Folder Title:	Managing Committee Official Files: Minutes - Minutes 04
Folder ID:	1775320
Series:	Managing Committee official files
Dates:	01/01/1983 – 05/31/1983
Subfonds:	Records of President A. W. Clausen
Fonds:	Records of the Office of the President
ISAD Reference Code:	WB IBRD/IDA EXC-09-3963S
Digitized:	03/30/2023

President A.W. Clausen

Managing Committee
(Official Records)

1983 (Jan - May)
Vol 4

(MC)
Minutes

Record Removal Notice

The World Bank Group Archives & Records Management

File Title Managing Committee Official Files: Minutes - Minutes 04	**Barcode No.** 1775320

Document Date May 31, 1983	**Document Type** Minutes

Correspondents / Participants
From: Roy Southworth

Subject / Title
Managing Committee - Minutes of May 16, 1983 Meeting

Exception(s)
Prerogative to Restrict

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by	Date
Shiri Alon	22-Feb-17

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Managing Committee Official Files: Minutes - Minutes 04	1775320

Document Date	Document Type
May 31, 1983	Minutes

Correspondents / Participants
From: Roy Southworth

Subject / Title
Managing Committee - Minutes of May 16, 1983 Meeting

Exception(s)
Prerogative to Restrict

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by	Date
Shiri Alon	22-Feb-17

Attachment to
MC Minutes of
May 16, 1983

FY84 WORLD BANK MANAGEMENT PRIORITIES

- Complete negotiations on IDA-7 at a dollar level which at least maintains IDA-6 levels in real terms.
- Expand the IBRD lending program with continued focus on agriculture and rural development, energy, sub-Saharan Africa, human resource development and poverty alleviation. Strengthen our analytical and advisory work to better assist our member countries in the management of their economies.
- Formulate an external relations strategy that will appropriately influence the opinion-makers of the world in providing broader support for our efforts.
- Enhance the reputation of the Bank for intellectual leadership in development economics and research and increase the focus of the research program on current problems in developing countries. Allocate more of our research effort to trade, capital flows and debt management and to the role of the private sector in development.
- Increase our efforts to develop and broaden the managerial skills of managers throughout the Bank and IFC---and enhance the cost-effectiveness of our work.
- Accelerate the process of basing more of our planning systems and budget on country strategies.
- Start the process (discussion, dialogue, debate) of determining what the role of The World Bank should be in the long run. This effort should focus on ensuring that our activities and objectives are relevant to the changing environment.

CONFIDENTIAL

Joint Meeting of Managing Committee and
Senior Management Council

May 13, 1983
Record: May 25, 1983

FROM: Roy Southworth VRS

SUBJECT: Minutes of May 2, 1983 Meeting

Members Present: A. W. Clausen, M. Qureshi, E. Stern, N. Ardito-Barletta, M. Benjenk, W. Baum, R. Chaufournier, M. Hattori, D. Hopper, A. Krueger, D. Knox, M. Paijmans, E. Rotberg, T. Thahane, M. Weiner, H.Wuttke.
Members Absent: G. Gabriel, S. Husain, A. Karaosmanoglu, J. Parmar, W. Wapenhans.
Also Present: H. Scott.

1. Monthly Financial Report

Documentation — Financial Report for March 1983.

Presentation — Mr. Qureshi opened the presentation by asking for feedback on the format and presentation of the monthly financial report. He said that it had evolved quite a bit from the original format and that its objective was to provide information to senior management. He then reviewed the highlights for the month of March. He said the situation on borrowing was particularly good. Borrowings were slightly ahead of target with costs at about 8.9% and an average life of about 7 years. He also noted that the medium and long-term borrowing program would be increased by about $1.0 billion if the proposals in the liquidity paper were approved by the Board.

On IBRD disbursements Mr. Qureshi said there had been an improvement in March but that the slowdown had persisted for the Latin American countries, most notably Brazil and Mexico. The overall outcome for FY83 likely would be a shortfall in the range of $500 to $900 million. He also observed that net transfers were positive in March at $140 million compared with a negative $45 million in February. He added that cumulative net transfer was negative in three countries (Argentina, Mexico and Zambia) who were currently rescheduling their debt. On service payments, Mr. Qureshi said that the situation was not as bad as implied by the paper. Although more countries were now having problems with arrears the overall situation was still manageable. However he noted that there was clearly a need for a careful monitoring of the situation. On net income Mr. Qureshi said that the estimated income for FY83 had dropped $50 million to $750 million. This drop was largely due to slower disbursements and delays in collecting front-end fees.

Discussion

The discussion focused largely on net income. There was some question on the projected $50 million shortfall. It was pointed out that the slowdown in disbursements would increase holdings of cash which would earn a higher return than disbursed funds thus possibly offsetting the effect of decreased loan income. There was some question that the decreased revenue from the slower collection of front-end fees would alone generate a $50 million reduction in income. It was also noted that the $750 million figure would not be helpful in Board discussions as the Board had come to expect profits of $800 million.

2. IDA 7 Strategy, Tactics and Action Plan

Documentation

Memo (Qureshi) April 14, 1983 FIS/MC83-28: IDA 7: Strategy, Tactics and Action Plan.

Presentation

Mr. de Lattre prefaced the presentation by summarizing the discussions with representatives of G-6 and other donor countries at Development Committee meetings. He said the core group of Netherlands, the Nordics, Italy, Canada and the Arabs reconfirmed their support for an IDA replenishment in the range of $16 billion. He pointed out that Japan would probably also be prepared to support such a figure provided that the question of their shares in IBRD was resolved to their satisfaction. France also made a carefully worded statement in support of a replenishment that maintained the real value of IDA resources. The weak point however was Germany. Mr. Warnke's statement in the Development Committee was disappointing in that he said that Germany would not be able to participate in IDA 7 at the same level or share as IDA 6. He then said that it would be unrealistic to consider any amount above $12 billion. On the question of next steps Mr. de Lattre said that the Deputies had been asked to be prepared to discuss the size of IDA 7 at the Tokyo meeting. He was not sure, however, that they would be willing to outline precise figures if there were no movement by the US on the supplemental FY83 appropriation and FY84 appropriation and if there were no progresson the question of Japanese shares in IBRD.

Turning to the paper, Mr. Qureshi said it provided background information to senior managers to guide them over the next few months of the IDA negotiations. He said the strategy was essentially based on the assumption that negotiations of IDA 7 would have to be completed by the end of calendar year 1983 so that the necessary legislation would be in place to begin commitments in July 1984. Mr. Qureshi then outlined a two-track strategy for the months leading up to the Annual Meetings. One track involved first getting the core group out in front to support the $16 billion figure and then getting some of the larger European countries on board. Discussions on the size of IDA 7 would have to be discussed in Tokyo so the core group could begin to voice public support for the $16 billion figure. The second track involved work on the US Congress and Administration. Also important was the timing of the discussions on selective capital increase so that the Japanese could be enlisted in the effort to pressure the US before the Annual Meetings.

Mr. Qureshi said the Regional Vice Presidents could assist with the developing countries whose support was crucial for the overall strategy. He asked that the Regional Vice Presidents alert Mr. Mistry or himself about any visiting delegations from their countries. An effort would then be made to have the delegations help in the Bank's efforts with Congress and the Administration.

Discussion

The discussion focused first on the importance of maintaining the US share of IDA in the range of 25%. It was noted that by the best objective criteria the US share should be about 30% and that the 27% share in IDA 6 had been reasonable. The high share signaled to others that the US remained committed to IDA's goals and objectives. A drastic cut would be a sign that the US was no longer committed to IDA making it difficult for the other contributors to maintain their support. It was also pointed out that while the US would probably not consider going higher than 25% in IDA 7 the other donors would not allow them to go much lower.

The discussion then turned to the question of whether the strategy of pushing for a $16 billion IDA as outlined by Mr. Qureshi was realistic. There was some concern that the target July 1, 1984 might not coincide with the economic resurgence that was now showing signs of getting under way. With a longer time frame, perhaps through another bridging year, some countries might be willing to come up with additional resources. It was also noted that with the potential IDA 6 overhang the US could be required to commit as much as $1.6 million in the first year of IDA 7. There was concern that it would be unrealistic to expect the US to agree to that amount. In response it was pointed out that the $16 billion figure represents only a slight increase in real terms over IDA 6. It was also noted that the $16 billion represented a negotiating stance and that it had to be recognized that the final figure might not be that high. However, donors representing as much as 35% of the IDA share supported the figure and it was imperative that every effort be made to garner support for it over the next few months. A Committee member observed that another bridging year gave rise to the spectre of a potentially divisive split among the donors. Another member added that there was a clear rationale for the $16 billion figure. If it were abandoned too early in the negotiations the options for using alternatives outside the burden-sharing framework would be lost. There was also some discussion on specific country positions. A question was raised about Japan's objectives on the issue of IBRD shares. It was noted that Japan would like ideally to see its share increased so it would become the second largest shareholder. But they would most likely agree to a compromise. Their position was somewhat clouded by the failure to achieve their objectives in the IMF quota allocation. The Japanese know that a solution to the question of shares in IBRD depended somewhat on the outcome in the Fund but at the same time they would now redouble their efforts in the Bank where they exercised more leverage. It was pointed out that the crucial question remained as to what Japan would be willing to give in return for assistance in achieving their objective. In this context it was observed the Japanese EDs office was not doing a very effective job in mobilizing support for their stance on IBRD shares. If they were more forthcoming on the level of IDA they would be willing to support, their colleagues particularly from Part II countries would likely be more helpful on the question of IBRD shares. Another speaker said that it was possible that Germany's somewhat negative stance on IDA may have resulted from their use of a worst case scenario with respect to projected figures for future IFC and IBRD capital increases. He said that it would be beneficial to discuss with Germans our future plans with regard to the selective capital increase, the GCI and IFC's capital requirements in an effort to revise their attitude towards IDA. A brief discussion on the possible shape of future requests for the SCI and GCI followed.

Committee Action

The discussion closed with a request by a Regional Vice President for better information on how to advise their constituencies on how to approach the US authorities in support of our IDA strategy. The Committee, in concurrence with the Senior Management Council, agreed that any time a country delegation was coming to Washington the RVPs would contact Mr. Mistry so that an appropriate strategy could be developed.

3. Principles of Staff Employment

Documentation

Paper (COM) April 20, 1983 (PAD/MC83-20) PAD/SMC83-04: Principles of Staff Employment with attachments.

Presentation

Mr. Paijmans said that in light of consultation with the Board, Committee on Staff Compensation and discussions with Senior Management Council a number of revisions have been made to the draft Principles. He said it was now time to bring the consultations to a close as the draft has been subjected to an extensive review process. He noted that it would be impossible to please everyone and that continuing the consultations would be counter-productive. He then outlined the next steps for distribution to the staff, final approval by the Managing Committee and Board consideration. He observed that the paper would provide the staff and the Administrative Tribunal a standard against which to measure Senior Management behavior. While Management in the past had generally lived up to the principles formalized in the draft, some instances of capricious and arbitrary behavior had occurred. He noted that once the Principles were approved such behaviors would no longer be possible.

Discussion

In a brief discussion the members voiced strong support for the draft. It was noted that such an effort was long overdue and that the document had benefited considerably from the intensive process of consultation.

Committee
ction

The Committee and Council members approved the draft Principles for distribution to the staff.

4. Other Business

Cananea

Mr. Wuttke reported that in view of the ongoing interest of various parties in the US in the Cananea Project, he proposed to clarify matters by including a statement in IFC's Monthly Report. The statement would say that it was the opinion of IFC's Management that due to substantial changes in the past nine months in the international capital markets, Mexican economy, the copper industry and the project itself, the project could not be implemented as it was originally conceived. If in the future the Manangement of the Corporation proposed to proceed with an investment in Cananea, it would reappraise the project and bring the matter to the Board for consideration. Mr. Wuttke said that Mr. Burnham would be apprised of this so he could flag the issues with the parties concerned.

Summary of Board Seminar on "Review of IBRD Lending Plans and Capital Requirements"

A Committee member stated that the summary of the Board seminar on the paper "Review of IBRD Lending Plans and Capital Requirements" was confusing on the question of net cancellations. The summary indicated that in reply to an Executive Director's question, staff had said neither the FY82-86 figure of $60 billion nor the FY83-87 figure of $61.8 billion were net of cancellations. The Committee member said that his understanding was that these two figures were in fact to be considered net of cancellations. He concluded that this issue needed to be clarified.

Managing Committee

CONFIDENTIAL
May 4, 1983
Record: May 9, 1983

FROM: Roy Southworth VRS

SUBJECT: Minutes of April 25, 1983 Meeting
Members Present: A.W. Clausen, E. Stern, M. Benjenk, A. Krueger, M. Paijmans, T. Thahane.
Members Absent: M. Qureshi.
Also Present: H. Scott.

Summary of Committee Action

The Committee: approved the draft WDR report for distribution to the Board; agreed to a 6.4% salary adjustment for 1983 to be applied uniformly across all grades; was briefed on the approach for the 1984 major compensation review; and agreed that the FY84 budget document would show, for planning purposes, a tapering of real budget growth from 4% to 2% over the period FY84-88.

1. Approval of Minutes of April 11 Meeting.

ommittee Action — Approved.

2. World Development Report (WDR VI)

Attending: J. Baneth, P. Landell-Mills.

Documentation

2.1 Memo (Landell-Mills) April 15, 1983 ERS/MC83-02: Draft World Development Report 1983 with attachment (Chapters 1 and 4-12).
2.2 Memo (Landell-Mills) April 20, 1983 ERS/MC83-02a: Draft World Development Report with attachment (Foreward, Chapters 2 and 3).
2.3 Memo (Landell-Mills) April 21, 1983 ERS/MC83-03: World Development Indicators, 1983, with attachment.
2.4 Page 10.38 of Chapter 10, WDR IV.

Presentation

Mrs. Krueger opened the presentation by saying that Part I of the report had proved to be difficult to prepare. She said that it attempted to describe the severity of the current economic situation but there was a danger that the situation could change making the prospects for recovery much different than they currently seemed. She added policy prescriptions were not presented in Part I because there was a real question as to what the appropriate policy mix should be.

Rather than policy prescriptions, part one presented three alternative scenarios for world economic growth through 1995. The discussion in the report focused on what would have to happen for each scenario to occur. Mr. Landell-Mills added that Part I looked at the current economic recession in the context of economic developments over the past 15 years. He said that it compared the current weak recovery with the much more robust recovery of 1975-76 and sought reasons for the difference in performance. He also said that Part 1 emphasized the importance of market penetration and trade to developing country performance.

Turning to Part II Mrs. Krueger said that there was an attempt to present the topic in an analytical context. She also pointed out a strong link between Part I and Part II through the fact that countries with appropriate economic policies, though affected by the recession, fared better than countries who had a less favorable set of policies. Mr. Landell-Mills added that Part II benefited from considerable outside consultation and that it represented state of the art analysis of the subject of management in development.

Discussion

The Committee agreed that the report represented a dramatic improvement over earlier drafts and provided the basis for an excellent WDR. The discussion focused largely on editorial and presentational issues and there were several suggestions for improvements in the text and tables. A Committee member said that some parts, particularly those dealing with prices, may have been too technical for non-economists. Another Committee member felt that the tone of the report could be interpreted as being too conservative. He noted that there were numerous references to inefficient and bloated bureaucracy and to the failure of long-term planning. He felt that this perhaps gave the report a bias that could impair its effectiveness. In response it was noted that there was always a risk that people would read what they wanted to into a report. It was also noted that an effort to tone the report down could be made but that the underlying analysis and conclusions would remain the same.

In another observation a Committee member questioned the approach of not presenting policy prescriptions in Part I. He felt that a stronger statement could be made on the effects of protectionism and trade restrictions in the developed countries on the economies of the developing world. The Committee noted however that in the past analysis in the WDR had been confined largely to the policies related to overseas development assistance and had not focused very much on general economic policy. It was also recognized that the Bank does not yet have the expertise and analytical capabilities to comment on what are very sensitive and explosive political issues. Another Committee member said that he had missed a statement in the report on the role of international institutions in helping developing countries implement the necessary policy and investment decisions to achieve the higher growth scenario. He also wondered whether there could not be a little bit more said about the problem of poverty and how it could be accommodated in economic policy. There was also some discussion on

Chapter 10 which dealt with the topic of managing the public sector. A Committee member said that while the emphasis on improving the public services was correct there should be more discussion of the professional core of people who would be responsible for upgrading public service skills.

Committee Action

The Committee approved the report subject to further revision for distribution to the Board. It will be circulated to the Board on May 3 for a Board seminar on May 20 and formal Board consideration on June 2. It will go to printers June 14 and the publication date will be July 19.

3. Intervening Year Compensation Review

Attending: R. Clarke, J. Trott

Documentation

3.1 Paper (Clarke/Lawrence) April 20, 1983 PAD/MC83-22: 1983 Compensation Review with attachments.

Presentation

Mr. Paijmans reported the results of consultations on the intervening year compensation review with the Board Compensation Committee, the IMF and the Staff Association. He said the Committee had earlier agreed that the Bank's preference for the intervening year was a uniform adjustment across all grades in the range of 6 to 7%. The Committee had also agreed in principle that in the consultations a differential adjustment be proposed for 1984 in conjunction with the next major compensation review. Mr. Paijmans said that all participants were strongly in favor of a uniform rate. They all accepted the need for a differential adjustment but agreed that it would be more appropriate on the occasion of a major review rather than during an intervening year. On the question of the range, Mr. Paijmans noted the comparator surveys for both the Bank and the Fund indicated a range of 6-7%. The mid-point between the adjustment for the A-I and J-N levels as indicated by the Bank data was 6.55% and both the Board Committee and Staff Association would accept a Management recommendation of 6.5%. However, there was a potential problem with the Fund. A similar calculation applied to the IMF data resulted in a 6.25% figure. The lower adjustment rate was explained by two factors: a slightly higher share (2.7 as opposed to 2.4%) for merit increases to Fund A-I staff; and the compounding effect of first applying the general increase followed by the merit increase. When these factors were considered the Fund's 6.25% would be equivalent to the Board's 6.5% and parallelism would be preserved. The danger was, however, that the Managing Director of the Fund in going to his Board would choose not to explain these factors and recommend instead the same adjustment as the Bank, i.e., 6.5%. There would then be a political risk that the Bank would be perceived as forcing the Fund, in order to preserve parallelism, to adopt a higher adjustment than they had wanted when, in fact, the 6.5% adjustment for the Fund would actually be higher than the Bank's 6.5%.

Discussion

The discussion dealt almost solely on how to handle this political risk. The Committee agreed that the data alone indicated a 6.5% increase but that some type of accommodation would have to be sought with the IMF.

Committee Action

The Committee agreed that Mr. Clausen and Mr. Paijmans should meet with the Managing Director of the Fund to try to work out an adjustment that came as close as possible to the 6.5% while averting the potential political problems.

In the subsequent meeting a compromise was reached. Of the 25 basis point difference between the Fund's 6.25 and the Bank's 6.5%, about 15 basis points were the result of compounding. The IMF agreed to eliminate this compounding effect by changing its application methodology thereby increasing their rate to 6.4%. The Bank then agreed to match this figure. The paper to the Board would then recommend a uniform increase of 6.4%.

4. Compensation Review Approach to 1984

Attending: R. Clarke, J. Trott

Documentation

4.1 Paper (COM) April 20, 1983 PAD/MC83-21: Approach to 1984 Compensation Review.

Presentation

Mr. Paijmans said the 1984 compensation review, like the 1980 review, would involve a major survey based on comparators' actual compensation levels. This would be different than the intervening year reviews which were based on movements in comparator compensation. He said the major reviews would be complicated and an early start would be needed to avoid the problems experienced in the 1980 survey and to ensure that the data would be available in time for decisions effective May 1984. Mr. Paijmans said that Managing Committee guidance was required on a number of issues. After obtaining the Committee's guidance he said the consultation process would begin with the IMF and the Staff Association with a view to preparing proposals for consideration by the Managing Committee in late June.

Mr. Paijmans then described each issue and outlined the recommended course of action. In his presentation he highlighted three major issues. First, was the question of whether to use job matching approach where comparator jobs as close as possible to those in the Bank would be identified, or job measurement techniques where the value of the job content would be measured without ensuring job similarity. He pointed out that the 1980 survey had revealed difficulties with the job matching approach. While the comparisons were valid they were not broad-based enough to give a stable data base which reflected overall comparator practices. In order to achieve a broader and more stable data base Mr. Paijmans recommended that job measurement techniques using Hay points be used. He added that this general sample would be backed up by making comparisons for specific occupational groups such as economists.

The second major issue related to the question of whether or not to use direct compensation only or total compensation packages including the value of benefits. Mr. Paijmans said total compensation was preferred because of variation in benefits practices in different countries. He noted, however, that it would be difficult to persuade the IMF to use total compensation. In the 1980 survey they wanted only to use direct compensation and the Bank Board in the end acquiesced. He added that even if the IMF did not agree to collect data on benefits the Bank should do so.

The third major question was that of exchange rate. He noted that the problem was essentially a political one and that an approach that could be consistently applied was needed. The question was whether to use the nominal exchange rate (NER) or the purchasing power parity rate (PPP), or some combination of NER and PPP. In 1980 agreement on this question was not reached between the Bank and the IMF or even in the Bank's Board Committee. In an effort to reach agreement on a common approach for 1984 Mr. Paijmans recommended that, subject to consultations with the IMF, a joint Bank-IMF task force be set up. In conclusion Mr. Paijmans recommended that Hay Associates be awarded the contract for undertaking the compensation review provided that agreement could be reached on terms. He also recommended that small review group of staff members be set up for consultation during the review process.

