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President A. W. Clausen

Managing Committee - Minutes
(Official records)

1982 (Jan - Dec)

Vol 3



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Managing Committee Official Files: Minutes - Minutes 03

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WBG ARCHIVES

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December 21, 1982

Record: January 4, 1983

Managing Committee

FROM: ^{Wt} William S. Humphrey

SUBJECT: Minutes of December 20, 1982 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) approved the recommendations of the paper on IBRD Lending Plans and Capital Requirements and (b) discussed the papers on New Research Directions and Bank Work on LDC Debt, and asked for further consultations among the organizational units involved prior to agreeing to specific proposals.

1. Minutes of December 13, 1982 Meeting

Committee
Action

Approved.

2. Financial Report for November 1982
(Attending: H. Davies)

Documentation

2.1 Monthly Financial Report to the Managing Committee for November 1982, FIS/MC82-73.

Presentation

Mr. Davies noted the highlights of November's financial performance. The borrowing program was going well and disbursements had picked up somewhat during the month. Two major events had occurred in December--the U.S. release of \$700 million for IDA and the halving of the front end fee.

Discussion

After some discussion of the likely net income levels for FY83, it was suggested that a projection for the fiscal year should be included in each monthly report. This led on to a discussion of why the reduction of the front end fee was linked to invitations to negotiate rather than to all loans approved by the Board after the decision was made. The reasons for linking the action to invitations to negotiate were explained. It was noted that the new format for the financial report was an improvement and that it would be useful to have future reports discussed at the monthly meetings of the Senior Management Council.

Committee
Action

The Committee accepted the Financial Report.

3. IBRD Lending Plans and Capital Requirements
(Attending: J. Wood and P. Applegarth)

Documentation 3.1 Memo (Qureshi) December 16, 1982 FIS/MC82-74: The Lending Plans and Capital Requirements with attachment.

Presentation Mr. Wood said that the major question addressed in the paper was the appropriate timing to raise the issue of the next general capital increase for the Bank. The paper concluded that the present GCI would last through the middle of the decade provided that the upward revisions to the lending program did not go beyond the modest expansion of commitments assumed in the paper and that we were prepared, if necessary, to lend at somewhat above the sustainable level in the next two or three years. Under these circumstances, we would need more capital in FY86 which would mean that we should start discussing it seriously in FY84 after discussions were completed on IDA and any special capital increases.

Discussion The discussion focused first on how large an increase in the IBRD lending program for the next five years was feasible assuming greater flexibility in lending policies on the one hand together with the constraints imposed by country situations on the other. It was generally agreed that, taking account of creditworthiness and the need to continue to have appropriate conditions attached to structural adjustment loans, the increases in the lending program of about \$3.4 billion for the period FY82-86 were reasonable. The main objective was to raise net transfers, part of which would be accomplished by speeding up disbursements from existing and planned future commitments. After discussing the situation of a number of a major Bank borrowers and our overall portfolio constraints, the question was raised whether we should take advantage of the present heightened international concern for the plight of developing countries to broach the issue of a general capital increase. While it was recognized that it might be possible to get decisions on the Bank side as a counterpart to the major increase in Fund quotas, there was a risk that asking for more Bank capital at this time would prejudice the success of the IDA negotiations. It was, therefore, agreed to give priority to IDA and to keep a low profile on the next general capital increase. It was also agreed that, if necessary, we should try to persuade the Board to permit IBRD lending temporarily at above sustainable levels in order to meet the exceptional needs of our borrowers over the next two or three years. Within the constraints of creditworthiness, exposure and appropriate conditionality, the steps for increased IBRD lending flexibility should be as bold as possible. It was important that the Bank should not seem passive in the face of the substantial action by the IMF to increase quotas.

Committee Action The Committee accepted the recommendations in the paper and asked for a future review of the situation in about six months time.

4. Valuation of IBRD Capital
(Attending: J. Wood and P. Applegarth)

Documentation 4.1 Memo (Qureshi) December 16, 1982 FIS/MC82-75: Valuation of IBRD Capital with attachment.

Presentation Mr. Applegarth said the paper provided a progress report on the unresolved question of how IBRD capital should be valued. The resolution of this question would affect the sustainable level of lending. The major problem was U.S. difficulties in accepting the SDR as the Bank's common standard of value. The Board had asked for the problem to be resolved by July 1, 1983. We were, therefore, now going into a series of consultations with the United States to seek a possible solution.

Discussion In discussion it was noted that it was not at all clear whether it would be easier to reach agreement with the United States than in the past. One positive element was that at present the U.S. would gain approximately \$100 million in cash by a move to a SDR-based standard of value at present SDR values. In spring 1981, when the Board last considered the issue, there would have been a possible cash cost to the U.S. of about \$16 million. However, the U.S. still had great difficulties in accepting liabilities that fluctuated in terms of U.S. dollars, and there were a number of specific technical problems regarding the legislation for the U.S. subscription. It was pointed out that eventually, if no agreement could be reached with the U.S., the choice might be between out-voting them at the Board or continuing on the present basis without a formal decision.

Committee Action The Committee asked to be kept informed of the progress of the discussions with the United States.

5. Bank Research Program
(Attending: A. Stoutjesdijk, C. Michalopoulos, H. van der Tak)

Documentation 5.1 Memo (Krueger) December 16, 1982 ERS/MC82-6: Report to the Board on New Research Directions with draft report.

Presentation Mrs. Krueger said that the paper outlining new research directions was designed first to get Managing Committee views to permit some decision to be made on the deployment of ERS resources and second to address the Board's concern on new research directions. The paper was not intended to substitute for a broader review of the whole of the Bank research program which would be provided to the Board later in coordination with the budget process.

Discussion In discussion it was noted that the Board's interest and legitimate concern had always been in the Bank's total research effort regardless of where within the Bank's organization the research was done. It was therefore agreed that it would not be appropriate to send to the Board a paper covering only part of the Bank research program and therefore Board discussion should be delayed until paper covering the whole of

the program could be prepared. In discussing the four major areas in which additional research in ERS was proposed 1/, there was a general feeling that additional research was needed on these topics and that, in the present world environment, there was probably a case for more resources being devoted to such research. However, the precise amount of the additional resources to be allocated to these tasks and where, within the Bank organization, the research should be carried out needed further study by a small group chaired by ERS, and including amongst its members representatives of Operations and Finance. The Research Committee, as at present constituted, was too large a group to undertake this task and a smaller group, under ERS chairmanship, would have to do it. The timing of the work should be coordinated with the FY84 budget and should aim to produce a paper for Board discussion around April 15.

Committee
Action

The Committee welcomed the broad thrust of the paper in identifying the areas where additional research was needed and agreed that a working group from ERS, Operations and Finance should prepare a proposal which would integrate the new directions into the overall Bank research program specifying the precise additional resources needed by the units who would carry out the research.

6. Bank Work on Developing Countries' External Debt.
(Attending: H. Hughes, N. Hope)

Documentation

6.1 Memo (Krueger) December 16, 1982 ERS/MC82-7: Bank Work on Developing Countries' External Debt with attachment.

Presentation

Mr. Hope said that the proposals in the paper for more resources to be devoted to work on debt arose from the need to have a more systematic approach to debt problems. The Debt Division needed to improve its service to Operations and enhance its ability to collect data. It also needed more analytical capacity. The proposals were designed to meet these needs and provide a strong centralized underpinning to work on debt. The proposals tried to avoid some of the mistakes of the past when we had suffered because work on debt data had been divorced from work on debt policy.

Discussion

In discussion it was noted that there was a perception in the outside world that the World Bank was insufficiently concerned about developing countries' debt. This perception needed to be redressed, and it was generally accepted that our work on debt needed to be strengthened. However, the Managing Committee should not allocate additional resources outside the normal budgetary processes nor should it, in the absence of further consultations between the different parts of the Bank involved, make decisions on the organizational proposals in the

1/ Global issues of trade, capital flows and debt; the economics of assistance and its relationship to development programs; comparative empirical studies of individual policy issues; and research on the behavior of factor markets in developing countries.

paper. On the short-term problem of the imminent breakdown of the present debt reporting system, it was agreed that this was an urgent matter and that the review of ERS's request for contingency funds made in late November should be completed quickly by P&B and others involved. The question of the amount of technical assistance to be provided to countries on debt collection and management was a complex one. On the one hand, we did not have a responsibility to give technical assistance to every country that might request it. On the other hand, technical assistance was frequently needed to help countries provide us with the debt data we needed. In addition, we were trying to improve our service to the financial community and to maintain a balance between showing adequate concern for debt problems and pandering to panic. Another issue which needed more discussion was how work on debt matters should be divided between ERS and Operations and the role of Operations on debt policy work--especially on individual countries--was emphasized. Further consultation was needed on these issues between the different units involved.

Committee
Action

The Committee agreed that more resources needed to be devoted to work on debt. The immediate problems faced by the debt reporting system should be dealt with in the context of ERS's current request for contingency funding which should be handled expeditiously. The longer-term proposals should be the subject of further consultations between ERS and Operations and then should be fed into the FY84 budget cycle. This would determine how far the needs should be met by the redeployment of existing staff and how far by additional staff.

7. Development Committee--Next Meeting

Documentation

7.1 Memo (Burki) December 17, 1982 EXR/MC82-24: Meeting with EDs.

Discussion

Mr. Benjenk noted that strong sentiment had developed among the Executive Directors that it was desirable to have a meeting of the Development Committee in April assuming it was not possible to hold one in February. It had been suggested further that ministers attending the Interim Committee who are also members of the Development Committee might be asked during their time in Washington to endorse an appropriate agenda for the April meeting.

Committee
Action

It was agreed that possible agenda topics should be discussed at the next meeting of the Managing Committee on January 3. 1/

8. Other Business

McNamara
Fellowships

It was generally agreed that Mr. El Naggar's suggestion that the management representative should not be a full voting member of the selection panel was unsatisfactory. This suggestion had been made to

1/ This was subsequently postponed to January 10 after a discussion between Mr. Benjenk and Mr. Clausen.

avoid amending the original resolution which had called for a panel of five members. Mr. Scott said that there was no reason why in approving the panel members the Executive Directors should not approve six--including management's representative--thereby implicitly amending the original resolution but without the need for a formal amendment of it. This appeared an appropriate solution to the problem.

Staff
Association
Newsletter

Mr. Paijmans reported on efforts to dissuade the Executive Committee of the Staff Association from bringing out a regular newsletter which would be bound to create adversarial relationships between staff and management at a time when there were no major issues between them. It was agreed that the regular publication of such a newsletter would be most unfortunate, and management should continue to do everything it could to dissuade the Staff Association from bringing one out. One alternative would be to offer them space in the Bank's World on a regular basis and perhaps also to have Staff Association representatives on the Editorial Committee. The Bank should refuse to pay for the printing of a newsletter, but, in the final analysis, should not attempt to prevent distribution of a newsletter printed at Staff Association expense since this would probably be impossible to enforce and cause a confrontation out of proportion to the damage which might be done by the newsletter itself.

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Managing Committee

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December 15, 1982

Record: December 21, 1982

FROM: ^{WCH} William S. Humphrey

SUBJECT: Minutes of December 13, 1982 Meeting

Members Present: A.W. Clausen, M. Qureshi, E. Stern,
A. Krueger, M. Paijmans, T. Thahane

Member Absent: M. Benjenk

Also Present: H. Scott, R. Southworth.

Summary of Committee Action

During the meeting, the Committee (a) accepted the recommendations of the Creditworthiness Review of Bank Borrowers, (b) amended and approved recommendations on the FY83-84 budget process and (c) approved recommendations on the timing and content of Attitude Surveys II and III.

1. Creditworthiness Review of Bank Borrowers

(Attending: W. Baum, G. Gabriel, H. Vergin, B. Waide, C. Robless)

Documentation

1.1 Memo (Vergin) December 8, 1982 FIS/MC82-69: Creditworthiness Review of Bank Borrowers with report.

Presentation

Mr. Vergin described the process which led up to the present version of the creditworthiness review. He noted that most of its recommendations on individual countries had been reflected in the allocations made during the recent lending program review. He then outlined the major recommendations in the report under three main groups. The first group included the special efforts needed to assist borrowing member governments facing severe debt servicing difficulties to take the necessary structural adjustment action, the proposal to place a number of countries on a watch list for intensive monitoring of creditworthiness and the need to reassess the adequacy of the Bank's reserve position. The second group of recommendations dealt with the concentration of our portfolio with the general guideline that individual country shares should be limited to 6 to 8 percent of the IBRD portfolio and that the sum of the portfolio shares of the four largest borrowers kept below about 30 percent. The third group of recommendations dealt with exposure management and how we could protect our preferred credit status in those countries where our exposure was significant.

Discussion

It was felt that the paper provided a good analysis of the issues related to creditworthiness. It was noted that we only had limited capacity to reduce our exposure when creditworthiness problems developed because of the long lead times in disbursements and commitments. The cutting of commitments could generate increased

risk of default. Even if we took the relatively drastic step of ceasing to lend, disbursements continued. Although there was a general consensus that loans to our four largest borrowers should not exceed about 30 percent of the portfolio, it was noted that this put a tight ceiling in nominal terms on our future annual commitment level to India. It was also felt that forward planning could only help us to protect our preferred creditor position to a very limited degree given our role as a development institution and the international environment in which we operated. After some discussion of how the Board should be consulted in cases where suspension of lending was contemplated, attention turned to how creditworthiness risks should be measured and how far, in cases of higher risk, there was a conflict between our role as a development agency and financial prudence. It was suggested that we might over time analyze in depth the different kinds of risk and how these were affected by country size. It was noted that diminishing net transfers would reduce our leverage in some of the larger countries but that, in the final analysis, the best way to maintain the quality of our portfolio and our preferred creditor status was to have an effective developmental role in our borrowing countries and a good policy dialogue with them.

Committee
Action

The Committee accepted the recommendations in the paper and agreed that it should be discussed at the next meeting of the Senior Management Council on December 17. (Action Responsibility: Mr. Qureshi)

2. FY83-84 Budget Process
(Attending: G. Gabriel, H. Vergin)

Documentation

2.1 Memo (Vergin) December 9, 1982 FIS/MC82-70: FY83/84 Budget Process.

Presentation

Mr. Vergin said that the purpose of the paper was to seek Managing Committee advice on how we should meet the Board's request for a consultative role at an early stage in the formulation of the annual budget and how far the mid-year budget review should be used to review future alternative IBRD lending scenarios. The memorandum recommended informal consultations by management with the Board on the planning assumptions in late January before the internal budget process is launched.

Discussion

The suggestion that consultations with the Board should be informal and without documentation was endorsed. Late January was agreed to be the appropriate time. If these consultations were carried out, it was felt that it would not be necessary for the mid-year review to contain a discussion of the planning assumptions for FY84 and beyond nor a discussion of possible changes in lending allocations for future years. It was noted that the Part I directors would probably not continue to press hard for a budget committee since this was opposed by many Part II directors. The informal consultations in January would also help to reduce pressures for such a committee.

Committee
Action

Subject to the amendments agreed in discussion, the recommendations in the paper were approved. (Action Responsibility: Mr. Qureshi)

3. Minutes of December 8 Meeting

Committee Action Amended and approved.

4. Attitude Survey
(Attending: G. Kaji, B. Babson)

Documentation 4.1 Paper December 7, 1982 PAD/MC82-56: Attitude Survey.

Presentation Mr. Kaji outlined the recommendations for Attitude Surveys II and III. The rationale for conducting the next survey in December 1983 was to allow time for follow-up on Survey I to take effect and be seen by staff and also to hold the survey at a time when most of the staff would be in Washington. A sampling approach was recommended for Survey III and beyond.

Discussion There was general agreement that the basic response to Survey I had been positive and was perceived to have been useful by both managers and staff. The follow-up of Survey I had been quite elaborate which was appropriate for a first survey. However, for future surveys, it was suggested that follow-up be decentralized. Unit action plans should not in future be reviewed by top management who should concentrate on the overall results and develop programs on a macro basis. The importance of defining work groups more precisely for future surveys was emphasized.

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

5. Senior Appointment - Restricted Session
(Attending: G. Kaji)

6. Other Business

Ministerial Lunch-Annual Meeting It was agreed that an appropriate time should be set for the Ministerial Lunch hosted by Mr. Clausen at the next Annual Meeting so that it could be fitted into ministers' schedules. On attendance, it was generally agreed that the lunch should again include the "Summit Seven" plus Saudia Arabia. Further consideration should be given to whether there should be any additional countries invited. (Action Responsibility: Mr. Thahane)

Issues Book-World Bank The Issues Book distributed to the Committee for information by Mr. Vogl (EXR/MC82-22) of December 9, 1982 was discussed. It was generally thought appropriate to distribute guidance to Department Directors and above on selected issues. However, the coverage of issues and the nature of some of the material was questioned. In particular, it was felt that the extracts from presidential speeches and interviews by other senior staff gave in some cases an incomplete treatment of the issues. It was agreed that the material in the issues book should be revised before the book was distributed further and that Mr. Clausen would discuss the matter with Mr. Vogl.

Development
Committee

Mr. Stern raised the question of the appropriate timing for the next meeting of the Development Committee. This normally took place at the same time as the Interim Committee of the IMF which had been brought forward to February to deal with the question of IMF quota increases. If the Development Committee meeting continued to be scheduled for April, very few ministers would attend. If it was brought forward to February, it would be hard to prepare papers which would lead to the kind of substantive discussion which could result in a communique of much general interest. Indeed, if agreement was reached on an increase in IMF quotas at the Interim Committee, unfavorable comparisons might be made with the lack of substance emerging from the Development Committee. It was noted that while some of the Part I Board members did not favor a February meeting, the Nordic countries and the Netherlands wanted one to help keep attention focused on the continued requirements for development financing including IDA. However, they might change their views if the counterproductive risks of holding a meeting in February were pointed out. The general consensus was that the Development Committee meeting should not be brought forward to February. The usefulness of holding a meeting in April was also questioned due to the difficulty of getting ministers to attend.

United Way
Campaign

Mr. Clausen reported that the United Way Campaign was now winding up its activities. He felt that it had been a good effort and the response had been greater than last year.

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December 8, 1982

Record: December 13, 1982

Managing Committee

FROM: William S. Humphrey

SUBJECT: Minutes of December 6, 1982 Meeting

Members Present: A.W. Clausen, M.A. Qureshi, E. Stern,
M. Benjenk, M. Paijmans, A. Krueger,
T. Thahane.

Also Present: H. Scott, R. Southworth.

Summary of Committee Action

During the meeting, the Committee (a) discussed the proposed policy paper on Science and Technology in the World Bank and asked for a revised version to take account of points made, (b) accepted the recommendations contained in the FY82 Retrospective Review subject to points made and (c) agreed that Board presentation of the graduation papers on Yugoslavia and Uruguay should be postponed.

1. Science and Technology in the World Bank

Attending: W. Baum, H. van der Tak, S. Husain, C. Weiss

- Documentation
- 1.1 Memo (Stern) November 23, 1982 OPS/MC82-40: Science, Technology and the World Bank in the 1980s with draft summary.
 - 1.2 Draft report November 15, 1982 OPS/MC82-41: Science, Technology and the World Bank in the 1980s.
 - 1.3 Draft memo (Baum) November 18, 1982 OPS/MC82-42: Proposed Bank Support for Promotion of Scientific and Technological Research.
 - 1.4 Minutes of OPS Meeting of June 30, 1982 OPS/MC82-23.

Presentation

Mr. Weiss said that the paper recommended a long-term expansion in the Bank's involvement in scientific and technological development. He then referred to some of the areas where we had been successful in the past. He added that the Bank was most effective when an overview was needed and where policies needed to be changed to support the appropriate scientific and technological developments. We could also act as a catalyst where large amounts of money were involved. We should, therefore, get started on a systematic expansion of our activities. To do this, scientific and technological development needed to be made an explicit objective of Bank policy and endorsed by the Board. The paper would also focus the attention of staff on what had to be done.

