiwan. The Committee agreed that the Bank Atlas should be issued, with the China/Taiwan data problem to be dealt with more along the lines of the last Annual Report than those of WDR IV. In this sense, the

Managing Committee agreed with the recommendations contained in Mr. Golsong's memorandum of November 3, 1981.

The more general issue of China/Taiwan should be discussed at a forthcoming meeting of the Managing Committee with the presence of Mr. Husain.

New Bank Magazine. Mr. Benjenk told the meeting that a mock-up copy of a new magazine will be coming up to the Managing Committee for its meeting of November 30. The first issue of the magazine is scheduled for distribution in January.

Managing Committee

From: Olivier Lafourcade

Confidential
November 12, 1981
Amended: November 19, 1981
Record : November 25, 1981

Subject: Minutes of November 9, 1981 Meeting
(Members Absent: Messrs. Stern and Golsong
Also Attending: Mr. Rohrbacher)

Minutes of October 26, 1981 Meeting

There was a general discussion of the contents and experimental format of the minutes of the last meeting. Several specific items were corrected as reflected in the attached amended version. Overall, members considered the presentation too long and too detailed. It was suggested that, in the future, major points contributed by members should be paraphrased into a general narrative which follows the main thread of the discussion. Primary attention should be given to conveying Committee decisions and actions taken. It was recognized that the process will take some time to fine tune, and Mr. Thahane volunteered his staff to assist.

mmittee action: Minutes to be revised as indicated.

1. Staff-Association - Report on the Bank in the 1980's

documentation 1-1 Memo (Paijmans) October 16: Staff Association Report

presentation Topic presented by Mr. Paijmans. Eighteen months ago, the Staff Association Delegate Assembly established a working group to prepare a report on behalf of the membership. The first draft was completed this September but was found unacceptable due, in part, to numerous factual errors. The Staff Association Executive Committee assumed responsibility for redrafting it, and this paper represents the result of their efforts. While a considerable improvement over the earlier draft, the manner and form in which issues are raised remains a problem. The right of the Staff Association to raise such issues, however, is not being questioned. This paper was provided to management largely as a courtesy to Mr. Clausen, and it has been brought before the Managing Committee to discuss what position management should take on it given its history and current situation.

discussion of problem	Discussion initially centered around the shortcomings of the paper itself. Overall, members agreed that the paper, even as rewritten, is ill conceived and poorly presented. The concern was generally expressed that its speculative assumptions and misrepresentations of Bank management's efforts to respond to employee concerns could mislead Bank staff and prove potentially divisive. Moreover, its distribution could reflect unfavorably on the Bank in the eyes of the Executive Directors and the general public.
discussion of alternative courses of action	Discussion then turned to what position management should take. It was generally acknowledged that an attempt to suppress the paper would prove even more damaging to the Bank. Also, it was recognized that the Executive Committee, while not wanting to be irresponsible, feels compelled to stay out in front of their membership on this issue. Several alternative courses of action were proposed: (1) respond in kind with management's position on the issues, (2) appeal directly to the Executive Committee to redraft the paper so as to address the issues in a more constructive manner, (3) propose specific modifications to the paper, and (4) move aggressively on certain issues of concern to the Staff Association while appealing for a more constructive piece from the Executive Committee. Also, it was suggested that management draft an instrument communicating its overall policy on employee relations as a first step toward generally improving Bank-wide internal communications between management and staff.
conclusions	Members concluded after considerable discussion that the paper could be salvaged, if significantly reworked, and that a direct response from management would not be advisable under the circumstances. It was decided that a two-staged approach should be adopted: (1) Mr. Paijmans, together with Messrs. Benjenk, Qureshi, and Thahane, should meet with the Executive Committee to advise them of management's concerns with the paper, convince them issuing it as currently written would be counterproductive, and give them their ideas for expressing their concerns in a more constructive manner, and (2) management should initiate a program within the next few weeks to formally communicate "progress reports" to staff on actions management is taking to address troublesome issues foremost on their minds. This should, at some point, include a basic statement of principles governing overall employee-management relations.
committee action	Decision to proceed as outlined above. (Action Responsibility: Messrs. Paijmans and Benjenk)

2. Guidelines for Public Appearances by Bank Officers

documentation	2-1 Memo (Stern) October 18: Request to Place on Committee Agenda
presentation	Topic presented by Mr. Benjenk. Two separate matters are involved: (1) public statements of Bank officers; and (2) individual attendance of Bank personnel at conferences, seminars, etc.