Discussion

In the discussion the Committee approved the recommendation for all the issues raised. There was a consensus that the Bank needed to work hard to reach agreement with the IMF on the question of whether total or direct benefits should be used. The Committee also agreed that a consistent approach to the exchange rate question needed to be developed. The range between the PPP and the NER was wide and if agreement were not achieved the possibilities for divisive political bargaining would loom large.

On a more general question a Committee member asked whether over a long-term perspective the concept of parallelism between the IMF and the Bank should be maintained. In response it was noted that the IMF and the Bank were sister institutions created at the same time and having the same members. As Staff from both institutions often work closely together, it was important that the spirit of cooperation be maintained. It was also pointed out that the two institutions compete to some degree for the same small pool of economists and that they shared many joint facilities. Given the many close ties between the two institutions any attempt by the Bank to break with the concept of parallelism would be extremely disruptive.

The discussion then turned to the question of progress on the job grading exercise. It was noted that the results of the benchmark survey suggested a need for establishing an additional grade between the M and N levels that would be similar in context to the L(T) range for technical staff. For the assistant level staff the preliminary results suggested that not many changes were required. However, for the secretarial and clerical staff the evaluation suggested that many staff assistants in G level were overgraded while many administrative secretaries were undergraded. It was pointed out that a major issue now was how to proceed with the second phase of job grading exercise. It was noted that a paper on this topic would soon be coming to the Managing Committee for consideration.

Committee Action

The Committee agreed to the recommendations outlined in the paper. It was also agreed that consultations with the IMF and the Staff Association on the approach to the 1984 compensation review would begin immediately. (Action responsibility: Mr. Paijmans.)

5. FY84-88 Budget Perspectives

Attending: H. Vergin

Documentation

5.1 Memo (Vergin) April 21, 1983 FIS/MC83-30: IBRD/IDA Budget Perspectives: FY84-88.

Presentation

Mr. Vergin began by noting that the results of the FY84 budget process had reconfirmed P&B's earlier assessment that the momentum of the Bank's operations and institutional programs was such that real budget growth over the period FY84-88 would likely average at least 4% per annum as opposed to the 2% figure previously presented to the Board. Mr. Vergin then outlined the two issues he wanted the Committee to consider. The first issue related to the actions Management could take to achieve a lower rate of budget growth. The second issue dealt with the presentation of the budget perspective to be provided in the FY84 budget document.

With respect to the first issue Mr. Vergin outlined a number of steps that could be taken which would help constrain future budget growth to rates lower than those currently projected. He noted that these steps were separate from the general strengthening of Bank planning, programming and budgeting processes which was currently under study by a separate task force. The steps included; (a) formulation of a multi-year business plan which set institutional priorities between programs and which examined program by program the Bank's operational service standards with reference to borrowing governments and which examined the Bank's own internal service standards; (b) introduction of task budgeting; (c) introduction of program budget in all support departments; and (d) a request to all line managers in conjunction with their FY83 retrospective review of programs and budgets, to see what could be done differently to free up gradually 10% of their FY83 budget base for redeployment within and across the Bank's major programs.

On the presentational issue Mr. Vergin suggested that for the FY84 budget document that Management apprise the Board that it had reassessed its FY84-88 perspectives and had concluded that for the purposes of financial projections a budget perspective be adopted with a gradual taper in real budget growth from 4% to 2% over the course of FY84-88.

Discussion

There was a lively debate on the actions proposed to achieve the tapering levels of real growth. The Committee expressed concern that the proposals lacked analytical support and a time frame for implementation. There was also a consensus that the steps the Managing Committee were being asked to consider were too important to be presented as an appendage to the FY84 budget process. It was agreed that an appropriate analytical framework would be required that allowed managers to establish priorities and make informed decisions. In making any cuts, tradeoffs would be required. These tradeoffs needed to be identified and their consequences analysed before managers could be instructed to take actions. There were also questions raised as to whether the appropriate management information systems were in place to implement task budgeting at this time.

After further discussion it was generally agreed that the steps outlined by Mr. Vergin would likely be required at some time. It was also noted that any such process would require the active participation of line managers. But the sequencing of the proposals was wrong. Before the Committee could take any action there needed to be considerable substantive work on the types of business plans required, the task budgeting proposals and on the analytical basis required for identifying budgetary priorities, the tradeoffs involved and their consequences. Nevertheless the Committee agreed that the presentational issue needed to be addressed now.

Committee Action

On this question the Committee approved the proposal that the FY84 budget document show, for financial planning purposes, a gradual tapering of real budget growth over the period FY84-88. It asked however that the figure be accompanied by strong caveats. The caveats should distinquish between less controllable institutional and policy driven costs, and those costs that can be controlled by efficiency improvements. They should also underscore Management's commitment to improve efficiency and undertake an examination of the scope of the current operational programs and service standards to identify possibilities for the redeployment of budget resources. The Committee also agreed that many of the steps outlined in the paper to achieve this gradual tapering likely would need to be taken. However, it asked that an appropriate analytical basis for taking the required decisions be prepared first.

6. Other Business

Mr.Clausen's and Mr.Benjenk's Trip to Europe

Mr. Benjenk reported on his and Mr. Clausen's trip to the United Kingdom, Germany, The Netherlands and Italy. He said that they had met the heads of state and financial ministers and heads of central and commercial banks in each country. An objective of the trip was to press government leaders to include the problems of development in discussions of the upcoming Williamsburg Summit. Mr. Benjenk reported that unlike earlier indications there was now a strong likelihood that these issues would indeed be discussed at the Summit. It was also emphasized during the trip that European leaders should press President Reagan on the United States IDA commitments. Mr. Benjenk said that these points were well received but he noted that everyone emphasized the need for increased efficiency of aid and strengthened conditionality.

Managing Committee

CONFIDENTIAL
April 19, 1983
Record: April 25, 1983

FROM: Roy Southworth URS

SUBJECT: Minutes of April 11, 1983 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, A. Krueger, M. Paijmans, T. Thahane.
Members Absent: M. Benjenk.
Also Present: H. Scott.

Summary of Committee Action

The Committee: (i) reviewed the Nigeria CPP and endorsed the recommendations of OPSC, (ii) confirmed budget and staffing decisions for FY84 and agreed to the next steps to be taken in the budget process and (iii) was briefed on current attitudes, particularly among G-6 members, towards the selective capital increase.

1. Nigeria CPP

Attending: S. Kapur, H. van der Tak, H. Vergin, S. Chernick J. Parmar, B. Alisbah, S. El Darwish, P. Reitter, B. Humphrey, S. Chaudhry

Documentation 1.1 Memo (Chernick) April 6, 1983 OPS/MC83-23: Nigeria CPP: Managing Committee Review

Presentation Mr. Alisbah began by describing Nigeria's striking dependency on oil. He said oil revenues accounted for 95% of export earnings and 80% of government revenue and noted that the tremendous volatility in the world oil market had introduced a high degree of variability in the performance of the Nigerian economy. For example, the present depressed oil market resulted in a fall of revenues from $22.4 billion in 1980 to an expected $12.0 billion in 1983. As a result, there was a need for structural change to move away from the oil dependency, and Mr. Alisbah said that the Bank's efforts in Nigeria were designed to help bring about this change. The policy changes required would include exchange and trade reforms, improved agricultural and industrial sector incentives, rationalized public expenditures and a move to more appopriate internal energy prices.

Mr. Alisbah said that a crucial question facing the Nigerian government was whether it would be able to implement these changes. Nigeria's democratic experiment was barely three years old, and the legacy of the civil war still persisted. A working relationship between the states and the federal government was still being worked out and progress was understandably slow. Mr. Alisbah pointed out that another constraint facing the Nigerian government was manpower. There was a particular shortage of economic advisers and policy analysts who understood the problems facing the economy and the policy framework required to address them.

Mr. Alisbah then said that Nigeria's relationship with the Bank had improved from two to three years ago when it was marked by distrust and lack of cooperation. In the past few months, the Nigerian government had asked for Bank assistance in the energy and population sectors--areas where the Bank has made no headway in the past. Mr. Alisbah said that the major challenge facing the Bank now was changing this new receptiveness into the policy actions necessary to diversify and strengthen the economy. Mr. Alisbah said that serious discussions with the IMF were now underway and the Bank's own policy dialogue was also proceeding. Acknowledging that there could be little progress until the mid-year elections, he said that the Bank had been working with senior advisers in the government to prepare a policy package for the new administration. Turning to the lending program, he said it called for lending levels of about $400 million in FY84 with growth to about $1 billion in the latter part of the 1980s. He observed, however, that the $1 billion level was contingent on the implementation of the necessary structural changes including agreement with the IMF.

Discussion

The discussion focused first on the Bank's strategy in Nigeria. A Committee member wondered whether continuing a large program for next year and promising larger programs in the future was correct. He asked whether it would be better to just propose a one-year program and hold off on later commitments to see how the government was doing in implementing policy changes. In response, it was noted that this was precisely the strategy outlined in the covering memorandum to the Managing Committee. OPSC recommended that operations planned for FY84 should proceed as proposed, but the level of lending after FY84 would depend on the extent to which Nigeria is able to put appropriate measures in place. It also recommended that the progress on policies should be reviewed in about 12 months to determine what levels of lending would be most appropriate for the years after FY84. Another member asked why increase commitments at a time when the disbursement record was so poor. In answer, it was observed that the conditionality attached to the fertilizer loan would reduce pressure on the budget by cutting the subsidy level. Counterpart funds would then be available to the states for use in the projects.

The discussion then turned to whether the $1 billion proposed for the late 1980s was realistic. Several Committee members wondered whether the government would ever be able to implement the necessary policy changes. In response, it was noted that President Shagari's power base has been weak and that he has had to proceed cautiously. However, there was a good chance that he could come out of the elections sufficiently strengthened to take more decisive action. Nevertheless, some skepticism remained that the govenment would be in a position to do what was required.

A Committee member observed that there was not very much discussion in the paper about the role of the private sector, and he asked what was the status of IFC activities in Nigeria. A spokesman for IFC said the experience in Nigeria to date has not been very good. Between 1974 and 1979, there were no new activities, and since 1979 there had been only two projects. He noted that there were many problems, including the overvalued currency and underutilized capacity, that made it difficult for IFC to operate in Nigeria. However, the Corporation was working to develop a cohesive program, and over the next few years there would be new projects in food processing, hotels and textile rehabilitation. He also mentioned that there was ongoing work in the area of capital markets.

Committee Action

The Committee endorsed the conclusions of the OPSC review of the CPP emphasizing that the Government should be encouraged to move towards economic policy reform preferably in the framework of an agreement with the IMF. The Committee agreed that Region should explore both macro-economic and sectoral policy alternatives with the government and offer the incentive of higher lending levels after FY84 if policy reforms are implemented. The Committee asked to be briefed on the progress of the reforms in about a year.

2. Minutes of April 4, 1983 Meeting

Committee Action

Amended and approved.

3. Senior Appointments
Attending: G. Kaji

(Restricted Session)

4. Final Outcome of FY84 Budget Review
Attending: H. Vergin

Documentation

4.1 Memo (Vergin) April 8, 1973, FIS/MC83-26: FY84 Budget Decisions

Presentation

Mr. Vergin began by reviewing the agreements reached in the previous week's Managing Committee meeting. He said the Committee had decided on an overall growth in administrative expenses of 4.2% with a contingency of $2 million and an increase of 3% in authorized staff positions. However, he noted that at the end of the meeting there were still unresolved issues dealing with part of VPA's managed overhead budget and it had therefore been agreed that PAB pursue this matter further with Mr. Paijmans within a budget frame that should not exceed the previously discussed maximum of 4.5% overall budget growth. In subsequent meetings with Mr. Paijmans it was established that there was a need for an additional \$2.8 million in VPA's managed overhead budget raising the total from \$41.1 million to \$43.9 million. Mr. Vergin then reviewed the decisions taken to cover this shortfall. First it was agreed that, after allowance for deferred expenses of \$3.3 million, VPA's discretionary budget could be reduced by \$900,000. Secondly, with the agreement of Mr. Stern \$100,000 was transferred from research budget of OPS to VAP's managed overhead budget. This reduced the gap to \$1.8 million. Next, the contingency was reduced to \$1 million, and finally the remaining \$800,000 was covered by increasing the overall budget growth from 4.2% to 4.4%. Thus, the final budget which would resolve all remaining issues would require a growth rate of 4.4% with a contingency of only \$1 million and a 3% increase in authorized staff positions. This budget growth would translate into a 5.1% increase when the special programs were included.

Mr. Vergin then reviewed VPA's discretionary and overhead budgets implicit in such a budget. Noting that the original request for discretionary budget was \$43 million, he said the final outcome was \$38.7 million augmented by "deferred expenses" totalling \$3.3 million. In the managed overhead budget, the original request was \$44.9 million and the final outcome was \$43.9 reflecting arrangements under which expenses of \$1 million for furniture and equipment had been placed into the capital budget. Overall, including deferred expenses and additional capital budget the resources budgeted for VPA would meet the request for managed overhead budget fully and would be \$1 million short of the requested discretionary budget of \$43.0 million.

Discussion

In the ensuing discussion, Mr. Clausen expressed concern over the resort to deferred expenses. He asked whether a precedent existed for such an approach. In response, it was noted that such a precedent had been set in intensive consultation with the auditors in FY83 in the case of the \$0.8 million expense for the building deficiency audit. Deferred expenses would normally be capitalized over a 4-5 year period as opposed to 6-10 years for regular capital expenditures. Mr. Clausen then asked that there be a commitment to avoid these types of deferrals in the future.

Mr. Paijmans then outlined the cuts in services that would be necessary to stay within the agreed overhead budget. Newspaper delivery would be cut for department directors and division chiefs, and building services would be reduced by about 8%. With respect to the \$1 million cut in discretionary costs, he said it might have to be partially covered by a \$500,000 transfer from the overhead budget in order to maintain support for the micro computer program, computer literacy training, B building electrical upgrade and the follow-up to the building deficiency audit. He noted the transfer would most likely have to come from cuts in moving expenses because the budgeted increase in lead space would allow reductions in the number of moves. The remaining \$500,000 would be covered by cuts in computer training and other programs.

A Committee member asked about computing systems development costs which had reduced from $6.1 million in the FY84 request to $3.5 million in the final budget. In response, it was noted that the $6.1 million figure represented the sum of the departmental requests and that IRMD had already reduced this total to $4.4 million as a result of a purely technical review. The additional cut from $4.4 to $3.5 million would likely involve some changes in the current development program. The review process to establish priorities for funding within the limit of $3.5 million was now underway.

On the question of Board reactions to a 4.4% budget, it was realized that it would likely be sharp and that management would have to work carefully to secure Board support. It was noted that the Board's reaction would also depend in part on the long-term budget perspective. Anything above 2% for the years beyond FY84 would make it more difficult for the 4.4% budget. A question was then raised as to what the prospects were for achieving a 2% long-term perspective. In the discussion that followed, a consensus emerged that the 2% was unrealistic. It would require both an examination of the base and changes in the budgeting process. But in order to set free resources from the budget base in the amounts required to contain budget growth to 2% a re-examination would also be required of the range of services the Bank currently provides to its borrowing members without regard to their differential ability to pay. Nevertheless, it was agreed that the budget base should be carefully reviewed on a unit-by-unit basis to identify areas where savings could be achieved.

The next steps in the budget process were then discussed. It was noted that the final clearance of the budget document would be needed on May 11. Board discussion of Programs and Budgets was scheduled for June 21 and June 23. In outlining an approach for dealing with the Board, it was agreed that it would be desirable whenever applicable to discuss the less controllable institutional and policy-determined costs separately from the discretionary costs. In explaining the increase in institutional costs, it would have to be emphasized that in selected areas this increase was required to compensate for past neglect. Emphasis would also be put on the fact that Management was currently examining budget processes in an effort to increase budget discipline and to review the base to free up resources for higher priority use.

There followed a brief discussion on how to handle the budget perspective within this context. Mr. Vergin commented that a figure would be required for the financial plans, and he proposed to present to the Managing Committee a note outlining an approach to this question for consideration on April 25. A Committee member added that Management had promised it would get back to the Board before finalizing its budget recommendations. It was agreed to have such consultations in the first week of May. It was also suggested that the vice presidents for each complex meet with groups of EDs to brief them on their respective budgets. Mr. Clausen noted that in this context he had already met with a number of EDs and Alternates and had alerted them to the overall budget growth and flagged the 2% long-term perspective as being unrealistic.

Committee
:tion

The Committee confirmed the budget and staffing decisions as set out in the PAB memorandum of April 8. The Committee also agreed that an informal Board seminar and individual meetings with EDs would be arranged. (Action Responsibility: Mr. Thahane)

5. Selective Capital Increase (SCI) Issue
Attending: J. Wood

Documentation

5.1 Memo (Qureshi) April 1, 1983 FIS/MC83-25: Selective Capital Increase (SCI) Issues.

Presentation

Mr. Qureshi said the purpose of the presentation was to alert the Committee to the current attitudes toward the SCI, particularly among G-6 members. A consensus seemed to be emerging within the G-6 that any selective increase should be much smaller than $20 billion. They felt that any increase should essentially be designed to adjust countries' relative position and not as a means of increasing finances available to the Bank. Mr. Wood said that the idea of a two-stage implementation of a SCI of $19.7 billion had been discussed informally with some of the G-6 deputies at the recent IDA meeting in Copenhagen. He said the first stage would include a small increase of around $2.9 billion which would adjust the positions of those countries which had received a larger than average increase in the Eighth Review of IMF quotas. The second stage--which would not require actual capital subscriptions at this time--would be agreed upon in principle in order to give the Bank flexibility with respect to sustainable level of lending. The implementation of the second stage of $16.8 billion (i.e. actual subscriptions) would be timed to coincide with the general capital increase. Mr. Wood said that the initial reaction of some of the G-6 directors had been favorable. The United Kingdom was concerned to avoid any action which would entail budgetary outlays, but otherwise was supportive, as were the Japanese. Germany was inclined to favor an early start to GCI discussions but did not seem to have a strong position. Only the U.S. was strongly opposed. Mr. Qureshi added that he had discussed with Mr. Burnham the U.S. position. Mr. Burnham appeared to be opposed primarily on the grounds that the Bank would gain flexibility on lending without the outstanding policy differences with the U.S. first being resolved.

Discussion

The discussion focused first on the implications of a two-stage approach. It was noted that 36 countries, mostly Part I, would get the increase if it were adopted. Thus, the voting shares of the Part I countries would increase relative to Part II countries. It was also observed that the U.S. would have to exercise its pre-emptive rights to preserve its share at 20%. It would also lead to a change in ranking of the top five shareholders with Japan jumping to the No. 2 position followed by Germany, the United Kingdom and France, which would call for negotiations to obtain a politically acceptable ranking.

Committee :tion

It was agreed that discussions with the Executive Directors should continue with a view to proposing the two-stage approach to the Board by August or September. Mr. Qureshi agreed to keep the Committee informed on progress in the discussions.

6. Other Business

Suspension of Disbursements to Zambia

Mr. Stern reported that disbursements to Zambia had been suspended. He noted that the Bank had waited until after President Kaunda's visit to Washington to take this action. Mr. Clausen said that in his meeting with President Kaunda he had made a strong statement concerning their obligations to maintain their credit standing.

Pilot Introduction of a Charge-Back System

Mr. Paijmans had circulated a paper to Managing Committee for information on a pilot introduction of a charge-back system for copying service which had been approved by the Personnel and Administration Committee. Mr. Stern said he had no objection to the pilot system but asked that, before a second phase of the program was started, a paper be brought to the Managing Committee on the approach for charge-back for services including a plan for its implementation.

Record Removal Notice

The World Bank Group **Archives** & Records Management

File Title	**Barcode No.**
Managing Committee Official Files: Minutes - Minutes 04	1775320

Document Date	**Document Type**
N/A	Minutes

Correspondents / Participants

Subject / Title
Managing Committee - Minutes

Exception(s)
Prerogative to Restrict

Additional Comments
Document seems to be a piece of the Meeting Minutes- only pages 2 and 3 are included.

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by	**Date**
Shiri Alon	22-Feb-17

Managing Committee

CONFIDENTIAL
April 7, 1983
Record: April 12, 1983

FROM: Roy Southworth *VRs*

SUBJECT: Minutes of April 4, 1983 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, A. Krueger, M. Paijmans, T. Thahane.
Members Absent: M. Benjenk.
Also Present: H. Scott.

Summary of Committee Action

The Committee: (i) provided guidance on a paper on possible links between the Multilateral Investment Insurance Agency and the Bank and asked that the entire package of papers on MIIA be brought to the Committee for review; (ii) approved Personnel and Administration's recommendations for the 1983 Compensation Review and provided guidance on the consultation process; (iii) was briefed on the IDA deputies meeting in Copenhagen and asked for a paper providing a rationale for a $16.0 billion IDA; and (iv) reached agreement on FY84 budget and on the allocation of incremental positions.

1. Minutes of March 25 and 28 Meetings

Committee Action — Amended and approved.

2. MIIA - Link with the Bank
Attending: E. Meigher, L. Forget

Documentation — 2.1 Memo (Scott) March 28, 1983, LEG/MC83-2: Multilateral Investment Insurance - Link with the Bank.