Discussion

The question of how this paper differed from earlier ones on the same subject was discussed. It was pointed out that the present paper had a broader focus and would be used to provide clearer signals to staff. It was, therefore, suggested that it be issued as a policy paper and should include steps the Bank could take to enhance the

relevant to their particular development problems. A considerable amount of the discussion was devoted to clarifying the kind of scientific and technical development to be promoted and the need to avoid an indiscriminate approach which might encourage the use of uneconomic technologies. It was stressed that the Bank's comparative advantage lay in its knowledge of the development process, and we needed to pay more attention to identifying appropriate technologies for LDCs, taking account of economic factors. The most effective research we had sponsored in the past had been of this type--an example being our work on capital labor ratios in construction. It was felt that the paper did not make sufficiently clear that our comparative advantage lay in studies where economics and technology overlap nor did it give sufficient emphasis to past successful examples of Bank involvement in scientific and technological development. Any public information effort should be focused on our achievements so far and not on how we intended to expand our activities. It was important that the paper should be designed to emphasize to staff the need to focus on the use of appropriate techniques in our project work, to support the right kind of practical research, which is generally adaptive, and, where possible, to include policy issues relating to science and technology development in our country dialogue.

Against this background, there was general agreement that we should reemphasize these objectives. The Bank's research program should give more emphasis to technologically oriented studies. Global research projects should be approached with great caution and very carefully screened. In research, the focus should be on research of the kind which could be applied quickly.

Committee
Action

It was agreed that the paper should have the primary objective of focusing staff attention on the relevant issues in scientific and technological development. The paper should, therefore, be revised to take account of the Committee's discussion. (Action Responsibility: Mr. Stern)

2. Minutes of November 29, 1982 Meeting

Committee
Action

Approved.

3. FY82 Retrospective Review

Attending: G. Gabriel, H. Vergin, N. Noon

Documentation

3.1 Memo (Qureshi) November 24, 1982 FIS/MC82-66: FY82 Retrospective Review with memorandum from Mr. Vergin.

Discussion

It was noted that comparisons between staff cost per paid staff year and the U.S. consumer price index were best avoided since they might be misunderstood to advocate a link between the price index and salaries rather than the established policies which, based on the Kafka system, relied entirely on outside comparators.

The discussion then focused on the recommendations in the paper. On the release by units of a share of the benefits or efficiency improvements advanced as the rationale for justifying capital projects, it was agreed that this should be something worked out jointly with the unit at the time that a capital project is approved. Some types of projects would result in improved quality and greater work capacity rather than increased productivity per se. In others, the benefits would only be released over the longer term. However, whatever the circumstances, agreement on the specific benefits should be part of the project approval process.

There was considerable discussion of the proposed review of the policy and procedural implications of normative salary budgeting, its relation to overall dollar budgeting and its links to the grading exercise now in process. It was agreed that a small group from PMD, COM and PAB should begin exploring some of the complex issues involved. It seemed, however, unlikely that, given the other initiatives underway, such a system could be in place for the FY85 budget.

On the recommendation to absorb in the merit budget for each unit the costs of all professional growth promotion increases granted during the reference period, it was agreed to proceed along these lines. It was made clear that this approval would not apply to structural promotions.

On the recommendation that we seek top level agreement with the IMF that the FY84 compensation survey should include the relative competitiveness not only of salaries but also of the total compensation package including benefits, it was confirmed that we would continue to include total compensation in the survey, as in the past. It was less clear whether we would be able to persuade the IMF to take account of the total package, rather than just salaries, when the increases were determined. In the past, we had not persuaded the IMF but had been able to side-step the issue. The question of parallelism with the IMF would have to be kept under review.

On the recommendation to increase the proportion of consultants and fixed-term appointments, it was pointed out that priority would be given to retention of existing staff in any redeployment exercises and that the recommended changes could only be pursued within the limits of staff turnover and budget growth.

Committee
Action

Subject to the above points, the Committee accepted the recommendations in the Retrospective Review.

4. Financial Report for October 1982

Documentation

4.1 Monthly Financial Report to the Managing Committee for October 1982 FIS/MC82-68.

Discussion

After Mr. Qureshi had drawn attention to the salient features of the report, the discussion focused on IDA availabilities. The consequences for releases by other donors of the recent U.S. release of \$700 million under the Continuing Resolution were noted. Mr. Qureshi said he would send around a separate note providing the estimates of IDA commitment authority in FY83. There was then some discussion of the higher levels of Bank net income now likely in FY83. This was already leading to pressures from Board members for a greater reduction in the front end fee than the one-half percent proposed by management. It would also lead to pressure for a larger allocation to IDA in FY83 even though it might be more appropriate to put the full amount of the additional income into reserves in order to provide more scope for higher levels in IBRD lending.

5. Membership in the Bank

Documentation

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

Discussion of this item was postponed to a future meeting.

6. Other Business

Graduation
Papers for
Uruguay and
Yugoslavia

The timing of presenting graduation papers on Yugoslavia and Uruguay to the Board was discussed. It was noted that any impression that the Bank was graduating either of the countries would make it more difficult for them to raise money in the international capital market. It was, therefore, agreed that, although both papers recommended continuing lending for five years in nominal terms, it would be better to defer circulating the papers to the Board. Mr. Clausen would announce this at the Board on December 7 and indicate in general terms the lending levels contemplated for the two countries over the next few years.

Flexibility
in Lending
Policies

Mr. Clausen, at the same Board meeting, would mention that management would be proposing shortly a number of measures to make lending policy more flexible in order to accelerate the transfer of Bank resources at a time when many of our borrowers were in great difficulties.

Allocation
of IBRD
and IDA
Resources

Mr. Stern reported that he had now completed the difficult exercise of determining country allocations for IBRD and IDA for the period FY83-87. For IBRD, there appeared no difficulty achieving \$64 billion for the five years, but there would be a shortfall in FY83. The final amount for this year was likely to be between \$10.4 billion and \$11.0 billion depending on the outcome in a number of major countries. Of particular uncertainty were the lending amounts in FY83 for Turkey, Korea, Indonesia and the Philippines. India presented a major problem since its creditworthiness, and the need to limit our exposure to our four main borrowers to about 30 percent, indicated IBRD lending levels to India of about \$1 billion a year. If India was also limited to 30 percent of IDA funds in FY83 and beyond, this would mean a declining nominal level of overall lending to India. It would be hard to sustain the IDA lending to India at even the 30 percent level if IDA lending to China in FY84 was to be \$300 million and other needs met.

The proposed IDA allocations also showed a decline in the share of Sub-Saharan Africa from 36 percent in FY83 to 31 percent in FY84. This assumed that Zimbabwe and Zambia would be phased out of IDA in FY84. Thus Zambia, like Bolivia, would not be eligible for IDA, although they were still not creditworthy for Bank lending. The limited IDA funds available in FY84 would also make it difficult for us to respond to policy initiatives from countries who needed additional funds to support restructuring efforts. We might expect such initiatives from Ethiopia and Togo. It was agreed that these were all very difficult problems, and Mr. Stern asked members to let him know any suggestions they might have for dealing with them.

Annual Meeting-- African and Latin American Caucuses

Mr. Thahane said that the African governors seemed likely to agree to change the format of the African Caucus to a meeting prior to the Annual Meeting where a special topic would be discussed. It was agreed that the follow-up to the Sub-Saharan Africa report would be an appropriate topic for next year. A paper on this would be prepared by Operations and would be ready about June. It was noted that the Latin American Caucus would not be held in future.

Board Working Committees

Mr. Thahane reported on the present stage of his consultation with Board members on the membership of working committees. He would distribute a revised list to members of the Committee.

Discussion of Board procedures

Mr. Thahane said that the ad hoc group of Executive Directors, which had been discussing Board procedures, had decided that no new committees were needed and that the present arrangements for different kinds of Board meetings provided sufficient flexibility. The critical question Directors had discussed was how they could take part in the formulation of policies at an earlier stage in a way in which neither the Directors nor the management became committed to a particular position. It was clear that reaching agreement on the Directors' involvement in the budget process would be very difficult. However, members of the ad hoc group had felt that Directors could be encouraged to raise more policy issues on the basis of analysis in the President's Reports and raise fewer points on the micro issues, which could be dealt with outside Board meetings. It had also been suggested that sectoral review papers provided a good opportunity for policy discussions by the Board. Mr. Clausen noted that the question of management/Board relations would be discussed at the meeting of the Senior Management Council on December 17.

Mr. Qureshi's Visit to Japan

Mr. Qureshi said that his discussions in Tokyo had left him with the impression that in fundamental terms the Japanese economy was strong. Inflation was low, productivity continued to increase and there was a surplus in the balance of payments. The Ministry of Finance and other government officials were generally happy with their relations with the Bank and the current directions of Bank policy. Our Yen borrowing program in FY83 might slightly exceed the \$320 billion Yen which was planned.

Mr. Clausen's Visit to Yugoslavia

Mr. Clausen said that while in Yugoslavia he had visited four republics and had discussions with the federal government. He was impressed by the common awareness of Yugoslavia's problems and what

needed to be done, shared between the governments of the republics and the central government. The need for a greater export orientation combined with an effort to constrain consumption, which meant a lower standard of living in the short-term, seemed to be accepted by all. There was a determination to service foreign debt and to take strenuous measures to have a current account surplus next year. We had indicated that we felt that the projected surplus of \$50 million for FY84 was somewhat optimistic. In general, he felt that Yugoslavia had made a number of necessary changes, was now moving in the right direction and needed help to do so. A structural adjustment loan was being discussed. In further discussion, it was noted that one of the problems of Yugoslavia's system was that it could only respond slowly to changed circumstances. It would, therefore, take some time for its problems to be resolved.

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WBG ARCHIVES

Managing Committee

CONFIDENTIAL

December 1, 1982

Record: December 7, 1982

FROM: ^{WHL} William S. Humphrey

SUBJECT: Minutes of November 29, 1982 Meeting

Members Present: E. Stern, M. Benjenk, A. Krueger,
T. Thahane.

Members Absent: A.W. Clausen, M.A. Qureshi, M. Paijmans.

Also Present: H. Scott, R. Southworth.

Summary of Committee Action

The Committee approved the draft graduation paper on Uruguay subject to amendments to take account of points made in discussion.

1. Uruguay Graduation

Attending: W. Baum, J. Parmar, E. Lerdau, H. Vergin, B. Waide,
S. Kapur, P. Scherer, J. Johnson.

Documentation

1.1 Memo (Stern) November 15, 1982 OPS/MC82-39: "Uruguay Graduation Paper" with draft Board paper.

Discussion

It was noted that Uruguay had floated its currency over the weekend. This could result in an effective devaluation of up 30-40%. The paper would be amended to take account of this. In the GNP per capita calculations in the paper, the exchange rate had already been discounted by 25%, so the likely depreciation might not make too much difference. However, this should be checked. The Committee then discussed the broader question of whether, given the economic difficulties faced by Uruguay, a case for graduation had been made. It was noted that we owed the Board a paper since Uruguay's recorded per capita income in 1980 exceeded the graduation threshold set by the Board. However to avoid any misunderstanding it was agreed that it should be made clear in a cover note to the Board paper that lending levels to Uruguay were being maintained in nominal terms with no cutback in project preparation. This stance would be maintained at least until the further review in 1985. There followed a discussion on whether Board consideration of the paper should be postponed so that it could be considered with the Yugoslav paper which was being delayed because of acute economic problems in Yugoslavia. It was agreed that a decision on this should await the return of Messrs. Clausen and Chauffournier who were now in Yugoslavia.

Committee
Action

The Committee approved the draft paper subject to amendments to take account of the points made in discussion.

2. Minutes of November 15, 1982

Committee
Action

Amended and approved.

3. Other Business

Mr. Clausen's
Visit to
Norway

Mr. Benjenk said that Mr. Clausen's visit to Norway had gone well. Norwegian leaders had expressed strong support for IDA 7.

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WBG ARCHIVES

Managing CommitteeCONFIDENTIAL

November 17, 1982

Record: December 1, 1982FROM: ^{WHT} William S. HumphreySUBJECT: Minutes of November 15, 1982 MeetingMembers Present: A.W. Clausen, E. Stern, M. Benjenk,
A. Krueger, M. Paijmans, T. Thahane.

Members Absent: M.A. Qureshi.

Also Present: H. Scott, R. Southworth.

Summary of Committee Action

At its meeting the Committee (a) authorised the distribution of the draft Task Force report on the future of EDI for further discussion within the Bank and IFC, (b) agreed that instructions should be sought from the Chairman of the Development Committee on the extension of the Secretary's contract and (c) agreed that a donation be made to the George Woods Memorial Fund at Columbia University.

1. Minutes of November 8, 1982 MeetingCommittee
tion

Approved.

2. The Future of EDI

Attending: S. Husain, J. Burki and T. Duer

Presentation

Mr. Husain outlined the main findings of the Task Force on the Future of EDI which he had chaired. He described the evolution of EDI since it was set up in 1955. Extensive discussions both inside and outside the Bank indicated that although EDI had responded to changing circumstances, it had not adapted rapidly enough. Priorities had developed ad hoc and there was little meaningful dialogue between the Bank and EDI. There was a feeling that EDI lacked sufficient intellectual vigour. All this added up to a general consensus that the orientation of EDI had to change so that it could have a more significant developmental impact. After analysing the options the Task Force had concluded that EDI's activities should in future focus on three main objectives. First it should devote more resources to high level policy seminars. Second, it should assist developing countries in expanding and improving their institutions for training and be more involved in the training of trainers. This would be the main emphasis for EDI's training activities outside the least developed countries. Third, EDI's "retail" training should concentrate increasingly on the least developed countries with a special emphasis on sub-Saharan Africa. Access to these courses for middle income countries would be gradually phased out over a five-year period.

If these objectives were implemented over the five-year period FY84-89 there would be a growth in EDI's annual budget of approximately 7.3% per annum in real terms - from \$13 million now to \$19-20 million in FY89. If partial cost recovery for the middle-income countries were started in FY87 the growth in the Bank's share might be reduced to 3.7% per annum over the period. Mr. Husain then went on to discuss where EDI should be placed within the Bank's organization. The Task Force had felt it was important to strengthen EDI's organic links with the Bank. He outlined the advantages and disadvantages of leaving EDI linked with the External Relations Complex, linking it with Economics and Research and linking it with Operations.

Discussion

In discussion the excellent work of the Task Force was recognized and it was agreed that EDI's programs indeed needed to be reoriented and its links to the rest of the Bank strengthened. Some concern was raised on the extent to which one-to-one training would be phased out for middle-income countries with the possible loss of the cross-fertilization between course-members and the value of having directly trained EDI graduates in key positions in the administration of countries. The question of how we related our lending for training institutions to EDI support was also raised. It was clearly important that the activities should be complementary. EDI might in future act as the executing agent for funds made available under loans and credits. While there was no basic disagreement expressed with the proposed objectives for EDI, the Committee felt that it should not endorse them until there had been an opportunity for the report to be studied in detail by a wide range of those concerned in the Bank and IFC.

Committee
Action

It was agreed that the report of the Task Force, excluding any recommendations on the organizational location of EDI, should be distributed to Managing Committee members for further distribution within their complexes. Task Force members would then meet with appropriate groups within the complexes to discuss the report and make any amendments considered desirable before returning again to the Managing Committee. (Action responsibility: Mr. Husain.)

3. Information Resource Strategic Plan

Attending: M. Ray

Documentation

3.1 Paper (IRMD) November 9, 1982 PAD/MC82-53: Proposal to Develop an Information Resource Strategic Plan.

Presentation

Mr. Ray outlined the proposal for developing an information resource strategic plan which had been authorized by the Managing Committee in June. The task was now to develop the plan using two teams of selected staff from the Bank and IFC, one to study the need for information systems and the other to examine the need for office

automation support. The design of the system should primarily be determined by its users in order to ensure that the near and long-term information needs of the Bank Group were met.

Discussion

The question of the Managing Committee's role at this stage was raised. It was emphasized that the commitment and involvement of top management was needed in order to insure full cooperation with the project. The presentation had also been designed to help the Managing Committee understand in more detail what was planned. It was also noted that any information system designed for the Bank needed to take special account of our role in receiving large amounts of statistical information on the economies of our members and adapting it for use in both country and global economic analysis.

Committee
Action

The Committee noted the progress being made by IRMD in developing a strategic plan for which a mandate had been given earlier.

4. Extension of Contract of Secretary to the Development Committee

Presentation

Mr. Benjenk said that the present letter of appointment for the Secretary of the Development Committee expired on January 2, 1983. The Secretary was an elected official of the Development Committee and we had received no indication from the Committee on what they wish to do. He suggested that under these circumstances the new Chairman of the Development Committee be sent a cable signed jointly by Messrs. Clausen and de Larosiere asking for instructions on what we should do. The most appropriate action would appear to be to extend the term by six months to give the Development Committee a chance at its next meeting to decide what action it wished to take.

Discussion

In discussion it was noted that the formal action of the Development Committee in electing a secretary did not specify a term. The two-year term had appeared in the Bank's appointment letters since originally two years was the initial life of the Development Committee. Since it would be inappropriate for the Bank and the IMF to appear to influence the Development Committee's decision it would be preferable for the cable to suggest to the Chairman that the term could be extended by six months, two years or without a term.

Committee
Action

The Committee agreed that a cable from Messrs. Clausen and de Larosiere should be sent to the Chairman of the Development Committee seeking instructions on the extension of the Secretary's contract. (Action responsibility: Mr. Benjenk.)

5. Increasing Resource Flows

Documentation

5.1 Memo (Stern) November 12, 1982 OPS/MC82-38: Increasing Resource Flows.

resentation

Mr. Stern noted the need for us to be more flexible in our lending policies at a critical time when the developing countries are experiencing increasing difficulty in obtaining external capital while we are having problems in implementing a growing lending program. There was relatively little scope for accelerating disbursements on existing projects. Even if we were able to adopt all the approaches outlined in his note, they would only begin to have a major impact in FY84 and 85. All of the approaches would generate some controversy at the Board. However, even though the financial impact would mainly be later, making proposals now would demonstrate that we were concerned about meeting very critical problems faced by many of our borrowers.

Discussion

In discussion it was suggested that since the circumstances of different countries varied all the approaches outlined might be needed. There was considerable discussion on whether Board approval for the proposals should be sought in the form of a recommended policy package or whether they should be introduced on a case-by-case basis as suitable loans emerged. It was noted that the policy issues involved in increasing our share of project costs, supplemental financing and an increased flexibility in non-project lending would inspire a policy discussion the first time a case was presented. This tended to support the package approach which would also make it more obvious that the Bank's Management was making a significant effort to respond to immediate needs. Mr. Stern said that he would now discuss the possible approaches further within the Bank in order to formulate more precise recommendations.

6. Other Business

FY83 Program

Mr. Stern said that it now seemed possible that we would get close to our lending objectives for FY83 provided we were prepared to make some major increases in country lending programs to compensate for shortfalls elsewhere. These would include a major increase for Brazil from \$950 million to about \$1.3-1.4 billion, an increase in Bank lending to India to about \$1.25 billion and doing two rather than one project in Hungary for a total of \$200 million. The increases for Brazil and Hungary raised significant issues which would have to be faced when the time for the final decisions arrived.

George Woods Memorial

Mr. Benjenk reported that Mrs. George Woods had donated her husband's papers to Columbia University. She had also donated \$10,000 for a memorial fund. If the fund reached \$50,000, the University would set aside a room to house the papers and other material as a memorial to Mr. Woods. The Committee agreed that the Bank should donate \$10-20,000 to the fund but that we should stipulate that Bank staff should have access to the papers relating to Mr. Woods' years at the World Bank.

McNamara
Fellowships

Mr. Benjenk reported that we now had \$2.9 million in contributions from countries to the McNamara Fellowship Fund. Unfortunately none of them have yet paid in any cash despite repeated reminders. Thus the only funds now available for Fellowships was the interest on the Bank's contribution of \$1 million. What we now needed was a breakthrough in the Part I countries and he suggested that Mr. Clausen take the matter up with the Nordic countries both through their Executive Director and on his forthcoming visit to Norway. We also had to submit to the Board a short list of names from which a selection panel could be chosen. It was agreed that Mr. Benjenk would be the appropriate representative of Management on that list. It was therefore felt that the presentation of candidates for fellowships to the selection panel would be most appropriately done by the Director of EDI. It was noted that interest in the Fellowships is very great and EDI had received 3000 inquiries. For this year EDI was bearing the administrative load on their existing budget but next year explicit budgetary provision would have to be made. Eventually the expenses of administering the Fellowship Program could be borne out of the income of the endowment itself.