. Public Statements. Present rules established in 1972 require referral to Department Head concerned who clears request with the Director of IPA. The latter may consult others before giving his clearance. Rules are basically satisfactory although they are somewhat outdated in view of organizational changes in the Bank. Some areas need tightening, e.g., (1) what constitutes Bank policy is poorly defined; (2) expressing personal views is covered too passively (i.e., a disclaimer is not sufficient); and (3) how to deal with informal requests from journalists is not covered at all. On the whole, present rules are followed with some notorious exceptions.

. Attendance at Meetings. Present rules established in 1975. Call for checking and clearing with External Relations under three basic principles: (1) staff attendance should not be excessive; (2) all departments concerned should be informed; and (3) reply to invitations should be sent. This calls for coordination and monitoring by the International Relations Department. Overall, rules are sensible except for "non-representational attendance" where simple notification is all that is required.

discussion and conclusion

Members expressed general agreement that Bank staff should not be prevented from speaking. However, more order needs to be established. As a general proposition, the Bank sends too many people to attend too many meetings. The general criteria governing control over attendance at meetings ought to be "is it at the Bank's expense." If so, then conduct of Bank staff should be subject to established guidelines. Also, some rewriting of rules was acknowledged as needed to ensure Bank staff respond responsibly on particular sensitive matters. This should then be communicated to all staff via a memo that reaffirms management support for staff to speak out as long as Bank positions are fairly and accurately represented. Members also agreed to take up at a future date the issue of whether operational missions should serve to "spread Bank gospel" when conducting country dialogues.

committee action

Decision to tighten up somewhat on rules governing public speaking while reaffirming management commitment that Bank staff should never be prevented from speaking. A memo communicating this decision is to be prepared and provided for Managing Committee review. (Action Responsibility: Mr. Benjenk)

3. Joint Audit Committee

documentation

3-1 Memo (Thahane) October 13: JAC - Meeting of October 7, 1981
3-2 Memo (Thahane) November 5: JAC Subcommittee on Internal Audit Reports - Suggested Terms of Reference

presentation

Topic presented by Mr. Thahane. The Board wants to review management activities more closely and is looking to the JAC as their instrument for achieving this goal. The JAC has proposed increased oversight of the Internal Audit Department and access to operational working papers. A strong stand was taken in response that IAD is an instrument of management and that working papers are inappropriate for Board review.

discussion — Members expressed general agreement in support of Mr. Thahane's position. It was pointed out that some additional related issues should be treated similarly: (1) JAC wants OED access to lending documents of an internal management nature, (2) the U.S. General Accounting Office has called for an independent external review of Bank internal audit practices, and (3) the Board wants OED or an independent consulting group to review management activities other than the lending program. Members supported the general view that management is accountable only to the Board; external reviews are not constructive. Additionally, members acknowledged that a more "pro-active" posture toward sharing information with the Board might be constructive and help to de-escalate their interest in external reviews and an expanded role for IAD and OED.

conclusion — Members concluded that management should resist the notion of external reviews, an expanded role for IAD and OED, and establishment of special new Board committees to inquire into management activities. At the same time, management should initiate soon a program of seminars for the Board on key issues facing the Bank (e.g., lending, personnel, etc.). Such a program should have three components: (1) subjects initiated by management, (2) general development issues from which the Board might select out particular areas of concern, and (3) a systematic review of certain Bank activities (e.g., External Relations), perhaps on a rotating basis among members of the Managing Committee.

committee action — Decision to proceed as above. A list of potential subject matters to present to Board is to be prepared. (Action Responsibility: Mr. Thahane)

4. Timing of Future WDR's

documentation — 4-1 Memo (Chenery) October 23: Timing of WDR's (with attachments)

presentation — Topic presented by Mr. Chenery. In view of agreements established through full staff coordination, members agreed to confirm decisions conveyed in background papers and proposed that WDR VI be published in June.