Presentation — Mrs. Meigher said this paper was one of seven being prepared as a result of a discussion of Executive Directors on August 10, 1982. She outlined the concerns raised by the EDs regarding the question of a link with the Bank and noted that the Board seemed unconcerned with the advantages a link would provide. She added that consultations with private investors had revealed considerable interest in some type of link. The paper was an attempt to address the concerns of EDs while highlighting the advantages of a link.

It was noted that the paper presented various options for the type of link that might be considered rather than specific recommendations. However, the paper indicated a preference for an approach that would keep the operations of the agency separate from those of the Bank but would allow the agency to use the Bank's support staff and services. It also discussed the possibility of a one-time contribution from the Bank for administrative expenses and to build reserves.

Assistance was sought on types of links proposed and on whether the options presented in the paper were fairly and correctly presented. The Committee was also asked how the entire package of papers should be handled. Noting that several of them dealt with very technical issues, Mrs. Meigher asked whether they could be distributed to the Board without review by the Managing Committee. She added that there had been some difficulty in preparing the papers dealing with the national insurance schemes and the question of additionality. On the latter paper, the consultants have been asked to review their findings.

Discussion

The discussion focussed first on the paper's style of presentation. While it did a good job of describing a number of options, several Managing Committee members felt it could make a stronger case for the preferred option. Similarly, another member was concerned about the paper's balance. It clearly spelled-out the risks and disadvantages of a link but was not very explicit on how these risks could be minimized.

On the question of what type of link was preferred, it was pointed out that the objectives of the agency would have to be clearly identified before there could be a discussion on the options. If the objective was only to provide financial compensation after an event had occurred, then a link would not be required. If on the other hand, political deterrence to prevent an event from occurring were an objective, then a strong link would be needed. In further discussion, it was agreed that political deterrence was certainly an objective and that this should be made more explicit in the paper. It was noted, however, that the deterrence argument should be cast in a positive light in that the link with the Bank would be used in support of fair and equitable behavior by all parties.

The discussion then turned to the question of financial risks to the Bank. Mexico and Ethiopia were cited as examples of where a link could both jeopardize the policy dialogue and create financial risks. It was noted that the closer the link the more carefully insurance proposals would have to be scrutinized.

In the discussion that ensued, it became clear that a number of issues underlying the proposal needed to be addressed. A consensus emerged that the entire package of papers should be reviewed by the Managing Committee before it went to the Board. Once the whole package was put together, issues could be identified and a course of action determined. (Action Responsibility: H. Scott)

3. 1983 Compensation Review
Attending: R. Clarke

Documentation

2.1 Paper (COM) March 30, 1983 PAD/MC83-24: 1983 Compensation Review.

Presentation

Mr. Paijmans began by outlining the schedule for action on the compensation review. Consultations with the IMF, the Staff Association and the Board Committee would begin immediately with the aim of bringing back an agreement to the Managing Committee on

April 25. Board presentation was scheduled for May 19. He cautioned, however, that the dates depended very much on the progress of consultations with the Fund. In discussing pay movements, Mr. Paijmans noted that the changes in real terms were most significant in the U.S. Since in intervening years, the French and German data are only used as a check on the U.S. pay movements, he said it was reasonable to base any decision on U.S. data alone. He also pointed out that the data showed a marked difference in pay movements for A-I and J-N staff.

Mr. Paijmans then outlined the options for Managing Committee consideration. They included separate adjustments for A-I staff (in the range of 5-5.5%) and J and above (in the range of 7-8%) or a single adjustment for all staff. These adjustments would be based on overall average increase data as opposed to data on pay movements of incumbents in matched jobs. Under the single adjustment option, two levels were put forward for consideration: a conservative adjustment for all staff in the range of 5-5.5% or a larger adjustment in the range of 6-7%. He then said Personnel and Administration's recommendations were for a single adjustment for all staff based on overall average data in the range of 6-7%. In recommending the single rate, he noted that next year's compensation survey based on comparisons of absolute levels would provide a better basis for any differential changes between A-I and J-N.

The discussion focused on the use of the European data and whether there should be a single or differential pay adjustment. On the question of European data, a Committee member noted that the European data had been used in past years to justify adjustments higher than the U.S. data indicated. Since there had been little real movement in the European data this year, he wondered why it could not be used to justify an adjustment in the lower end of the recommended range (i.e. 6%). In response, it was pointed out that the European data was only intended as a check to see if adjustments based solely on U.S. comparators would be sufficient to keep salary levels internationally competitive.

On the recommendation for a single rate, a Committee member pointed out that ignoring the differences would further compress upper range salaries. He argued that the question of differential adjustments had to be addressed even if it proved to be divisive. Mr. Paijmans agreed but reiterated that it would be preferable to make the adjustment on the basis of the more complete basic survey of absolute pay levels.

He also noted that the IMF and Staff Association were in favor of a single rate, and a divisive argument on this point could endanger the consultation process. In addition, it would also be more difficult to introduce the new awards policy under a system of differential adjustments. Other members observed, however, that the differences were not small and that a very large adjustment would be required every few years.

Committee Action

After further discussion, agreement was reached that the issue of a differential adjustment would be raised in the consultation process. It would be argued that the data point to a differential adjustment for this year but, recognizing the difficulties this would cause, a single adjustment would be recommended. It would be made clear, however, that the issue would be addressed next year. (Action Responsibility: M. Paijmans)

3. Report on IDA Deputies Meeting at Copenhagen
Attending: J. Wood

Documentation

3.1 Telefax (de Lattre) March 30, 1983 FIS/MC83-24: Text of Chairman's Summary Note of the Meeting of IDA Deputies in Copenhagen.

Presentation

Mr. Mistry reported that the meetings went as well as could be expected with everyone waiting for U.S. action on the IDA VI supplemental. The discussion on burden sharing was still largely on an academic plane. He was concerned, however, by a specific statement by the Germans that they wanted their share reduced from 12.5% to 10.5%. Sweden also stated that there was some justification for their share to be reduced, although they did not specify by how much. He noted that the United Kingdom talked about a share of about 5.5% which indicated that the assumption of 7.5% may be too optimistic.

On the other donors, Mr. Mistry indicated that France made a qualified statement indicating that they would consider a small increase, while Italy continued to talk about a higher share but did not mention levels. Japan made a straightforward statement linking any increase in shares to the issue of Bank capital. Germany and the U.S. offered some support for the Japanese position while France and Belgium made a statement that the two should not be linked. Mr. Mistry said the Japanese will press their case hard and that they want an early answer. He also reported that the U.S. made it clear that they were not prepared to go higher than 25%. In addition, at the closing session, they asked that the question of stretching the term of IDA VII from 3 to 5 years be put on the agenda.

In summing up, Mr. Mistry said he was disappointed by the lack of direction. There was no sense of what to discuss next and when to tackle the issue of funding levels. He also noted that the U.S. was not severely pressured in the meetings. There were the usual statements of concern, but they lacked conviction.

Discussion

The discussion opened with a question on the deputies' response to the U.S. proposal for a 5-year IDA VII. In answer, it was noted that the proposal came at the end of the closing session, and no one had time to respond. It was observed that the U.S. rationale for the proposal was that it would give them an opportunity to clean-up on one replenishment before starting another and fit well with their ability to deliver $750 million a year. Underlying the proposal is the idea that they may be preparing ground for a fifth year for IDA VI.

On Japan, it was noted that G-6 deputies urged the Japanese to refrain from talking about a large SCI and were reassured that their objectives could be met at a lower level. It was also reported that the Japanese deputy asked that Mr. Clausen bring up their case in his discussions during the European visit. It was agreed that only limited support should be voiced until there is a firm Japanese indication of what they are willing to do in return for action on Bank shares. The point could be made that a reduced IDA share for Germany would make Japan's argument even stronger.

Committee Action

The discussion then turned to the next steps to be taken. The Committee decided that a credible rationale for a figure of $16 billion for IDA VII should be developed. Mrs. Krueger and Mr. Stern agreed to work together to prepare a paper that developed such a rationale. (Action Responsibility: A. Krueger and E. Stern). Further discussion focussed on the strategy for Mr. Clausen's European trip and on how to use the UNCTAD meetings in Belgrade to garner developing country support for IDA.

5. FY84 Budget Review
Attending: H. Vergin, R. Robless, P. San Jose

5.1 Memo (Vergin) March 31, 1983 FIS/MC83-23-I: P&B's FY84 Budget Review Memorandum.

5.2 Memo (Vergin) March 30, 1983 FIS/MC83-23-II: FY84 Budget requests and P&B's summaries.

Mr. Clausen prefaced the discussion by commenting on the procedure for bringing papers to the Managing Committee. He observed that the Board always had several weeks to consider the major policy documents while the Managing Committee usually only had a weekend. This made it difficult for Committee members to prepare adequately for discussions and to receive inputs from their staff. He asked the Committee to think about the possibility of moving the meeting time to another day and lengthening the lead time for distribution of papers. This question would be discussed at a later meeting.

On the FY84 Budget, Mr. Vergin began by reviewing the task assigned to P&B in the January 10, 1983, Managing Committee meeting where it was decided to test scenarios for a budget growth of not more than 4%. He noted that, in P&B's view, the process to date had revealed that a budget for FY84 with 4% would be possible. But he warned that in reaching this conclusion P&B had to make judgments that the Managing Committee would want to review. He asked the Committee to reconfirm the limiting consideration which P&B applied to overall staff and budget growth and said it was important in the Committee's deliberations to give equal weight to both budget and staff constraints. He also asked the Committee for guidance on the long-term budget perspective which currently envisaged real budget growth averaging no more than 2% over the course of the next five years.

Discussion

In the ensuing hours of discussion, members of the Committee defended their budget submissions which, if approved, would give rise to a 7.5% budget growth and 4.5% staff growth. What emerged from the discussion was an overall sense of dissatisfaction with the budgeting process. Of particular concern was the question of how the guidelines were applied. A Committee member commented that the budget proposal by P&B for his units were radically different from the guidelines established in January. His budget request had already been 15% below that envisaged by the January guidelines but, mainly due to the large number of other requests which exceeded their guideline, the 4% scenario offered by P&B required another 20% reduction from his already restrained request. He wondered why there was such a big difference between the guidelines and P&B's proposals. He said that he had worked with P&B staff on the budget submission in the belief that if they came in under the guidelines, their work program would be set. Now facing a 33% reduction below the guidelines, they would have to start the process all over. He added that the P&B proposals were not tested, not feasible and could not be implemented without a substantial reduction in the work program.

In response, it was argued that, given the limited information available to P&B about the likely budget requirements of the various units, the figures used in P&B's January presentation to the Committee were only intended to be indicative of what might be required to reach a 4% scenario. But in the Committee's deliberations, these numbers had become fixed, and what had been intended to serve merely as an illustration had in the guideline formulated by the Managing Committee taken on a degree of specificity which had not been a feature of the FY84 budget guidelines recommended by P&B. In subsequent work with the different complexes, it had soon become apparent that some of the original numbers were unrealistic. The original speaker observed, however, that there had been no indication from P&B that the guidelines were only tentative.

Mr. Paijmans said that the Personnel and Administration budget provided a good example of how unrealistic the guidelines had been. The original guidelines with a 1% figure for Personnel and Administration would do irrepairable damage to the initiatives recently taken in the areas of personnel planning and review, job grading, management training, and compensation policy. Even P&B's revised 4% budget with a 6.2% increase for Personnel and Administration would necessitate a reduction in services such as translation, health and benefit administration, and a drastic slow-down in the implementation of the new initiative. He then said increases in "pre-emptive" costs over which he had no control alone would be around 4.8%. These costs included, among other things, the increased expenses resulting from opening the H building and higher depreciation charges. A Committee member commented that managed overhead and depreciation costs should be allocated as much as possible to the cost centers where they are incurred.

A question was also raised on how the guidelines could have been 1% and the revised recommendation 6% when these costs amounted to 6.2%. In response, it was noted that the 1% growth was on a base containing one-time costs totalling \$4.6 million which by definition were not expected to recur. It was originally thought the funds allocated for these costs would be freed from the base providing in effect 7% budget growth within the 1% guideline. However, it was noted that almost equal amounts of new one-time costs had surfaced and as a solution P&B had offered the option of treating some of these costs as "deferred expenditures". This led to a discussion of the whole question of deferring expenses and the effects this would have on the long-term guidelines of 2%. It was noted that such a budget perspective could not be achieved without a long-term business plan that set relative priorities for the Bank's programs which in turn would allow a review of the budget base. Also, on the question of the budget perspective, a Committee member expressed concern that a figure of 2% would severely limit management options in the future.

Another major area of concern was the guidelines on staff growth. A Committee member asked how the figures of 2.5% used in P&B's budget proposal was determined. He noted that consultant ratios would be too high and his work program unattainable if P&B figures for staff growth were allowed to stand. In response, it was explained that it had been choosen on the basis of statements made during the Managing Committee and Senior Management Council discussions as well as on the basis of what would be politically acceptable. It was also noted that lower staff growth had been built-in to gain added flexibility in staffing given the considerable downside risk confronting the IBRD/IDA lending plans.

Another issue raised in the discussion concerned the nature of the Managing Committee's guideline which had focussed on budget-to-budget estimates. There were also queries about the emphasis on increases in authorized positions instead of growth in staff-years.

After lengthy discussion, a consensus began to emerge. The Committee agreed that the entire budget process needed to be reviewed and revised. Changing the process would necessitate a careful look at how programming is currently done and would involve scrutiny of the budget base. Better means of enforcing budget discipline would need to be introduced and the duration of the process lengthened. There was also agreement that the 7.4% increase resulting from the submissions was unacceptably high. At the same time, it was acknowledged in light of the discussion that P&B's recommended 4% budget was probably too tight.

It was felt that a figure of 4.5% would be politically feasible provided it was well-justified and coupled with a promise that management would review the procedure with the objective of introducing greater discipline. On the question of staff growth, an overall figure of 3 to 3.5% was suggested. Within these revised overall guidelines, each Committee member was asked to consider ways in which to pare their requests. Mr. Clausen closed the day's discussion by asking that P&B's presentation of VPA's budgets be changed to show depreciation and managed overhead costs separate for the Personnel and Administration's discretionary budget and to provide figures on staff-year growth for units other than Operations.

Discussion of Tuesday, April 5, 1983

Following the presentation of P&B's supplementary tables, the Committee began consideration of ways to achieve the objectives of a 4.5% budget with 3% staff growth. The question of staff growth was tackled first. The 3% guidelines translated into an increse of 166 staff positions. In a protracted discussion, an agreement on the allocation of staff positions was achieved as follows:

Increase In Authorized Positions

	FY84 Response	Indicative Distribution for a 4% Budget Scenario	3% Staff Growth P&B's Recommendation	Final Outcome
Operations	93	52	88	86
Finance	54	40	40	35
Pers./Admin.	33	19	19	23
Ext. Relations	11	7	7	4
EDI	6	3	3	3
Econ. & Rsch.	32	12	12	12
Legal	2	1	2	2
OED	4	2	3	2
Secy/Exec.Offices	-1	-1	-1	-1
Contingency	10	5	-	-
IRMD Charge-Back	-	-	-	-
Other	-	-	-	-
TOTAL	244 (4.5%)	140 (2.5%)	173 (3.2%)	166 (3.0%)

The Committee also agreed to a distribution of the increment between higher level and assistant and secretarial positions.

The Committee turned next to the administrative expense budget. As a starting point, it was determined that the increase from 4 to 4.5% translated into an additional $2.7 million. The Committee then agreed on an allocation that added $0.3 million to P&B's recommendations for Operations and cut $1 million from Personnel and Administration's discretionary budget. The staff benefit budget was increased to reflect the increase in staff growth from 2.5 to 3% and the contingency was increased subject to further review of the budget requirements of the PA-managed overhead accounts. The impact of "deferred expenditures" as well as the treatment of so-called "one-time costs" were to be given further review by VPA and P&B within the limits of the agreed 4.5% budget. In the final action, the Committee increased contributions to special programs from $28.2 to $30 million. The final outcome for both the FY84 budget and allocation of incremental staff positions will be presented at the April 11, 1983 Managing Committee meeting.

Managing Committee

CONFIDENTIAL
April 1, 1983
Record: April 5, 1983

FROM: Roy Southworth VRS

SUBJECT: Minutes of March 28, 1983 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, A. Krueger, M. Paijmans, T. Thahane.
Members Absent: M. Benjenk.
Also Present: H. Scott.

Summary of Committee Action

The Committee approved, subject to revision, papers for Board distribution on Liquidity Policy and Energy Policy. It also provided guidance on the Performance and Planning Review program and approved a paper on the topic for discussion by the Senior Management Council on April 8. The Committee also reached agreement on how to handle the question of GNP figures for Hungary.

1. Review of Bank's Liquidity Policy
Attending: G. Rotberg, P. Watson.

Documentation 1.1 Memo (Qureshi) March 24, 1983 FIS/MC83-22: Review of IBRD Liquidity Policy with attachment.

Presentation Mr. Watson opened the discussion by observing that the Bank's liquidity Policy had not been reviewed since 1978. Since then significant changes have occurred both in the financial markets and in the financial situation of Bank borrowers. In the light of these changes, it was felt appropriate to evaluate whether the existing liquidity policy was suitable in the current environment. He then explained that the objective of the liquidity policy was to protect against uncertainties with respect to the Bank's cash flow and identified the Bank's ability to borrow as the most important factor influencing cash flow levels. In evaluating the net levels of liquidity that were appropriate, he listed four variables that had to be considered: the initial level of liquidity, the size of the potential borrowing shortfall, the ability of the Bank to reduce funding requirements, and the minimum liquidity consistent with a recovery of borrowing.

Mr. Watson then said that the paper had concluded that current liquidity levels were not adequate. He noted that a question had arisen on how to deal with the discount note program. In the paper two options were considered: either including proceeds of the discountnote program in the calculation of available liquidity or treating the proceeds as having zero value. The paper recommended they be treated as having zero value with the liquidity level, net of the discount note proceeds, set at 40% of the next three years' net cash requirements.

Discussion

In the ensuing discussion Mr. Qureshi said that since the paper had come out a middle ground between the two extremes had been considered and was now being recommended. He noted that the problem with the net liquidity approach was two-fold. First, it could lead to questions as to the usefulness of the discount note program. Second, it would significantly increase the requirement for medium and long term borowings to a level much higher than at the time when the discount note program was introduced. It was also observed that if discount notes were netted out in the calculation of liquidity, similar issues would arise in the treatment of central bank operations.

The recommended approach was then described. The outstanding volume of discount notes would be assumed to come due once in the three-year period and would be counted as part of the cash flow requirements. Forty percent of this value would then be counted as part of the liquidity requirements. Mr. Qureshi noted that the most important contribution of this change in the liquidity policy would be to provide a strong signal to the financial markets that the Bank is being prudent in riskier times.

Mr. Clausen asked how the limit of liquidity was determined when the policy was first initiated. Mr. Rotberg answered that it was determined in relation to the minimum amount of borrowing which the Management believed could be accomplished. In answer to a question of how the recommended 40% level could be achieved in face of an expanding borrowing program, Mr. Rotberg said long-term (10-15 years) variable rate notes would have to be introduced. In 1984, the borrowing program would need to include about $1.0 billion in incremental short-term discount notes, $2.0 billion in floating rate notes and $8.0 billion in medium and long-term notes.

Committee members expressed some concern about the recommendation that liquidity levels go to 45% figure when conditions permitted. It was felt this figure was too high and would involve too much borrowing. In response, it was noted that the 45% figure was a tactical choice. If the paper were only to say that the level of liquidity would go higher when conditions were favorable, there was a danger that the Board would balk at the absence of a ceiling. The 45% would provide the ceiling and still preserve the freedom to increase liquidity as conditions permitted.

Committee Action

The Committee agreed to the recommendation that liquidity be maintained at a minimum of 40% of the net cash requirements over the next three years, with cash requirements defined to include maturing discount notes. Liquidity would be maintained between a range of 40-45% in order to provide flexibility to increase borrowing when market conditions are favorable.

2. Energy Policy Paper

Attending: Y.Rovani, P.Bourcier, DC Rao, M.Ahmed.

Documentation 2.1 Memo (Stern) March 9, 1983 OPS/MC83-18: Energy Policy Paper with draft attachment.

Presentation Mr. Stern introduced the paper by saying that its purpose was to respond to a Board request for a review of Bank operations. It also responded to criticisms, particularly from the US, on Bank energy policy. He added that the paper is an overview and makes no recommendations. The central theme is that adjustments to the higher prices are still not complete and more policy changes and greater investments are still required. The level of investment requirements is high in comparison with the available finances. He said there were a lot of uncertainties in the energy sector and this was reflected in the paper. Nevertheless, he felt the paper was on solid ground with respect to its pricing and sensitivity assumptions. He also noted that discussions had taken place with IFC staff and agreement had been reached on making the link with IFC programs clearer. Mr. Rao observed that since the last policy paper the Bank has gained 3 years of valuable experience. This experience has reaffirmed the basic rationale for Bank activities in the energy sector. The paper does, however, reflect some changes in emphasis, for instance, the increased weight given to demand management.

)iscussion In the ensuing discussion, the Managing Committee members agreed that it was a good paper that would win support for the Bank's energy program. Some concern was expressed, however, that the paper did not go far enough in countering the US position on Bank lending in the energy sector. Several specific examples of where the discussion could be revised to deal more effectively with US concerns were identified. In response it was noted that an effort had been made to maintain a balance between addressing US concerns and not making the paper appear that its sole objective was to placate the US. It was agreed, however, that the arguments in the paper would be strengthened.