Membership
of Board
Committees

There was a discussion of the appropriate membership of Board Committees on the basis of a list distributed by Mr. Thahane at the meeting - SEC/MC82-34. Management's preferences for membership were agreed.

Breakfast
Meeting with
Department
Directors

It was reported that the general reaction to the Breakfast Meeting with Department Directors had been very favorable. It was suggested that at the next meeting a special topic might be selected for a more focused discussion. It was agreed that such meetings should be held about twice a year.

WDR - Team

Ms. Krueger announced that she had appointed Ms. Nancy Birdsall as the Team Leader for next year's WDR whose major focus would be population.

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November 11, 1982

Record: November 15, 1982

Managing Committee

FROM: *WJK*
William S. Humphrey

SUBJECT: Minutes of November 8, 1982 Meeting

Members Present: A.W. Clausen, E. Stern, M.A. Qureshi,
M. Benjenk, A. Krueger, M. Paijmans,
T. Thahane.

Also Present: H. Scott, R. Southworth.

Summary of Committee Action

During its meeting the Committee (a) accepted the recommendation of the Korea CPP, (b) approved the revised Board paper on "Cofinancing with Commercial Banks" and (c) amended and approved the Board memorandum on loan charges including a reduction of the front-end fee of a half percent.

1. Minutes of November 1, 1982 Meeting

Committee
Action

Approved.

2. Korea - CPP

Attending: S. Husain, G. Gabriel, M. Weiner, H. Wuttke, S. Kirmani,
E. Jaycox, H. Vergin, S. Chernick, P. Hasan, G. Flood,
M. Schrenk.

Documentation

- 2.1 Memo (Waide) November 1, 1982 OPS/MC82-34: Korea CPP with attachments.
- 2.2 Memo (Jaycox) November 1, 1982 OPS/MC82-35: Korea CPP - Managing Committee Review.

Presentation

Mr. Husain said that Korea was one of the Bank's larger borrowers and an example of very successful economic development. However the economy had run into difficulties in the later 1970s and parts of Korea's economic strategy during that period had been misconceived. However recently measures had been taken to have more realistic energy prices, more flexible exchange rates, a more appropriate interest rate policy and some cutback on investment in heavy industry. The Bank's relationship over the years with Korea had been very productive and the quality of the economic dialogue high. The proposed program was relatively modest with IBRD providing about 5% of Korea's external capital requirements. The stress was on sector lending and structural adjustment lending in order to maximize our leverage on policy and to help promote a viable development pattern including a less energy-intensive economy. On debt he noted that the medium and long term debt service ratio was reasonable.

The relatively high level of short-term debt should be seen in the context of Korea's very open economy with much of the short-term debt associated with foreign trade. Korea continued to be a prudent borrower holding regular meetings with its commercial bankers in which we participated.

Discussion

In discussion Korea's generally excellent economic performance and management was recognized. However concern was expressed that too much emphasis was still being given to heavy industry and that interest rate policies were still insufficiently flexible. The level of the real exchange rate was also questioned. Although progress was clearly in the right direction the question was raised whether the Bank was pushing Korea hard enough in these policy areas. In response it was noted that Korea had abandoned directed subsidized credit, was raising interest rate ceilings and in the process of denationalizing the commercial banks. Interest rates would be strongly positive in relation to inflation rates in 1982. On the exchange rate, the level should be judged in relation to export performance although it was recognized that this was also influenced by subsidies for export industries. It was recognized that recent moves to reflate the economy were something of a gamble, but that given Korea's proven track record in economic management we should give them the benefit of the doubt at this stage while monitoring the situation closely. It was also important to monitor closely Korea's debt situation. It was noted that the size of the proposed Korea program was constrained by overall IBRD lending constraints and that if these eased there might be a case for proposing an increase.

Committee
Action

The Committee accepted the recommendations of the CPP subject to close monitoring of economic developments in Korea especially on debt.

3. Cofinancing

Attending: F. Vibert

Documentation

3.1 Memo (Stern) November 5, 1982 OPS/MC82-36: "Cofinancing with Commercial Banks" with draft Board paper.

Discussion

In discussion it was noted that the paper was much improved over the July version. It was suggested that some numbers on commercial bank lending to LDCs and the amounts of cofinancing so far could be added to the background sections of the paper. It was noted that in this version the prorata strip option had been dropped and that borrowers would now be able to choose to try to negotiate a B loan using the Bank's standard rate or a LIBOR related rate for the Bank's portion. It was doubtful whether sufficiently long maturities could be obtained if the Bank's standard rate was used but the fact that the option was

available should diffuse some criticism. The present attitudes of different Board members was then noted and the need for further discussions with individual Executive Directors stressed.

Committee
Action

It was agreed that, subject to the presentational suggestions made, the paper should be distributed to the Executive Directors about ten days after the question and answer paper which would go out this week. Board discussion would then be scheduled for January 11. (Action responsibility: Mr. Stern.)

4. Review of Loan Charges

Attending: J. Wood

Documentation

4.4 Memo (Qureshi) November 5, 1982 FIS/MC82-65: Review of IBRD Lending Charges.

Discussion

In discussion it was agreed that the paper should review loan charges against the explicit need to have a stable and growing net income rather than putting the emphasis on comparisons with the projections made in April 1981. The problem of the variation in projections made at different times was raised. It was pointed out that there was little one could do about this by refining the methodology for making projections. The variability arose from the difficulty of projecting movements of interest rates and exchange rates. This variability might be shown by disaggregating the projections. There was considerable discussion on whether the front end fee should be lowered by a quarter percent or half percent and whether the Board should review charges on a quarterly or semi-annual basis. On the one hand the uncertainties surrounding the projections pointed in the direction of a smaller reduction with the more frequent review. On the other hand with many borrowers facing great economic difficulties now, there was a case for the larger reduction which appeared warranted by the level of net income now projected for FY83. If necessary this reduction could be reversed in future although it was noted that this would face problems at the Board where some members were expecting a rapid phase out of the front-end fee. There would also be advantages in having the Board review lending charges only semi-annually to avoid its becoming a constant preoccupation. It was agreed that the paper should be extended to cover IDA charges with a recommendation that these not be changed at the present time.

Committee
Action

After considering the arguments on both sides the Committee agreed that the front end fee should be reduced by a half percent to be effective on all loans where the invitation to negotiate was issued after the Board decision in December. The draft Board paper was approved subject to the amendments agreed during the discussion. (Action responsibility: Mr. Qureshi.)

5. Other Business

Special Representative for IDA

Mr. Clausen announced that Mr. Andre de Lattre would be appointed Special Representative for IDA reporting to Mr. Qureshi. He would be starting full time on January 1, 1983.

Board Committees

There was some discussion of the possible membership of Board committees. It was agreed that Mr. Thahane should circulate a list of suggestions so that Board members could be spoken to by management before they express their preferences.

Debt Reporting

Mrs. Krueger reported on the discussions with the IMF on debt information. She said that the IMF was being cooperative on supplying us with information but that there were unresolved problems on confidentiality which restricted the way we could use it.

Book by Melvin Krause

Mrs. Krueger drew attention to a recently published book by Melvin Krause which was basically an attack on development aid especially concessional aid. Since the book had better analytical and intellectual underpinnings than many attacks of this kind, she suggested that ERS be given an opportunity to review any response the Bank might make to it.

k Immunity from US Tax Legislation

Mr. Scott said that we had successfully obtained exemption from the new requirement in the US that tax be withheld from interest to bond holders. Our agent, the Federal Reserve Bank, would not be required to withhold tax on interest to US bondholders. There was also a new requirement that the agent bank report to the Internal Revenue Service interest paid to bondholders. There was a legal case for immunity from this provision although we would not normally press the issue. However the case was complicated by the Asian Development Bank who were also involved and had refused in the past to turn over information on salaries to the Philippine Government.

World Bank News

Mr. Stern noted that the new Weekly News Letter, described in Mr. Benjenk's memorandum of November 1, 1982, should be cleared in draft with sufficiently senior managers in order to insure the correct emphasis in the case of sensitive subjects.

IDA Special Fund

Mr. Stern said that Italy and the Nordic countries appear to be giving up their push for free-standing projects to be financed under the IDA Special Fund. France had not yet been persuaded but he hoped to settle the matter soon on the basis that there should be no free-standing projects financed from the Special Fund.

FY83 Lending Program

Mr. Stern noted that he was examining ways of compensating in FY83 for the major reductions in a number of Latin American lending programs together with short-falls in Romania and possibly Turkey. This could

involve, among other things, a major increase to Brazil. This would be a policy decision on which he would return to the Committee.

IMF

Mr. Stern reported that the IMF had reached agreement with Bangladesh and appeared to be near agreement with Romania, Argentina and Mexico.

International
Investment
Code

There was some discussion of what the Bank should be doing to promote a possible international investment code. It was agreed that it was difficult for us to take an initiative and that it was probably better for us to concentrate for the present on the Multilateral Investment Insurance Scheme. If that materialized then we would look into the international investment code further.

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Managing Committee

CONFIDENTIAL

November 2, 1982

Record: November 8, 1982

FROM: ^{wst} William S. Humphrey

SUBJECT: Minutes of November 1, 1982 Meeting

Members Present: E. Stern, M.A. Qureshi, M. Benjenk,
A. Krueger, M. Paijmans, T. Thahane.

Members Absent: A.W. Clausen.

Also Present: H. Scott, R. Southworth.

Summary of Committee Action

At its meeting the Committee (a) approved the paper "An Approach to IDA 7" for distribution to the IDA Deputies subject to a number of amendments, (b) approved the announcement to managers on a Revised Operational Travel Policy and (c) approved the PMD response to the Staff Association's Report on the Status of Women in the Bank to be used in further discussions with staff.

1. Minutes of October 25, 1982 Meeting

Approved.

Committee
ion

2. An Approach to IDA 7

Attending: P. Mistry, K. Ikram

Documentation

2.1 Memo (Qureshi) October 27, 1982 FIS/MC82-63: An Approach to IDA 7 with draft paper prepared for IDA Deputies.

Discussion

The discussion focused on how the paper should address the size of the replenishment, how to establish criteria for differentiated lending term, the relationship between harder IDA terms and blending and the nature of a possible trigger mechanism. It was noted that we had received clear indications that the United States, the United Kingdom and Germany would not welcome a discussion of the size of the replenishment at the forthcoming meeting. Despite this Mr. Qureshi said that he felt strongly that it would be tactically wrong to postpone a discussion of the size of the replenishment especially since the first meeting was not a decision making meeting and it was important that the major issues should be raised. In addition the discussion of appropriate terms and conditions for IDA lending had to be linked to possible replenishment volumes since it was important to demonstrate that hardening the terms would increase the overall size of resource transfers. After some discussion the Committee agreed that the size of the replenishment should be discussed in the paper and that the passages dealing with IDA's requirements should be strengthened. This could be done by stressing that merely maintaining

the levels of IDA 6 in real terms would be inadequate since it would not take account of the premature graduation of some countries due to shortages in IDA 6, the greater needs for external financing to permit structural adjustments in eligible borrowing countries and the needs of China. In discussing the criteria for differentiated lending terms, it was agreed that it would probably be best to stick to two categories because of the difficulty of agreeing on appropriate benchmarks. The use of the proportion of GDP accounted for by manufactures as an indicator in addition to per capita income was questioned. It was agreed that the discussion of indicators should be made more general and refer only to per capita income and creditworthiness without attempting to define the latter further. Since interest rates were falling it was important for the paper to note that the rates assumed in the two alternative examples were illustrative and in the final analysis would depend on what appeared appropriate at the time agreement on replenishment was reached. Concern was expressed that the discussion of blending might lead readers to infer that harder IDA terms was a substitute for IBRD lending. Since this was not intended, the paper could give less prominence to the blending discussion and make clear that, as today, the amount IBRD lending would continue to be determined on creditworthiness grounds with the amount of non-Bank funds a residual constrained by overall availability. Finally in discussing trigger mechanisms it was noted that these would be difficult to incorporate in legal agreements. The treatment in the paper was generally supported with stress on exceptional cases where borrowers register very rapid "windfall type" gains.

Committee
Action

Subject to the changes outlined above, the Committee approved the paper for distribution to the IDA Deputies. (Action responsibility: Mr. Qureshi.)

3. Proposed Revised Operational Travel Policy

Documentation

3.1 Paper (Cosgrove) October 27, 1982 PAD/MC82-49: Proposed Revised Operational Travel Policy

Presentation

Mr. Paijmans said that the draft announcement to senior managers was intended to be low key. It also permitted the Director of Administrative Services to classify countries in zone B if flights from the duty station were insufficiently frequent. Since the policy would not be announced until December 15 it was proposed it should not become effective till February 1 to avoid the administrative burden of altering travel plans for January.

Discussion &
Committee
Action

Subject to a minor presentational suggestion the Committee approved the draft announcement to senior managers and the new effective date of February 1, 1983. (Action responsibility: Mr. Paijmans.)

4. Status of Women in the Bank

Attending: G. Kaji

Documentation 4.1 Paper (PMD) October 27, 1982 PAD/MC82-50: Staff Association's 1981 Report on the Status of Women in the Bank.

Discussion The discussion focused on the issue of upward mobility from the support levels to higher levels. It was important to continue to stress to staff that given the differing job requirements and qualifications, there should be no presumption that promotion from support levels to higher levels was a normal part of career progress. It was also noted that if the statistics in the Staff Association's Report were adjusted for age distribution and if comparisons were made with countries other than the US because of our nationality mix, then the Bank's record might look better.

Committee Action The Committee approved the PMD response to the Staff Association's Report to be used in further discussions with staff. (Action responsibility: Mr. Paijmans.)

5. Department Directors Breakfast

Documentation 5.1 Memo (Humphrey) October 29, 1982 EXC/MC82-14: Department Directors Breakfast - Revised List of Points to be Included in Opening Remarks.

Discussion and Committee Action The Committee agreed that the list be shortened to include (i) Collegial Management, Internal Communications and Managerial Support of Institutional Goals, (ii) IDA 7 and (iii) IBRD Lending Levels. (Action responsibility: Mr. Humphrey.)

6. Other Business

Proposed Commercial Banking Institute Mr. Stern reported on a meeting he had attended in New York the previous week with high level representatives of thirty major banks who represented the bulk of commercial bank lending to LDC's. As a result of an earlier meeting, a working group had sketched out a proposal for an institute which banks lending to developing countries on their own account could join. The institute would collect information on the debt and economic policies of major borrowing countries. It would also provide a forum where groups of commercial bankers could meet with LDC borrowers for discussions. It was not yet clear precisely what kind of data the staff of the institute would collect for what purpose and what sort of reports would be provided. It was generally agreed that the institute would provide information rather than recommendations. However its assessments would include a look at longer-term developments. It was proposed to locate the institute in Washington in order to be close to the IMF and the Bank. A Board of Directors of Twenty was proposed with weighted voting.

Banks with \$15 billion of exposure in LDC's would constitute more than half the Board. Mr. Stern said that he had welcomed the proposal which he hoped would give senior officials at commercial banks a longer-term horizon on developments in borrowing countries and thereby help to reduce destabilizing movements of funds triggered by short-term liquidity problems.

FY83 Lending

Mr. Stern noted that we were continuing to have difficulties with our FY83 lending program. It now appeared that Romania would probably not wish to borrow in FY83 with the possible exception of one project and our lending programs in a number of Latin American countries were very uncertain. Any shortfall in FY83 would make more difficult our task in justifying higher levels in FY84 and beyond.

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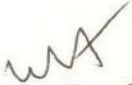
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Managing Committee

CONFIDENTIAL

October 26, 1982

Record: November 1, 1982

FROM:  William S. Humphrey

SUBJECT: Minutes of October 25, 1982 Meeting

Members Present: E. Stern, M.A. Qureshi, M. Benjenk,
A. Krueger, M. Paijmans, T. Thahane.

Members Absent: A.W. Clausen.

Also Present: H. Scott, R. Southworth.

Summary of Committee Action

During the meeting the Committee (a) accepted the Financial Report for September 1982, (b) agreed with proposals to help ensure statistical consistency between the Atlas, Annual Report and World Development Report, (c) agreed that work should begin on papers on the concepts of the Bank as lender of last resort and criteria for concessionality in lending.

1. Minutes of October 18, 1982 Meeting

Committee
Action

Approved.

2. Financial Report for September 1982

Documentation

2.1 Monthly Financial Report to the Managing Committee for September 1982 FIS/MC82-62.

Presentation

Mr. Qureshi noted that the relatively high level of net income for the first quarter should not be projected throughout the year since the spreads at which we invested our borrowed funds had been unusually high and were now lower. A paper on loan charges was being prepared for Managing Committee discussion in December and Board consideration in early January which would contain projections of net income and recommendations on the front end fee. As of today it looked as though the lending rate might come down by about 75 basis points on January 1. On borrowing he noted that the program was a little ahead of schedule. The rates on the short-term borrowing program had been very favorable and had been helped by the statement that the Bank was an instrumentality of member governments including the United States. We had underestimated the critical mass needed in the market for the discount note program which had led to a concentration in the shorter maturities in order to maintain a market presence within the authorized short-term borrowing limit. Disbursements were rather slow, although internally progress was being made in reducing the time taken to act on disbursement requests. The main problem lay in the conditions facing many borrowers especially where capital investment was slowing down due to lack of local currency resources. He thought we should

look at ways in which we could help alleviate this constraint. Capital subscriptions were slow but coming in a little faster than forecast in the budget. Japan had now made its release. On IDA, waivers had been received from the United Kingdom and Italy. We had not collected US\$700 million available from the US on the existing continuing resolution since the Administration was looking for ways to increase the amount to the promised \$945 million.

Committee
Action

The Committee accepted the financial report.

3. Statistical Consistency in Bank Publications

Documentation

3.1 Memo (Krueger) Statistical Consistency in Bank Publications ERS/MC82-5.

Presentation

Mrs. Krueger said that to freeze the data file annually was a first step in achieving greater statistical consistency in Bank publications. However much more would need to be done to insure greater statistical consistency and common definitions in a wide range of Bank documents.

Discussion

It was clarified that the publications referred to were the Annual Report, the World Development Report and the Atlas. The task of achieving greater consistency and standardization in country economic reports - including those to be published - was being considered by a working group chaired by John Holsen. This work should continue and be expanded beyond the two standardized tables already agreed. It was also noted that the Board had been promised a seminar on the methodology for calculating per capita income guidelines and that a paper on this would be prepared.

Committee
Action

The Committee agreed to the proposal for a frozen data file to achieve greater consistency especially between the Annual Report, World Development Report and Atlas. Work should also continue on the broader front including that on standardized tables for economic reports and the methodology for calculating per capita income guidelines. (Action responsibility: Mr. Stern, Mrs. Krueger.)

4. Other Business

Issues for
Next IDA
Deputies
Meeting

Mr. Qureshi said that a draft paper for the IDA Deputies covering IDA requirements and possible terms and conditions would be circulated to the Committee during the week. He would not be attempting to get decisions from the Deputies at this meeting but wanted to put these issues on the table for people to consider. Although he had been advised by key donors not to say anything at this stage on the size of IDA 7, he felt that it was necessary to do so since one could not talk of possible terms and conditions sensibly without some overall amounts in mind. The MC paper would also include the time frame for dealing with other IDA issues.

IBRD Lending Levels

Mr. Qureshi noted that the Finance Complex is also preparing a paper on how to obtain some upward flexibility in the \$60 billion five-year lending limit. The proposal would be to link it to selective capital increases recognizing that a general capital increase would be needed five or six years from now. He was particularly interested in the judgment of the Committee on whether this was politically the best approach. In discussion it was noted that a critical issue would be whether the US would accept that they should take a selective increase in order to maintain their 20% voting position and whether agreement for this could be obtained from the other countries.