committee action — Decision to confirm: (1) retaining current schedule for WDR V, (2) accelerating completion of WDR VI by one month to early June. (Action Responsibility: Mr. Chenery)

5. McNamara Fellowships

documentation — 5-1 Memo (Benjenk) November 3: McNamara Fellowships (with attachments)

presentation — Topic presented by Mr. Benjenk. A package is ready to submit to the Board authorizing the establishment of the Robert S. McNamara fellowship program and non-profit foundation for the purpose of receiving tax-deductible contributions from private donors as well as member governments. Recently, however, Mr. McNamara has expressed his skepticism that the private sector would be willing to contribute a meaningful amount given the current intense competition for funds. The Managing Committee is being asked to review the basis for establishment of the fellowship program and non-profit foundation and advise on certain matters which are not yet fully resolved.

discussion and conclusions

Members acknowledged that not everyone in the private sector would be willing to contribute, but some would. It was also pointed out that governments should, and would likely, be the principal contributors but that a non-profit foundation will be necessary in order to provide U.S. donors tax deductible benefits. Additionally, members agreed that a mixture of Bank Directors and outsiders was important for the foundation's Board of Directors. Members confirmed the approach of setting up an endowment in lieu of relying solely on annual contributions. The issue of selection of fellows was then discussed. It was acknowledged that the method of selection affected the tax-deductible nature of contributions and that additional study of the legal implications was necessary. Members generally preferred not limiting the field of study too narrowly, as long as there was "relevance to the Bank." Finally, there was general agreement that solicitation of contributions from member governments should be deferred until there was a clearer picture of probable amounts needed and a strategy developed by management outlining how best to proceed.

committee action

Decision to confirm recommendations contained in package for Board. The tax implications of various selection methods for the fellowship program are to be studied and a report provided to the Managing Committee in two weeks. A strategy is to be developed for soliciting contributions from member governments and their private sectors. (Action Responsibility: Mr. Benjenk)

6. Board Room

documentation

6-1 Handout (Paijmans) November 9: Attendance at Board Meeting

presentation

Topic presented by Mr. Paijmans. Management started exploring this issue a year ago when it was recognized that available space in the Board Room (A-1000) was inadequate. Various alternatives have been considered, and the cost of remodeling that space or the Eugene Black Auditorium has been estimated at $1.3 to $1.5 million. The guidance of the Managing Committee is being sought as to how to proceed: (1) remodel E-1244 or the Eugene Black Auditorium into a bigger Board Room, or (2) establish new policies and procedures to further restrict attendance.

discussion and conclusions

Members discussed the ramifications of further restricting attendance. It was recognized this was a highly sensitive and contentious course of action, but there was no support for building a bigger Board Room. Measures for dealing with contingencies will have to be developed, and Mr. Clausen volunteered to initiate a dialogue with Executive Directors along these lines. It was further acknowledged that other improvements in the Board Room need to be made, such as upgrading audio facilities.

committee ion

Decision to develop new guidelines to further restrict attendance at Board meetings and review with Managing Committee before implementing. In addition, audio facilities in the Board Room will be upgraded. (Action Responsibility: Messrs. Paijmans and Thahane)

7. Other Business

U.S. Senate Vote on IDA

The U.S. Senate is to vote on IDA appropriation. Mr. Clausen is to call the Treasury Secretary and request marking up to a figure higher than $532 million. At same time, issue of further selective capital increase will be raised.

confidentiality

Question raised as to how Committee matters can be kept confidential when staff are enlisted in researching issues and must participate in execution of Committee decisions. Members responded to use the rule of "good judgment" wherever possible.

President's Council

Question raised as to frequency of President's Council meetings. This will be discussed at Senior Management retreat in December. Until that time, will schedule just one meeting on December 4. Preferred approach would be to meet once each month at 10:00 or 10:30 and go through lunch. The meeting would provide a forum for information exchange and eliciting consensus views, with the long-term objective of discussing one topic in depth each month to help broaden senior manager perspectives. These topics need not necessarily be presented by a Council member. Also, title of group should be changed to "Senior Management Council."