9. Some members of the Committee wondered whether the conclusions on fuelwood in chapter 6 could be strengthened, particularly given the dimension of the problem. In reply it was pointed out that the program was hampered by a weak pipeline. Countries were unwilling to undertake projects and where they were being implemented up-take was slow, particularly for improved stoves. Work was underway to overcome these basic obstacles but progress will be slow. Another Committee member observed that the UN conference on Renewable Energy in Nairobi had raised expectations and the discussion

in the paper on fuelwoods would be disappointing. After further discussion it was agreed that the sections on fuelwoods would be strengthened.

Committee Action — The Committee approved the paper subject to the suggested revisions.

3. Urban Operations

Attending: S. Husain, T. Churchill, M. Cohen, E. Hewitt.

Documentation — 3.1 Memo (Stern) March 16, 1983 OPS/MC83-20: Annual Report on Urban Operations - FY82 with attachment.

Presentation — This paper was provided to the Managing Committee by way of information and carried no recommendations. Mr. Churchill said that it had been prepared in response to obligations within OPS to disseminate lessons learned in Bank operations.

Discussion — Managing Committee members welcomed the paper as an important initiative. The discussion centered on unique facets of urban lending such as the low number of problem projects and the focus on long-term strategy. Members of the Managing Committee also questioned whether poverty issues were being given less weight than previously. In response it was noted that the poverty mandate still remained particularly in sub-sectors other than housing. In the case of housing, targeting projects to the poor is possible but they are extremely difficult to replicate. Thus, there had been some shift towards middle income housing.

A discussion ensued on whether improved housing stimulated urban migration. It was observed that better housing probably does not have that much impact on the margin. It was also noted that urban programs are not specifically designed to alleviate poverty but to improve the efficiency of the city. Inefficiencies, however, bear most heavily on the poor and it is the poor who still benefit most from urban projects.

4. Food Services

Documentation — 4.1 Memo (Paijmans) March 9, 1983 PAD/MC83-12: Food Services with attachments.

Presentation — Mr. Paijmans said that there has been a continuing barrage of criticism of Bank food services and unfair comparisons with the Fund services both by the Board and senior management. Noting that the fund had higher subsidy levels, and ran a different type of operation, he said the criticism had gone too far. He added that a lot of improvements had been made already and that we had reached a limit of what could be done without more money.

Discussion

Members of the Committee agreed that there had been substantial improvements and that additional subsidies were not justified. They also agreed that some senior managers had acted inappropriately in registering complaints directly with Mariott and that some criticisms were unjustified. They questioned however, whether further improvements could not be made at current cost levels. Their concern was not so much with food quality but with the quality of service and in the ensuing discussion several examples of poor services were cited. It was generally agreed that complaints were inevitable and that they should be dealt with on an individual basis.

Committee Action

Committee members realized that the Fund service will undoubtedly continue to be better but they asked that efforts to improve Bank services be continued.

5. Performance Planning and Review

Attending: J. Dyck, E. Elmendorf.

Documentation

5.1 Memo (Paijmans) March 24, 1983 PAD/MC83-14: Performance Planning and Review (PPR) with paper and supplementary data.

Presentation

Mr. Paijmans noted that a crucial point in the implementation process. Bank-wide consultations with line managers taking the lead and PMD providing support had been completed. On the basis of the consultations substantial changes had been made in the program. He said the full commitment of senior managers was required at this juncture if we were to go ahead. They needed to recognize the programs cost in terms of the allocation of their time.

Discussion

Mr. Clausen observed that too many managers viewed this as PMD's program and not a tool to help them manage more effectively. He also noted that it was implicit in the presentation that senior managers were not yet committed to its implementation. It was suggested that one way to get the desired commitment was to evaluate managers explicitly on how they managed people.

Several members commented that the revised forms were much improved and less bureaucratic. One member felt it was unrealistic to expect that the new system alone would make better managers. He noted that some of those responsible for implementing the program do not fully understand it and to make it work will require training and a re-ordering of line managers' priorities. He argued that the speed of implementation should be slowed so PMD could intensify its support. He also observed that there was tremendous pressure throughout the system from Personnel and Administration initiatives and that there was an inconsistency in that management overheads were hardly being increased at all. This was creating a situation that threatened the new system.

In reply, it was noted that the point on costs was well taken. People did not realize what is required to make the program work. It was also observed that the question of overloading the system was raised at the Wye retreat and that no one had objected too much to the pace of Personnel and Administration initiatives. Several members questioned this and it was agreed the Wye minutes would be checked.

The discussion then turned to what the best approach to implementation would be. Mr. Clausen observed that the program would only work if the program were initiated from the top with senior managers preparing their statement of objectives for him. Another speaker suggested that the program be introduced gradually in one part of each vice presidency at a time. In response, it was noted that PMD was now organized on a regional basis. This facilitated introduction first through the top four managerial levels in each vice presidency and then selectively unit by unit.

Committee Action

Following further discussion it was agreed that care would be taken to implement the program slowly and in stages. As part of the implementation process, Mr. Clausen would send a letter to staff announcing the program. The Committee also agreed that the paper be circulated for the Senior Management Council meeting on April 8.

6. Other Business

CODAM

Mr. Clausen reported on his meeting with Dr. El-Naggar on the suggested changes in the guidelines for group travel by Executive Directors. Mr. Thahane said the new guidelines would give authority for final approval of group travel requests to the Chairman of CODAM. He recommended that there be no such change.

Annotated Agenda for Development Committee

Mr. Scott reported on the discussion of the annotated agenda at the Committee of the Whole. The meeting began with a long discussion on procedural matters before turning to the agenda. Major points of discussion included the question of selective capital increase, the size of IDA, and the section on trade. Mr. Scott said that alternative language had to be proposed on an [open] [expanding] trade system and a coordinated approach to economic recovery.

Hungary

Mrs. Krueger raised the issue of Hungary per capita income figures. She said that a study by a consultant to ERS called into question the validity of our per capita income figure for Hungary. An early draft of the study suggests a figure of around $3200. She noted that there is a real problem in comparison of per capita figures between centrally planned economies and market economies largely because of the non-market determined prices in the former. Question of how to treat subsidies, both explicit and implicit and exchange rates complicates the comparison. She pointed out that there is reason to question the exchange rate that was used in the Bank calculation and noted that the major difference between the Bank's number and the figure in the ERS study stemmed from the exchange rates that were used. The Bank's figure used the same exchange rate as the Fund which is calculated on the basis of balance of payment criteria. The study used an exchange rate based on normal relationships of purchasing power parity to balance-of-payments exchange rates.

In the discussion that followed, it was observed that the Bank's number was calculated using the same methodology that had been applied consistently to other Bank members. A member of ERS had participated in the exercise and had signed-off on a compromise involving the question of subsidy.

There was agreement that the calculation of GNP for centrally planned economies was fraught with anomalies. But the important point was that a methodology was being consistently applied. After further discussion, Committee members agreed that we would go ahead with the Bank's figures. At the same time the Board would be advised that a task force is being established to review the whole methodology for calculation of GNP figures.

Joint Remuneration Committee

Mr. Thahane reported that the next meeting had been scheduled for May. He noted that the Committee requested that a draft paper be prepared which called for a continuation of present policy.

YP Selection

Mr. Paijmans reported that the Young Professionals selection process had just been completed. Of the 27 candidates selected, 60% were from Part II countries and 1/3 were women. Six of the nine women were from Part II countries.

Staff Association Newsletter

Mr. Paijmans said that the Staff Association had gone ahead with its plans to introduce a newsletter. He noted that it was being published outside the Bank.

Managing Committee

CONFIDENTIAL
March 31, 1983
Record: April 5, 1983

FROM: Roy Southworth VR

SUBJECT: Minutes of March 25, 1983 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, M. Benjenk, M. Paijmans.
Members Absent: A. Krueger, T. Thahane.
Also Present: H. Scott, R. Southworth.

Summary of Committee Action

The Committee reviewed the status of IDA negotiations and agreed on a strategy to deal with the US position. It was also agreed that guidelines would be prepared to help in the implementation of the strategy.

1. Minutes of March 14, 1983 Meeting

Committee Action

Amended and approved.

2. IDA Negotiating Strategy

Attending: Andre de Lattre, Joe Wood, Percy Mistry.

Presentation

Mr. de Lattre opened the meeting with a discussion of his visits to donor countries and the initial meetings of the IDA Deputies. Noting that he had visited nearly all the major donors, he summarized their attitude as being generally supportive of IDA in that no questions were raised about the effectiveness of the use of IDA resources. He then described specific country positions. Germany made it clear that, while they helped make-up for the recent US funding shortfall, they were not prepared to do so again. The UK made the point that they would like to see their share of IDA VII reduced,while the French argued that even though their IDA share was low, they would not go higher because of the overall level of their development assistance. Japan was prepared to go higher but linked it to the question of their voting power in the Bank. Both Saudi Arabia and Kuwait were also prepared to go higher but registered their dissatisfaction with the US position.

Discussion

In discussing the Deputies' meetings, Mr. de Lattre said there was considerable interest in the possibility of reducing the term of credits from 50 to 35 years and that a general consensus had emerged that a small IDA VII of, say, around 9 billion would be unacceptable. He also noted that there had been little interest in the question of intermediate interest rates. Members of the Managing Committee observed that any interest rate structure would be associated with borrowings to generate cash flows for IDA. The possibility of harder terms for IDA should only be viewed in the context of a total package to ensure adequate cash flow.

Mr. de Lattre then noted that the questions of IDA allocation and maintenance of value would be addressed at the upcoming meeting in Copenhagen. Other meetings are scheduled for May and July although there is a growing sentiment among the Deputies for cancelling the May meeting.

The discussion turned next to the US position and possible strategies to deal with it. A 16 billion IDA VII would require an annual US appropriation of 1.6 billion which represents a large jump from the present average of 745 million. Passage of the supplemental appropriation of 245 million would reduce the potential overhang in the fourth year of IDA VI and would be crucial to getting agreement on IDA VII.

In further discussion, a consensus emerged that the best course of action would be to close the books on IDA VI, and to press hard for a 16.0 billion IDA VII, with a July 1984 start-up. It was generally agreed that there should not be any discussion with the donors of a fallback position at this time as it would most likely be self-defeating.

Some concern was expressed that such an uncompromising stance would inhibit support from among the donors. It was also suggested that if the supplemental appropriation is not passed by the time of the annual meeting, then the option of another interim year ought to be considered. If such an option were considered, a drift towards the special fund concept is likely to occur which would further fragment IDA. The interim year would, however, make it possible to raise more money. It was argued that responsibility for the current problem should rest squarely with the participants. If the possibility of any compromise, such as another interim year, were to be explored ,the US would be relieved of its responsibility and there would be little chance of achieving our objectives. While a fallback position may eventually be necessary, it was agreed that Management be unyielding in its stand against considering any alternatives.

It was also agreed that a major element of the strategy to deal with the US would involve building a core group of donors who would be willing to press the case for the 16.0 billion with US authorities. This group would possibly include Italy, Canada, the UK,Australia, the Netherlands and the Nordic countries. Other elements would be to bring Japan on board and to get the Summit heads of state to bring IDA up at the Williamsburg conference. Pressure from developing countries could also be channelled through the UNCTAD meeting and ambassadorial contacts here in the US.

In answer to a question as to how realistic the 16.0 billion figure is, it was noted that it represented the maximum possible for everyone except the US. For some of the donors the figure translated into a 30-40% nominal increase over IDA VI because of exchange rate movements. On the other hand, however, it represented a reduction in real terms to the recipient countries.

Committee Action

It was suggested and agreed that developing a stronger rationale would help in building the required support for the 16.0 billion figure. But it was readily recognized that those opposed would work hard to pick-apart any arguments put forward.

At the conclusion of the meeting it was agreed that Mr. Qureshi would prepare quidelines to help senior managers in their efforts to orchestrate the Bank's actions. The guidelines would outline the basic strategy and provide guidance to Management, particularly in the Regions, on what they could do to realize its implementation.

Managing Committee

CONFIDENTIAL
March 21, 1983
Record: March 31, 1983

FROM: William S. Humphrey and Roy Southworth VRS

SUBJECT: Minutes of March 14, 1983 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, M. Benjenk, M. Paijmans.
Members Absent: A. Krueger, T. Thahane.
Also Present: H. Scott, R. Southworth.

Summary of Committee Action

During its meeting the Comittee (a) approved the recommendations agreed at the OPSC review of the Uganda CPP, (b) approved the draft Board paper on "Bank Lending and other sources of Project Financing, (c) discussed and suggested some elaborations of a paper of 'Management Succession Planning' (d) amended and approved the overview report on the last Attitude Survey for discussion by the Senior Management Council and (e) requested P&B to analyse in more detail the factors leading to future budgetary growth.

1. Uganda CPP

Attending: S.Husain, W. Wapenhans, M. Weiner, H. Wuttke, J. Kraske, H. Vergin, B. Waide, H. Wyss, R. Gulhati, D. Dunn, M. Baird, P. Medhora

Documentation

1.1 Memo (Waide) March 9, 1983 OPS/MC83-17: Uganda CPP: Managing Committee Review.

Presentation

In introducing the CPP Mr. Wapenhans made four points. First he stressed that in many respects our relationship with Uganda at the present time was akin to that with a new member since between 1970 and 1980 there had been no lending or economic work and only limited supervision. Second, he noted that after the departure of President Amin there had been two unsuccessful attempts to put together a stable government prior to the establishment of the present regime under President Obote. Our policy dialogue with the present government had been good. The government had taken appropriate measures in a number of areas, including incentives and debt, under very difficult circumstances. Third, he said that the government relied on the Bank's leadership as Chairman of the Consultative Group. This gave added importance to the level of IDA lending as a signal to other donors. Due to constraints on IDA the proposed FY84 program had been reduced to $80 million, less than the $122 million likely to be achieved in FY83. A recent allocation exercise had indicated that the amount for FY84 might be as little as $24.5 million. Thus it was not clear at present how even a level of $80 million could be achieved.

Fourth, he pointed out that Uganda still represented a fairly high risk situation with continuing political uncertainties. The present fragile situation could collapse if there was a significant setback in the recovery program. Such a set back might be induced by a major shortfall in the provision of IDA funds.

Discussion

The discussion focused on two main areas. First, the prospects for Uganda's continued recovery and its ability to raise additional external resources and second, the difficulties of providing Uganda with an adequate level of IDA funds given the other claims on IDA resources. On the first issue the progress made by Uganda in addressing its economic problems and the excellent dialogue with the Bank was welcomed. It was noted that political uncertainty together with continuing outbreaks of violence was discouraging number of educated Ugandans from returning to their country where they were badly needed to strengthen the weak administration and other economic activities. Some of these weaknesses were being addressed through IDA financed technical assistance components in our lending operations. There was also not much prospect of a major increase in contributions from bilateral donors, some of whom were concerned by human rights violations and nearly all of whom were constrained by their own domestic budgetary problems. In addition, after 1985, the IMF was unlikely to be able to do more than roll over its existing credits to Uganda. The second major issue therefore was how IDA could provide Uganda with the level of support which these circumstances warranted. This would be very difficult. The level of assistance for FY84 of $80 million suggested in the CPP could only be provided on the assumption that programs in some other African countries fell short of what would be provided to them if an adequate policy framework emerged. If policy improvements occurred in a number of these countries then it would be hard to provide the forecast levels to Uganda. The drop in IDA funding available for Uganda in FY84 compared with FY83 was principally because China would be taking an increased share of FY84 IDA resources. In response to a suggestion that it might be possible to reduce the FY84 IDA allocations for India and China below the levels now contemplated, it was noted that the increase for China in FY84 was about the minimum we could do given its size and its very low levels of IDA borrowing so far, while further reductions for India, whose share in total IDA commitments in FY 84 would already be lower than any previous year, would also be very difficult.

Committee Action

The Committee endorsed the conclusions of the OPSC review of the CPP, emphasizing that the quality of the policy dialogue and the efforts being made by the government warranted as much IDA support as could be provided within the very constrained resources available.

2. Minutes of March 7, 1983 Meeting

Committee Action — Approved.

3. Lender of Last Resort

Attending: L. Forget

Documentation — 3.1 Memo (Stern) March 9, 1983 OPS/MC83-15: Bank Lending and Other Sources of Project Financing.

Presentation — Mr. Stern said that the approach of the paper had been broadened from earlier drafts and now addressed a number of aspects of Article III Section 4 of the Articles of Agreement rather than concentrating narrowly on the interpretation of Article III Section 4 (2) which deals with the relationship of Bank lending with other sources of finance. The paper traces through how the current approach was being followed at the country level, at the project level and in the project financing plan.

Discussion — It was agreed that the paper provided an excellent presentation and analysis of the issues although it was recognized that the United States would probably still have problems with our interpretation. However, the US would probably not get much support from others on this issue. A number of presentational suggestions were made and accepted.

Committee Action — The Committee approved the draft paper for distribution to the Executive Directors for discussion at a seminar of the Board. (Action responsibility: Mr. Stern.)

4. Senior Appointments
Attending: G. Kaji

(Restricted Session)

5. Management Succession Planning

Attending: G. Kaji, J. Dyck, J. Waterston.

Documentation — Paper (PMD) March 4, 1983 PAD/MC83-11: Management Succession Planning.

Presentation — Mr. Paijmans opened the discussion by noting that planning for management succession had been neglected in the past. This effort was designed to fill this gap and fitted well with other Personnel and Administration initiatives, especially the establishment of the managerial review groups in Operations, Finance and IFC.
Mr. Waterston outlined the commitment required of Senior Management to provide accurate information for planning timetables. The objective was to have a process by which a "pipeline" of adequately trained candidates was built up for managerial positions.

Discussion

The discussion focused on how the plan would identify and prepare candidates for managerial positions. The plan was described as being two-tiered with Senior Management determining demand by identifying upcoming openings and line managers determining supply by identifying candidates. Two types of candidate lists would be compiled; one for candidates ready to step into positions immediately and another for candidates who needed developmental assignments before taking on more senior managerial positions. Supply and demand would essentially be determined on a decentralized basis with PMD playing a centralized support and overview role.

It was noted that the proposed process was perhaps too decentralized with PMD too far removed to provide the required guidance. Since different managers would measure candidates against varying standards, strong central control was needed to prevent inequities from developing. There was also a danger that the plan might become too rigid and inward-looking. It should therefore not be thought of as an inflexible process to be implemented immediately throughout the system. A suggestion was made that the plan first be tested at the director level where openings and candidates could be readily identified. In answer, Mr. Paijmans said that PMD would have a strong overview role and that the implementation would be phased so adjustments in the process could be made as needed.

On developmental assignments, it was noted that lists of long-term candidates needing further development and suggested assignments would be submitted to the Managing Committee for review. As part of the process line managers would be encouraged both to give up good prospects and to take on "loose-fits" for developmental purposes. There was a question of confidentiality and raising false expectations in discussing developmental assignments with staff. In answer it was noted that potential candidates would only be informed that for their development as potential managers they should consider different assignments. Specifics on available positions would not be discussed with the candidates.

Committee Action

In summing up the general approach to Management Succession Planning was accepted. However it was noted that the paper did not cover some of the aspects raised in discussion nor fully elaborate on PMD's plans. The paper should therefore be revised to take these matters into account. (Action responsibility: Mr. Paijmans.)

6. Attitude Survey

Documentation 6.1 Paper (PMD) March 7, 1983 PAD/MC83-09: Attitude Survey with overview report by review group.

Presentation Mr. Paijmans began by saying that the paper was the result of the review group's work on institution-wide issues that surfaced in the Attitude Survey. He noted that this work complemented the unit specific action plans and that staff have been encouraged by Management's commitment to make changes in response to issues raised in the survey. He added that the review group had analysed survey results, identified the major institution-wide issues and made recommendations. Mr. Kaji reported that the major issue identified by the review group was career development. He noted that career development meant different things to different people which made it difficult to interpret survey results. But it was clear that there was a need to articulate institutional needs and analyse reassignment, promotion and training policies. In order to get a better grasp on the issue, a section of the next attitude survey would be devoted to career development issues. The objective would be to develop better tools to respond to the career aspirations of the staff.

Discussion The discussion concentrated on the presentation and interpretation of the findings. It was felt that the attitude survey opened valuable lines of communication with the staff and the review paper identified important managerial issues. But questions were raised on the need to develop specific recommendations at this time. It was noted that the survey was a macro-management tool and not necessarily a means to develop detailed micro-level recommendations. A consensus emerged that the proposed actions not be presented as recommendations but as points to be considered for future work. It was also felt that the letter communicating survey findings and management responses was worthwhile. However, it was suggested that it be revised to provide a more balanced view by giving greater emphasis to the survey's positive findings.

Committee Action Subject to the suggested revisions, it was decided to submit the paper for review by Senior Management Council. (Action responsibility: Mr. Paijmans.)

7. Food Services

Documentation 7.1 Memo (Paijmans) March 9, 1983 PAD/MC83-12: Food Services with attachments.

Presentation (Deferred)

8. Other Business

IBRD - IDA Budget Perspective Revisited FIS/MC83-19

Mr. Vergin said that the paper provided some preliminary indications of the annual rates of budgetary growth in the period FY84-88 implied by the information being obtained during the FY84 budget process. He emphasized that the growth in different categories of expenditure indicated in the paper already assumed that restraining actions would be taken. Even with this restraint, the real growth rate was closer to 4% than the 2% used in earlier budget perspectives. He felt it was important to share this information with the Committee now, since decisions made about the FY84 budget had implications for longer-term budgetary growth.