GATT Meeting Background Paper

Mrs. Krueger said that since Mr. Clausen would be making a speech to the GATT ministerial meeting the analytical work previously contemplated to produce a background paper for the meeting was now being directed into producing a speech with some analytical content. There would therefore not be a separate background paper.

Trade Mark Problem

Mr. Scott said that we had recently confronted a trade mark problem with an organization called "The World Bank Chamber of Commerce" which was appealing for venture capital. We had sought the help of outside counsel to get the organization to change its name with little success until the US Postal Service had also challenged its right to use such a name. We have now been told that the organization is changing its name.

Attitude Survey I - Institutional Issues

Jane Pratt, Christopher Bam and Spiros Voyadzis were designated to be the contact people in Operations, Finance and External Relations for consultation with the Personnel Department on the broad institutional issues arising from the action plans on attitude survey I.

World Bank - H Building

From a number of alternative designs, the Committee selected the style of sign to be used outside the H Building.

Location of Print Shop

Mr. Paijmans said he had sent the paper on the location of the print shop back for further work. The proposal would come to the Managing Committee in about a month. The major problem was that the print shop could not remain in its present location due to health hazards and the need to accommodate more up-to-date equipment. If the main facility was moved elsewhere, he fully recognized that some printing capacity had to remain close by. If the whole operation remained in the main complex or close to it, then some other unit would have to move elsewhere.

Papers on "The Bank as Lender of Last Resort" and "Concessionality"

Mr. Stern said that recent discussions at the Board had indicated that we needed to do some more work on the concepts of the Bank as lender of last resort and the criteria for determining concessionality in lending. After some discussion it was agreed that a small group convened under the auspices of the Country Policy Department and including representatives from Legal, Finance and Economics and Research should produce first an approach paper on the Bank as Lender

of Last Resort which could be discussed, with the aim of producing a final paper for Managing Committee and Board discussion about three months hence. The paper on Concessionality would take a little longer - perhaps, six months - with some aspects probably requiring research over an even longer time frame. Once again the Country Policy Department should convene a working group with representatives from Finance, Economic & Research and External Relations to produce in the first instance a draft outline. (Action responsibility: Mr. Stern.)

Department
Directors
Breakfast -
November 11

In discussing the format for the Department Directors breakfast on November 11, it was agreed that since it was important to allow enough time for questions on a wide range of subjects there should be a single opening statement covering the main priorities and issues faced by the institution at the present time. Major points for inclusion in the opening statement were suggested and it was agreed that a draft of main points would be considered by the Managing Committee at its next meeting. (Action responsibility: Mr. Humphrey.)

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Managing Committee

CONFIDENTIAL

October 18, 1982

Record: October 26, 1982

FROM: William S. Humphrey

SUBJECT: Minutes of October 18, 1982 Meeting

Members Present: A.W. Clausen, M.A. Qureshi, E. Stern,
M. Benjenk, A. Krueger, M. Paijmans,
T. Thahane.

Also Present: H. Scott, R. Southworth.

Summary of Committee Action

At its meeting the Committee (a) approved the draft Board paper on Yugoslav graduation subject to presentational suggestions and further discussion with the Government; (b) approved the draft Board paper containing supplementary analysis on Cofinancing with Commercial Banks, subject to suggested amendments and (c) deferred the final decision on the coverage and timing of Attitude Survey II to December 13 when the issues paper on it would be considered.

1. Yugoslavia - Graduation

Attending: R. Chaufournier, W. Baum, A. Karaosmanoglu, B. Waide, H. Vergin, R. Chopra.

Documentation

1.1 Memo (Stern) September 29, 1982 OPS/MC82-31: Yugoslavia - Graduation paper (draft Board paper attached).

Presentation

Mr. Chaufournier noted that the paper was designed to inform the Board of the Yugoslav graduation process not to seek their approval of it. Due to the problems now facing the Yugoslav economy we were trying to be as flexible as possible within the parameters of the graduation policy. Thus the levels of lending in current dollars for the period FY84-88 would be maintained at approximately the same levels as FY79-83. A review would be made at the mid-point of the five-year period to consider if there was a case for extending the phase out period beyond 1988 due to a deterioration in the economic environment for reasons outside Yugoslav control. There would now be further discussions with the Government after which the paper would be finalized for distribution to the Executive Directors. Mr. Stern added that this paper, along with a graduation paper on Uruguay which he expected would be distributed to the Board at the same time, would be the first graduation papers to be considered by the Executive Directors. The description of the program had been kept reasonably general and the paper had been drafted to give the management as much flexibility as possible.

Discussion

In discussion it was agreed that the paper made a persuasive case for permitting Yugoslavia the full five-year phase out period at the lending levels recommended. It was noted that the mid-point review should take place even in the unlikely event that circumstances were more favorable than expected, to see if there was a case for shortening the phase-out period. A number of presentational suggestions were made including the need to emphasize debt management and structure in addition to liquidity problems when discussing creditworthiness and to show IFC's activities as a more integral part of the graduation process. It should be made clearer in the summary that the targetted annual lending levels were subject to adequate economic performance and to agreement on appropriate project and sector loans. Finally the reference to three staff years of non-reimbursable technical assistance should be made less specific.

Committee
Action

Subject to the presentational suggestions and further discussion with Government, the Committee approved the draft Board paper. (Action responsibility: Mr. Stern.)

2. Minutes of October 4 Meeting

Committee
Action

Amended and approved.

3. Cofinancing with Commercial Banks

Attending: F. Vibert

Documentation

3.1 Draft Board Paper (SVPOP), October 15, 1982 OPS/MC82-33:
Cofinancing with Commercial Banks - Supplementary Analysis.

Discussion

In general the Committee felt that the paper provided good answers to most of the questions arising from the meeting of the Committee of the Whole of the Board. The main discussion focused on the issue of rescheduling and exemptions which the Bank might wish to seek in the context of a syndication agreement. It was felt that the paper should be more direct in its statement that the Bank would not be prepared to reschedule its portion of a syndicated loan and that we would have to seek exemption from mandatory requirements in a syndication agreement to exercise remedies such as prematuring a loan under certain circumstances. It was also generally agreed that it would be unrealistic and probably undesirable for the Bank to try to secure for itself within each B loan a veto power on decision-making affecting the exercise of remedies. In addition it was suggested that the paper could usefully refer to staff discussions with the regulatory authorities in a number of countries about exempting the loans cofinanced with the Bank from country ceilings imposed by national authorities.

Committee
Action

It was agreed that the paper should be amended in the light of the Committee's discussion and distributed to the Executive Directors, probably in early November. A second paper incorporating revised recommendations would be prepared and considered by the Committee in early November prior to Board distribution. (Action responsibility: Mr. Stern.)

4. Attitude Survey I and II

Documentation

4.1 Paper (VPA) October 5, 1982 PAD/MC82-47: Completion of Feedback for Survey I. Planning for Survey II.

Presentation

Mr. Paijmans said that he had already asked Vice Presidents and Department Directors to separate the broad institutional issues from their specific action plans in order that these could be analysed by the Personnel Department, in consultation with representatives of the major functional areas, so that they could be subsequently dealt with by the Managing Committee. He also was proposing a timetable for the next attitude survey.

Discussion

The discussion focused on whether the next survey should be on a sample basis - say one-third of staff, how far the scope of the questions should be changed and whether the exercise should be postponed by about six months to allow more time for the action plans of the first survey to bear some fruit. While there was general support for a six-month postponement, the issues of coverage - both of subject matter and numbers of staff participating - were less clear.

Committee
Action

It was agreed that these matters should be covered in the issues paper scheduled to be considered by the Managing Committee on December 13. (Action responsibility: Mr. Paijmans.)

5. Other Business

Mr. Stern's
Trip to
East Africa,
North Yemen
and Paris

Mr. Stern said that his recent visit to Kenya, Rwanda and Burundi left him with a clear perception that we tended to understate the crisis these countries are in and that we had not pushed as hard as we should on the need for measures to curb population growth. All three countries were doing too little about population growth which would rapidly result in unsustainable population levels. In Kenya he had been very impressed by our Agricultural Extension Project but many of our other agricultural projects were in difficulties partly because of poor design. He had gone on from East Africa to North Yemen where he had been most impressed by the rapid progress made since 1970 when Yemen had begun a modern development effort. The management of the economy and the capacity of the senior officials was of a very high standard. Yemen relied heavily on Bank advice and made good use of it. In Paris he had attended a meeting organized by the French Finance Ministry and the Center for External Trade along with five

other Vice Presidents from the Bank. This was a very useful, well attended meeting, where 350 to 400 senior officers of French industrial organizations, banks and consultancy firms focused on the work of the Bank and how they could get more business through our activities.

Tanzanian
Overdues

Mr. Stern reported that Mr. Wapenhans had reached agreement with the Tanzanian Government on the repayment of overdue service payments in three instalments. The first had come in on time. The second was delayed but was scheduled to come in on October 21st along with the third payment. Tanzania would then have paid off all overdues in excess of 30 days. Assuming payments came in on October 21, we would lift our disbursement suspension.

Mr. Benjenk's
trip to China

Mr. Benjenk reported on his first visit to China where he had had meetings with the Finance Minister and his officials and with the Ministry of Foreign Affairs. He had also delivered a lecture at the Institute of International Studies. The Finance Minister had indicated satisfaction with relations with the Bank. It appeared that China intended to be an active member, especially in the negotiations for IDA where they would use their influence to push for an adequate size replenishment and also an appropriate share for China. Appreciation had been expressed for the work of EDI and for the fact that we were now working on a large number of projects. He had been impressed by the level of living standards, even in poor urban areas. The only problems raised with him by the authorities were related to the language on Taiwan in bidding documents and the references to Taiwan in the Bank Atlas.

Travel
Policy

The Committee agreed that the announcement of modifications to the Travel Policy should be postponed to mid-December so that they would not precede any Congressional Committee Hearings in the post-election session relevant to Bank or IDA funding. The modifications would still come into effect on January 1, 1983 as agreed earlier.

IDA: Board
Paper on
Arrangements
for FY84
Contributions

Mr. Qureshi said that he was not expecting any difficulty at the Board discussion of this paper although the Japanese would probably say that they would have preferred the resolution to go to the Board of Governors. He had had some discussions with those likely to channel contributions through the Special Fund, led by Mr. Miller of Canada, on the procurement aspects of the use of Special Fund monies. There was a concern on the part of these countries that the symbolic act of excluding the US from procurement might become submerged in the procurement processes of the Bank. He had persuaded them that it was not possible to have a unique set of projects financed from the Special Fund and had reserved further discussion until he had had a chance to discuss the matter further with Mr. Stern. He did not expect these countries to raise the matter when the Executive Directors discussed the paper and he therefore intended to discuss the procurement issue with the Special Fund countries after the resolution had been adopted by the Board.

Forming
Executive
Directors
on Managing
Committee
Travel

Mr. Clausen reminded Members of the need to inform the relevant Executive Directors appropriately about travel plans involving their countries.

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WBG ARCHIVES

Managing Committee

CONFIDENTIAL

October 5, 1982

Record: October 19, 1982

FROM: ^{with} William S. Humphrey

SUBJECT: Minutes of October 4, 1982 Meeting

Members Present: A.W. Clausen, M.A. Qureshi, A. Krueger,
M. Paijmans, T. T. Thahane.

Also Present: H. Scott, R. Southworth.

Members Absent: E. Stern, M. Benjenk.

Summary of Committee Action

During its meeting the Committee (a) modified and accepted the new format for the monthly financial report, (b) modified and accepted the outline of the orientation program for the new Board subject to further consultations with the main speakers and (c) agreed on the next steps in responding to the Board discussions of the paper on Cofinancing with Commercial Banks.

1. Minutes of September 27 Meeting

Committee
Action

Approved.

2. Financial Report for August 1982

Attending: C. Bam

Documentation

2.1 Monthly Financial Report to the Managing Committee for August 1982 FIS/MC82-60.

Presentation

Mr. Qureshi drew attention to the new format for the report which was designed to highlight figures of interest to the Managing Committee. He then drew attention to the main elements in the report and asked for comments both on format and substance.

Discussion

The format was generally felt to be a great improvement over earlier reports and a number of suggestions were made for further modifications. It was noted that it would be important this year to manage the net income figure which in turn would require the financial report to contain periodic revised forecasts for the year. At present net income was running ahead of the budget forecast. The slower than forecast disbursements were noted as being partly due to the impact of economic difficulties in a number of large borrowing countries which led to the cutback of investment programs and a shortage of counterpart funds. These difficulties were also causing us to lose some projects in the Banks FY83 lending program. It was important at a time when Management had pushed for an increase to \$11.2 billion of

Bank lending in FY83 and was seeking to raise the notional \$60 billion ceiling, that we did not have a major shortfall in Bank lending in FY83. Finally it was noted that the ultimate objective should be to develop a data system which was basically designed to provide the information needed by managers at lower levels to perform their day-to-day management functions. Reports for higher level management would then be produced by creaming off the relevant information from the basic information system. Work was in hand to develop systems of this kind.

Committee
Action

The Committee accepted the new reporting format with some suggested modifications.

3. Orientation of New Board Members

Documentation

3.1 Memo (Thahane) September 30, 1982 SEC/MC82-27: Orientation Program for Executive Directors.

Presentation

Mr. Thahane outlined the main features of the proposed orientation which was designed to meet the special needs of a year when there were a much larger than usual number of new Board members.

Discussion

A number of modifications in the coverage were suggested and agreed. In addition there was discussion of possible chairmen for the three Board committees - Joint Audit, Directors Administrative Matters and Staff Compensation.

Committee
Action

The Committee accepted the general outline of the orientation subject to the suggested modifications in content. Mr. Thahane would consult further with the proposed speakers. He was also asked to report back to the Committee in mid-November on the status of selecting chairmen for the three Board committees. (Action responsibility: Mr. Thahane.)

4. Topics for Department Directors Meeting - November 11, 1982

Documentation

4.1 Memo (Koelle) September 30, 1982 EXR/MC82-18: Plans and Agenda for the Breakfast Meeting Hosted by Mr. Clausen for Department Directors.

Discussion

It was noted that it was too early to decide precisely what matters should be covered in the opening remarks to the breakfast meeting. However, it was suggested that in addition to Mr. Clausen brief remarks should be made by Messrs. Stern, Qureshi, Paijmans and Mrs. Krueger.

Other Business

Cofinancing
with Com-
mercial Banks

Both Messrs. Clausen and Qureshi said that they were surprised by some of the negative reactions of Executive Directors to the cofinancing paper which had been discussed by the Committee of the Whole the

previous week. The tone had seemed very different from discussions with Ministers at Toronto. It was now clear that the proposals would have to be considered by the new Board, probably not before late November or early December. For this meeting there would have to be both technical papers to respond to points raised by Board members and a revised paper containing recommendations which would be more persuasive and leave fewer open questions. There would also have to be intensive one-to-one contacts between the Management and individual Board members to help create a more positive climate. These contacts should start as soon as possible.

Information
Resource
Management

Mr. Paijmans said that in November he would like to arrange a Managing Committee discussion of the Information Resource Management Plan to be introduced by the new Director of the Information Resource Management Department, Mr. Ray. This would be followed early in the new year by a visit to the computing facility.

Redeployment
Exercise

Mr. Paijmans reported that the redeployment exercise had now been virtually completed in a highly successful manner - thanks to great cooperation by all the managers involved in the process. As a result it looked as though there would be only one person who would have to be terminated on the grounds of abolition of office. All agreed that this was a major achievement which should be used to demonstrate the concern of management at all levels in protecting the interests of staff.

ROUTING SLIP		Date Oct. 1, 1982
OFFICE OF THE PRESIDENT		
Name		Room No.
MANAGING COMMITTEE		
✓ Mr. Clausen		
Mr. Qureshi		
Mr. Stern		
Mr. Benjenk		
Mrs. Krueger		
Mr. Paijmans		
Mr. Thahane		
Mr. Scott (by invitation)		
To Handle		Note and File
Appropriate Disposition		Note and Return
Approval		Prepare Reply
Comment		Per Our Conversation
Full Report		Recommendation
Information		Signature
Initial		Send On
Remarks Mr. Paijmans had suggested that the Managing Committee discuss and select topics to be included in Mr. Clausen's opening remarks at the breakfast meeting with Department Directors on November 11. I therefore attach a memo from Mr. Koelle for item 4 of Monday's Agenda.		
From ^{WHT} William S. Humphrey (Extn. 78231)		

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10-4-82

Bill —
you and I need
to talk!
A

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WBG ARCHIVES

Managing Committee

CONFIDENTIAL

September 29, 1982

Record: October 5, 1982

FROM: William S. Humphrey

SUBJECT: Minutes of September 27, 1982 Meeting

Members Present: A.W. Clausen, M.A. Qureshi, M.P. Benjenk,
A. Krueger, M. Paijmans, T.T. Thahane.

Also Present: H. Scott, R. Southworth.

Members Absent: E. Stern.

Summary of Committee Action

During the meeting the Committee (a) agreed that the Managing Committee should approve short-lists for candidates for department director and other selected senior positions according to the proposed framework and (b) agreed that Board consideration of the proposed Principles of Employment should be postponed to permit time to consider and take account of staff comments.

1. Minutes of September 20 Meeting

Approved.

Committee
Action

2. Appointments to Senior Managerial Positions and
Other Selected Positions

Attending: G. Kaji

Documentation

2.1 PMD Paper September 20, 1982 PAD/MC82-45: Appointments to Senior Managerial Positions and Other Selected Positions.

Presentation

Mr. Paijmans outlined the system at present being used for decisions by the Operations Managers Review Group (OMRG) under which lists of candidates prepared by PMD are discussed by all Operations Vice Presidents in order to determine a short list for use by the selecting manager. This system had helped to develop a clear mutual understanding on what senior managers are looking for in particular positions and enable appointments to be made collegially. This helped when subsequent reassignments had to be made. It also permitted frank discussions on individuals. The present proposal was designed to widen the scope of this activity for appointments to senior positions to enable the Managing Committee to perform a similar role to OMRG on a Bankwide basis. Mr. Kaji also noted that PMD had been undertaking some overviews of sectoral staff profiles throughout the Bank. This helped to identify the highflyers including those who needed broader experience to develop their full potential and also identify those in the solid middle ground in order to focus on how one kept this group

motivated and giving their best. It also identified marginal performers. Concluding Mr. Paijmans noted that the rules proposed for the Managing Committee review of candidates was similar to those adopted by OMRG which had worked very well.

Discussion

In discussion the Committee accepted a written suggestion by Mr. Stern that to avoid overloading the Managing Committee at the initial stages of the exercise, Deputy Directors and Assistant Directors should be excluded from Managing Committee review. There was some concern on the observation in the paper that there would be lists that did not include all candidates who might be considered on grounds of qualification alone. However, it was noted that this was designed to enable PMD to do its essential screening job taking account of the multiple objectives of Bank personnel policy and to ensure that the Committee did not receive very lengthy lists. However key tradeoff between highly qualified candidates would be brought to the Committee's attention. In this spirit the Committee accepted the proposed role of PMD in compiling lists. There was also some discussion of the procedure of requiring all shortlisted candidates to be interviewed by the selecting Manager. Although it was recognized that in some cases this could have a demoralizing effect especially for those consistently rejected after interview, the balance of the argument lay with the system proposed since it helped to ensure fairness, openness and an assurance to candidates that they were indeed being considered. It was noted that reassignment posed some special issues and that the stage would probably come when the Managing Committee would also have to constitute itself as a reassignment panel.