Mr. Clausen Speeches

Mr. Clausen encouraged members to contribute ideas for speech topics. Several important fora have been lined up to provide an opportunity to present Bank's views. It is important to be mindful of the image the Bank should portray and then be aggressive in conveying that. An observation was made that the Bank gives over 1000 speeches a year if all Bank staff are considered, and they are not well programmed. Mr. Benjenk volunteered to put together a program for systematically selecting topics and orchestrating the Bank's public pronouncements and will bring to the Managing Committee for review upon completion.

Managing Committee

Confidential

From: Olivier Lafourcade

November 5, 1981
Amended: November 12, 1981
Record: November 19, 1981

Subject: Meeting of October 26 1981:
Summary of Discussion and Committee Actions
(Members Absent: Mr. Chenery - Also Attending: Mr. Rohrbacher)

1. Restructuring IBRD Finances: Mr. Qureshi
(Attending: Messrs. Barletta, Chaufournier, Gabriel, Husain, Rotberg, Wood)

1-1 Memo (Qureshi) Oct. 6: Restructuring IBRD Finances: Recommended Actions

1-2 Memo (Qureshi) Oct. 9: Options to Alter IBRD/IDA Budget Perspectives

1-3 Memo (Qureshi) Oct. 6: New Sources of Borrowing

1-4 Memo (Task Force on Loan/Credit Terms) Oct. 6 (Revised): IBRD Front-End Fees

1-5 Memo (Task Force on Loan/Credit Terms) Oct. 5: Variable Loan Changes

Topic presented by Mr. Qureshi and Task Force on Loan/Credit terms. Central issues are: (1) Net income is declining; a 1% service charge up-front on IBRD loans is advocated to improve profit performance, and (2) Markets for Bank borrowing are eroding due to upward pressures on interest rates and downward pressures on the volume of available fixed-rate funds; a combination of floating loan rates and more flexible borrowing practices (i.e. short-term and/or variable rate borrowing) are recommended in order to restore necessary flexibility and broaden the window for financial maneuvering. Committee discussion was extensive and far-reaching.

a. Major Points in Discussion

-- Policy options presented in paper can be characterized as moving Bank to be more like a commercial bank than a development institution.

-- No disagreement to notion that Bank is, foremost, a development institution. However, raising interest rates and relaxing conditionality makes the Bank more like a commercial bank. Must recognize the risk of a nearly $30 billion overhang in undisbursed commitments and difficulties that presents in borrowing. If Bank funds $30 billion overhang through borrowing at current high market rates without raising its rates to borrowers, profits will drop. As that happens, Bank will have trouble borrowing. If Bank raises interest rates to hold profits up, it becomes more like a commercial bank and less like a development institution. As that happens, Bank could lose leverage in applying conditionality and become less attractive to its members. This is not a question to be decided between Finance and Operations, but what's right for Bank as a whole. Challenge is that Bank is a development bank that wants to reduce risks brought on by upward pressures on interest rates.

-- Policy options presented represent two fundamental changes in "product design":

1. Up-Front Fee (1%) should be predicated on just how much additional profit is necessary for Bank.

2. Variable interest rates would permit Bank to borrow more on short-term basis and thereby provide more flexibility.

-- Bank characterized as "conservative." Question of whether to share more risk with borrowers than just through interest rates. "How to" achieve this is key question.

-- Perhaps should back off and determine, initially, what should Bank be doing and for how long before answering "how to" question.

-- The risk represented by a disbursement lag of $5 billion could amount to $500 million additional borrowing costs for each 1% increase in the interest rate.

-- Time is running out. Must preserve viability as a development institution by changing methods, but not go to B (variable rate) loans. These would lose such countries as Brazil and Mexico since the Bank cannot borrow more than about 1/4% better than commercial banks. "Halfway houses" would result in loss of borrowers and be difficult to administer. What's needed is a mix of short/long-term borrowing in pool of currencies. Managing Committee should authorize short-term borrowing.

-- Observation that this discussion represents an opportunity to present broad issues before the Board.

-- Main factors to borrowers are access to markets, interest rate, sources of and need for technical assistance. If borrowers have good market access and little need for technical assistance, then won't accept our high interest rates and burden of conditionality.

-- Conditionality terms should not be relaxed as a trade-off to interest rates since all borrowers may expect these terms.