The discussion focused first on the extent to which the kinds of growth rates indicated in the paper were inevitable consequences of some of the shifts in emphasis in lending and other needed institutional improvements. The need to examine whether there were different ways of doing things which would use less resources without reducing quality was emphasized. This led to a discussion of what rate of growth of administrative expenses would be politically acceptable. It was noted that it would be necessary to demonstrate clearly to the Executive Directors why the adoption of certain policy directions - whether in lending or other institutional objectives - led to certain budgetary consequences. Before doing this, however, it was important that further work be done to analyse the trends in more detail.

It was agreed that P&B should analyse in more detail the factors determining future budgetary growth indicated in its paper in consultation with the vice presidential units concerned. In particular P&B should identify, for review by the Managing Committee, those policies and programs which have a significant impact on longer term budgetary growth - including possible changes in existing practices and procedures which would help to constrain such growth. (Action responsibility: Mr. Qureshi.)

Board-Management Dinner

It was agreed that there should be a dinner for Executive Directors, members of the Senior Management Council and their wives on May 3 (Action responsibility: Mr. Thahane.)

Meeting with Bank's Underwriters

Mr. Qureshi reported on his meeting with a number of the Bank's underwriting managers in New York. On the prospects for the US economy, their estimates for recovery in 1983 ranged from 3-1/2 to 5-1/2%. They were also not expecting much movement of interest rates in either direction by the end of the year although there might be short-term fluctuations. They had felt there was a significant risk of another crisis in Mexico and Brazil within the next 12 months since they did not believe that these two countries would be able to obtain the necessary net additional funds to keep up their debt service payments as presently scheduled. These uncertainties had not yet affected IBRD's ability to borrow but since it was possible that a future crisis might do so, it was important to consider advancing our borrowing program. Mr. Clausen asked whether it was worth giving more serious thought to some of the more radical ideas on how World Bank facilities could be used to bolster the weaknesses in the international financial network. Mr. Qureshi said that some ideas were being put together in his complex which would be ready for a preliminary discussion shortly.

Lending Plans and Capital Requirements

Mr. Qureshi mentioned the reaction of the Japanese, German and US Executive Directors to the Management's ideas on the selective capital increase. The Japanese at this stage appear to be opposing any departure from strict paralellism with the IMF. The Germans were questioning whether a capital increase of this size could truly be called "selective". The US appeared now to be considering the possibility of having a share which fell below 20% combined with the change in the Articles which would change the veto threshhold. It was noted that a US share of less than 20% would have a number of serious consequences including a higher borrowing cost.

Board Procedures

Mr. Stern reported that the effort to persuade the Board to adopt "special procedure" type arrangements for any project which the Management designated as "routine" had failed. However, it was still possible that the Board would agree to raise the ceiling for "special procedure" projects to $50 million.

Return to M Bourí

 Managing Committee

CONFIDENTIAL
March 21, 1983

FROM: William S. Humphrey and Roy Southworth

SUBJECT: Minutes of March 14, 1983 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, M. Benjenk, M. Paijmans.
Members Absent: A. Krueger, T. Thahane.
Also Present: H. Scott, R. Southworth.

Summary of Committee Action

During its meeting the Comittee (a) approved the recommendations agreed at the OPSC review of the Uganda CPP, (b) approved the draft Board paper on "Bank Lending and other sources of Project Financing, (c) discussed and suggested some elaborations of a paper of 'Management Succession Planning' (d) amended and approved the overview report on the last Attitude Survey for discussion by the Senior Management Council and (e) requested P&B to analyse in more detail the factors leading to future budgetary growth.

1. Uganda CPP

Attending: S.Husain, W. Wapenhans, M. Weiner, H. Wuttke, J. Kraske, H. Vergin, B. Waide, H. Wyss, R. Gulhati, D. Dunn, M. Baird, P. Medhora

Documentation 1.1 Memo (Waide) March 9, 1983 OPS/MC83-17: Uganda CPP: Managing Committee Review.

Presentation In introducing the CPP Mr. Wapenhans made four points. First he stressed that in many respects our relationship with Uganda at the present time was akin to that with a new member since between 1970 and 1980 there had been no lending or economic work and only limited supervision. Second, he noted that after the departure of President Amin there had been two unsuccessful attempts to put together a stable government prior to the establishment of the present regime under President Obote. Our policy dialogue with the present government had been good. The government had taken appropriate measures in a number of areas, including incentives and debt, under very difficult circumstances. Third, he said that the government relied on the Bank's leadership as Chairman of the Consultative Group. This gave added importance to the level of IDA lending as a signal to other donors. Due to constraints on IDA the proposed FY84 program had been reduced to $80 million, less than the $122 million likely to be achieved in FY83. A recent allocation exercise had indicated that the amount for FY84 might be as little as $24.5 million. Thus it was not clear at present how even a level of $80 million could be achieved.

Fourth, he pointed out that Uganda still represented a fairly high risk situation with continuing political uncertainties. The present fragile situation could collapse if there was a significant setback in the recovery program. Such a set back might be induced by a major shortfall in the provision of IDA funds.

Discussion

The discussion focused on two main areas. First, the prospects for Uganda's continued recovery and its ability to raise additional external resources and second, the difficulties of providing Uganda with an adequate level of IDA funds given the other claims on IDA resources. On the first issue the progress made by Uganda in addressing its economic problems and the excellent dialogue with the Bank was welcomed. It was noted that political uncertainty together with continuing outbreaks of violence was discouraging number of educated Ugandans from returning to their country where they were badly needed to strengthen the weak administration and other economic activities. Some of these weaknesses were being addressed through IDA financed technical assistance components in our lending operations. There was also not much prospect of a major increase in contributions from bilateral donors, some of whom were concerned by human rights violations and nearly all of whom were constrained by their own domestic budgetary problems. In addition, after 1985, the IMF was unlikely to be able to do more than roll over its existing credits to Uganda. The second major issue therefore was how IDA could provide Uganda with the level of support which these circumstances warranted. This would be very difficult. The level of assistance for FY84 of $80 million suggested in the CPP could only be provided on the assumption that programs in some other African countries fell short of what would be provided to them if an adequate policy framework emerged. If policy improvements occurred in a number of these countries then it would be hard to provide the forecast levels to Uganda. The drop in IDA funding available for Uganda in FY84 compared with FY83 was principally because China would be taking an increased share of FY84 IDA resources. In response to a suggestion that it might be possible to reduce the FY84 IDA allocations for India and China below the levels now contemplated, it was noted that the increase for China in FY84 was about the minimum we could do given its size and its very low levels of IDA borrowing so far, while further reductions for India, whose share in total IDA commitments in FY 84 would already be lower than any previous year, would also be very difficult.

Committee Action

The Committee endorsed the conclusions of the OPSC review of the CPP, emphasizing that the quality of the policy dialogue and the efforts being made by the government warranted as much IDA support as could be provided within the very constrained resources available.

2. Minutes of March 7, 1983 Meeting

Committee Action — Approved.

3. Lender of Last Resort

Attending: L. Forget

Documentation — 3.1 Memo (Stern) March 9, 1983 OPS/MC83-15: Bank Lending and Other Sources of Project Financing.

Presentation — Mr. Stern said that the approach of the paper had been broadened from earlier drafts and now addressed a number of aspects of Article III Section 4 of the Articles of Agreement rather than concentrating narrowly on the interpretation of Article III Section 4 (2) which deals with the relationship of Bank lending with other sources of finance. The paper traces through how the current approach was being followed at the country level, at the project level and in the project financing plan.

Discussion — It was agreed that the paper provided an excellent presentation and analysis of the issues although it was recognized that the United States would probably still have problems with our interpretation. However, the US would probably not get much support from others on this issue. A number of presentational suggestions were made and accepted.

Committee Action — The Committee approved the draft paper for distribution to the Executive Directors for discussion at a seminar of the Board. (Action responsibility: Mr. Stern.)

4. Senior Appointments

Attending: G. Kaji

(Restricted Session)

5. Management Succession Planning

Attending: G. Kaji, J. Dyck, J. Waterston.

Documentation — Paper (PMD) March 4, 1983 PAD/MC83-11: Management Succession Planning.

Presentation — Mr. Paijmans opened the discussion by noting that planning for management succession had been neglected in the past. This effort was designed to fill this gap and fitted well with other Personnel and Administration initiatives, especially the establishment of the managerial review groups in Operations, Finance and IFC.

Mr. Waterston outlined the commitment required of Senior Management to provide accurate information for planning timetables. The objective was to have a process by which a "pipeline" of adequately trained candidates was built up for managerial positions.

Discussion

The discussion focused on how the plan would identify and prepare candidates for managerial positions. The plan was described as being two-tiered with Senior Management determining demand by identifying upcoming openings and line managers determining supply by identifying candidates. Two types of candidate lists would be compiled; one for candidates ready to step into positions immediately and another for candidates who needed developmental assignments before taking on more senior managerial positions. Supply and demand would essentially be determined on a decentralized basis with PMD playing a centralized support and overview role.

It was noted that the proposed process was perhaps too decentralized with PMD too far removed to provide the required guidance. Since different managers would measure candidates against varying standards, strong central control was needed to prevent inequities from developing. There was also a danger that the plan might become too rigid and inward-looking. It should therefore not be thought of as an inflexible process to be implemented immediately throughout the system. A suggestion was made that the plan first be tested at the director level where openings and candidates could be readily identified. In answer, Mr. Paijmans said that PMD would have a strong overview role and that the implementation would be phased so adjustments in the process could be made as needed.

On developmental assignments, it was noted that lists of long-term candidates needing further development and suggested assignments would be submitted to the Managing Committee for review. As part of the process line managers would be encouraged both to give up good prospects and to take on "loose-fits" for developmental purposes. There was a question of confidentiality and raising false expectations in discussing developmental assignments with staff. In answer it was noted that potential candidates would only be informed that for their development as potential managers they should consider different assignments. Specifics on available positions would not be discussed with the candidates.

Committee Action

In summing up the general approach to Management Succession Planning was accepted. However it was noted that the paper did not cover some of the aspects raised in discussion nor fully elaborate on PMD's plans. The paper should therefore be revised to take these matters into account. (Action responsibility: Mr. Paijmans.)

6. Attitude Survey

Documentation 6.1 Paper (PMD) March 7, 1983 PAD/MC83-09: Attitude Survey with overview report by review group.

Presentation Mr. Paijmans began by saying that the paper was the result of the review group's work on institution-wide issues that surfaced in the Attitude Survey. He noted that this work complemented the unit specific action plans and that staff have been encouraged by Management's commitment to make changes in response to issues raised in the survey. He added that the review group had analysed survey results, identified the major institution-wide issues and made recommendations. Mr. Kaji reported that the major issue identified by the review group was career development. He noted that career development meant different things to different people which made it difficult to interpret survey results. But it was clear that there was a need to articulate institutional needs and analyse reassignment, promotion and training policies. In order to get a better grasp on the issue, a section of the next attitude survey would be devoted to career development issues. The objective would be to develop better tools to respond to the career aspirations of the staff.

Discussion The discussion concentrated on the presentation and interpretation of the findings. It was felt that the attitude survey opened valuable lines of communication with the staff and the review paper identified important managerial issues. But questions were raised on the need to develop specific recommendations at this time. It was noted that the survey was a macro-management tool and not necessarily a means to develop detailed micro-level recommendations. A consensus emerged that the proposed actions not be presented as recommendations but as points to be considered for future work. It was also felt that the letter communicating survey findings and management responses was worthwhile. However, it was suggested that it be revised to provide a more balanced view by giving greater emphasis to the survey's positive findings.

Committee Action Subject to the suggested revisions, it was decided to submit the paper for review by Senior Management Council. (Action responsibility: Mr. Paijmans.)

7. Food Services

Documentation 7.1 Memo (Paijmans) March 9, 1983 PAD/MC83-12: Food Services with attachments.

Presentation (Deferred)

8. Other Business

IBRD - IDA Budget Perspective Revisited FIS/MC83-19

Mr. Vergin said that the paper provided some preliminary indications of the annual rates of budgetary growth in the period FY84-88 implied by the information being obtained during the FY84 budget process. He emphasized that the growth in different categories of expenditure indicated in the paper already assumed that restraining actions would be taken. Even with this restraint, the real growth rate was closer to 4% than the 2% used in earlier budget perspectives. He felt it was important to share this information with the Committee now, since decisions made about the FY84 budget had implications for longer-term budgetary growth.

The discussion focused first on the extent to which the kinds of growth rates indicated in the paper were inevitable consequences of some of the shifts in emphasis in lending and other needed institutional improvements. The need to examine whether there were different ways of doing things which would use less resources without reducing quality was emphasized. This led to a discussion of what rate of growth of administrative expenses would be politically acceptable. It was noted that it would be necessary to demonstrate clearly to the Executive Directors why the adoption of certain policy directions - whether in lending or other institutional objectives - led to certain budgetary consequences. Before doing this, however, it was important that further work be done to analyse the trends in more detail.

It was agreed that P&B should analyse in more detail the factors determining future budgetary growth indicated in its paper in consultation with the vice presidential units concerned. In particular P&B should identify, for review by the Managing Committee, those policies and programs which have a significant impact on longer term budgetary growth - including possible changes in existing practices and procedures which would help to constrain such growth. (Action responsibility: Mr. Qureshi.)

Board-Management Dinner

It was agreed that there should be a dinner for Executive Directors, members of the Senior Management Council and their wives on May 6 (Action responsibility: Mr. Thahane.)

Meeting with Bank's Underwriters

Mr. Qureshi reported on his meeting with a number of the Bank's underwriting managers in New York. On the prospects for the US economy, their estimates for recovery in 1983 ranged from 3-1/2 to 5-1/2%. They were also not expecting much movement of interest rates in either direction by the end of the year although there might be short-term fluctuations. They had felt there was a significant risk of another crisis in Mexico and Brazil within the next 12 months since they did not believe that these two countries would be able to obtain the necessary net additional funds to keep up their debt service payments as presently scheduled. These uncertainties had not yet affected IBRD's ability to borrow but since it was possible that a future crisis might do so, it was important to consider advancing our borrowing program. Mr. Clausen asked whether it was worth giving more serious thought to some of the more radical ideas on how World Bank facilities could be used to bolster the weaknesses in the international financial network. Mr. Qureshi said that some ideas were being put together in his complex which would be ready for a preliminary discussion shortly.

Lending Plans and Capital Requirements

Mr. Qureshi mentioned the reaction of the Japanese, German and US Executive Directors to the Management's ideas on the selective capital increase. The Japanese at this stage appear to be opposing any departure from strict paralellism with the IMF. The Germans were questioning whether a capital increase of this size could truly be called "selective". The US appeared now to be considering the possibility of having a share which fell below 20% combined with the change in the Articles which would change the veto threshhold. It was noted that a US share of less than 20% would have a number of serious consequences including a higher borrowing cost.

Board Procedures

Mr. Stern reported that the effort to persuade the Board to adopt "special procedure" type arrangements for any project which the Management designated as "routine" had failed. However, it was still possible that the Board would agree to raise the ceiling for "special procedure" projects to $50 million.

Managing Committee

CONFIDENTIAL
March 10, 1983
Record: March 14, 1983

FROM: William S. Humphrey WSH

SUBJECT: Minutes of March 7, 1983 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, M. Benjenk, M. Paijmans, T. Thahane.
Members Absent: A. Krueger.
Also Present: H. Scott, R. Southworth.

Summary of Committee Action

During its meeting the Committee (a) approved the draft paper for the IDA Deputies on IDA burden sharing arrangements and (b) approved recommendations to help meet the shortfall in IDA 5 resources.

1. Minutes of February 28, 1983 Meeting

Committee Action: Approved.

2. IDA Seventh Replenishment - Burden Sharing in IDA
Attending: J. Wood, K. Ikram

Documentation: 2.1 Memo (Qureshi) March 4, 1983 FIS/MC83-18: with paper titled IDA Seventh Replenishment: Burden Sharing in IDA.

Presentation: Mr. Wood said that the purpose of the paper, in addition to providing a history of IDA Burden Sharing, was to provide some objective indicators in order to frame the discussion of Burden Sharing for IDA 7. He then reviewed the indicators of productive capacity, financial capability and commercial ties. He fully recognized the weaknesses in all these concepts which would enable deputies to find fault with them. We therefore intended to stress that the indicators should not be used to fine-tune donor shares but rather to point out major anomalies in the present Burden Sharing arrangements. The paper thus noted that of the larger donors, the shares of France, Italy, United States and Saudi Arabia were significantly below the indicative level on more than one criteria. On the other hand the shares of some other large contributors - in particular the United Kingdom and Sweden - were significantly higher than their indicative shares on more than one criteria.

Discussion: The discussion focused on the present attitudes of the larger donors and especially those who might be able to increase their share. It was agreed that the indicators all provided useful pointers to the major anomalies in the present burden sharing arrangements. However it would be better to let the facts speak for themselves and not identify specifically in the conclusions to the paper the countries which were significantly below the indicative level on more than one criteria. Neither should the countries which were higher than their indicative shares be specifically mentioned. It was noted that Mr. de Mr. de Lattre would attend the Managing Committee meeting on March 21 for a discussion of the overall IDA negotiation strategy.

Committee Action

Subject to the points made in discussion the Committee approved the draft paper for distribution to the IDA Deputies for consideration at their meeting on March 29-30, 1983. (Action responsibility: Mr. Qureshi.)

3. IDA4 and IDA5 Resource Shortfall
Attending: J. Wood, K. Ikram, P. De Santis.

Documentation

3.1 Memo (Mistry) February 17, 1983 FIS/MC83-13: IDA4 and IDA5: Exchange Rate Movements and Resource Shortfall with attachments.

Presentation

Mrs. De Santis outlined the reasons for the shortfall in IDA resources and the possibilities for building up a reserve from cancellations, repayments, further transfers from IBRD income and resources from the next replenishment. Decisions on the use of cancellations and repayments were needed at the present time.

Discussion

In discussion the recommendations in the paper were generally accepted. On cancellations it was noted that, conceptually, there were two kinds. First there were projects on which there had been cost savings and which were at the end or near the end of implementation. There was no objection to savings from this kind of cancellation being used to build up the reserve. It was this kind of cancellation that had formed the bulk of cancellations in the past. However, as a result of the Special Action Program and our discussions with governments who were restructuring their investment programs, there were an increasing number of cases where we were trying to persuade governments to postpone projects for which IDA credits had already been made and thus cancel substantial amounts at the beginning or at an early stage of project implementation. It was hard to persuade governments to do this unless the IDA funds cancelled could be reallocated to them for other, higher priority projects. This issue would be shortly discussed by the OPSC and it was agreed that for the time being this second kind of cancellation should be excluded from the decision. It was noted that the paper assumed cancellations at past levels and therefore, implicitly, only covered the traditional type. It was also agreed that we should stop committing against credit repayments beginning in FY84 and not in FY85 as recommended in the paper.

Committee Action

Subject to the points made in discussion, the Committee accepted the recommendations in the paper and agreed that the decision should be reported to the Executive Directors in either the budget submission or the recommendation on the transfer of net income. (Action responsibility: Mr. Qureshi.)

4. Other Business

Special Action Committee Meeting of March 3,1983 -SEC/MC83-12

Mr. Thahane reported on the meeting of the Executive Directors Steering Committee and elaborated on his memorandum of March 4, 1983 - SEC/MC83-12. He said that the Committee did not wish to raise the ceiling of Special Procedure Projects from $35 million to $75 million but were prepared to adopt an informal rule of conduct for all other projects irrespective of size which satisfied the criteria for Special Procedure Projects provided the Management indicated this in the cover note to the Board and also circulated the introductory statement normally made orally. In discussion, it was generally felt that the circulation of the oral statement would not add to the Board's information and would therefore be an unnecessary additional bureaucratic burden. Mr. Thahane should therefore try to persuade the Steering Committee that it would be enough in the transmittal note to the Executive Directors to indicate that in Management's view the project satisfied the criteria already laid down for Special Procedure Projects. In addition no project coming under the Special Assistance Program would be eligible for this treatment. (Action responsibility: Mr. Thahane.)

Lebanon

Mr. Stern said that the report of the mission sent to Lebanon to assess reconstruction needs was now nearly complete. Technically it provided the basis for a loan to Lebanon for reconstruction. In discussion the Committee confirmed its earlier position that such a loan should not be made until adequate progress had been made on withdrawing foreign troops from Lebanon. However, since a number of Executive Directors had been promised the report when it was completed, the report should be circulated to the Board. They should informally be told that no loan would be made until adequate progress was made on withdrawal of foreign troops.

EDI

Mr. Clausen said that his discussion with Committee members on the appropriate organizational links for EDI had led to the conclusion that for EDI to fulfill the role envisaged in the recent task force report, it should be attached to the operational complex. Accordingly EDI would be located in OPS and its director would report to Mr. Husain. A senior advisory group to Mr. Husain, consisting of Mr. Benjenk, Ms. Krueger and Mr. Paijmans, would be formed to help during the initial period. In discussion it was agreed that the announcement to staff should be postponed until the EDI Report had been discussed by the Executive Directors and they had been informed about the proposed organizational change.