Committee
Action

The Committee agreed that it should establish itself as the authorizing body for all department director candidate lists and lists for other selected positions within the framework proposed. It should not, at the present time, consider deputy/assistant director positions

3. Senior Appointments - Restricted Session

Attending: G. Kaji

4. Other Business

Principles of
Employment

Mr. Paijmans reported that there had been extensive staff comments on the Principles of Employment. There was general satisfaction that the exercise was taking place but a feeling that Management was rushing the process too quickly. Other comments which were almost unanimous included concern that the powers of the President to change the rules at will were too extensive and that the tone of the document gave too much weight to Management rights and too little weight to staff rights. The international character of the institution, the discrimination provisions and the definitions of misconduct were also commented on by many. In the light of this he recommended strongly that we not attempt to push the Principles through the Board in October. Rather we should revise the text in the light of staff comments, consult the Staff Association again, have another review by Managing Committee and Senior Management Council, consult the Board

Committee on Staff Compensation and issue a revised text and explanatory memorandum to staff. After final consideration of any additional points made by staff or the Board Committee, the Managing Committee should approve the final text for submission to the Executive Directors. All this would take time but, in his view, was necessary if we were to demonstrate to the staff that we were taking their comments seriously.

The Committee agreed on the need to take the time needed to give proper consideration to staff comments but wondered whether the proposed timetable leading to Board consideration in May 1983 was not somewhat long. Mr. Paijmans agreed that it would be desirable to shorten the period if possible but this would be difficult given the different stages required. (Action responsibility: Mr. Paijmans.)

Investments
in Short-Term
Liabilities
of Commercial
Banks

Mr. Qureshi recalled that we had been seeking to change the limits which determined the percentage of liquid assets we could invest in the short-term paper of commercial banks. Our original proposal had been to exclude from the ratio the investments derived from our securities lending program and our discount note program and to increase the ratio governing other investments from 50% to 75%. The effects of the Mexican crisis and other concerns about commercial bank liquidity had caused the German Government to oppose this proposal and to raise its concerns with the French and the British. The major issue seemed to be the Bank's image. The substance was less of a problem. In meetings with the G-7 a compromise had been reached whereby we would not change the 50% limit but would remove from it deposits of one working day and the investments derived from the discount note program. The combined limit, excluding investments from the discount note program, would be 75%. This was acceptable since it would give us the flexibility we needed.

Discussion
at Senior
Management
Council

Mr. Qureshi reported on what he felt had been an excellent discussion at Friday's Senior Management Council. He and Mr. Benjenk noted the major issues which had emerged from the comments Regional Vice Presidents made on their contacts with delegations in Toronto. For many of our borrowers, the short term situation was desperate and likely to get worse unless there was a significant recovery of the world economy which seemed unlikely. This raised questions of the contingency planning we should be doing in the face of this likely deterioration. Linked to this was the problem of creditworthiness and the fact that we were sometimes not sufficiently abreast of rapid short-term deteriorations in creditworthiness largely because of lack of timely information. Even if we were aware, it was not always clear what our response should be especially if the measures taken by countries to deal with short-term difficulties led to a reduction in our disbursements with no obvious way of substituting anything else in their place. These concerns had led on to a third issue - namely, the need for greater amounts of economic and sector work than presently contemplated in order to help countries grapple with the problems facing them. Finally there appeared to be an increasing number of countries who were seeking our help in difficult negotiations with the IMF including some where the IMF seemed to be expecting countries to

do more than was possible in a short time frame. Some members had suggested that these issues could be usefully discussed at the Wye Seminar. In discussion it was agreed that these were very important matters which merited further consideration. It was also suggested that the Managing Committee might have a constructive post-mortem on the evolution of Mexico's problems and our response to them.

Conference
in Sweden on
Sub-Saharan
African
Report

Mr. Thahane reported on the conference he had attended in Sweden last week organized around Bank's Sub-Saharan African Report with representatives from the Nordic aid agencies and from the African countries. The discussion had been generally constructive and we had managed to deflect hostile criticism. He noted that the Nordic aid agencies were now taking a harder line on introducing some conditions when allocating their funds.

Tanzania -
Letter to
President
Nyerere

Mr. Thahane noted that the Executive Director responsible for Tanzania should be kept abreast of developments. He undertook to do this. Mr. Clausen asked whether it would be useful or appropriate to ask other African leaders to contact President Nyerere to point out the general damage to all borrowers done by Tanzania's failure to make good on its arrears. After some discussion Mr. Benjenk, in Mr. Stern's absence, was asked to check with Mr. Stern on his return to see if any action of this kind was appropriate. (Action responsibility: Messrs. Benjenk, Stern.)

Board Orient-
ion

Mr. Thahane said that a paper proposing an orientation program for the new Board would be distributed for Managing Committee discussion at its next meeting.

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WBG ARCHIVES

CONFIDENTIAL

September 22, 1982

Record: September 28, 1982

Managing Committee

FROM: *W* William S. Humphrey

SUBJECT: Minutes of September 20, 1982 Meeting

Members Present: A.W. Clausen, M.A. Qureshi, E. Stern,
M.P. Benjenk, A. Krueger, M. Paijmans,

Members Absent: T.T. Thahane.

Also Present: R. Southworth

Summary of Committee Action

During the meeting, the Committee (a) approved the proposed system for Performance Planning and Review and Staff Development Planning subject to a well structured introductory consultative process, (b) deferred final action on proposed modifications in the operational travel policy pending further review of some details and (c) accepted recommendations on further action in response to Tanzania's overdue service payments.

1. Minutes of August 30 Meeting.

Committee
Action

Amended and approved.

2. Minutes of September 13 Meeting.

Committee
Action

Approved.

3. Performance Planning and Review and Staff Development Planning

Attending: G. Kaji, E. Elmendorf, J. Waterston

Documentation

3.1 Memo (Paijmans) July 30, 1982 PAD/MC82-38: Performance Planning and Review and Staff Development Planning.

3.2 Paper, September 15, 1982 PAD/MC82-43: Performance Planning and Review Supplemental Paper.

Presentation

Messrs. Paijmans and Kaji outlined the main features of the proposed new system. Mr. Kaji stressed that compared with the present system where work expectations were supposed to be spelled out and generally were not, the new system would help ensure this by requiring managers to identify unit objectives and priorities first against which the objectives of individual staff members could be set. The success of the new system would depend on the ability of managers to set objectives and subsequently the ability of managers and staff to agree on a set of specific objectives for each staff member. He accepted the view of PAC members that a longer consultation period was required to help insure that managers at all levels fully understood what was being proposed and were convinced that the new system would help them

do their job better. However, it was important that this additional period of consultation concentrated on the concepts underlying the new system rather than an unproductive discussion of all the details in it.

Discussion

The Committee accepted the concepts and general framework of the proposed system and the discussion focused on the introductory consultative process and the importance of training managers to understand and operate the new system. The consultation should be carefully structured and should avoid giving any impression that something new was being imposed from the top. In the past we had tended to underestimate the time needed to bring managers at all levels fully on board in support of proposed changes of policy and procedures. Without an adequate consultative and introductory process, the new system would suffer from many of the weaknesses of the present system. It was important that the introduction process should include written materials which were as clearly written as possible with a minimum of bureaucratic language. It would also be advisable to delay the introduction of objective-setting for members of the Senior Management Council to early 1983 in order to link it with the pilot phase of the new system.

Committee
Action

The Committee approved the proposed new system for Performance Planning and Review and Staff Development Planning subject to a well structured introductory consultative process allowing enough time to ensure that the new system was well understood and generally accepted before it started being used. The written materials introducing the new system to staff would be made as clear and understandable as possible. In addition the introduction of objective setting for Senior Management Council members would be delayed until early 1983 to tie into the timetable for the new system. (Action responsibility: Mr. Paijmans.)

4. Proposed Revised Operational Travel Policy

Attending: W. Cosgrove, E. Howie

Documentation

4.1 Paper, September 18, 1982 PAD/MC82-44: Proposed Revised Operational Travel Policy.

Presentation

Mr. Paijmans described the circumstances under which the present travel policy was introduced in 1978. It had been perceived by many staff as an explicit response by Management to US pressure and had led to an erosion of work habits and lack of confidence in Management's concern for staff which in his view was very serious. The proposal to revert to the pre-1978 policy of first class travel for all trips to the long-zone with some tightening in other areas was expected to reduce the number of first class trips and lead to a more efficient use of staff resources.

Discussion

While accepting that the proposed modifications were generally desirable, it was recognized that we could be subject to outside criticism if the changes were perceived as a major increase in staff benefits. It was therefore important that the efficiency aspects be stressed and that the modifications be presented as technical changes

to a general policy of economy class travel. Some questions relating to the definition of zone B and how it related to frequency of flights from Washington were raised. It was agreed that these would be examined further as would the way in which the modifications would be announced to staff.

Committee
Action

While accepting the main recommendations in principle, the Committee deferred final action until the matters mentioned above were resolved. Any financial impact in FY83 of the modifications would be absorbed by units within their existing budgets but budgetary allocations for FY84 would take account of the changes. January 1, 1983 was felt to be a suitable date for the modifications to take effect. (Action responsibility: Mr. Paijmans.)

5. Prospects for Repayment of Tanzanian Debt

Attending: W. Wapenhans

Documentation

5.1 Memorandum September 17, 1982 OPS/MC82-28: Tanzania - Overdue Service Payments.

Presentation

Messrs. Stern and Wapenhans said that the period of overdues on Bank loans to Tanzania was unprecedented for country which was not undergoing a political upheaval. We had suspended on June 14, 1982 when the first overdue payments were 75 days past due. These payments were now 165 days overdue. We had the legal right to declare Tanzania in default at any time but were very anxious to avoid this both because of its impact on our access to the market and because the declaration of default would force us either to renegotiate terms or to premature our loans with little chance of being repaid. Our suspension had not yet had much impact on the economy partly because some of our cofinanciers had been less strict and continued to disburse for some items and partly because not many contracts had yet been cancelled. However cancellations of contracts would now begin to mount and the impact of our action would become more apparent. Under these circumstances Mr. Wapenhans recommended that we take further action to suspend processing of the Dar es Salaam Sewerage and Sanitation Project (due for Board presentation on October 19) and defer the appraisal of a coal engineering project which is scheduled for October 10 as well as all other appraisals. We would further inform the Government that unless all arrears were paid by October 31, 1982 we would (a) defer negotiations of the Mtera Hydro Electric Project, (b) close those project accounts which have been unilaterally kept open for projects under implementation and (c) approve no new contracts for technical assistance and training under existing credits. Economic work, including the mission which is due to review government structural adjustment program later this month would however go forward.

Discussion

Mr. Qureshi noted that the matter was urgent since there would come a point when our auditors might object to our continuing to accrue interest which was overdue. This in turn could force us to declare a default, which we wanted to avoid. There was then some discussion about why Tanzania would resist paying the arrears of \$13 million when

this would release a far higher amount of disbursements. It was suggested that they might want to use the resumption of payments to all creditors as a bargaining tool in negotiating a package of financial assistance with the IMF or that they might regard disbursements on Bank projects as less useful to them at the present time than the free foreign exchange they were saving by not repaying us. It was probably that Mr. Nyerere was receiving conflicting advice on the desirability of resuming repayments from his Cabinet members. Under these circumstances the case for resuming payments to us should be put to him again as soon as possible.

Committee
Action

The Committee accepted the recommendations outlined by Mr. Wapenhans and agreed that an appropriate letter be sent from Mr. Clausen to Mr. Nyerere setting out the reasons why Tanzania should resume repayments and the action we would have to take if they did not. This letter should be accompanied by a visit to Mr. Nyerere by a senior Bank official to discuss the matter directly. (Action responsibility: Mr. Stern.)

6. Other Business

Principles
of Staff
Employment

Messrs. Stern and Paijmans reported that there had been extensive staff reaction to the draft Principles of Staff Employment which had been circulated. Although much of this had been fairly minor in nature there had been general unhappiness about the short period of consultation and a feeling that Management did not really intend to take staff comments seriously. Under these circumstances it might be necessary to abandon the idea of presenting the Principles to the present Board in order to give more time for discussion with staff. However, the decision to delay Board presentation should only be taken once all the comments were in on the present schedule.

Additional
Funding for
Energy

In the light of the Ministerial luncheon in Toronto, Mr. Clausen asked whether there was anything more we should be doing at this stage to try to raise additional resources to finance energy investments. There followed a discussion of the attitudes of different major donors and groups of donors to this question. The motives of different donors who supported some kind of affiliate varied and it was generally felt that any arrangement which would be acceptable to the Bank's Management would be unlikely to attract additional resources without at the same time eroding our ability to raise funds for IDA and increase Bank lending.

Level of
Bank
Lending

Mr. Qureshi noted that a paper was being prepared on the future level of Bank lending which would make a case for raising the \$60 billion ceiling. In this connection Mr. Stern noted that the FY83 lending targets might be difficult to reach due to the major economic problems being encountered by large borrowing countries which entailed cutbacks in public investment program and hence the level of Bank commitments. Redeployment of these funds was not easy given creditworthiness constraints and policies being followed for graduating borrowers.

Attendance of
Managing General
Counsel at
Managing
Committee

It was agreed that Hugh Scott should be asked to attend Managing Committee meetings until the new General Counsel is appointed.

Publications
Policy

In responding to a question on the sales policy for Bank publications, Mr. Benjenk said that now the Publications Department had been established for about a year it would be appropriate for the Managing Committee to review publications policy. A paper would therefore be prepared for discussion. (Action responsibility: Mr. Benjenk.)

Redeployment

Mr. Paijmans said that the redeployment exercise was going well. Of the 50 staff needing redeployment 35 had been placed. It was probable that by the time the exercise is completed well under 10 people would be left unplaced. If this were the case he would probably recommend to the Managing Committee that positions be created for these people in order to be able to avoid any terminations as a result of the exercise.

Senior
Management
Retreat

Mr. Paijmans outlined a program for the Senior Management Retreat at Wye from November 18-20. Details would be distributed to members shortly.

Bank's Income
Aspects

Mr. Qureshi said that most of the necessary clearances had now been received and we would shortly be able to move forward with the short-term discount note program. It looked as though the rate would only be a little above the Treasury note rate and that we would be able to invest the proceeds at a healthy spread. Income from the REPO program also was healthy and the general earnings picture therefore looked good.

Tidewater
Conference
and Group
of Thirty

Mr. Clausen reported briefly on the Tidewater Conference and the meeting of the Group of Thirty which he had attended following the Annual Meetings. At Tidewater there had been interesting discussions of food security and of trade especially on GATT issues. At the Group of Thirty he and Mr. Pollak of the Fund had made presentations. The Group of Thirty were interested in putting out a strong piece in support of multilateral institutions, especially the World Bank.

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September 17, 1982

Record: September 21, 1982

Managing Committee

FROM: Roy Southworth *RS*

SUBJECT: Minutes of September 13, 1982 Meeting

Members Present: A.W. Clausen, M.A. Qureshi, E. Stern,
M.P. Benjenk, A. Krueger, M. Paijmans,
T.T. Thahane.

1. Discussion of the Annual Meetings - 1982

IDA 6 and
Arrangements
for FY84

Mr. Qureshi reported that issues related to the completion of IDA 6 arrangements and funding for FY84 were successfully resolved at the meeting. IDA resources for both FY83 and FY84 will be on the order of \$3.5 billion assuming full appropriation by the US of \$945 million in FY83 and \$1.1 billion in FY84. For FY83, commitment authority for the \$3.3 billion budgeted should be available even if the US appropriated only \$700 million under the Continuing Resolution. Full releases for IDA 6 had been secured from all major donor countries except the US, Germany, Japan, France, and Canada. Germany is still operating under the September agreement and Japan is releasing funds under a relaxed pro-rata formula. France and Canada will provide amounts equivalent to the difference between their pro-rata and full releases for both their second and third installments through the Special Fund in FY83. The report and resolution on the FY84 arrangements will go to the Board by October 31, 1982, after which it will be possible to activate the Special Fund. In addition to France and Canada, four other countries have indicated they will participate in the Special Fund in FY84. The total additional amount that will be contributed by these six countries to the Special Fund will be a little over \$500 million, part of which will be made available by France and Canada in FY83. The actual amount available in FY83 through the Special Fund will depend on the size of the U.S. appropriation. If it is only \$700 million, the Special Fund resources would amount to about \$200 million leaving over \$3.0 billion unrestricted IDA funds for the year. Procurement from the Special Fund resources will be restricted to participants in the Fund, to all Part II donor countries and to countries agreeing to suspend the voting rights they would acquire through contributions to the FY84 Account. Operationally, disbursements under the Special Fund and the administration of procurement will need to be done under a separate legal agreement. The Committee agreed that a letter to the staff on IDA 6 and the arrangements for FY84 should be prepared in addition to the special issue of the Bank's World that will be devoted to the meetings. (Action responsibility: Mr. Benjenk.)

IDA 7

The discussion focused on what could be done to get IDA 7 negotiations moving. It was agreed that Mr. Clausen should see President Reagan in an effort to build US support.

Ministerial
Luncheon

The Committee discussed whether the remarks made at the Ministerial Luncheon by US Treasury Secretary Regan indicated a possible change in US attitude towards the energy affiliate. It was decided that Mr. Clausen would call Secretary Regan to seek clarification. There was also discussion on what the follow-up to the Luncheon should be. It was agreed that the Luncheons should become a regular feature of the annual meetings. Follow-up letters to all those invited this year will be prepared. (Action responsibility: Mr. Benjenk.)

IMF Quota
Subscriptions

The Committee discussed the likely outcome of the Fund's subscription increase. Mr. Qureshi said that the final results are not yet clear but that a 50% increase in subscriptions was likely and that there would be selective changes in the allocation of the quota. He said a paper on quota subscriptions could be prepared by the end of the month. It was noted that the US safety net proposal has confused the debate on the quota increase. The US objective was to have a mechanism to handle a major crisis without increasing funds available to the IMF. There is a feeling among US officials that increased general resources would lead to a softening of conditionality.

Latin
American
Caucus

The Committee discussed the Latin American Caucus and concluded it served no useful purpose. It was agreed that it would no longer take place. (Action responsibility: Mr. Thahane.)

2. Other Business

Cofinancing

It was noted that little opposition to cofinancing surfaced in Toronto. A seminar on cofinancing for the Board is being organized for September 28, 1982 and will be Chaired by Mr. Clausen. Mr. Stern was asked to explain the cofinancing agreement with Belgium at the next meeting. (Action responsibility: Mr. Stern.)

Tanzania

Mr. Stern stated that Tanzania was in danger of defaulting. There has been a two-month delay on payments both to IBRD and IDA and negotiations with the Fund have stalled.

Global
Negotiations

The Committee discussed the status of the proposed global negotiations and their potential effect on the Bretton Woods institutions. It was pointed out that the developing world remains sensitive to the issues surrounding the New Economic Order. The question was raised about what could be done to show that the Bank is flexible and sensitive to the adjustment question. It was felt that the increasing shares held by the developing world will strengthen their influence on the Board. This will help the Bank's credibility with the developing countries but care would have to be exercised to maintain the confidence of the investment community. Ms. Krueger pointed out that trade issues could be used to show Bank flexibility and said that a paper on the effects on developing countries of protectionism in the developed world would be ready in November.

Orientation
for New Board
Members

The Committee discussed the changes on the Board. This year there has been an unusually large turnover in Executive Directors. It was agreed that Mr. Thahane would report on an agenda for the New Board's orientation program. (Action responsibility: Mr. Thahane.)

The Graduation
Process

The Committee agreed that the graduation process needed to be better understood by the staff and Board members especially from Latin America. It was felt that a Bank World interview on graduation would be useful for the staff. The first two Board papers on Uruguay and Yugoslavia would also be good educational tools. It was noted that a Bank's World article could also be based on the papers. (Action responsibility: Mr. Benjenk.)

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Managing Committee

CONFIDENTIAL

September 1, 1982

Record: September 21, 1982

FROM: ^{WWT} William S. Humphrey

SUBJECT: Minutes of August 30, 1982 Meeting

Members Present: A.W. Clausen, M.A. Qureshi, E. Stern,
M.P. Benjenk, M. Paijmans, T.T. Thahane.

Also Present: R. Southworth.

Members Absent: H.B. Chenery.