-- Bank has charged fixed interest rates for 30 years. Perhaps should view change with caution. Would prefer a halfway house policy for all borrowers if must adopt some type of variable rate.

-- Continued ability to borrow at fixed rates is limited, and uncertain as to how limited and for how long.

-- Everyone understands problem, should now proceed to do something about it. Recommends taking fixed service charge proposal to Board by end of December since obligated to take interest rates paper to them by then anyway. Also, should expose them to interest rate risk/market access problem and promise paper in spring.

-- Given history of issue and Board's concern, should lay groundwork tactically with Board early on. Should make up minds and prepare paper in 1-2 weeks. Then pre-sell Board since they are already prepared to accept principle of passing on risk to borrowers.

-- Observation that Committee is far from presenting a finished paper.

-- Question raised as to why so concerned about Board. The Managing Committee should make decision what to do and then how to proceed vis-a-vis Board.

-- Recommendation to include fixed service charge in interest rate paper is reiterated.

-- Front-end fee would be acceptable, but variable rates needs more study. Leans to halfway house approach.

-- Front-end fee should not be variable but manner in which it's collected could be varied, e.g. could capitalize it at time of signing.

-- Comment that it should be kept simple for borrowers and staff.

-- Apparent consensus on front-end fee of 1% is noted, but nothing more. Suggestion that, strategically, all "bad medicine" should be given at same time.

-- No, because problems are different. 1% fee has real profit impact.

-- Concurrence that front-end fee a must. And must "pave way" for rate risk sharing. Asks can front-end fee apply to IDA as well.

-- Paper on IDA under preparation which proposes charging a fee on undisbursed as well as disbursed funds while service charge might be reduced from 3/4% to 5/8% or 1/2%.

-- Question raised as to why term cannot be shortened to less than 50 years to accelerate recycling.

-- Question as to why "trigger actions" can't be written into agreement wherein terms are reconsidered every 5 years.

-- Real benefit of shorter terms is questionnable in that some higher income borrowers are already at 13-17 year maturities. Others are not likely to get much anyway. Thinks there is enough adverse news for borrowers already.

-- Average portfolio loan now only 9.1 years because of disbursements lag.

-- Acknowledgement of consensus: Proceed to incorporate proposed 1% fixed service charge into interest rates paper being prepared for Board presentation. Continue study of other matters.

b. Committee Action

-- Decision to assess 1% fixed service charge up-front on IBRD loans to all borrowers.

-- Recommend 1% service charge as part of background paper on interest rates being presented to Board some time before end of November. (Action responsibility: Mr. Qureshi)

-- Continue study of variable loan charges, variable rate borrowing and shortened maturity periods. Reschedule matter for future Board attention. (Action responsibility: Mr. Qureshi)

2. Review of Bank's Financial Statistics: Mr. Qureshi
(Attending: Mr. Hattori)

2-1 Table 1c (Controller) Oct. 26: Monthly Financial Report (Tables 1-6) as of Sept. 30, 1981

2-2 Paper (Hattori) Oct. 26: Explanatory Note on Table 1c

Topic presented by Messrs. Qureshi and Hattori: Discussion centered on Table 1c - Monthly Financial Report for September 1981. Considerable time spent explaining and reconciling figures contained in the exhibits.

a. Major Points in Discussion

-- Observation that it would be helpful for Committee members to receive tables in advance so as to better prepare comments and questions.

-- Question as to why undisbursed amounts are not netted out of receivables. Also, why net change in capital reserves does not reconcile with changes in net income and exchange rate fluctuations.

-- Tables should be more informative, less statistical; e.g., are we on track or off track, what was our monthly and cumulative forecast, where are we deviating from plan so we know where to focus our attention? Managing Committee should be equipped with information on a routine basis to assure ourselves, the Board, and the outside world that we are doing a good job of managing the Bank, e.g., (1) liquidity ratios, (2) actual month end balances versus plan, and (3) profitability to date versus forecast.

-- Bank is "off track" in these areas: below in liquidity, a little below in net income for first three months due to trading losses.

-- Comment that information regarding Operations should be presented in same way - plan versus actual.

b. Committee Action

-- Request to provide additional management information in future presentation of financial statements in order to highlight significant variances from plan forecasts. (Action responsibility: Mr. Qureshi. See also recommendation in report on Managing Committee Organization and Processes - Agenda Item #6 - calling for development of basic Data Books for the Committee).