EEC Attitudes Towards IDA

In commenting on the report from the European Office covering the EEC attitudes towards the Lome Convention and IDA (EXR/MC83-12), Mr. Paijmans drew attention to the need to continue every effort to prevent IDA losing support among senior European officials and parliamentarians. Both Executive Directors and Senior Management should be involved in this effort. In discussion it was also noted that representatives in Europe from ACP countries could be helpful if they also supported IDA in their contacts with members of EEC governments and the EEC Commission.

`frican ambassadors' Support of IDA

Mr. Thahane reported that Ambassadors in Washington from African countries had met to consider how they could assist IDA in their contacts with the State Department and Capitol Hill. We would be providing them a brief for their use in these contacts. The Ambassador from Kenya had been asked to make representation to the State Department and the Treasury on behalf of the whole group.

Managing Committee

CONFIDENTIAL
March 3, 1983
Record: March 8, 1983

FROM: William S. Humphrey

SUBJECT: Minutes of February 28, 1983 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, M. Benjenk, A. Krueger, M. Paijmans, T. Thahane.
Also Present: H. Scott, R. Southworth.

Summary of Committee Action

During its meeting the Committee (a) approved the proposed integrated management training program, (b) approved the draft Annual Report on Research and (c) approved the draft Board memorandum on IBRD Lending Plans and Capital Requirements.

1. Minutes of February 14, 1983 Meeting

Committee Action
Amended and approved.

2. Integrated Management Training Program
Attending: G. Gabriel, G. Kaji, D. O'Hare

Documentation
2.1 Memo (Kaji) February 18, 1983 PAD/MC83-08: Integrated Management Training Program with attachments.

Presentation
Mr. Paijmans said that the proposals on integrated management training presented today were the culmination of considerable work over the last eighteen months. A study by Harvard consultants of the Bank's management training had concluded that it was superficial and much less comprehensive than that undertaken by other large organizations. The present proposals had been formulated after considerable investigation of the practices of other organizations and of the needs for training expressed by managers at all levels in the Bank. The aim was to have a demand base system responsive to the training needs of Bank managers.

Mr. O'Hare then outlined the main elements of the proposed system. He drew attention both to the "off the job" and "on the job" components and noted the targeted levels of training and their related costs and other implications. For new and recently appointed managers it was proposed that 10 training days be budgeted for FY84 rising to 12 in FY85 and 16 by FY88. For existing managers 7.5 days would be budgeted in FY84 with 10 days in subsequent years. He also noted that it was essential to get appropriate management commitment to managers' participation in the program.

Discussion

In discussion the approach to management training was generally welcomed and felt to be a great advance over the ad hoc arrangements of the past. On the substance of the proposals, it was suggested that given the very large stock of existing managers who had not received adequate training in the past, somewhat more emphasis might be given to the training of existing managers compared with the training of new and recently appointed managers. It was also suggested that "Management Development" would be a better title than "Management Training" for the process being undertaken. There was considerable discussion on whether it would be possible to implement the program as rapidly as contemplated in the paper. In the short run the principle problem was not the budgetary costs but whether it would be possible to free up enough time off of enough managers at all levels to start the whole program Bankwide in FY84. It was noted that the kind of managerial development contemplated would help managers deal with other personnel initiatives and that we should therefore press forward with the program as fast as it was feasible. However, some selectivity would probably be needed and therefore it would be useful to refine the priorities further. Although in the longer-run the program should make the organization more efficient, it was also recognized that it would result in additional staff costs as more senior managers devoted more of their time to managing the career development of their subordinate managers. To do this and to deal with other personnel issues, they would probably need more staff assistance and there would also be a staff cost involved at lower levels as more substantive work was delegated downwards. The importance of monitoring the impact of the new system was also emphasized.

Committee Action

The Committee approved the proposed program. It was agreed that in announcing it, the number of training days per manager should not be stressed. Rather the training opportunities should be put in place and appropriate people should be nominated. Measures should be taken to ensure that those nominated did indeed take advantage of the opportunities. (Action responsibility: Mr. Paijmans).

3. Senior Appointments

Attending: G. Kaji

(Restricted Session)

4. G-4 Visa Issues

Presentation

Mr. Paijmans reported on what was being done to deal with the problems of G-4 Visa holders as a result of the collapse of the Immigration Bill. Messrs. Cutler and Stanton were working with both the Administration and Congress to build support for some kind of action. Although an omnibus immigration bill had again been introduced, it was very likely to be defeated yet again. The next step would be to have independent legislation to deal with these problems. The Legal

Department was also investigating the third alternative of using administrative procedures in case separate legislation proved impossible. More work needed to be done to educate both the Congress and the Administration. Mr. Clausen agreed to take the matter up with Mr. Schultz at a forthcoming lunch.

Mr. Paijmans also reported that it had been concluded that the Bank should not provide inhouse advice on immigration questions to individual staff members. However referrals would continue to be provided. It isalso now standard practice at the time employment is being discussed with prospective staff members to be quite clear on the restrictions imposed by G-4 Visa status. In general the staff had very much appreciated the efforts Management was now making to alleviate the burden of these restrictions.

5. Bank°s Research Program

Attending: C. Michalopoulos, H. van der Tak, J. Duloy

Documentation 5.1 Memo (Michalopoulos) February 23, 1983 ERS/MC83-01: Annual Report on Research with draft Board papers.

Presentation Mrs. Krueger said that the paper covered the developments in the Bank°s research program since the reorganization of the DPS. The report first described the program in FY82 and the first half of FY83 and then gave an account of new research directions. She then outlined the rationale for these new directions.

Discussion The paper was felt to provide an excellent and readable account both of the existing research program and the new direction contemplated. It was suggested that the research on the impact of international economic assistance on the development process might usefully be broadened to embrace all capital inflows. Amongst other things this would avoid some of the political sensitivities of an examination of the aid relationship. It was suggested that the analysis done in the Bank and IFC on private capital markets would be a useful input to the research program. In addition it was agreed that specific references to the FY84 Administrative Budget in the paper should be avoided.

Committee Action Subject to the comments made during the discussion, the Committee approved the paper for distribution to the Executive Directors. (Action responsibility: Mrs. Krueger.)

6. FY83 Mid-Year Review - Departmental Submissions

Attending: H. Vergin, P. San Jose

Documentation 6.1 Memo (Qureshi) February 24, 1983 FIS/MC83-14: FY83 Mid-Year Review - Departmental Submissions.

Presentation — Mr. Vergin said that departmental submissions received in the context of the FY83 Mid-Year Review indicated a projected overrun in staff years associated mainly with difficulties in staff redeployment and lower than budgeted staff turnover. P&B felt it was justified to fund these from the contingency fund. Together with other claims on it, this fund would be exhausted very shortly. This in turn raised the question of how the underrun due to price should be handled. This price underrun is arising because the provision for price increases included in the FY83 Budget had turned out to be excessive. In the interest of budgetary discipline and in order to meet some additional volume overruns which appeared justified, P&B felt it was important to enjoin managers to broadly contain their expenditures within approved volume limits.

Discussion — In discussion it was noted that since unit managers were given dollar budgets, including provisions for price increases, it might be difficult at this time in the fiscal year to contain spending on items such as operational travel and consultants sufficiently to produce the level of price savings anticipated by P&B. Thus, while no objection was raised to the use of the contingency for the items suggested, it was important to recognize that the additional amounts which might becomeavailable for certain impending volume overruns might be quite limited. Under these circumstances it was appropriate to enjoin managers to contain their expenditures. However, no attempt should be made to actually withdraw funds from units to which they had already been allocated.

Committee Action — Subject to the points made in discussion, the Committee had no objection to the proposals made in the memorandum.

7. IBRD Lending Plans and Capital Requirements

Attending: J. Wood, P. Applegarth

Documentation — 7.1 Memo (Qureshi) February 24, 1983 FIS/MC83-15: IBRD Lending Plans and Capital Requirements.

Presentation — Mr. Wood said that the basic analysis in the draft Board memorandum reflected the conclusion of earlier discussions by the Managing Committee and thus contained little new ground. He would welcome the Committee°s advice on the presentation and also whether more should be said on the political constraints on why real growth in IBRD lending in FY84-87 is not higher than 5% and also the difficulty in following the pattern of increases implied by the eighth review of IMF quotas because of the reduction in the US share below 20% and the change in ranking among France, Germany and Japan.

Discussion

In discussion it was agreed that some mention in the paper would be appropriate of both the political constraints on growth in lending and, in very general terms, the issue of country shares to be faced in any selective capital increase. Some additional presentational comments were also made.

Committee Action

Subject to the points made in discussion, the Committee approved the draft memorandum for circulation to the Executive Directors. (Action responsibility: Mr. Qureshi.)

8. Other Business

Letter from Secretary Regan

The Committee discussed a letter from Secretary Regan to Mr. Clausen raising two issues. First Mr. Regan was objecting to the Bank initiating a lending program to Hungary on the grounds that its GNP per capita was too high. Mr. Stern outlined the Bank staff°s assessment of Hungary°s GNP per capita, which, even after the adjustment for subsidies which was not normally done, still fell well below the graduation point. It was agreed that in the reply to Mr. Regan we should emphasize that Bank member countries whose GNP per capita fell below the graduation benchmark were eligible to borrow and that we intended to program about \$200 million a year to Hungary for a few years. Mr. Regan had also expressed his concern about the proposal that the Bank transfer\$250 million of its earnings to IDA and had said that the US would be against any increase above the \$125 million approved last year. Here it would be appropriate for the reply to distinguish between normal and windfall profits in FY83 and stress that the windfall portion of the profits were to be used for the exceptional deficit in IDA created by the exchange rate losses. The portion of the transfer corresponding to the windfall profits would not be used to increase IDA°s commitment authority.

Managing Committee

CONFIDENTIAL
February 17, 1983
Record: March 2, 1983

FROM: William S. Humphrey WSH

SUBJECT: Minutes of February 14, 1983 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, M. Benjenk, A. Krueger, M. Paijmans, T. Thahane.
Also Present: H. Scott, R. Southworth.

Summary of Committee Action

During its meeting the Committee (a) agreed on a long range facilities strategy and (b) amended and approved the revised Principles of Staff Employment as a basis for further consultation with Senior Management Council, the Board Committee on Compensation and the staff.

1. Minutes of February 7, 1983 Meeting

Committee Action: Approved.

2. Long Range Facilities Strategy
Attending: J. Twining, W. Cosgrove, R. Barry

Documentation: 2.1 Paper (ADM) February 4, 1983 PAD/MC83-06: Long Range Facilities Strategy.

Presentation: Mr. Paijmans said that the present paper was the culmination of eighteen months work designed to formulate a satisfactory approach to meeting the long range office space requirements of the Bank and IFC. To do this a facilities model had been developed together with associated studies of the local real estate market, the impact of technology on building design and the first phase of a building deficiency audit. Given the long lead times required to purchase and develop new office space, it was important to have an agreed strategy to avoid the ad hoc approach of the past which had led to both unsatisfactory and costly arrangements. The key strategic decisions needed from the Committee now were a best estimate of the long-term growth of staff together with a judgment on the importance of keeping the main operations of the Bank in the downtown Washingtonarea. Mr. Barry added that the past methods of planning office space had led to much staff dissatisfaction with both the amount and quality of space allocated to units and the numbers of moves involved. Agreed planning assumptions were needed which went beyond a five-year time horizon. Developments in office technology also pointed to the desirability of having buildings built to our own specifications.

iscussion

In discussion it was agreed that the present best estimate of long-term staff growth should remain at the 2% per annum average figure agreed a year ago. It was noted that this was the fastest growth which would still permit us to follow a strategy aimed at keeping the Bank at the present site in the longer term. It was agreed that it would be undesirable to move the main central operations of the Bank elsewhere. Given the strong advantages derived from the Bank's constructing and owning its own buildings, it was agreed that ADM should take immediate steps to acquire the properties at 1776 Pennsylvania Avenue, N.W., 705 18th Street, N.W. and 714 18th Street, N.W. In addition ADM should do a more detailed study of the cost-effectiveness of moving certain headquarters units to other locations in the Washington area as a protection in case further expansion around the present site would not be possible or if growth would be over 2%. These studies should consider both the possibility of non-contiguous downtown space and suburban space depending on the nature of the activities involved and the relative costs of relocation. It was agreed that there were no objections in principle to buying property and selling it later if it turned out not to be needed. It was noted that, in the past, there had been some opposition from the US Executive Director to the purchase of additional buildings by the Bank in the downtown Washington area. It would therefore be useful to discuss the matter informally with him at an early stage.

Mr. Paijmans also noted the rapid increases in the estimates of the amount of space which would be required in FY84. This meant that some of the moves planned earlier now looked inappropriate. He therefore suggested freezing all moves until the FY84 Budget was firmed up and the precise amount of space needed determined. In further discussion it was suggested that a more precise space plan for the next few years needed to be worked out with the units concerned to avoid the kind of rapid changes in the short-term estimates which had been recently experienced. The plans should take account of the need for sufficient "contingency" space.

Committee Action

Subject to the points made in discussion, the Committee accepted the strategy of remaining in the present location and taking immediate steps to acquire the three properties on Pennsylvania Avenue and 18th Street. At the same time it requested further studies on the cost-effectiveness of transferring certain units to other locations in the Washington area. In the short-term it agreed that further moves should be frozen until the budget for FY84 was firm enough to determine the space needs precisely. Further efforts should be made to firm up the space needs of units for the years after FY84. A long-range plan should be developed to implement the overall agreed strategy and cost out the renovations of the main complex. (Action responsibility: Mr. Paijmans.)

3. The Principles of Staff Employment
Attending: M. Bowyer, E. Meigher

Documentation 3.1 Paper (COM) February 8, 1983 PAD/MC83-07: Principles of Staff Employment.

Presentation Mr. Paijmans said that since the Managing Committee had last considered the Principles, they had been substantially revised in the light of staff comment on the previous version. The present version attempted to improve the tone and language of the document and had dealt with numerous points raised during the consultation process. The process had been a very positive one and he felt that the document was much improved.

Discussion There was general agreement that the document was a great improvement on the earlier versions. Discussion focused on the provisions relating to discrimination, the level of compensation and amendment. It was generally felt that it was desirable to state that decisions on staff matters would be non-discriminatory while recognizing organizational objectives on the composition of staff. Suitable language would be devised which would not mention sex, race, religion or nationality (chapter 2). On compensation, it was felt sufficient for the Principles to state that the organization shall "establish and periodically review the general level of staff compensation and adjust such levels as appropriate," without mentioning how this would be done. Reference to the compensation practices of selected public and private sector employers should therefore be deleted (chapter 6, paragraph 9 (a)). On amendment, it was agreed that it should be covered in the preamble and not as a separate provision (chapter 11, paragraph 14). Mr. Paijmans noted that the next steps would be to consult the Board Committee on Staff Compensation Issues and the Senior Management Council in late February and to distribute the revised draft to all staff through the Management chain for comments in early March. The timing for bringing the report back to the Managing Committee and subsequent submission to the Board for formal consideration would depend on how rapidly the next stage of the consultation process developed.

Committee Action The Committee approved the revised draft, subject to the amendments agreed in discussion, as a basis for further consultations with the Board Committee on Staff Compensation Issues, the Senior Management Council and the staff. (Action responsibility: Mr. Paijmans.)

4. Retirement Plan - Impact of Recent US Legislation
Attending: G. Gabriel, L. Doud

Documentation 4.1 Memo (Scott) February 11, 1983 LEG/MC83-01: Retirement Plan - Impact of Recent US Tax Legislation.

Presentation Messrs. Gabriel and Scott said that the issue was whether the Bank should join with other international organizations to seek amendments to recent US Tax Legislation which would place restrictions on their ability to provide benefits under qualified pension plans. One restriction limited the amount of benefits accrued for or payable to any pensioner from sources other than his/her own contribution to a plan to $90,000 annually. Another provision compelled plans to pay out an employee's entire interest in a plan within five years of the death of an employee (retired or not) and his surviving spouse. In both cases the consequense of non-compliance was the loss of qualification which would deprive the Plan of important tax advantages. Loss of qualification for the Bank's Plan would mean that the Bank would incur a heavy additional liability for tax allowances if contributions became currently taxable to US employees.

Discussion & Committee Action

In discussion it was agreed that we should not seek exemption from the $90,000 limit since it was likely to affect very few pensioners and an effort to have the Bank Plan exempted could attract hostile comment on the level of Bank benefits. The problems of the few pensioners who would be affected by the $90,000 cap could be handled in other ways. However, the Bank should join the other international organizations in seeking exemption from the requirement to pay out an employee's "entire interest" in the Plan within five years of death. (Action responsibility: Mr. Scott.)

Managing Committee

CONFIDENTIAL
February 10, 1983
Record: February 14, 1983

FROM: William S. Humphrey wsh

SUBJECT: Minutes of February 7, 1983 Meeting
Members Present: A.W. Clausen, E. Stern, M. Benjenk, A. Krueger, M. Paijmans, T. Thahane.
Members Absent: M. Qureshi.
Also Present: H. Scott, R. Southworth.

Summary of Committee Action

The Committee (a) approved the recommendations that matched job data be collected and published for the FY83 Compensation Review and (b) approved, subject to some presentational amendments, the draft Board papers on Reserve Policy and Loan Charges.

1. Minutes of January 31, 1983 Meeting

Committee Action: Approved.

2. 1983 Compensation Review
Attending: R. Clarke

Documentation: 2.1 Paper (COM) February 3, 1983 PAD/MC83-05: Procedures for 1983 Compensation Review.

Presentation: Mr. Paijmans outlined why we base intervening year compensation reviews on average increases awarded to all comparator comparable staff and do not use the salary increases awarded to incumbents of jobs matched in the 1980 major review. However since the Fund considers itself committed to collect matched job data in 1983, the consultants would collect equivalent data for Bank jobs. Last year the publication of this data caused misunderstanding and controversy amongst the Bank staff. The Bank's Executive Directors had therefore come to the conclusion that unless the data was regarded as reliable it should not be published in future. Despite this it is PA's recommendation that the data collected this year be published since otherwise the Management would be accused of the suppression of data.

Discussion: After some discussion of why the salary increases awarded to incumbents of jobs tended to be higher than the average increases awarded to all comparator comparable staff, the Committee agreed that we had no choice but to collect the data on matched jobs and publish it. A special effort would be needed to explain to the Board Committee on Staff Compensation Issues and the Staff Association why it was inappropriate to use the matched job data to determine the intervening year increase.

Committee Action — The Committee accepted the recommendations in the paper. (Action Responsibility: Mr. Paijmans.)

3. Review of IBRD Reserve Policy and Criteria for Net Income Allocation
4. IBRD Income and Review of Loan Charges
Attending: G. Rotberg, J. Wood, P. Applegarth

Documentation

3.1 Memo (Qureshi) February 4, 1983 FIS/MC83-10: Review of IBRD Reserve Policy and Criteria for the Allocation of Net Income with paper.

4.1 Draft Memorandum to the Executive Directors FIS/MC83-11: Review of IBRD Loan Charges.

4.2 Memo (Qureshi) February 7, 1983 FIS/MC83-12: Comments on documents 3.1 and 4.1 for Managing Committee Meeting.

Presentation — Mr. Applegarth explained why the reserve policy paper came to the conclusion that we did not need to change our reserve policy despite the growth in the portfolio share of the ten largest borrowers, the total share of portfolio of countries with pronounced balance of payments problems and the rapid growth in the volume of loans disbursed and outstanding. He noted that by setting the reserve target as a percentage of 8-10% of loans, it automatically compensated for the increase in the volume of the portfolio. Analysis of the problem which had recently been refined, indicated that the 8-10% policy was still appropriate. If the average annual allocation to reserves over the next few years was $525 to $625 million, reserves could be maintained within the upper part of the range at 9 to 9-1/2%.

Discussion — It was noted that political risks and risks of default because of balance of payments difficulties were generally additive. This led on to some concern that the decision taken the previous week to lower the front end fee might leave too little scope for increasing reserves and, in future years, making the customary allocations to IDA. In this connection the case for aiming at a higher level of net income in order to permit larger allocations to reserves to protect against risk of default was noted. However it was pointed out that the Bank had never had to write off a loan and therefore there was a serious question of how much we should burden our Part II members to guard against an event that had never occurred. In this paper we were basically addressing our shareholders and asking them what protection their capital base should have. In assessing the strength of the institution, the market tended to look at callable capital and reserves together rather than the level of reserves on its own. It was also felt that the risk of the kind of default which would result in a write off was still rather slim. The fact that we had recently tightened the criteria for limiting our portfolio in our four largest borrowers supported the recommendation that we did not make our reserve policy more conservative. It was recognized that in the present political climate it would be very hard to maintain loan charges and allocations to IDA at their present levels given the high level of FY83 net income. A major education effort would be required with both Board members and their governments to enable them to fully understand the complexities and linkages between reserves, liquidity, net income levels, capital requirements and borrowing techniques. We were not yet in a position to undertake the broad based educational effort required since we needed to do further work on some aspects of the problem. It was therefore agreed that the two papers should go forward to the Executive Directors for discussion and action as soon as possible but that there should be a longer-term effort to increase the understanding of all concerned on the Board and in governments of the interlinked financial issues.

A number of presentational suggestions were made on the two papers. It was suggested that the reserve paper somewhat overstressed the risk of default leading to write off; in addition the paper should restate that it was our firm policy not to reschedule. The paper on lending charges should make clear that we were not asking the Board to agree to the amount of the allocation from net income to IDA now but merely mentioning that, provided present forecasts of net income turned out to be correct, Management intends to recommend a larger than normal transfer to IDA.