1. IFC - The Last Five Years' Results and Planning
for the Future

Discussion introduced by Mr. H. A. Wuttke

Attending: J. Kassum

Presentation

Mr. Wuttke described IFC's results for the last five years (see attachments 1 and 1B). He noted that most of the targets in the five-year plan had been achieved or exceeded. However there had been a slight deterioration in the quality of the portfolio and equity investments had been lower. With higher investment volumes, arrearages had increased and, in the last two years particularly, there had been a marked slowing down in disbursements under committed loans. This meant that net investment had grown only slowly in the last two years. These problems arose largely because of the external environment of rising oil prices, inflation and falling commodity prices which in turn had meant sluggish growth, payments imbalances and the reluctance of companies to invest. Nonetheless, IFC remained financially strong and now had the important additional asset of better trained staff and a very high "esprit de corps".

Mr. Wuttke then outlined the plan for 1984-88. (See attachments 2 to 5.) The new plan was based on the assumption that the requirements for productive investments in developing countries would be large. In addition to its financial contribution, IFC had the project development, appraisal and technical skills to be able to provide increased levels of assistance in close association with the World Bank. The plan assumed that FY83 would continue to be a difficult one for the global economy but that economic growth would resume in FY84. It made the, perhaps, optimistic assumption that balance of payments burdens and debt servicing problems would stabilize and that the investment climate would improve. He noted the plan's major objectives and quantitative targets as shown in attachments 2 and 3. He then went on to describe the plan's cumulative five-year investment by sector and region (attachments 4A and 4B) and also the rationale

for the proposed capital increase (attachment 5.) He added that IFC was now thinking in terms of a capital increase of \$750 million to be paid in over four years beginning in FY85. In addition IFC planned to borrow about \$315 million a year from IBRD and others. Amongst the negative financial implications of future activities, he noted that IFC's non-earning services were increasing and that it would probably be necessary to raise the general provision against loan losses from 2% to 2-1/2% of disbursed loans. IFC's lending spread would also probably have to be reduced to remain competitive with other lenders. IFC's financial position would be helped by increased productivity and a planned increase in project size.

Mr. Wuttke concluded by noting that it had been agreed with Mr. Clausen, in consultation with Mr. Qureshi, that IFC should proceed with its long-term plan and seek the proposed capital increase of \$750 million. It was acknowledged that this was the right moment to obtain the necessary support from the U.S. and it was recognized that, in view of the Bank's own capital needs, this would inevitably lead to the Bank and IFC discussing and securing capital increases over the same period. IFC's long-term plan would be considered by the new Board of Directors after November 1, 1982.

Discussion

The discussion centered on a number of aspects of IFC's future program. The nature of IFC's new initiatives in oil exploration was considered and it was agreed that there would be further discussions between Mr. Stern and Bank staff concerned with oil development to insure a coordinated approach between IBRD and IFC. In discussing the way in which IFC assessed country creditworthiness, it was noted that IFC used IBRD's country risk analyses but took a more conservative approach since it looked particularly at the debt servicing performance of the private sector. There were also country portfolio limits which could not be exceeded. Mr. Wuttke noted that IFC was prepared to participate in debt rescheduling if this was necessary to keep a project with long-term viability alive. Mr. Wuttke informed the Meeting that although IFC and IBRD generally kept each other fully informed on all activities relevant to the other IFC had established new procedures to ensure that this was done as comprehensively as possible. Very close coordination would be needed in future between IFC and the Bank's financial complex to ensure that the two institutions capital raising and borrowing activities did not interfere with each other. Another area which required further discussion between IFC and the Bank was IFC's possible future role in helping governments to privatize existing parastatal corporations. The relations between IFC and the PAD complex were also discussed. There were not many problems here and those that arose tended to be the inevitable result of adapting the policies and procedures suitable for a large organization like the Bank to the much smaller organization of IFC. PAD in its approach to this is trying to be as flexible as possible. Finally, it was noted that IFC's relations with the Board of Directors are good. However the new Board would require educating on the nature of cooperation between IBRD and IFC and it would also be necessary to take steps to alleviate some Board members' concern about IFC's portfolio.

2. Minutes of August 23 Meeting

Committee Approved.
Action

3. Promotion of "IDA in Retrospect"

Attending: F. Vogl, J. Burki, P. Mistry, A. Shakow.

Documentation 3.1 Memo (Vogl) August 23, 1982 EXR/MC82-17: Promotion of "IDA
in Retrospect."

Presentation Mr. Benjenk said that the note which had been distributed was an interim one. Its preparation had been hampered because complete consultation with all concerned had not been possible due to the absence of senior staff on leave. The program was much more comprehensive in the area of media activities than on government and parliamentary contacts which would need to be worked out in more detail in the period ahead. Mr. Vogl noted that he had brought the interim report the Managing Committee at this time because it had been decided to release "IDA in Retrospect" at the time of the Annual Meeting and that there was need to get the attention of the media as close to the release date as possible. Unlike the WDR and the Annual Report, editors would not be familiar with this type of document which would therefore need a far greater promotional effort. He added that the majority of events programmed were ones which would have taken place anyway and the promotion of "IDA in Retrospect" had been grafted on to existing events. The task was now, in each key area, to work out how best to approach the key opinion-formers and decision-takers.

Discussion In discussion it was agreed that the task ahead was to promote what was an excellent report in way that had the maximum influence, especially in the context of the IDA 7 negotiations starting this fall. The Committee endorsed the suggestion that the original steering group of Messrs. Burki, Mistry and Shakow should work with IPA to develop an approach targeted on those who would be most influential in member countries in supporting a satisfactory outcome for IDA 7.

4. Status of Capital Subscriptions and Releases

Attending: G. Gabriel

Documentation 4.1 Memo (Gabriel) August 26, 1982 FIS/MC82-55: GCI Capital
Subscriptions and Releases, Status Report No. 4.

Presentation Mr. Gabriel noted that our efforts to accelerate local currency releases were now in jeopardy because Japan was now unwilling to use its freedom to accelerate its releases unless others followed and France was also pulling back because of general economic difficulties. If these countries did not release it would be very difficult to persuade Germany to do so. He also noted that Brazil had agreed to release the full amount of its local currency subscription tied to procurement in Brazil by third countries under Bank loans.

Discussion

It was agreed that contacts with Ministers at the Annual Meeting should be used to help accelerate local currency releases. It was noted that one year after the beginning of the subscription period for GCI capital, only half of what we had expected to come in as lendable funds had been received. This was because we had underestimated the effect on other countries of the US decision to stretch out its subscription over a six-year period.

5. Other Business

McNamara
Fellowship
Fund

Mr. Benjenk suggested that the meeting of the Development Committee could be used to encourage further contributions to the McNamara Fellowship Fund as well as to report on what had already been received. The procedures for identifying suitable universities and candidates were then briefly discussed.

P.A.Committee

Mr. Paijmans reported on a meeting of the Personnel and Administration Committee which had discussed papers on chargeback, financial assistance to staff, operational travel policy and "Performance Planning in Review." Proposals on chargeback would only come to the Managing Committee after specific proposals for charging units for services not now being charged for had been developed in collaboration with P&B. The review of the program of all types of financial assistance to staff had raised a number of issues. Maintaining parallelism with the IMF in certain cases would be difficult since the IMF philosophy tended to view financial assistance as a staff benefit whereas we regarded it as a means of addressing specific needs. The proposals for revising the travel policy required further discussion by the PAC before being presented to the Managing Committee. Finally the paper on Performance Planning Review which had been distributed to the Managing Committee for consideration on September 13 now needed some further amendment in light of PAC comments designed to insure the fullest possible consultation on the program with staff prior to its introduction. Managing Committee consideration would therefore be delayed by a week or two.

Graduation
Papers

Mr. Stern reported that the Operations Policy Subcommittee had considered graduation papers on Uruguay and Yugoslavia. The substance of the Uruguay paper had already been discussed with the Government. Further discussions with Yugoslavia would now take place. The two papers would come to the Managing Committee for consideration in October or early November prior to distribution to the Executive Directors.

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August 24, 1982

Record: August 30, 1982

Managing Committee

FROM: William S. Humphrey

SUBJECT: Minutes of August 23, 1982 Meeting

Members Present: Messrs. Clausen, Qureshi, Stern, Paijmans,
Thahane.

Also Present: Mr. Southworth.

Members Absent: Messrs. Benjenk, Chenery.

Summary of Committee Action

During the meeting the Committee (a) endorsed the draft Principles of Staff Employment, with minor amendments, as a basis for consultation with staff and subsequent distribution to the Executive Directors, (b) agreed that Western and Arab donor attitudes towards Bank involvement in Lebanese reconstruction should be elicited at Mr. Clausen's Ministerial lunch in Toronto, (c) agreed that a structured orientation program for the new Board should be prepared and (d) agreed that the number of Vice Presidents and Department Directors on individual flights in and out of Toronto should be reduced appropriately.

Opening Comments

Death of
George Woods

Mr. Clausen noted with regret the death of George Woods. It was agreed that Bank should make an appropriate statement and that condolences and sympathy should be extended to the family possibly through a resolution of the Executive Directors. In addition the Bank should make a contribution to a charity nominated by the family. An amount of \$1000.00 might be suitable.

Mexico

Mr. Clausen, after noting that Mexico's major creditor banks had agreed to roll-over principal payments falling due in the next 90 days, said that the banks were asking for our assistance in helping to restore confidence in the face of Mexico's liquidity problems. Since we were about at the point where projected disbursements offset repayments, there was not much more we could do to help in Mexico's cashflow problem. We could however use press conferences scheduled for this week and next to say something positive about Mexico's long-term economic outlook while recognizing that the short-term problems were very difficult and would take some time to resolve. In further discussion it was noted that we should be careful not to give the impression that the Mexican Government had taken all the steps that were needed to resolve its problems. It was also noted that with the present crisis, disbursements under existing Bank projects were likely to be very slow and that we would have to look for ways to shift resources to high priority projects which could disburse reasonably rapidly. This would not be easy. It was also noted that a proposed \$400 million syndication in which IFC was involved would not now be completed.

1. Minutes of August 16 Meeting

Committee
Action

Amended and approved.

2. Principles of Staff Employment

Attending: R. Clarke, T. Asser, E. Meigher

Documentation

2.1 Paper (Compensation Department) August 17, 1982 PAD/MC82-41: Principles of Staff Employment with draft documents and attachments.

Presentation

Mr. Clarke said that following the Management Committee discussion of the draft Principles on May 3, a small number of minor changes were made as a result both of the MC discussion and further discussions with representatives of the Staff Association who were members of the original working group. The revised draft was then discussed with the Board Committee on Staff Compensation Issues. The Staff Association had made representations to the Board Committee that the Principles should include both the right to associate and explicit reference to the essential rights of staff. Most members of the Board Committee agreed that the right to associate should be incorporated. This had now been done in a way which did not imply any obligation by Management to recognize the existing Staff Association nor the right of staff for collective bargaining. Reference to the essential rights of staff had been excluded from the body of the Principles but the view of the Administrative Tribunal that elements of conditions of employment are fundamental and essential in the balance of rights and duties of staff members had been noted in the introduction. The view of some members of the Board Committee that a body should be established to review termination cases before they are finalized was resisted by Management representatives on the grounds that it was not necessary given the redress mechanisms already in place to which explicit reference was made in the draft Principles. He did not believe that Board members would continue to press for this at the present time. Subject to any further amendments by the Managing Committee, the next step would be to seek staff comments through the Management chain with the aim of getting a paper to the Board for discussion in the second half of October.

Discussion

After agreeing on some further minor amendments to the text of the Principles, the Committee discussed the process by which staff comments should be elicited. It was agreed that Directors and Division Chiefs would need to be thoroughly briefed on the background and on why certain suggestions by the Staff Association were not acceptable. Managers would then be responsible for leading discussions in their units after all staff had received copies of the Principles along with a brief explanatory memorandum. Comments would be fed back through the Management chain. The process together with the draft Principles would also be discussed briefly at the August 27 meeting of the Senior Management Council. It was also agreed that the question of membership in the Staff Association of the Bank's senior manager should be discussed at a future meeting of the Managing Committee.

Committee
Action

The Committee endorsed the draft Principles of Staff Employment, with minor amendments, as a basis for consultation with the staff and subsequent submission to the Executive Directors for consideration in late October. (Action Responsibility: Mr. Paijmans.)

3. Other Business

Reconstruction
in Lebanon

Mr. Stern said that a cable had been received from Mr. Atallah, President for the Council for Reconstruction and Development in Lebanon asking for a mission to see how the Bank could best assist in financing reconstruction projects. In addition the US Administration, through USAID, had met with us to urge the Bank to take the lead in organizing a multilateral reconstruction effort. The US did not seem to expect the Bank to finance either immediate relief efforts which were in hand or make a major contribution to emergency repairs. They did see a need for Bank financing for the larger-scale investments for reconstruction but, more important, wanted the Bank, rather than the US, to take the lead in convening a meeting of possible donors. We had taken the position that it would be inappropriate for the Bank to take a lead role as long as there were occupying forces in Lebanon. This did not mean that all foreign troops would have to be out but that there was a reasonable assumption that withdrawal would take place. We had also felt that the Lebanese would need more assistance in planning appropriate reconstruction investments than did USAID staff. The US representatives had been somewhat unhappy about our insistence on troop withdrawal. We had promised to take soundings in Toronto amongst possible donors and to discuss the matter further with the Lebanese Government. If conditions warranted we would be prepared to send people out to look at the magnitude of the reconstruction needs.

In discussion it was generally agreed that it would be very difficult for the Bank to do much unless Israeli forces pulled back. Security problems, relations with Arab donors, the highly volatile political situation in Lebanon, the need for a credible government and the need to have access to occupied territories all pointed to a cautious approach. It was agreed that both Western and Arab donor attitudes towards Bank participation could be elicited at Mr. Clausen's Ministerial lunch in Toronto. Prior to that Mr. Clausen could discuss the matter with Mr. Donald Regan since the Treasury had not been represented at last week's meeting.

Bank's
Borrowing
Program

Mr. Qureshi reported that financial markets, which had been shaken by the Mexican problem, had strengthened when they saw the action taken to deal with it. The Bank had now borrowed \$2 billion in FY83 which was ahead of target at an interest rate of probably something less than 10.4%.

Board
Discussion of
Investment of
Liquid
Assets in
Commercial
Bank
Obligations

Mr. Qureshi said that recent Board discussion indicated that the Executive Directors did not fully understand the technicalities of our security lending program, its implications for the investment of our liquid holdings and the need to raise the limit on investment in commercial bank obligations from 50% to 75% as a result of our new short-term borrowing program. Management had proposed to exempt the proceeds from the security lending program from the existing 50% limit. Quite separately, as part of the short-term borrowing program,

we had proposed to raise the limit from 50% to 75%. He therefore proposed to organize a seminar for Board members to take them through the technicalities of these matters in a relaxed manner to clear up the confusion which at present existed.

Orientation
of New Board
Members

The preceding item led into a more general discussion of the need to provide more structured orientation for the new Board since the turnover of members would be more than 50%. It was agreed that an orientation program covering all aspects of the Bank's activities should be developed for consideration by the Managing Committee. (Action Responsibility: Mr. Thahane.)

Development
Committee

It was noted that we had not yet heard who the Arab Caucus had nominated to chair the Development Committee in Toronto.

Air Travel to
Toronto

Mr. Paijmans noted that due to the relatively small number of direct flights in and out of Toronto, large number of senior Bank staff were travelling on some flights. Although insurance coverage could be extended, it was clearly institutionally undesirable to have too many senior managers on individual flights. It was agreed that the numbers of Vice Presidents and Directors on individual flights should be reduced appropriately. (Action Responsibility: Mr. Paijmans.)

IDA Deputies
Meeting,
Toronto

Mr. Qureshi reported that he had indications from the French that they would hold out for the creation of a parallel fund even if no one else was prepared to participate. In addition, the Germans were suggesting that their contribution for FY84 should be limited to 20% of their IDA 6 contribution expressed in SDRs rather than one-third in local currency. He and members of the G6 had indicated to the Germans that this would be counter-productive. He hoped that Canada, who had been unwilling thus far to take a strong position, could use their influence as a host Government and as one sympathetic to the IDA cause to resist any compromises on these issues since any compromise would tend to a compromise downwards. In addition the French could be told that if they were the only ones contributing to a parallel fund, the tied procurement would make it difficult to use. Mr. Clausen might usefully make these points to the Canadian Finance Minister who would be in Washington later this week.

Swiss Member-
ship of IBRD
and IDA

Mr. Clausen noted that the Swiss Parliament was now considering membership of the Bank and IDA. This was an added reason for scheduling a visit for him to Switzerland early next year.

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FEB 16 2017

WBG ARCHIVES

CONFIDENTIAL

August 17, 1982

Record: August 23, 1982

Managing Committee

FROM: ^{wmt} William S. Humphrey

SUBJECT: Minutes of August 16, 1982 Meeting

Members Present: Messrs. Clausen, Qureshi, Stern, Thahane.

Also Present: Mr. Southworth.

Members Absent: Messrs. Benjenk, Chenery, Paijmans.

Summary of Committee Action

The Committee agreed that the possibility of changing the style and format of the meeting between the African Caucus and Mr. Clausen for next year's Annual Meeting should be explored and that Executive Directors representing Latin American countries should be asked to ascertain whether there was sufficient ministerial interest to hold a meeting between the Latin American Caucus and Mr. Clausen this year.

1. Minutes of August 9 Meeting

Committee
Action Amended and approved.

2. Budget Implementation Guide for FY83

Documentation

2.1 Guidelines (Vergin) August 1982 FIS/MC82-54: Budget Implementation Guide for FY83

Discussion

Mr. Stern said that he had originally asked for this item to be included on the agenda because he had thought that the guidelines as issued indicated a major change in budget philosophy. He had been concerned that the temporary restrictions on the authority of units to transfer funds from one expenditure category to another within their budget ceilings imposed as an ad hoc measure last year had become a permanent feature of the system. However a subsequent discussion with Mr. Qureshi had indicated that this may not have been the intention. Mr. Qureshi confirmed this and it was agreed that after the appropriate staff had returned, the matter would be clarified. If it were not a matter of budget philosophy it would not need to come to the Managing Committee.

3. 1982 Annual Meeting in Toronto

Discussion

Mr. Clausen said that it was not yet clear how many Finance Ministers would accept his invitation to an informal lunch at the time of the Annual Meeting. Mr. Stern added that he had indicated to the relevant Executive Directors that the subjects for discussion at the lunch would be IDA 7, future IBRD lending levels and energy. The possible attendance should be clearer by the end of the week. It was agreed that it would be useful to make such a lunch a regular feature of Annual Meetings.

Mr. Thahane then touched on a number of matters relating to the Annual Meeting including disagreements between the Federal, Provincial and City Governments on the hosting of certain events and the conference being sponsored by the University of Toronto at the same time as the Annual Meeting on "The Global Impact of the International Monetary Fund and The World Bank."

Mr. Clausen's scheduled meetings with the Latin American and African Caucuses were then discussed. It was noted that last year no Ministers had attended the Latin American Caucus which indicated rather little interest in it especially since most of the Ministers of the major countries had separate meetings with Mr. Clausen. It was therefore agreed that the Executive Directors representing the Latin American countries should be asked whether there was interest in having a meeting this year; if not, it could be cancelled. It was also agreed that for future years it would be useful to change the format of the African Caucus to help promote a real exchange of views rather than having it a formal and symbolic occasion. Mr. Thahane would explore the possibilities of doing this. (Action Responsibility: Mr. Thahane.)

4. Other Business

IDA Commitment Authority

Messrs. Qureshi and Stern reported that IDA's currently available commitment authority was about SDRs 91 million. Most IDA Credits already approved had been signed. Future approvals would be made on a contingent basis and not be signed for the time being to avoid anomalies which might arise if the SDRs 91 million were allocated entirely on a first-come-first-served basis. Mr. Stern said that the IDA allocation for China for FY84 would need to be determined in the context of the lending allocation exercise later this year. It was noted that a possible approach would be to exclude the approximately \$1 billion of US IDA 6 contributions which would be made available in FY84 and provide China with about 15% of the new contributions available in that year. This might involve significant reallocations from other countries depending on the strength of the overall China lending program and the need to maintain an appropriate blend.