3. Future IBRD Lending Program: Mr. Qureshi

3-1 Memo (Task Force on IBRD Lending Levels) Sept. 16: Future IBRD Lending Levels: Issues and Options

3-2 Memo (Task Force on IBRD Capital) Sept. 23: Options Beyond the GCI

Topic presented by Mr. Qureshi who reported on work of Task Force on IBRD Lending Levels and Task Force on IBRD Capital. Uncertainties associated with the General Capital Increase have now been resolved and the Bank is in a position to increase its lending program capacity to levels higher than those already approved by the Board. The central issue is how best to effectuate such an increase. The task force considered the pros and cons of each of three options, and the Committee's guidance is being sought as to which option(s) should be further pursued. Committee discussion centered mainly on Option #3, a flexible implementation approach. In addition, the impact of changing the gearing ratio was discussed as an outgrowth of Task Force work on Options beyond the GCI.

a. Major Points in Discussion

-- Board's guidance to management is to sustain real growth in lending program of 5% per year. Actual experience has been more like 4.5% due to higher than foreseen inflation. Operations staff are in a position to "overachieve" target by end of each fiscal year, but have felt constrained by political will of Board. Option #3 is designed to permit tightening up on conditionality by threatening to under-realize targets. Not concerned about ability to reduce lending by country or overall if performance is poor.

-- Observation that Board, particularly Part II directors, may interpret Option #3 as management being arbitrary.

-- Question raised as to need for increasing IBRD loans if IDA funding is reduced.

-- Should start with country-by-country needs analysis. Questions why 1977 forecast should still govern 1981 program--should be rolling program update.

-- Forecasts are revised each year, but Board annual budget resolution governs. One option would be to submit to Board at midyear proposed changes in IBRD lending levels in light of IDA funding situation.

3. Future IBRD Lending Program: Mr. Qureshi

3-1 Memo (Task Force on IBRD Lending Levels) Sept. 16: Future IBRD Lending Levels: Issues and Options

3-2 Memo (Task Force on IBRD Capital) Sept. 23: Options Beyond the GCI

Topic presented by Mr. Qureshi who reported on work of Task Force on IBRD Lending Levels and Task Force on IBRD Capital. Uncertainties associated with the General Capital Increase have now been resolved and the Bank is in a position to increase its lending program capacity to levels higher than those already approved by the Board. The central issue is how best to effectuate such an increase. The task force considered the pros and cons of each of three options, and the Committee's guidance is being sought as to which option(s) should be further pursued. Committee discussion centered mainly on Option #3, a flexible implementation approach. In addition, the impact of changing the gearing ratio was discussed as an outgrowth of Task Force work on Options beyond the GCI.

a. Major Points in Discussion

-- Board's guidance to management is to sustain real growth in lending program of 5% per year. Actual experience has been more like 4.5% due to higher than foreseen inflation. Operations staff are in a position to "overachieve" target by end of each fiscal year, but have felt constrained by political will of Board. Option #3 is designed to permit tightening up on conditionality by threatening to under-realize targets. Not concerned about ability to reduce lending by country or overall if performance is poor.

-- Observation that Board, particularly Part II directors, may interpret Option #3 as management being arbitrary.

-- Question raised as to need for increasing IBRD loans if IDA funding is reduced.

-- Should start with country-by-country needs analysis. Questions why 1977 forecast should still govern 1981 program--should be rolling program update.

-- Forecasts are revised each year, but Board annual budget resolution governs. One option would be to submit to Board at midyear proposed changes in IBRD lending levels in light of IDA funding situation.

-- Question as to the possible impact of a change in gearing ratio. What should management position be? Some outsiders such as The Wall Street Journal believe Bank used its surrogate, Brandt Commission, to advocate this. Suggests putting issue to rest with overt policy decision of management not to move on it.

-- Feels it's a "moot point." May want to consider again some time in future, but not now.

-- Bank will be hurt in market place unless it's addressed. Suggests Bank be more concerned with quality of its credit and distinguish IBRD from IDA.