Committee Action

The Committee approved the papers on reserve policy and loan charges subject to the presentational changes recommended and agreed that both papers should go forward as soon as possible to the Executive Directors. (Action responsibility: Mr. Qureshi.)

5. Other Business

World Development Report

Ms. Krueger reported that the first drafts of the World Development Report (WDR) should be available for the steering committee in about two weeks.

Board Seminar on Per Capita Income Conversion Methodology

In response to a question about the alternative methods of updating the per capita income guidelines OPS/MC83-07, Mr. Stern noted that, whatever method was used, the Management would need to present proposals to the Board on an adjustment of the Operational Guidelines in the nearfuture. Although the methodology paper recommended using country sample deflators to update the 1970 figures to 1981 and the SDR deflator thereafter, the use of SDR deflators throughout would also be acceptable if the Board preferred. Once the methodology was determined the Management could then go forward with substantive proposals on the appropriate operational guidelines.

<u>:esentation of the Special Action Program</u>

Referring to the paper distributed for information on presentation of the Special Action Program EXR/MC83-07, Mr. Stern said that he agreed with the approach suggested. He noted that it was important to avoid implying in any of the general presentations that the recent reduction in Bank interest rates had been designed as a policy to assist borrowing countries. It was also important to avoid raising undue hopes in Part II countries who might not qualify because of the lack of policy response.

<u>IDA Deputies Meeting</u>

Mr. Clausen said that the recent IDA Deputies meeting in Paris had tended to suggest that a replenishment at the level of $15-17 billion was becoming increasingly unlikely. There had also been some sentiment that the phase down of India and the phasing in of China should be more gradual than contemplated in the paper presented by Management.

<u>IDA/SDR Link</u>

Mr. Clausen asked whether it was worth giving more thought to the possibility of the IDA/SDR link as a means of raising additional funds for IDA that would not be subject to legislative process. It was suggested that it would be useful for a working group to be formed to look into the question.

Managing Committee

CONFIDENTIAL
February 2, 1983
Record: February 8, 1983

FROM: William S. Humphrey WA

SUBJECT: Minutes of January 31, 1983 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, M. Benjenk, A. Krueger, M. Paijmans, T. Thahane.
Also Present: H. Scott, R. Southworth.

Summary of Committee Action

During its meeting the Committee (a) amended and approved the Board paper on the FY83 Mid-Year Budget Review, (b) discussed and agreed on the basic proposal to be put to the Board on lending charges and IDA transfers in response to the high levels of FY83 net income, (c) agreed that IDA should resume operations in Chad, provided Chad agreed to eliminate overdues in six months and (d) agreed we should take no action at this time to meet Viet-Nam's request for an economic mission.

1. Minutes of January 24, 1983 Meeting

Committee Action: Approved.

2. FY83 - Mid-Year Budget Review
Attending: H. Vergin, P. San Jose

Documentation: 2.1 Memo (Qureshi) January 27, 1983 FIS/MC83-08: FY83 - Financial and Operating Programs and Administrative Budgets - Mid-Year Review draft memo to Executive Directors.

Presentation: Mr. Vergin outlined the highlights of the report. He noted that we were still projecting IBRD commitments of $ 11.2 billion and IDA commitments of SDRs 3.1 billion. The total number of operations for the fiscal year would be about as expected at the time of Budget with a larger number of IDA operations compensated for by a smaller number of IBRD operations. Disbursements were running about as had been estimated while net income, for reasons which had been extensively discussed, was considerably higher. Administrative expenses in volume terms were running in line with the Budget but there was likely to be a $ 10 million shortfall in expenditures since prices rose less than expected.

Discussion: There was some discussion of whether it was legitimate to use the budget savings resulting from lower than expected price increases to fund other activities. It was generally agreed that these savings could be used to prefund one time FY84 expenses such as the contracts for the Compensation Survey. The Board paper could indicate that if price savings materialized we would bring forward such one-time expenses to FY83. In discussing possible volume overruns which might emerge in the Personnel and Administration complex, it was suggested that if these were acceptable they should be financed as far as possible from the contingency rather than from price saving in order to preserve budget discipline. It was agred further that the projections for FY83 contained in the paper should assume that the Special Action Program would be approved. In addition a number of other presentational suggestions were made.

Committee Action — Subject to the points made in discussion, the Committee approved the paper for distribution to the Executive Directors.

3. Revised FY83 Income Prospects
Attending: E. Rotberg, P. Applegarth

Documentation — 3.1 Memo (Qureshi) January 28, 1983 FIS/MC83-09: IBRD Income and Review of Loan Charges.

Presentation — Mr. Applegarth noted that a package proposal, preserving the Front-End Fee at a level of 25 basis points and making a one-time transfer to IDA of $ 250 million from IBRD's FY83 income, was proposed as a response to the unexpectedly high level of FY83 net income. He mentioned the technical method by which the IDA transfer would be drawn down as needed to finance disbursements under the proposed Special Action Program without causing undue accounting problems. He also described how the funding shortfalls had emerged in IDA V as a result of exchange rate movements. This was one of the reasons why it was not proposed to increase IDA's commitment authority by the amount of the transfer.

Discussion — In discussion of the amount of the IDA transfer and whether any part of it should be used to increase commitment authority, it was suggested that it would be hard to argue for no increase in commitment authority at all. It was therefore agreed that in preparing the Board paper a range should be given for the total transfer of $ 200-250 million with only about half being used to increase commitment authority. This would help close a funding shortfall that exchange rate movements had caused in IDA 5. There was considerable discussion on whether it was appropriate to propose a reduction of the front-end fee to 25 basis points. On the one hand the present long-term projection of net income, based on a fee at the lower level might not be sufficiently high to support a borrowing program of the size envisaged. On the other hand when the first front-end fee had been introduced, Management had indicated that net income levels of the magnitude now projected for a lower front-end fee would be tolerable. It would be useful if the paper to the Board could contain some of the basic analysis underlying the long-term income projections which tended to be rather volatile and in the past had also tended to be conservative. Although some of the built-in conservatism had now been removed, our record on projections would tend to increase pressure for a reduction of the fee. After further discussion it was agreed that the proposed package should be recommended to the Board amending the part dealing with the IDA transfer as described above and emphasizing that it might well be necessary to increase the front end fee in future to sustain net income. It was suggested that some delay in presenting the packagemight be appropriate. However, it was generally felt that the pressure for action would grow and therefore it was advisable to have the proposal discussed by the Executie Directors as soon as possible. The Board paper should also mention that we were examining ways in which net income could be legitimately transferred from one year to another through appropriate financial transactions in order to smooth out the kind of peak we had experienced this year without sacrificing the return on our portfolio.

Committee Action

The Committee agreed that the paper to the Executive Directors should be prepared as quickly as possible proposing an increase in IDA transfers and a reduction in the front end fee. The paper should take account of the points made during discussion and be considered by the Committee at its next meeting. (Action responsibility: Mr. Qureshi.)

4. Other Business

Chad

Mr. Stern said that a measure of stability had returned to Chad and the government plus the donor community were eager for IDA to resume operations. Disbursements had been suspended for a considerable period since Chad had not serviced any credits in two years. They had now paid us \$ 200,000 of the \$ 1.4 million overdue and had suggested paying the balance over the next four quarters. Chad was very short of foreign exchange and probably would be unable to pay the full amount immediately. He therefore proposed that we resume disbursements and begin processing new credits provided the government would agree to repay overdue amounts in six months. This would mean that by the time any new credit reached the Executive Directors all the overdue amounts would be not more than about 90 days old. The Committee agreed to this proposal.

Viet-Nam

Mr. Stern said that we had been asked by the Kuwait Fund to provide supplementary financing for a project we had cofinanced with them and the Netherlands in Viet-Nam. He had told the Kuwait Fund that we could not under the present political circumstances consider any operation in Viet-Nam. Viet-Nam was also pressing for an economic mission. His own inclination was that we do nothing since we did not at present have the political support for any kind of lending operation. However if a token gesture was required we could attach an economist either to a supervision mission or to an IMF mission. The Committee agreed that it was better to do nothing.

Staff Association News Letter

Mr. Benjenk reported that he and Mr. Paijmans had met again with the Executive Committee of the Staff Association, who were still proposing to include articles in their news letter. Once again Mr. Paijmans and he had objected to the Staff Association commenting on general issues. If they insisted on doing so it would make the atmosphere between Management and the Staff Association more confrontational.

After their meeting the members of the Executive Committee had talked again to the Delegate Assembly members and had withdrawn some of their proposals. The Staff Association news letter would be given a new look and made more attractive. However very careful watch would have to be maintained to ensure it did not publish inappropriate material. It was agreed that it would be useful for Mr. Clausen to meet again with the Executive Committee at which time he could underline how seriously the Management took this matter.

Contacts with European Parliamentarians

Mr. Benjenk said that programs were in hand to intensify contacts with European parlamentarians. The help of the Executive Directors was being enlisted in these efforts. He would keep the Committee informed on these programs as they developed.

Managing Committee

CONFIDENTIAL
January 26, 1983
Record: February 2, 1983

FROM: William S. Humphrey

SUBJECT: Minutes of January 24, 1983 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, M. Benjenk, A. Krueger, M. Paijmans, T. Thahane.
Also Present: H. Scott, R. Southworth.

Summary of Committee Action

During the discussion the Committee (a) amended and approved the draft Board paper on the Special Assistance Program, (b) approved the recommendations of the task force on the future of EDI, (c) discussed a paper on the Development Committee Agenda and made suggestions for revision and (d) approved the note on FY84 Planning, Programming and Budgeting Issues for the informal meeting of the Executive Directors on budget formulation.

1. Minutes of January 17, 1983 Meeting

Committee Action — Approved.

2. Special Assistance Program
Attending: S. Husain, B. Waide, J. Wood

Documentation — 2.1 Memo (Stern) January 21, 1983 OPS/MC83-05: World Bank Program of Special Assistance to Member Countries, 1983-84 with attachment.

Presentation — Mr. Stern said that the proposed program reflected careful consultation with the regions. He noted that the portfolio ceilings had been retained for the four largest IBRD borrowers and also that we would not relax our limits on lending to high income countries for the period FY83-87. The program concentrated on action which would have an impact in FY83 and FY84. For FY83 we were most unlikely to be able to exceed the present IBRD commitment ceiling of $11.2 million. For FY84 he proposed that we not ask the Board at this time to raise formally the $11.9 billion ceiling but indicate that some upward flexibility might be needed. He did not think this would be more than about $500 million. The impact on the IDA side was minimal because we had already taken many of the actions now being proposed for middle and higher income borrowers and, of course, there was no capacity to increase commitment. The results of the program were quite significant in terms of increased net resource transfers in FY84 - some 59% over what otherwise would have occurred. However this increase was from a base of $2.2 billion which was quite small in relation to other capital flows to LDC's.

scussion

In discussion the Committee agreed that it would not be appropriate at this time to raise the portfolio ceilings on the four largest borrowers or to relax the constraints on overall lending in the 5-year period to high income countries. On the subject of the growth in IBRD commitments after FY84 it was agreed that the paper should indicate 5% real growth from the end of FY84 rather than the end of FY85. In presenting the paper it would be important to emphasize that the Bank was not relaxing its standards and that some of the departures from normal policy were only justified because of the current economic conditions facing our borrowers. It was also suggested that more emphasis be given to the need to enhance flows of funds from commercial banks. On the borrowing implications of the program, it was agreed that the paper should only refer to the need to raise the $1.5 billion ceiling of short-term borrowing to $2 billion for FY83 and deal with the further needs for FY84 at a later date. The paper should also drop references to the possibility of considering a limited waiver of the provisions governing the use of previous Bank income allocations to IDA.

The discussion then turned to how the Special Action Program could best be publicized in a way that did not draw attention to the relatively low levels of net resource transfers involved. Mr. Benjenk said that he would bring a paper on the publicity aspects to the Committee.

mmittee
ction

The Committee approved the draft paper subject to the amendments agreed in discussion. It further agreed that a paper should be prepared on how to publicize the Program. (Action responsibility: Messrs. Stern, Benjenk.)

3. EDI Report
Attending: S. Husain, J. Burki, T. Duer

Documentation

3.1 Memo (Benjenk) January 4, 1983 EXR/MC83-02: EDI Report with memo (Husain) January 3, 1983 EXR/MC83-01 and report "The Future of the Economic Development Institute" EXR/MC82-21.

Presentation

Mr. Husain said that following the last discussion of this subject by the Managing Committee there had been extensive consultations within the Bank on the recommendations of the Task Force. The report had been subsequently modified and now represented the consensus of the Bank as a whole. He outlined a number of the modifications which had not changed the general thrust of the report. If the Managing Committee accepted the report, EDI should be asked to prepare a program to implement its recommendations under the direction of a high level inter-departmental committee which should be appointed as soon as possible to provide overall direction to the process of implementation. Other important decisions which needed to be taken were the appropriate way to link EDI to the rest of the Bank and EDI's leadership requirements.

I cussion

The recommendations of the report were warmly welcomed. It was noted that the one of the main issues was how to integrate EDI better with the Bank's other activities. The program of action was ambitious and it might be difficult to achieve all that was proposed in five years. It was recognized that the Executive Directors had a great interest in these questions. However the future organization of EDI was a matter Management decision and the report should therefore be sent to the Board for information and discussion but not for approval. The questions of organizational linkage and EDI leadership need not be decided right now. However the high level committee should be appointed as soon as possible and EDI asked to prepare an implementation plan.

Committee Action

The Committee approved the report of the task force, and agreed that a high level committee be appointed and that EDI be asked to prepare an implementation plan under the direction of this committee . A Board discussion of the report should also be organized.
(Action responsibility: Mr. Benjenk.)

4. Development Committee Agenda
Attending: J. Burki, P. Mistry, C. Michalopoulos, A. Shakow

Documentation

4.1 Memo (Benjenk) January 20, 1983 EXR/MC83-05: Agenda for the April Meeting of the Development Committee.

I sentation

Mr. Benjenk outlined the history of the Development Committee and the reasons why it was difficult to make an effective forum. Despite these problems he believed we should try to make it as useful a body as possible and exercise whatever influence we had over it. It was for this reason that the paper suggested that at the April meeting the Committee should agree on a program of work and specific subjects for discussion over the next two years.

Discussion

In discussion it was agreed that since the Development Committee existed, it was important that we should do everything we could to make it work as well as possible. The underlying problem was the structure of its organization which made it unlikely that it could become a high level decision-making body on development issues. However it could be used as a means to influence the thinking of ministers and senior officials, especially in Part I countries, on key development problems. Some concern was expressed on the broad range of topics included for discussion at the next meeting and it was suggested that the longer-term problems of restructuring the Committee might be separated from some narrow specific agenda item for discussion in April. In addition to the specific topics the longer-term work program might also be discussed. Within the three broad areas of finance, trade and debt it was suggested that specific topics might be the Bank action program, protectionism and some specific debt issues. It was not clear whether it would be possible to get senior ministers to serve on a sub-committee on trade issues or whether it would be possible to get trade ministers to attend the meeting in addition to finance ministers as suggested by Mr. Sprinkel. Trade issues tended to be intractable and the OECD countries were unable to agree amongst themselves. The April meeting of the Committee should be used to influence ministerial thinking on key issues of interest to the World Bank such as the IDA replenishment, IBRD lending levels and the need for future IBRD capital increases.

Committee Action

It was agreed that the paper should be revised for another discussion by the Managing Committee in February. The revised paper would make the agenda for the April meeting more specific as suggested during the discussion and would also discuss the longer-term evolution of the Development Committee's work. (Action responsibility: Mr. Benjenk.)

5. Other Business

Mr. Clausen's visit to Switzerland, Saudi Arabia, Kuwait and Egypt

Mr. Clausen reported on an excellent visit to Switzerland. He had met both the financial community and with government officials. He had found great interest in the financial community in continuing its strong support of the Bank and our access to the Swiss capital market. He had gone on to Saudi Arabia and Kuwait where he had also found that relations between the Bank and these countries were excellent. Some releases of local currency had been obtained. The possibility of financing a higher percentage of IDA 7 was not rejected out of hand by Saudi Arabia. Kuwait however seemed unlikely to be prepared to raise its share. Both countries would be likely to oppose any new Bank commitments to Lebanon until foreign troops were withdrawn. His visit to Egypt had been somewhat frustrating. He thought Egypt now finally accepted that it had no chance of receiving any IDA funds now or in the future. As a result we had been told that they would agree to IBRD financing for the highway maintenance, irrigation and construction industries projects in FY83. There had been lengthy discussions on domestic energy prices which were very low. We had said that unless we could see an increase in the order of 35-40% in domestic energy prices, we would not be prepared to move forward with new energy projects. On a possible resident mission in Cairo, we had reached agreement with the government that we would propose two or three names for a mission chief from which the Egyptians would make a selection.

FY84 Budgeting Issues - Informal Discussion

The Committee approved the note on FY84 Planning, Programming and Budgeting Issues (FIS/MC83-07) which would be distributed to Executive Directors and Alternates prior to their informal meeting with Management on Thursday to discuss the formulation of the Budget. It was agreed that the resumption of 5% real growth in IBRD commitments should commence after FY84 and not FY85.

China - Policy Towards Debts of Previous Regimes

Mr. Stern said that a mission now in China was seeking a government statement on its attitude towards the debts incurred by previous regimes. Any action we might have to consider in the face of possible repudiation should be discussed in the light of the government's response to the mission's questions.

I gs The Committee examined designs for new flags for the World Bank and IFC and approved both designs. The color would be blue; a separate flag for IDA would be unnecessary.

Managing Committee

CONFIDENTIAL
January 18, 1983
Record: January 27, 1983

FROM: William S. Humphrey

SUBJECT: Minutes of January 17, 1983 Meeting
Members Present: M. Qureshi, E. Stern, A. Krueger, M. Paijmans, T. Thahane.
Also Present: H. Scott, R. Southworth.
Members Absent: A.W. Clausen, M. Benjenk.

Summary of Committee Action

During the meeting, the Committee reviewed the Management Efficiency Improvement Program.

1. Minutes of January 10, 1983 Meeting

Committee Action: Approved.

2. Management Efficiency Improvement Program
Attending: R. Lynn

Documentation: 2.1 Memo (Lynn) January 13, 1983 PAD/MC83-02: Management Efficiency Improvement Program: FY83 Midyear Review.

Presentation: Mr. Lynn noted the highlights of the report. Since the beginning of the program 40 projects have been completed and of the 49 projects now underway it was estimated that 60% would be completed this fiscal year. Only 8 showed significant delays. About half the completed projects had met their objectives quite fully and most of the rest had shown substantial benefits. The majority of the projects focused on helping us to do our work more effectively and relatively few were of the kind where dollar savings could be demonstrated. One thing that had to be watched was the organizational capacity to absorb internal administrative change. He suggested that the program be examined towards the end of the fiscal year to assess its results and see if modifications were needed.

Discussion: In discussion it was noted that units had a tendency to put into the MEIP any activity which they were undertaking which might improve effectiveness or efficiency . This had not been the original intention of the exercise which had been to identify additional activities, not included in the work programs incorporated in the budget, which might help improve efficiency and cut down bureaucratic delays. The design of serious efficiency projects required considerable time and thought and it was not therefore surprising that units proposed their ongoing activities for inclusion in the program.

It was therefore suggested that, provided the next report shows continued good progress on the majority of activities, the bureaucratic requirement to report in this format might no longer be necessary.

Committee Action

The Committee agreed that the next semi-annual report should be in the present format but should also contain recommendations, in the light of views expressed during the meeting, on whether the present reporting system should be continued, modified or stopped.

3. Other Business

Board Committee on Staff Compensation

Mr. Paijmans said that the recent meeting of the Board Committee on Staff Compensation had gone well. There had been interest from the United States on the details of our medical and life insurance schemes. It had also been noted that it was important for Bank Executive Directors to work closely with their opposite numbers at the IMF in order to maintain parallelism.

Development Committee

It was noted that Managing Committee discussion of the paper on points for the Development Committee agenda scheduled for next Monday would have to be followed by a discussion by the Executive Directors before it was sent to Ministers. This timetable would not permit a discussion with Ministers attending the Interim Committee. Mr. Qureshi reported that Mr. Sprinkel had called to ask whether the Development Committee would be a suitable forum to discuss protectionism. He had canvassed the idea of inviting trade ministers to join finance ministers and had wondered whether Mr. Dunkel of GATT might be invited.

FY84 Budget - Consultation with Executive Directors

Mr. Qureshi noted that the Executive Directors wanted some form of written presentation on Budget Issues for the informal consultations scheduled for late January. After some discussion it was agreed that the paper should outline the main issues and give the assumed level of Bank and IDA annual commitments for the next five years. However it should not specify the target growth for administrative expenses.

Managing Committee

CONFIDENTIAL
January 13, 1983
Record: January 18, 1983

WMH

FROM: William S. Humphrey

SUBJECT: Minutes of January 10, 1983 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, M. Benjenk, A. Krueger, M. Paijmans, T. Thahane.
Also Present: H. Scott, R. Southworth.

Summary of Committee Action

During its meeting the Committee (a) approved the main features of the guidelines to be issued in connection with the FY84 budget, (b) approved a draft paper to the IDA Deputies on IDA Eligibility and Allocations criteria and (c) agreed on the next steps in the work on the proposed MIIA.

1. Minutes of January 3, 1983 Meeting

Committee Action — Approved.

2. Planning, Programming and Budgeting Issues
Attending: H Vergin, P. San Jose

Documentation — 2.1 Memo (Vergin) January 6, 1983 FIS/MC83-02: FY84 Planning, Programming and Budgeting Issues with supporting papers.