IFC Capital Increase

Mr. Clausen noted that IFC was thinking about a possible \$1 billion capital increase. He would be meeting with Mr. Wuttke along with Mr. Qureshi later in the week to discuss this in the context of the Bank's future capital increase to insure that IFC capital raising activity did not interfere with the Bank's next GCI. It was possible that a smaller capital increase would be sufficient for IFC's needs.

IMF Financing

The comparison of gross and net flows to current Bank/IDA borrowers and IMF users circulated by Mr. Stern (OPS/MC82-25) dated August 9, 1982, was noted. It was further noted that the dramatic expansion of Fund activity in 1982 could create future problems if the IMF was not prepared to refinance the repayments when they fell due. Mr. Clausen suggested that periodic informal meetings between himself and Mr. de Larosiere along with Messrs. Dale, Stern and Qureshi would be useful to discuss issues of this kind.

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FEB 16 2017

Managing Committee

WBG ARCHIVES

CONFIDENTIAL

August 11, 1982

Record: August 16, 1982

FROM: ^{Vks} Roy Southworth for William S. Humphrey

SUBJECT: Minutes of August 9, 1982 Meeting

Members Present: Messrs. Clausen, Qureshi, Stern, Chenery,
Thahane.

Members Absent: Messrs. Benjenk, Paijmans.

Summary of Committee Action

During the meeting the Committee (a) approved two draft papers, "IDA's Resource Position for FY83" and "Measures for Augmenting IDA's Commitment Authority in FY84," for consideration at the next meeting of the IDA Deputies, (b) approved progress reporting format for the Management Efficiency Improvement Program and (c) decided to schedule a discussion on the future of the Bank Atlas.

1. Minutes of July 12 Meeting

Approved.

Committee
Action

2. IDA Resources for FY83 and FY84

2.1 Memo (Rotberg) August 5, 1982 FIS/MC82-51 and 52: IDA's Resource Position for FY83 and Measures for Augmenting IDA's Commitment Authority in FY84.

Documentation

Presentation

Mr. Qureshi said that the objective of the papers was to obtain the IDA Deputies' approval of a mechanism for providing IDA with additional Commitment Authority in FY84 and as a byproduct, secure the remaining releases for FY82 and FY83. At the last meeting in The Hague, the Deputies generally agreed that an attempt should be made to provide additional resources for IDA in FY84 to bring the levels near the annual average originally envisaged under IDA 6. Two different mechanisms for achieving the desired level, the FY84 account and the Parallel Fund, were singled out as meriting further consideration. Mr. Qureshi noted that several Deputies felt a unified approach should be developed. In recognition of the many similarities between the two proposals, Management was asked to consider ways in which they might be linked and to explore the possibility of donors adopting a common position for FY84. Mr. Qureshi said that while our preference was clearly for the FY84 account it was inevitable that the Parallel Fund would receive support from several donors in the upcoming meeting. The paper and draft resolution have been designed to take this into account by allowing donors a measure of flexibility in their actions. While a unified position is important, it is more important that the donors have alternatives that would allow them to take firm decisions in order to secure final action in September on Commitment Authority for FY84.

Discussion

The discussion began by focusing on the incentives to donors for participation in the FY84 account as opposed to the Parallel Fund. Additional voting rights in conjunction with contributions to the FY84 account were cited as the major incentive. Since the parallel fund would be separate from IDA's regular operations, no additional votes would be provided for contributions to the fund. The discussion then turned to the chances of approval for a unified approach to FY84 Commitment Authority. Japan's "relaxed" pro-rata arrangement where the difference between the modified pro-rata IDA 6 contributions (in line with the September 1981 agreement) and the originally envisioned contributions would go to the parallel account was described as having the best prospects. However, it was reiterated that the most likely outcome would be a combination of the FY84 account and the Parallel Fund. Concern was expressed about the difficulty of managing the procurement aspects of the Parallel Fund if there were only a few participants. In response it was argued that the cost associated with these factors were far outweighed by the benefits of clearing up IDA 6 and getting on with discussions of IDA 7. After further discussion it was agreed that this concern would be noted in the Paper. It was also suggested that the draft paper be amended to reflect management's desire to have IDA 7 negotiations completed by the time of the 1983 annual meeting instead of calendar year 1983. Such timing would also better match the US legislative calendar and enable other donors to process legislation in time.

Committee
Action

The Committee approved the draft paper as amended above for distribution to the IDA Deputies. (Action Responsibility: Mr. Mistry.)

3. Management Efficiency Improvement Program

Attending: R. Lynn

Documentation

3.1 Memo (Lynn) July 29, 1982 PAD/MC82-40: Management Efficiency Improvement Program - July 1982 Status Report.

Presentation

Mr. Lynn said the report summarizes progress on the 56 projects covered by the program over the past quarter and the year as a whole. It also introduces 11 new projects for FY83. He explained that progress has been generally satisfactory, noting that two-thirds of the projects were either ahead of or on schedule. Of the remaining one-third all but one reported some progress. Most delays were caused by greater complexity than originally anticipated or competing work priorities. Mr. Lynn pointed out instances of real dollar savings, the major reorganizations of DPS/CPS, and the formation of the Information Resource Management as significant accomplishments. He felt, however, that the program's sights could be set higher. Most projects are directed at a given department, vice-presidency or functional complex and not at Bank as a whole. Still, about 60% of these limited projects could have greater impact if the "lessons learned" were extended to other areas. Mr. Lynn also identified the lack of resource estimates (in terms of time and manpower) and quantifiable benefits as a weakness in many projects. He concluded by asking Committee members to continue identifying projects,

particularly those of Bank-wide interest and to encourage their staff to quantify estimates of resource needs and results wherever possible. He also asked the Committee to approve the reporting format which included quarterly, semi-annual written progress reports.

Discussion

The Committee was generally satisfied with the reported progress. Aside from the real improvements in Bank performance, it was also felt that the program was helpful in conveying to the staff the importance attached to improved efficiency. Its ultimate goal was to have everyone in the institution, as a part of their daily routine, work on improving efficiency. In this regard it was suggested that some of the successful projects be publicized in the Bank's World.

Committee
Action

The Committee approved the reporting format. (Action Responsibility: Mr. Lynn.)

Other Business

Board Room
Renovations

Mr. Thahane reported that renovations of the Board room would take place during Board recess. The work might not be finished by the time the Board reconvenes in which case the meetings would be held in E1244. He noted that the renovations essentially involved new rugs, draperies, audio-equipment and improvements to the interpreters booths at a total estimated cost of \$30,000.

Cofinancing
Meeting with
Executive
Directors

Mr. Stern reported that the meeting focused largely on technical and disbursement questions. The Executive Directors expressed concern about the risk of default and the likelihood of getting drawn into a loan rescheduling. Mr. Stern explained to the Executive Directors that the Bank's policy of not rescheduling loans would be in no way altered for cofinancing operations in that we would be safeguarded against being drawn into a rescheduling inadvertently. If a situation arose where rescheduling might involve the Bank it would be a policy judgment as to whether the Bank could participate. Mr. Stern also reported that several Executive Directors felt unhappy with the direction the Bank was taking. They felt we were becoming more and more like a commercial bank. Others expressed concern about the number of fundamental changes that the Board was being asked to consider. They felt the pace was too rapid for the careful analysis and deliberations that are required.

IMF/Bank
Relations

Mr. Stern reported that serious economic problems have emerged in several countries where the IMF has greatly expanded its exposure in the past few years under the extended facility. They are now worrying about the creditworthiness in these countries and are in the process of tightening up conditionality. These events may put the Bank at odds with the Fund over our program and the question of conditionality. Mr. Stern listed the countries where problems might arise as Korea, Philippines, Tanzania and Bangladesh.

China

Mr. Qureshi spoke about his recent meetings with the Minister of Finance and other Chinese officials. He noted that Bank relations with China are still good. However, the Chinese expressed concern over their perception that the entire \$400 million earmarked for China would not be forthcoming. In the ensuing discussion, it was noted

that China had received the same message given to all borrowers that there was a possibility that cuts might be required. But China's program has not yet been affected in any way and we have tried to convey that we will make every effort to preserve the original figure. It was decided that Mr. Clausen would offer renewed assurances concerning our intentions when he meets with the Ministers in Toronto.

Bank Atlas

The discussion turned to the need to reconsider the role of the Bank Atlas. It was noted that considerable confusion is generated by the conflicting figures published in the Atlas and the WDR. The differences largely arise from twice-a-year updates in the data. The cost and efficiency of this procedure was questioned and it was decided to put the issue on the Managing Committee Calendar. Mr. Chenery proposed that it be discussed first by the Publications Committee. The proposal was accepted. (Action Responsibility: Mr. Southworth.)

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Managing Committee

FEB 16 2017

WBG ARCHIVES CONFIDENTIAL
July 13, 1982
Record: August 10, 1982

FROM: William S. Humphrey

SUBJECT: Minutes of July 12, 1982 Meeting

Members Present: Messrs. Clausen, Benjenk, Chenery,
Golsong, Paijmans.

Also Present: Messrs. Lafourcade, Southworth.

Members Absent: Messrs. Qureshi, Stern and Thahane.

Summary of Committee Action

During the meeting the Committee (a) approved a draft Board memorandum on the Allocation of FY82 IBRD Net Income and (b) approved a draft Board memorandum on the proposed Multilateral Investment Insurance Agency.

1. Minutes of July 2 Meeting

Approved.

Committee
Action

2. Allocation of FY82 IBRD Net Income

Attending: E. Rotberg and G. Gabriel.

Documentation

2.1 Memo (Rotberg) July 8, 1982 FIS/MC82-48: Allocation of FY82 IBRD Net Income with draft Board memorandum.

Presentation

Mr. Rotberg said that the paper recommended that \$125 million be transferred to IDA from FY82 Net Income. This amount should be used on a "Bank-last" basis. After noting the difficulties of forecasting net income accurately before the end of the fiscal year with a cash flow of about \$10 billion and varying exchange rates, he said that FY82 net income was now firmly estimated at \$597 million. This was unlikely to change further. It had been arrived at after deducting all appropriate expenses. Mr. Gabriel added that a minority on the Finance Subcommittee had felt that there should be no transfer to IDA this year because of the negative reaction of Bank borrowers who had been faced with higher charges to protect the Bank's income.

Discussion

The Committee supported the recommendation of a \$125 million transfer to IDA both on the grounds of IDA's need for funds and because a failure to make the transfer this year might provide unwarranted negative signals to the market on the quality of the Bank's portfolio. It was felt that these factors outweighed the possible negative reaction of Bank borrowers.

Committee
Action

The Committee approved the memorandum for distribution to the Executive Directors. (Action Responsibility: Mr. Rotberg.)

3. Multilateral Investment Insurance Agency

Attending: H. Scott and E. Meigher

Documentation

3.1 Memo (Golsong) July 9, 1982 LEG/MC82-15: Multilateral Investment Insurance Agency with draft Board memorandum.

Presentation

Mr. Golsong said that the Board paper was intended to provide the Executive Directors with the main features of the proposed investment insurance scheme for reactions prior to the Toronto meeting. Assuming the reactions were generally favorable, the discussion on August 10 could be followed by further discussions in Toronto after which more detailed proposals would be drafted for consideration by governments and national agencies. The aim would be to get a detailed scheme back to the Executive Directors for approval by about April 1983. He noted the wide ranging nature of the consultations on the scheme so far with representatives of governments, national insurance agencies and the private sector. Support for the scheme was growing and the only major pockets of resistance appeared to be among the Latin American countries and Algeria. The scheme was designed to be flexible, decentralized and based on the concept of sponsorship. In its present version it did not include cosponsorship by the country in which the investment was located.

Discussion

The discussion focused on the problems related to the Bank, either directly or indirectly, making evaluations of political risk. It was recognized that this would be controversial and would affect our relationship with borrowing countries. At the same time, it was noted that, to be effective, the scheme necessarily implied some kind of country risk assessment associated with the Bank. It was agreed that reference in the Board paper to the use of the Bank's country evaluations in risk assessment should be deleted and that the paper should merely refer more generally to the use of the Bank's expertise. The paper would also make clear that the administrative expenses of the Agency would be met by premium income.

Committee
Action

Subject to the amendments mentioned above the paper was approved for distribution to the Executive Directors for discussion on August 10. (Action Responsibility: Mr. Golsong.)

4. Other Business

Supplementary
Payments to
Japanese
Nationals

Mr. Paijmans reported that, contrary to earlier indications, the problem of supplementary payments to Japanese nationals on the Bank's staff had not yet been resolved. The Government was now proposing to pay into a frozen fund in Japan supplementary payments for eligible Japanese Bank staff who requested them. The funds could be drawn when the staff left the Bank. This was not satisfactory and further consultations were continuing in conjunction with the IMF.

Principles of
Employment

Mr. Paijmans reported that the draft staff Principles of Employment were now being discussed with the Compensation Committee of the Executive Directors. There was general support for the concept but a large number of questions had been raised. Staff Association representatives had met with the Committee and put their view about the need for the Principles to contain the right to associate. Several more sessions would be needed with the Board Committee prior to seeking staff comments through the management chain.

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Managing Committee

FEB 16 2017

WBG ARCHIVE CONFIDENTIAL

July 7, 1982

Record: July 13, 1982

FROM: ^{WSTH} William S. Humphrey

SUBJECT: Minutes of July 2, 1982 Meeting

Members Present: Messrs. Clausen, Qureshi, Benjenk, Chenery,
Golsong, Paijmans.

Also Present: Mr. Lafourcade.

Members Absent: Messrs. Stern and Thahane.

Summary of Committee Action

During the meeting the Committee (a) approved the draft IDA retrospective study and agreed that a paper should be prepared as disseminating its contents, (b) requested that the IBRD income and expenditure figures for FY82 be re-examined and (c) agreed that a paper should be prepared for all staff on the implications of the new IBRD borrowing and lending policies.

1. Minutes of June 21 Meeting

Amended and approved.

Committee
i ion

2. IDA Retrospective Study

Attending: J. Burki, P. Mistry, A. Shakow, and N. Hicks

Documentation

2.1 IDA Retrospective Study June 28, 1982 EXR/MC82-15.

Presentation

Mr. Qureshi said that the document was impressive. The main question now was how to make it suitable for various audiences. Originally it had been intended to say more about the future but comments received during drafting suggested that the report should concentrate on IDA's experiences to date. Mr. Benjenk noted that the end of the report provided a sufficient glimpse into the future. He added that some further editing was now being done. The next steps would be a seminar of the Board on July 20 followed by a full Board discussion on July 27. Thereafter the report would be presented at a press conference at the Annual Meeting followed by press conferences in a number of capitals. Mr. Burki, after noting the large number of people consulted during drafting process - both inside and outside the Bank - said that the report came to four main conclusions. First, IDA lending had been effective in promoting development. Second, in its evolution, IDA had learned by doing. Third, IDA had grown large because of donors' confidence in it. Fourth, despite a major transfer of resources, IDA's task was far from done.

Discussion

In discussion, the authors were congratulated on producing a report which had sufficient criticism of IDA's activities to make it credible to outsiders without losing the general positive tone on IDA's achievements. A number of presentational suggestions were made

especially to avoid misunderstandings by uninformed readers. It was also suggested that the drafting of the sections which dealt with comparisons between Asia and Africa should be looked at again in order to avoid giving the impression that Africa's failure to develop as satisfactorily as Asia was partly the fault of IDA. After some discussion of how the report would be presented to different audiences, it was suggested that a paper should be brought to the Managing Committee in August setting out the strategy for disseminating the report.

Committee
Action

Subject to the drafting suggestions made, the Committee approved the report for discussion by the Executive Directors and agreed that a paper should be prepared on disseminating its contents for consideration by the Committee in August. (Action Responsibility: Mr. Benjenk.)

3. May 1982 Financial Report and Status of Capital
Subscriptions and Releases

Attending: M. Hattori

Documentation

- 3.1 Financial Report for May 1982 FIS/MC82-46 with financial statements.
- 3.2 Memo (Gabriel) June 23, 1982 FIS/MC82-44: GCI Capital Subscriptions and Releases: Status Report No. 3.

Presentation

The major point noted by Mr. Hattori in his presentation was that net income for FY82 was likely to be about \$14 million higher than had been recently forecast. This was because income would be about \$4 million higher and administrative expenses about \$10 million lower than had been anticipated.

Discussion

The discussion centered around why this fairly major change had only become apparent in the last few days. It was felt that there was an urgent need to develop a more accurate forecasting system to avoid surprises of this kind. It was also noted that \$601 million was a very high figure to report as net income for FY82. While the books were still open, income and expenses should be re-examined to see if there were legitimate ways, within the discretion granted to Management under standard accounting principles, to reduce the FY82 net income figure.

Committee
Action

The Committee noted the report and asked that the income and expenditure figures for FY82 be re-examined. (Action Responsibility: Mr. Qureshi.)

4. Other Business

FY83 Computing
Systems Deve-
lopment Fund
June 28, 1982
PAD/MC82-37

In response to a question Mr. Paijmans outlined the proposals contained in his memorandum distributed to the Committee for information and comments by July 9. It was noted that in future priorities for the use of computer time and funds would be initially determined by a committee headed by the Director of the

Information Resource Management Department. Major priority conflicts would be referred to Mr. Paijmans and, if necessary, to the Managing Committee. Mr. Paijmans noted that the Vice Chancellor for Administration of Duke University, Mr. Ray, had just accepted the appointment as Director of the Information Resource Management Department.

Fire Pre-
cautions

In response to a question Mr. Paijmans said that it was not possible to have a full fire drill until the evacuation procedures had been fully explained to staff and the necessary training done. This was under way and he expected that there would be a full drill later in the year.

Variable Rate
Borrowing and
Lending

Mr. Qureshi noted that the Press Conference on the changes in borrowing and lending practices had gone well with the only hostile questions coming from an Indian reporter. The Committee noted that it was important to communicate fully to staff the implications of the Board's recent decision to adopt the proposals for variable rate borrowing and lending. In addition to meetings with operational managers it was agreed that a written communication should go to all staff. (Action Responsibility: Mr. Benjenk.)

IDA Deputies
Meeting

Mr. Qureshi said that Saudi Arabia would not be represented at the meeting in The Hague. He had been authorized to announce at the meeting that Saudi Arabia would release its third installment under IDA 6 without preconditions. However, he would not be able to say anything about their intentions for FY84.

Maryland Col-
lege Tuition

Mr. Golsong noted his memorandum of June 29 to the Managing Committee reporting the US Supreme Court decision that children of G4 visa holders domiciled in Maryland must be treated as in-state students. He hoped that in communicating this to staff, the work of the Bank in helping to secure a favorable decision would be highlighted.

Mr. Chenery's
Visit to China

Mr. Chenery said that he had attended a conference in Peking organized jointly by the Chinese Academy of Social Sciences and Brookings. It was still very difficult for Chinese economists to communicate adequately with their Western colleagues mainly because of the isolation of the profession in China until recently. The Bank's economic report on China had provided some common ground for both sides and was referred to at many points during the meeting as a major reference work on the Chinese economy. It was clear that the Bank had better access to data and to decision-makers in China than other Western agencies and institutions.

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FEB 16 2017

WDC ARCHIVES

Managing Committee

CONFIDENTIAL

June 22, 1982

Record: July 6, 1982

FROM: William S. Humphrey

SUBJECT: Minutes of June 21, 1982 Meeting

Members Present: Messrs. Clausen, Qureshi, Stern, Benjenk,
Golsong, Paijmans, Thahane.

Also Present: Mr. Lafourcade.

Members Absent: Mr. Chenery.

Summary of Committee Action

During the meeting the Committee (a) approved the FY83 Space Plan (b) agreed that statistics on Taiwan should not be included in the WDR and (c) agreed that no Home Currency Option plan should be offered from July 1, 1982.

1. Minutes of June 14 Meeting

Amended and approved.

Committee
A on

2. FY83 Space Plan

Attending: J. Twining and G. Macdonald

Documentation

2.1 Paper June 17, 1982 PAD/MC82-36: FY83 Space Plan.

Presentation

Mr. Paijmans noted that a long-run space plan was being prepared and would come before the Committee in the early fall. The FY83 space plan used the move to the H street building as an opportunity to get a more efficient use of the available space in the short-run. The plan showed where all units would be located by August 1983. 3,100 people would move. The paper also made proposals for the disposition of leased properties. Sub-lets would not be easy since the market for office space in the area had weakened in recent months.