-- Comment that The Wall Street Journal writer feels Bank not practicing full disclosure.

-- Prospectus should be reviewed. Messrs. Qureshi and Golsong should determine how best to respond to public critics.

-- Gearing ratio change not needed now. Bank management should support selective capital increases along with associated modifications in voting rights. Bank management should sound out U.S. and other Part I's if Saudi Arabia suggests they are so inclined.

-- Should move aggressively with other Part I's such as Japan.

-- There will be resistance. It may take some time.

-- Should secure needed flexibility first. Messrs. Clausen and Qureshi should test with U.S. Treasury Secretary and report back to Managing Committee. Then situation can be reassessed.

b. Committee Actions

-- Continue study of IBRD lending policy to determine what management's position should be vis-a-vis potential shortfalls in IDA funding before taking to Board. Take up FY83 and five-year program in next budget cycle. (Action responsibility: Mr. Qureshi).

-- Decision not to discuss any change in gearing ratio at this time. Bank position on "full disclosure" needs to be developed. (Action responsibility: Messrs. Golsong and Qureshi).

-- Decision to pursue further selective capital increases. U.S. Treasury Secretary to be sounded out first. (Action responsibility: Messrs. Clausen and Qureshi).

4. Improving Bank Information Technology: Mr. Paijmans

4-1 Memo (Paijmans) Aug. 28: Program for Improving Bank Information Technology

Topic presented by Mr. Paijmans. Guidance sought from the Managing Committee as to proposed program outlined by the Information Management Coordination Committee. Central issues involve both structure and process for improving Bank information management.

a. Major Points in Discussion

-- Two problems recognized. Need an agreed set of data standards and definitions and Committee recommendations are fine. However, sees no compelling need for a new Vice President.

-- Central authority idea is fine. However, should avoid emphasis on control.

-- Apparent consensus on general thrust provided it's user driven. AOP seems logical complex for placing central authority.

b. Committee Action:

-- Decision to approve proposed program with exception of new Vice President and provided information management program is user driven. (Action responsibility: Mr. Paijmans).

5. Computing Support Facilities for Economic Data Work: Messrs. Paijmans and Chenery

5-1 Memo (Paijmans, Chenery) Oct. 7: Recommendations for Acquisition and Development

Topic presented by Mr. Paijmans on behalf of himself and Mr. Chenery. In view of proposed basis of financing, i.e., user financed starting next year, members agreed that proposal as presented in joint memo from Messrs. Chenery and Paijmans is approved.

Committee Action: Decision to approve proposed program. (Action responsibility: Messrs. Paijmans and Chenery).

6. Managing Committee Organization and Processes: Mr. Rohrbacher

6-1 Memo (Rohrbacher) Oct. 21: Managing Committee Organization and Processes

Topic introduced by Mr. Rohrbacher who presented results of OPD review of Managing Committee structure and work processes. Discussion centered around major recommendations for improvement contained in OPD report.

a. Major Points in Discussion

-- Frustration over "start-up" period is shared by all. Now it's time to get underway. Agree that subcommittees should be small, selective and very carefully defined as to relationships vis-a-vis the full Committee. Board needs to be informed.

-- Question as to coupling of Development Policy and Operations. Development Policy is Bank-wide. Should be prerogative of full Committee.

-- To move forward, settle for three subcommittees; Finance, Personnel and Administration, Operations Policy.

-- Mr. Rohrbacher and OPD to work with Secretary to Managing Committee and sub-committee chairmen to clearly define lines of demarcation between subcommittees and full committee so as not to rehash issues more than once; also to develop procedures more fully and, with secretary, draft sample minutes based on this and previous meeting.

-- Agreement that it is important to establish underpinnings. Can always change after six months experience.

b. Committee Action

-- Decision to approve report and recommended program. OPD to assist with implementation. (Action responsibility: Mr. Rohrbacher).

7. Joint Audit Committee: Mr. Thahane

7-1 Memo (Thahane) Oct. 13: Joint Audit Committee Meeting of October 7

Committee Action: To be rescheduled

8. Staff Association - Report on the '80s: Mr. Paijmans

8-1 Memo (Paijmans) Oct. 16: Staff Association Report on the '80s

Committee Action: To be rescheduled