Presentation — Mr. Vergin said a number of decisions were needed so the guidelines for the FY84 budget could be issued to vice presidential units. He felt that the approach to the FY84 budget required an examination of the budget base. Since without this it would be difficult to limit budget growth to levels which the Managing Committee in the past had considered appropriate. Mr. Qureshi added that we needed the best judgment at this stage to produce guidelines which were not intended to be immutable but could be adjusted in the light of responses received. A minimum operational program should be the point of departure. He emphasized that the departmental figures in the paper were purely indicative and designed to elicit Managing Committee comments for purposes of preparing guidelines.

Discussion — The discussion focused first on the IBRD and IDA commitment levels indicated in the paper. On IBRD it was noted that while FY83 might be a little higher than the $10.4 billion indicated, $11.9 billion appeared to be the upper bound for FY84. It would be hard to do more than this even with the new lending initiatives, since these were mainly designed to change the composition of the program in order to speed up disbursements and also to accelerate disbursements on existing commitments. Thus it would not be appropriate to put FY84 at a higher level. The resumption of 5% real growth per annum in IBRD lending after FY85 was accepted as reasonable and thought to be within the lending range which might be made possible through selected capital increases combined with a more flexible interpretation of the sustainable level of lending and its relationship to nondisruptive changes in programs. The assumed commitment levels for IDA were also accepted, including the understanding that the IDA 7 program should formally be put forward at SDRs 14 billion with the understanding that for internal programming and budgeting, the FY84 IDA lending work be based on a lower availability of SDRs 11.5 billion for FY85-87. The program should be designed in a way that it could be increased if more IDA funds were available. Reprogramming from SDRs 14 billion to SDRs 11.5 billion should be done using a pro rata approach which generally left the current shares intact. It was noted that IDA would continue to be very constrained and that it would be difficult to respond to additional requirements which might arise if conditions improved in a number of IDA borrowers.

There was considerable discussion of the appropriate guidelines for growth in administrative expenses for FY84 over budget FY83. On the one hand it could be argued, that since net income in FY83 was likely to be relatively high and there were no financial constraints limiting the growth in administrative expenses that it would be appropriate to allow the expenses to grow faster in order to make up the backlog of past neglect, especially in services, more rapidly. On the other hand it would be difficult to justify a major increase in administrative expenses at a time when the operational program was rising very slowly even though some of the assistance we were providing to our member countries was becoming more staff-intensive and programming tended to be more expensive in times of uncertainty. In addition an effort to hold down administrative expenses had been part of the package mentioned to the Board when the Front-End Fee had been introduced. After considerable further discussion a consensus emerged that the guidelines should be issued to test the feasibility of overall growth in administrative expenses - excluding special programs - of not more than 4% in real terms in FY84 over FY83 budget. While it was accepted that we needed to examine the base carefully to identify lower priority activities which might be deferred, it was felt counter-productive to ask units to specify what their work programs would be with a zero growth in administrative expenses. It was noted that PA would need an early indication from other units after the guidelines were issued in order that their own budget requests could include the services needed to support the work programs being planned by others. It was also agreed that one-time costs should be identified wherever possible and be treated as additional to a unit's growth guidelines. Wherever possible, in accordance with normal accounting practice, expenses should be charged to FY83. There was also some feeling that, due to larger than normal uncertainty in programming, the contingency should be larger. It was agreed that there was a case for having a higher increase in the Bank's assistance to CGIAR than the $2 million recommended by P&B though not as much as the increment of $10 million proposed by Mr. Baum. A Bank contribution to the total CGIAR program of 12-14% might be appropriate. It was also noted that the support for the River Blindness Program should be increased by $1.0 million as already indicated to the Executive Directors.

The schedule proposed for processing the budget documents was accepted with the target date for issuing the Guidelines brought forward to January 17. Informal discussions with the Board would take place in the last week in January.

Committee Action

The Committee accepted the IBRD and IDA commitment levels for FY84-87 set out in the paper as a basis for framing the FY84 budget. It was agreed that the Budget Guidelines to be issued about January 17, should test the feasibility of overall growth in administrative expenses - excluding special programs - of not more than 4% in real terms in FY84 over FY83 budget. The guideline for Operations should be not more than 6%. Since there was also probably some justification for PA and ERS to have increases somewhat above 4%, these two units should show a budget based first on not more than 4% growth and justify specifically any increases over this figure. PA should identify legitimate "one-time" expenses as an addition to this guideline. The other units should show a budget based on not more than 2% growth identifying next those activities which would be added to their work programs if their budgets were allowed to grow by another 2%. Any request for growth of more than 4% would require exceptional justification. All units should review carefully the FY83 base to identify lower priority items which might be cut to reduce the growth in budget created by new initiatives. This would apply in particular to all units who consider, from an institutional view point, that growth above 4% is essential. (Action responsibility: Mr. Qureshi.)

3. IDA Eligibility and Allocation Criteria
Attending: P. Mistry, K. Ikram

Documentation

3.1 Memo (Qureshi) January 7, 1983 FIS/MC83-03: IDA Eligibility and Allocations Criteria with draft paper for the IDA Deputies meeting.

Presentation

Mr. Mistry said that the basic thrust of the paper was that our present criteria and procedures for the allocation of IDA resources worked well and should be continued. An arbitrary cutoff in the range of 40-50% would be needed for India and China, the exact percentage depending on the size of the replenishment. For the rest our normal allocation criteria would apply. The paper contained some scenarios showing illustrative commitment levels at different replenishment levels. For replenishment sizes below SDRs 14 billion, per capita commitment levels declined.

Discussion

The thrust of the paper was welcomed, especially the flexibility it continued to leave Management in the allocation of IDA funds. A number of presentational changes were suggested.

Committee Action

The Committee approved the paper subject to the presentational changes suggested. (Action responsibility: Mr. Qureshi.)

4. EDI Report

This item was deferred for consideration at a future meeting.

5. Multilateral Investment Insurance Agency

Presentation

Mr. Scott said the dialogue about the Multilateral Investment Insurance Agency (MIIA) with government and business representatives was continuing and a number of papers on different aspects of the proposed scheme were being prepared for discussion with the Executive Directors. The subjects of these papers were (a) link with the Bank, (b) voting structure, (c) national investment insurance schemes and their relation to MIIA, (d) private insurance schemes and their relation to MIIA, (e) relations with host countries, (f) capital structure and funding and (g) additionality. Mr. Golsong had been making a number of speeches to various groups and had suggested that a European advisory group should be set up which could include people such as Dr. Abs and Dr. Halbherr.

Discussion

It was noted that a major concern of the Board was likely to be the links between the Bank and the proposed MIIA. In particular it was important that the Bank's association with MIIA and efforts to recover investments should not interfere with our policy dialogue with countries. The Legal Department would be bringing to the Managing Committee an options paper on these problems. It was felt that the setting up of a advisory group in Europe should be postponed and its exact role be considered further. The seven papers should be sent to the Executive Directors as a package with a covering note from Management giving some preliminary views on different aspects of the scheme. Discussions could then be arranged in seminars or at a Committee of the Whole before a final proposal was submitted.

Committee Action

The Committee agreed to proceed along the lines outlined in the above discussion. (Action responsibility: Mr. Scott.)

6. Other Business

Cofinancing

It was noted that most Executive Directors were likely to support the cofinancing proposals due to be considered by the Board on January 11. A number of concerns would be raised, especially the unwillingness of a number of Directors to give unequivocal support to the Bank's best efforts to defend B loans in their entirety. Many felt that there could be cases where this would not be appropriate.

Overdue Payments

Mr. Stern reported on overdue payments from Zambia, Tanzania and Sierra Leone. All three countries had been advised that we would be suspending disbursements shortly unless payments were made.

Managing Committee

CONFIDENTIAL
January 6, 1983
Record: January 11, 1983

FROM: William S. Humphrey WSH

SUBJECT: Minutes of January 3, 1983 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, M. Benjenk, A. Krueger, M. Paijmans, T. Thahane
Also Present: H. Scott, R. Southworth.

Summary of Committee Action

During the meeting the Committee (a) amended and approved the proposed design for revised reward system, (b) agreed to seek more actively a solution to the problems of G-4 visa holders, (c) agreed that there should be further consultations with the IMF Legal Staff on criteria for new members, (c) provided guidance to the Publications Committee in working out further details on the Bank's Publishing Policies and (e) discussed and determined appropriate policies and procedures for Bank contributions to outside bodies.

1. Minutes of December 20, 1982 Meeting

Committee Action: Approved.

2. Rewards System Design
Attending: R. Clarke, G. Kaji

Documentation: 2.1 Paper (COM) December 23, 1982 PAD/MC82-57: Proposal for Revised Reward System.

Presentation: Mr. Paijmans said that the Personnel and Administration Subcommittee had approved the design and there had been widespread consultation on it with managers at all levels and the Staff Association. Although some minor modifications had been introduced as a result, the basic paper had remained intact. Mr. Clarke added that consultations had been conducted with 28 managers nominated by different units. They had all welcomed the general approach and had made a number of suggestions some of which had been incorporated in the design. It was now being made explicit that Department Directors had the flexibility to reallocate merit budgets amongst divisions and Vice Presidents amongst departments. It was also now being proposed that managers could depart from the proposed matrix with their Vice President's agreement. There had been a difference of view on whether it would be possible for managers to do much work on the exercise in the absense of proposed dollar amounts. Some had felt that much could be done on the basis of relative rankings, others that it was essential to have a fairly clear view of the dollar sums available. It had been possible to accommodate some of the suggestions of the Staff Association but not their proposal that all fully satisfactory performers should get at least as large a percentage increase as they would have had under the old system or that the exercise be deferred until after the grading proposals were completed. The sensitive issue which remained was whether there should be any compensation for the delay from January 1 to May 1 in the effectiveness of the increase. The paper recommended against adjusting for the time lag.

Discussion

In discussion it was pointed out that the logic of the comparator system dictated that no adjustment should be made for the time lag from January 1 to May 1. This, rather than the arguments mentioned in the paper, was the main reason for making no adjustment. It was recognized that many staff would feel that some compensation for the delay was "owed" to them. However, the balance of the argument favored sticking to the principle of the comparator system and making no such adjustment. Some sympathy was expressed with the problems of staff who were considered fully satisfactory but already in the top fifth of their salary range. The paper stated that these should receive no more than the structural increase. Depriving these staff of any merit increase seemed a little hard. In response it was noted that the guideline increase matrix gave managers the flexibility to provide staff in this category some increase over the structural adjustment. There was considerable discussion of whether an indicative dollar amount or range should be given to managers prior to the Board decision on the amount of the increase in mid-May. While managers desire for an indication of the dollar amount was understood, it was generally felt that they could do a great deal of preliminary work on the basis of relative ranking. Given Board sensitivity it was agreed that it would be unwise to indicate possible dollar amount to managers prior to the Board decision. It was agreed that some central control was needed over departures from the guideline increase matrix which already gave managers a fair degree of flexibility. Thus departures from the matrix should require not only the approval of the unit Vice President but also approval by COM/PMD. Committee members were generally positive on the principle of introducing bonuses, but agreed that more work needed to be done on the criteria and that they should not be introduced this year.

Committee Action

The Committee approved the recommendations in the paper, subject to the guidance given in discussion. In particular, departures from the matrix in individual cases should require not only vice presidential approval but also the approval of COM/PMD. (Action responsibility: Mr. Paijmans.)

3. Managers Membership in the Staff Association

Documentation

3.1 Memo (Paijmans) December 13, 1982 PAD/MC82-55: Managers' Membership in the Staff Association with attachment.

Presentation

Mr. Paijmans reported that members of the Personnel and Administration Committee felt strongly that no move should be taken at this time to deny any group of managers from being dues-paying members in good standing of the Staff Association. It was feared that to restrict membership of managers in the Staff Association would be divisive and encourage tendencies towards unionization. The status quo should be retained and managers should be urged to use their good sense to avoid conflict of interest situations. He had personally felt that a more restrictive policy would be appropriate but the majority of the Committee had not favored it.

Discussion

In discussion there was a general consensus that membership in the Staff Association by senior managers could lead to a conflict of interest although it was recognized that some senior managers had remained in the Staff Association in order to exert a moderating influence and to prevent a move toward unionization. Staff Association membership could make it more difficult for managers to communicate the rationale for management decisions in cases where the Staff Association took a different view. All agreed that members of the Managing Committee should not be members of the Staff Association. It was further agreed that the subject should be discussed at the Senior Management Council although it should be left to individual members to decide whether they should resign from the Staff Association if they had not already done so.

Committee Action

It was agreed that the membership of the Staff Association for members of the Senior Management Council should be discussed at a future meeting of the Senior Management Council without documentation and as a "non-agenda" item.

4. G-4 Visas

Presentation

Mr. Paijmans outlined the history of recent efforts to deal with the problems faced by G-4 visa holders and their dependents. The Bank and the IMF had supported the work of a staff organization called the "G-4 Coalition" which had succeeded in having language included in the draft immigration bill which would have alleviated some of the problems. Unfortunately the immigration bill had not been passed before the Congress adjourned and, given the controversy surrounding other aspects of it, might not become law for two or three years, if ever. This left many staff and their dependents in a very unsatisfactory situation. It was no longer possible for retirees to get permanent immigration status and when staff members died their spouses, technically, had to leave the country within 30 days. In addition children who had been born abroad but educated entirely in the US had to leave the country after their education was completed, often with few contacts with the job market in their home countries. He therefore recommended that, in consultation with the IMF, the two institutions take an even more active role in finding a solution to these problems both through further support to the G-4 Coalition and through any other avenue that seemed appropriate.

Discussion

In discussion it was agreed that we should do everything we could to seek solution for these very difficult problems. However it was recognized that independent legislation on this issue might be difficult to get through and that the chances of finding ways of dealing with the matter through administrative understandings with the US government were also problematic. Further work either within the Legal Department or by outside Counsel would probably be needed. Mr. Stanton's advice on the matter should also be sought.

Committee Action — It was agreed that it was important for the staff to know that the Bank's Management was extremely concerned about these problems and was prepared to become even more active in seeking solutions to them. Possible avenues should be explored further by PA, Legal and External Relations and a progress report made to the Managing Committee in about two months. (Action responsibility: Mr. Paijmans.)

5. Membership in the Bank
Attending: L. Forget

Documentation — 5.1 Memo (Scott) December 1, 1982 LEG/MC82-18: Membership in the Bank with background paper.

Presentation — Mr. Scott said that there was only one basic requirement for membership laid down in the Articles of Agreement of the Bank - namely, membership of the IMF. Mr. Forget's paper had concluded that the entry of small countries did not pose a serious problem. The major issue lay in the possible future membership of additional East European countries and of the Soviet Union. The grounds on which we could argue that countries should be excluded were not very strong. First one might argue that some of these countries did not support the purposes of the institution since they did not support private foreign investment which was laid down as the purpose under the Articles. Second one might argue that the entry of a number of Eastern European countries - especially the Soviet Union - would disrupt the operations of the Bank since it would change the character of the institution and could make it much more difficult for us to borrow in private capital markets. Finally some use might be made of the fact that we now had no extra shares for new members and additional shares would have to be created. Whereas new members could be admitted on a simple majority vote of the Governors, the creation of new shares required a 75% majority. In general it was much easier for the IMF to find technical reasons for excluding potential members than it was for us once the countries had become members of the IMF.

Discussion — In discussion it was agreed that the potential membership of a number of small countries was not a serious one. However, while not preventing membership, it might be useful to have an operating rule which allowed direct lending only to countries with populations of over 50,000. Smaller countries should have access to our funds only through financial intermediaries. On the entry of Eastern European countries and the Soviet Union it was noted that this was primarily a political question. If existing member countries with a majority of the votes were willing to permit membership of any country, it was inconceivable that they would not be prepared to authorize the additional shares to accomplish it. The arguments on changing the character of the institution, including difficulty in borrowing on capital markets, might influence countries in coming to their political decisions. However, in the final analysis there was not a great deal management could do to prevent the entry of any country which had joined the IMF unless enough Bank member countries were willing to make the political decision to exclude them. It was not felt appropriate for the management to discuss potential problems with member governments before the difficult cases actually arose. However it would be useful for the Bank's Legal Department to consult the Legal staff of the IMF to discover more of the IMF's thinking on these problems and to report back to the Managing Committee.

Committee Action — It was agreed that there should be consultations between the Bank's Legal Department and the Legal Staff of the IMF to discuss these problems further with the results reported back to the Managing Committee. (Action responsibility: Mr. Scott.)

6. The Bank's Publishing Policies
Attending: J. Feather

Documentation — 6.1 Memo (Benjenk) December 22, 1982 EXR/MC82-27: The Bank's Publishing Policies with attachments.

Presentation — Mr. Benjenk said that the paper was designed to keep the Managing Committee informed about the activities of the Publications Committee and to seek guidance on three issues, namely, the pricing and distribution of publications, the possibility of creating one or two positions to free people to write publications drawing on the Bank's experience and the need to try to ensure more rapid translation of material into French and Spanish. Mr. Feather then outlined the current costs of our publications program which went far beyond the line item in the Budget. The aim now was to see whether there were disciplines and constraints from commercial publishing which could be used to improve the usefulness and efficiency of the Bank's publications program.

Discussion — On pricing and distribution it was emphasized that the main objective should be to achieve as wide a readership as possible for Bank publications; this was more important than making a few extra dollars. Although it was recognized that many publications had to be priced in order to achieve the widest distribution using commercial outlets, concern was expresed that a reduction of the free distribution program in developed countries, especially for schools and colleges, might reduce support for the Bank over the longer term. For developing countries it was suggested that more use could be made of Bank and UNDP resident offices for the distribution of Bank publications. In general there was a need to retain the right balance between the desirability of wide readership and the necessary discipline needed to avoid waste in distribution. The Committee generally supported the idea of creating one or two movable positions to enable suitable Bank or other writers to be freed or recruited for fixed-term writing assignments. However, it was emphasized that the purpose of each potential publication should be carefully worked out and that a final decision on whether to publish or not should await the completion of any piece of work. The Committee also supported the need to speed up the rate at which English language publications were translated into French and Spanish.

Committee Action — The Publications Committee was asked to work out the further details on the issues raised, guided by the Committee's discussion. In particular it would review very carefully the pricing and distribution policy for each publication to ensure maximum readership. A report on progress would be made to the Managing Committee in due course. (Action responsibility: Mr. Benjenk.)

7. Contributions to Outside Organizations

Documentation — 7.1 Memo (Benjenk) December 22, 1982 EXR/MC82-26: Contributions to Outside Organizations.

Presentation — Mr. Benjenk said that his memorandum contained three straightforward proposals and one on which the right course of action was much less obvious. The first three involved broadening the responsibility for determining our contributions to development lobbies and transferring responsibility for charitable contributions and institutional memberships to External Relations. The fourth related to contributions to the arts and cultural activities in Washington, D.C. on which opinion in the Bank was split.

Discussion — The proposals on the first three items were readily accepted. It was noted that the informal group to determine contributions to development lobbies should probably only meet once or, at the most, twice a year. The transfer of the responsibility for charitable contributions to External Relations was welcomed since it was felt important that we should not only support charitable activities in the local community but also receive appropriate credit for doing so. In the context of discussing institutional memberships, the question was raised whether the Bank should pay a part of individual staff members' membership of professional organizations. Opinion was divided on this and it was agreed the matter should be examined further as part of policies to develop and maintain professional skills. There was considerable discussion of the arguments for and against providing a modest financial contribution to cultural bodies in the Washington area. On the one hand such contributions might strengthen the image of the Bank in the Washington community as a good corporate citizen sensitive to the cultural environment in which it is located. On the other hand we might be criticized for using a portion of the Bank's net income which is derived from developing countries to support somewhat elitist organizations which probably had much greater access to other funds than many cultural organizations located in our less afluent members. When the matter had been raised in the IMF many Board members had opposed contributions on these grounds.

Committee Action

The Committee accepted the proposals on contributions to development lobbies, charitable donations and institutional memberships in professional bodies but decided on balance that the Bank should not now make contributions to cultural bodies in the Washington area. (Action responsibility: Mr. Benjenk.)

8. Other Business

FY83 Lending Program

Mr. Stern reported that the IMF mission was back from Yugoslavia and he understood that there was a basis for agreement. The possibility of supplementing this agreement by a structural adjustment loan from the Bank was being examined by the Region. An SAL would, of course, be conditional on agreement with the IMF, and the Bank and IMF together would make their support conditional on sufficient commercial bank financing. On Mexico we were processing a loan for the Export Development Fund and also trying to accelerate disbursements on the existing IDF loan by agreeing to include working capital. However, it was still not clear whether there would be sufficient demand from the private sector to offset the delays in disbursements caused by a slowing down in the implementing of other projects. On Brazil we were still planning to step up commitments to $1.4 billion in FY83 but this would not be easy to do. Taking all this into account together with the latest review of the lending program, but not including actions which might be taken as a result of the supplementary measures to be considered by the Board, his best estimate for IBRD lending in FY83 was about $10.6 billion. This had severely drawn-down the pipeline for FY84. In discussion it was emphasized that while we should do everything we could to be flexible and to make maximum use of our commitment and disbursement authority, we must be alive to the risk of pumping out too much money with too little conditionality.

Cofinancing

The position of different Board members on the cofinancing proposals was discussed. It now appeared that the proposals would be supported by most Executive Directors at the meeting on January 11, 1983.