Discussion

In discussion the need for a long-term space plan was noted. However, it was agreed that the move of two Regions to the H building was not likely to be in conflict with anything to be recommended in the long-term plan. Later in the meeting it was noted that the need for long-term space planning was part of a wider need for long-term strategic planning including manpower planning. Such planning should start at the level of individual units and then be integrated into a bank-wide whole.

Committee
Action

The Committee approved the FY83 space plan including the recommendations for the disposition of leased properties. (Action Responsibility: Mr. Paijmans.)

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FEB 16 2017

Managing Committee WBG ARCHIVES

CONFIDENTIAL

June 22, 1982

Record: July 6, 1982

WHA
FROM: William S. Humphrey

SUBJECT: Minutes of June 21, 1982 Meeting
Members Present: Messrs. Clausen, Qureshi, Stern, Benjenk,
Paijmans, Thahane.

Also Present: Mr. Lafourcade.

Members Absent: Mr. Chenery.

Summary of Committee Action

During the meeting the Committee (a) approved the FY83 Space Plan (b) agreed that statistics on Taiwan should not be included in the WDR and (c) agreed that no Home Currency Option plan should be offered from July 1, 1982.

1. Minutes of June 14 Meeting

Committee
Action
Amended and approved.

2. FY83 Space Plan

Attending: J. Twining and G. Macdonald

Documentation
2.1 Paper June 17, 1982 PAD/MC82-36: FY83 Space Plan.

Presentation
Mr. Paijmans noted that a long-run space plan was being prepared and would come before the Committee in the early fall. The FY83 space plan used the move to the H street building as an opportunity to get a more efficient use of the available space in the short-run. The plan showed where all units would be located by August 1983. 3,100 people would move. The paper also made proposals for the disposition of leased properties. Sub-lets would not be easy since the market for office space in the area had weakened in recent months.

Discussion
In discussion the need for a long-term space plan was noted. However, it was agreed that the move of two Regions to the H building was not likely to be in conflict with anything to be recommended in the long-term plan. Later in the meeting it was noted that the need for long-term space planning was part of a wider need for long-term strategic planning including manpower planning. Such planning should start at the level of individual units and then be integrated into a bank-wide whole.

Committee
Action
The Committee approved the FY83 space plan including the recommendations for the disposition of leased properties. (Action Responsibility: Mr. Paijmans.)

3. Other Business

Taiwan (China) in World Bank Reports

Mr. Benjenk recalled that he had previously recommended and the Committee had accepted that the Bank's Annual Report should reflect the views of the majority of the Board on references toward Taiwan and therefore should only refer to Taiwan in the context of indebtedness. However, the WDR, which was a Management document should have more extensive but still minimal references to Taiwan through a technical note referring to the appropriate tables. The strong negative reaction of the Chinese Government to the latter possibility had induced a number of Board members to indicate informally that they would prefer to avoid this becoming a major issue at the Board. If it did, it appeared that the majority would support China. Since it now appeared that the US would not make a major issue of references to Taiwan being excluded from the WDR, he recommended that statistics on Taiwan should be dropped and the WDR should follow the practice of last year by merely noting that statistics on China excluded Taiwan. After some discussion in which it was noted that including statistics on Taiwan would certainly hurt our relations with China, the Committee agreed with this recommendation. (Action Responsibility: Messrs. Stern and Benjenk.)

Development Committee - Executive Secretary

Mr. Clausen said that he would be talking to Mr. de Larosiere about the future arrangements for the Executive Secretary of the Development Committee. Mr. Kastoft's term would be expiring in January and it seemed desirable to have him succeeded by a Bank staff member as Executive Secretary. All agreed that this would be the best outcome but noted that since the Executive Secretary was elected by members of the Development Committee, many of whom might support the concept of an outsider, it might be difficult to achieve.

World Develop- ment Report

Messrs. Stern and Benjenk reported that the draft World Development Report was much improved and would be distributed to the Board shortly. It was agreed that it would be desirable if the leader of the core team for next year's report would be fully capable of providing direction for both Part I and II in order to ensure an integrated product and to avoid some of the problems encountered this year. Messrs. Stern and Benjenk would try to ensure this prior to Ms. Krueger's arrival in September. (Action Responsibility: Messrs. Stern and Benjenk.)

Home Currency Option Scheme

Mr. Paijmans reported that the Technical Committee was still strongly of the view that any home currency option scheme should adjust the base year nominal exchange rates by differential inflation rates. The IMF, while still preferring no scheme, would be prepared to put to their Board any scheme approved by the Bank's Board with the understanding that it would be completely reviewed at the time of the next major compensation review. After some discussion the Committee agreed to accept the IMF position and recommend no scheme at this time with the understanding that the matter would be reexamined at the next major compensation review or earlier if major changes in exchange rates warranted it.

ILM Deputies
Meeting July
5 and 6

Mr. Qureshi reported that at present Saudi Arabia was the only Arab country likely to attend. He was still trying to persuade the UAE to send a delegate.

New Borrowing
Lending Rate
Policy

Mr. Qureshi reported that some support for the new borrowing/lending rate policies amongst Board members appeared to have been eroded slightly by Indian opposition to the scheme. The Committee discussed whether it was appropriate to make the scheme more attractive to Part II countries by setting the rate initially using a notional pool including the last two years' borrowings instead of the last one year as recommended in the paper. This would give a lower initial lending rate. It was noted that a major lowering of the lending rate would give the wrong signal at the present time. Mr. Qureshi promised that the Finance Complex would work out the implications of various formulae.

Voting on Hun-
garian Member-
ship & EDs
Salaries

Mr. Thahane reported that a sufficient number of Governors had now voted on Hungarian membership to ensure approval once the US vote was cast. However voting on the 8.4% increase in salaries for Executive Directors was going more slowly. The US had voted "no".

Administrative
Tribunal

Messrs. Paijmans and Golsong reported that the Administrative Tribunal had upheld the Management on all three termination cases brought before it at its last meeting. In one case however the Tribunal had come to the conclusion that the procedures prior to terminating after a probationary period had not been properly followed and therefore decided to grant compensation of one year's salary.

Salary
Supplements by
Governments

Mr. Paijmans reported that Japan, which was the only Government still providing salary supplements to its nationals on the Bank staff, had now agreed that Bank staff should no longer receive them. Although the legislation in Japan would not be abolished, the Government had agreed that Bank staff should not claim the supplements and that the Bank would be justified in terminating any staff who did.

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June 15, 1982

Record: June 22, 1982

Managing Committee

FROM: ^{WHT} William S. Humphrey

SUBJECT: Minutes of June 14, 1982 Meeting

Members Present: Messrs. Clausen, Qureshi, Stern, Benjenk,
Golsong, Paijmans, Thahane

Also Present: Mr. Lafourcade

Members Absent: Mr. Chenery

Summary of Committee Action

During the Meeting the Committee (a) confirmed that a revised Home Currency Option Scheme should be recommended to the Executive Directors; (b) approved draft papers for distribution to the IDA deputies on the "Special Fund" and on Options for Augmenting IDA's Commitment Authority in FY83-84; (c) agreed to delay submitting present cofinancing proposals to the Executive Directors until more was known on how long it would take to establish a cofinancing subsidiary if it were agreed to be desirable and (d) approved in substance a draft paper on an Energy Financing Facility for distribution to Executive Directors of the Summit countries for a meeting of senior officials in Paris on July 23, 1982.

1. Minutes of June 7 Meeting

Committee
Action Amended and approved.

2. Home Currency Option Scheme

Attending: R. Clarke

Documentation 2.1 Paper June 9, 1982 PAD/MC82-33: Home Currency Option Scheme

Presentation Mr. Paijmans and Mr. Stern supplemented the paper (which had indicated that the Managing Director of the IMF had expressed a strong preference not to provide a scheme at present) by reporting on further discussions with Mr. de Larosiere. While still preferring not to provide a scheme, the Managing Director would be prepared to recommend that his Board accept one, provided the Bank's Board was in favor. However, he doubted whether it was appropriate to adjust the nominal exchange rate by the differential rates of inflation.

Discussion After further discussion on whether adjusting the nominal exchange rate by the differential inflation rate was appropriate, it was noted that if a scheme was based on the nominal rate only there should be a cutoff when the actual rate depreciated or appreciated more than 20% from the base rate.

Committee
Action

The Committee agreed that a paper to the Bank's Executive Directors should be prepared recommending that the present scheme be replaced on July 1, 1982 by a scheme with the features agreed at the Committee's June 7 meeting. The nominal exchange rate would not be adjusted by differential inflation rates unless the technical committee, which would be consulted again on the issue, came up with strong reasons for doing so. In this case another note would be distributed to the Managing Committee. (Action Responsibility: Mr. Paijmans.)

3. IDA - Proposal for Special Fund and Options for
Augmenting Commitment Authority

Attending: P. Mistry and K. Ikram

Documentation

- 3.1 Draft report June 10, 1982 FIS/MC82-42: A Proposal for the Establishment of a Special Fund
- 3.2 Draft paper June 10, 1982 FIS/MC82-41: The Status of Contributions Released under IDA 6 and Options for Augmenting IDA's Commitment Authority in FY83-84.

Presentation

Mr. Mistry said that the purpose of these papers which would be distributed as background for the Deputies meeting on July 5 and 6 was to first obtain the release of the FY82/FY83 IDA installments, discuss options for FY84 and third discuss the issues and timetable for IDA 7. Five possible options for FY84 suggested by donors had been enumerated ranging from starting IDA 7 in FY84 to the special fund proposal.

Discussion

After some discussion of the proposals, it was noted that there was fairly broad-based support amongst Part I countries for the hardening of the terms of IDA 7 but opposition from Part II countries, especially India. Opinion was divided on the question of borrowing by IDA with some concern being expressed by governments who supported IDA that Management should not put forward the borrowing proposals in a way that caused countries to cut their grant money. It was noted that the first substantive meeting on IDA 7 would take place after the Annual Meetings in Toronto.

Committee
Action

The Committee approved the draft papers for distribution to the IDA Deputies. (Action Responsibility: Mr. Qureshi.)

4. Cofinancing

Documentation

- 4.1 Memo (Golsong) June 9, 1982 LEG/MC82-13: Proposed Cofinancing Fund
- 4.2 Memo (Qureshi) April 23, 1982 FIS/MC82-27: Outline of a Proposal for a World Bank Cofinancing Fund.

Discussion

In continuing the discussion of April 26 and June 7 meetings, the Committee first focused on the alternative mechanics for establishing a new cofinancing fund. All methods were complex and timeconsuming but the most rapid might be incorporation initially under the domestic law of the United States where the fund would need to be able to raise funds. The problems of timing, the impact on the Bank's image and the possible erosion of support for raising IDA funds attracting additional resources

for energy and starting the next general capital increase, were mentioned. It was also noted that the proposal could be presented positively by stressing that it permitted more cofinancing without eroding as much of the IBRD's existing capital base and therefore deferring the date of the next general capital increase. It was generally agreed that it would not be appropriate to go forward with the present cofinancing proposals if it were decided that it was both desirable and feasible to set up a subsidiary within the next 12 to 18 months since the Board would be most unlikely to approve the present proposals for a short interim period. However, if it were concluded that the subsidiary either could or should not be brought into being for several years, then the Board could appropriately be asked to approve the present proposals.

Committee
Action

The Committee agreed that the distribution of the present cofinancing proposals to the Board should be delayed until further work had been done by the Legal Department and the Finance complex on the minimum length of time it would take to establish a subsidiary. A decision would then be taken in the light of this and the other issues raised during the discussion. (Action Responsibility: Messrs. Qureshi, Golsong.)

5. Energy Financing Facility

Documentation

5.1 Memo (Golsong/Stern) June 10, 1982 LEG/MC82-12: Energy Financing Facility.

Presentation

Messrs. Stern and Golsong said that the draft paper with any changes suggested by the Committee would be sent to the Executive Directors of the Summit countries with a request to have their senior representatives meet with us in Paris on July 23 to discuss the paper in preparation for a meeting with the Ministers at Toronto to which Saudi Arabia would also be invited. Although two alternatives were presented, they felt that a facility to be established by Bank agreement with a group of interested countries was the most likely one to receive support. Its parameters had been designed flexibly to permit drawing on lines of credit from export credit agencies.

Discussion

The possibility of including additional countries at the Toronto meeting was discussed. It was agreed that this would be considered again after the Deputies meeting on July 23. That meeting would also indicate whether it was necessary to have further discussions in capitals prior to Toronto.

Committee
Action

The Committee approved the draft paper subject to any detailed drafting suggestion to be given separately to Mr. Stern. (Action Responsibility: Mr. Stern.)

6. Other Business

FY83 Budget

Messrs. Stern, Qureshi and Benjenk reported on the Board Committee discussions in the previous week on the FY83 Budget.

International
Investment
Insurance

Mr. Golsong said he had met with the International Investment Committee of the National Foreign Trade Council the previous week. The reception of the International Investment Insurance Proposal had been encouraging. The National Foreign Trade Council was interested in cosponsoring with the Bank a seminar on Investment Protection in the autumn in Europe.

Paris Office
Bomb

Mr. Paijmans reported on his visit to Paris. He said that the damage to the Paris office had been minimized because five tons of printing paper which had just been delivered had absorbed much of the blast. The Foreign Minister was discussing with the Interior Minister how protection could be improved.

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Managing Committee

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June 8, 1982

Record: June 17, 1982

FROM: ^{WJA} William S. Humphrey

SUBJECT: Minutes of June 7, 1982 Meeting

Members Present: Messrs. Clausen, Qureshi, Stern, Benjenk, Golsong,
Pajmans, Thahane

Also Present: Mr. Lafourcade

Members Absent: Mr. Chenery

Summary of Committee Action

During the meeting, the Managing Committee, (a) recommended the continuation of an amended Home Currency Option Scheme, subject to IMF concurrence, (b) discussed again the outline proposal for a World Bank Cofinancing Fund and requested further information on the legal aspects, and (c) agreed on the treatment of Taiwan (China) in the Annual Report and the WDR.

Opening Comments

Bomb
Explosion
in Paris
Office

Messrs. Pajmans and Benjenk reported on the bomb which had exploded against the facade in the Paris Office. About \$100,000 of damage had been done and an organization called "Action Direct" had claimed responsibility. The French Minister of Finance had cabled regrets. The French authorities would be requested to provide police protection immediately and to discuss with us further security measures which might be needed as soon as possible. An informal meeting of the Executive Directors was called for later in the morning to inform them about the incident.

Versailles
Conference

Mr. Benjenk drew attention to the communique from the summit conference. He noted that it contained positive references to innovations by the World Bank and to the need for special temporary arrangements to overcome funding problems for IDA 6 and for an early start to consideration for IDA 7. It also referred to the need to guarantee the independence of the specialized agencies in the context of its approval of the launching of global negotiations as a major political objective. In commenting to the press, the Bank would express satisfaction with the communique.

1. Minutes of May 28 Meeting

Committee
Action

Amended and approved.

2. Home Currency Option Scheme

Attending: R. Clarke

Documentation 2.1 Report June 2, 1982, PAD/MC82-31: Home Currency Option Scheme

Presentation Mr. Paijmans recalled that the Home Currency Option Scheme was established at the time the Executive Directors considered the Kafka Report as a means of protecting staff members who had financial obligations in their home country against the appreciation of their home currencies vis-a-vis the U.S. dollar. Most European staff members had joined the scheme three years ago. Experience showed that the majority had benefitted during the first two years and lost during the third year. Since it was judged that few would wish to join the scheme if it was renewed on July 1, the recommendation was for the scheme to be discontinued and the broad principles of a new scheme to be formulated to be put into effect when the need arose. The IMF administration agreed with this recommendation, but it was possible that the IMF management would wish to see a suitably amended scheme put in place immediately.

Discussion The discussion first focused on the principles proposed for the new scheme. It was generally agreed that the base period exchange rate for any country should be the rate prevailing at the time of the previous major compensation review. It was also agreed that the scheme should be symmetrical in that "once having elected to participate, staff would be obliged to remain in the scheme for a period of years or until the next major review." However, there was some doubt expressed on whether the difference in inflation rates between the U.S. and the home country should be used to update the base period exchange rate. A case could be made for ignoring differential inflation rates and merely using the actual exchange rate ruling at each major compensation review. In addition, it was generally felt that the scheme should continue to be made available to those staff who wish to use it. It could be based on Scheme 2 set out in the technical report but use the exchange rate ruling at the last major compensation review and be kept open for all staff to join up to April 30, 1983 (one year before the next major compensation review). The justification for the differential inflation provision could be reconsidered.

Committee Action The Committee agreed that, subject to concurrence by the IMF, management should recommend the continuation of a Home Currency Option Scheme from July 1, 1982. Staff would be permitted to join such a scheme at any time up to April 30, 1983. They would commit themselves to remain in the scheme until the next major compensation review in 1984. After April 30, 1983, only new recruits would be permitted to join the scheme. The exchange rate would be based on March 1, 1980, and only adjusted by the differential inflation rate if reexamination by the Technical Committee indicated that this was warranted. (Action Responsibility: Mr. Paijmans)

3. World Bank Cofinancing Fund

Attending: E. Rotberg

Documentation 3.1 Memo (Qureshi) April 23, 1982, FIS/MC82-27: Outline of a Proposal for a World Bank Cofinancing Fund

Discussion The discussion started on April 26 was continued. After touching on a number of problems related to timing, the transfer of net income to a possible subsidiary, the sources of funding for it and the need to retain an adequate proportion of conventional Bank financing in a project, the question arose whether this proposal was a substitute for the "B-Loan" proposals already approved by the Committee for discussion by the Executive Directors in early August. It was noted that the "B-Loan" type proposals provided more powerful protection to the commercial banks. On the other hand, they could involve IBRD itself in possible rescheduling operations. A subsidiary would buffer the IBRD from some of this risk. There was also the advantage of leverage in fund-raising. It was generally recognized that it was impossible to determine how to pursue this proposal in the light of the other cofinancing proposals until the possible legal processes involved in setting up a subsidiary and their timing were known more precisely.

Committee Action It was agreed that the Committee should discuss this matter again on June 14 in the light of further review by the Legal Department and the Finance Complex. (Action Responsibility: Messrs. Qureshi, Golsong)

4. Taiwan (China) in World Bank Reports

Presentation Mr. Benjenk reported that informal contacts with the Executive Directors indicated that a consensus had developed that the Bank's Annual Report should only refer to Taiwan in the context of indebtedness. Since the Annual Report was the report of the Executive Directors, he proposed that management accept the Board's view on this question, while in the WDR, which was the management's document, stick to the somewhat more extensive but still minimal references to Taiwan agreed earlier.

Discussion In discussion, the case for a similar approach in the two documents was noted, but it was felt that the best compromise was to distinguish between the Board's report and the management's report. The coverage of the note on Taiwan in the technical annex of the WDR was discussed again.

Committee Action The Committee agreed that the Annual Report should reflect the views of the majority of the Board on references to Taiwan and that the technical note in the WDR should contain references to the appropriate tables.

5. Other Business

IDA Avail-
abilities
FY83

The Committee reconfirmed that management should give no indications that IDA commitments above \$3.3 billion in FY83 might be possible until it was clear that new funding would be available in FY84 in adequate amounts. It should also be emphasized that there would be very little carry over from FY82 to FY83.

IDA Alloca-
tions for
India

Mr. Stern reported that although India had reluctantly accepted an allocation of only 33 percent of IDA commitments in FY82, the government was still pushing hard for 40 percent for IDA 6 as a whole, especially if most countries released their earlier commitments in full in one form or another. It was agreed that India would have to be held at the lower percentage and that the reasons for this should be carefully explained to Mrs. Gandhi on her forthcoming visit. This should be done in a way which retained India's support of the Bank in international fora.

International
Investment
Insurance
Scheme

Mr. Golsong reported that he had attended a recent meeting of the Berne Union where the proposed International Investment Insurance Scheme received wide support.