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THE WORLD BANK
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President A.W. Clausen

MANAGING COMMITTEE - MINUTES,
(Official records)

1982 (Jan - May)

Vol 2

[redacted]

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WBG ARCHIVES

Managing Committee

CONFIDENTIAL
June 2, 1982
Record: June 10, 1982

FROM: William S. Humphrey WSH

SUBJECT: Minutes of May 28, 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 Managing Committee (a) discussed and accepted the Financial Report for April 1982; (b) approved, with some clarifications, the draft Board memorandum on Proposed Changes in IBRD Borrowing Practices and Lending Rate Policy; (c) approved the detailed design of the implementation plan for the Job Grading program and (d) agreed that the formal institution of a bankwide Management by Objectives system should be postponed.

1. Minutes of May 17 Meeting

Committee Action — Amended and approved.

2. Minutes of May 19 Meeting

Committee Action — Approved.

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

Attending: V. Chang

Documentation

3.1 Financial Report for April 1982 FIS/MC82-35 with financial statements.
3.2 Memo (Gabriel) May 26, 1982 FIS/MC82-36: GCI Capital Subscriptions and Releases: Status Report No. 2 with attachment.

Presentation — Mr. Chang said that the financial position at the end of April was close to earlier forecasts. There had been some easing of the exchange rate which had in turn somewhat increased loanable resources. However, the impact on income was marginal.

Discussion — A number of presentational suggestions for the format of the financial report were made.

4. Proposed Changes in IBRD Borrowing Practices and Lending Rate Policy

Attending: E. Rotberg, J. Wood and D. Bock

Documentation

4.1 Memo (Wood) May 26, 1982 FIS/MC82-37: Board Memorandum on IBRD Borrowing/Lending Rate Policies with draft Board paper.

4.2 Proposed Operation of the Pool Based Lending Rate System FIS/MC82-39 annexed to draft Board paper.

Discussion

Apart from a number of presentational suggestions, the discussion focused on the need to backdate the pool to January 1, 1982 and on whether variable maturity loans should be offered as an option. It was noted that there were merits in backdating the pool to January 1, 1982 and not dropping the first six months of calendar 1982 for some time in order to give the pool stability and predictability. Although these first six months might well have higher average borrowing costs than subsequent periods, there was no need at this stage to give a precise date for when they would be dropped from the pool. There was considerable discussion of the advantages and disadvantages of including a variable maturities as an option. It was noted that it would certainly be attractive to borrowers but that it could have an adverse impact on commitment authority. If such an option was offered, there would have to be a "cap" on the acceleration (or deferral) of payments. Insufficient analysis had been done to determine conclusively whether a variable maturity option should be offered.

Committee Action

The Committee approved the draft Board paper and technical annex with the understanding that the pool initially would be backdated to January 1, 1982 and no firm date for dropping the first six months from the pool should be given. In addition the Finance Complex would analyse in more detail the implications of providing a variable maturity option. If such an option appeared attractive, a further note would be distributed to the Committee for concurrence prior to distributing the paper to the Board. (Action Responsibility: Mr. Qureshi.)

5. Job Grading - Implementation Plan Detailed Design

Attending: R. Clarke

5.1 Memo (Paijmans) May 21, 1982 PAD/MC82-30: Job Grading Implementation Plan Detailed Design with attachment.

Presentation

Mr. Paijmans recalled that the 1980/81 compensation survey had indicated a number of anomalies especially between the grading of operations and non-operations positions as well as among the operations positions and secretarial streams themselves. In June 1981 when the Executive Directors reviewed the compensation survey data, they specifically noted in their conclusions Management's intention "to examine the Bank's grading practices and thereafter review the classification of J-Q and A-I level positions." The Managing Committee had decided in principle to go ahead with the job grading program on February 5, 1982. The present paper set out a detailed implementation plan for the program. Mr. Paijmans noted that the PA Committee considered that the program should proceed but were concerned about a number of matters, especially the risk of an adverse reaction from staff and the desirability of concurrently moving to salary budgeting.

Discussion

In discussion it was generally agreed that the detailed job grading program was needed even though there might be some adverse reaction from staff, especially from those who were occupying jobs which at present were overgraded. It was also felt that the job grading exercise was logically distinct from dollar budgeting although the two would reinforce one another. However, the job grading program should not be delayed while the complexities of dollar budgeting were further examined. It was stressed that generic position descriptions would be used to the maximum extent possible both in the benchmark phase of the program and subsequently. The new grading structure would have career paths allowing some flexibility for grade selection. Line managers would be directly involved both in the initial evaluation and in devising the procedures for determining and controlling individual promotions by line managers. The proposed criteria and procedures would be reviewed by the Managing Committee.

Committee Action

The Committee approved the recommendations in the paper. It agreed that the next meeting of the Senior Management Council should focus on the implementation plan. The Committee endorsed the need to communicate the rationale and design of the program to staff at all levels and noted that once the benchmark position framework had been completed in January 1983, it would be reviewed by the Managing Committee along with alternative approaches for evaluating the remaining Bank positions. The revised salary grade structure flowing from the evaluation program would be established after completion of the major compensation survey scheduled for spring 1984. (Action Responsibility: Mr. Paijmans.)

6. Other Business

FY83 Operating Budget

Mr. Clausen said that he had talked individually to a number of Executive Directors and to US Government officials about the proposed $11.2 billion lending program for FY83. It looked as though this amount might be approved subject to the new borrowing/lending system being in place and conditional on a mid-year review.

IDA Commitment Authority

Mr. Stern said that the IDA lending in FY82 would total $2.6 billion plus an additional $40 million for India. This would lead to some spillover of commitment authority into FY83, the exact amount depending on exchange rate movements and the timing of releases. Mr. Qureshi noted that under these circumstances and taking account of promised actions by governments, he saw every prospect of achieving the full $3.3 billion IDA commitment authority in FY83.

xecutive irectors' Compensation

Mr. Thahane reported that the meeting in Kuwait to determine the compensation of Executive Directors had agreed to an increase of 8.4%. However the Committee had not authorized Executive Directors to receive benefits such as home leave and termination allowances since these are associated with long-term staff employment and not with short-term assignments such as those of Executive Directors.

PLO

Mr. Thahane also reported that the Arab countries were not likely to raise the PLO issue in the context of the Annual Meeting at Toronto.

Attitude Survey

Mr. Paijmans reported that the initial response to the distribution of the Summary Report of the Attitude Survey by staff had been favorable. People were generally looking forward to the discussion of the results within individual units.

Management by Objectives

It was agreed that it would not be appropriate at this time to institute a formal MBO system at a time when there was considerable work to be done in preparing action programs arising from the attitude survey and in starting an objective-based performance review system. For the time being management objectives should be allowed to emerge on an ad hoc basis.

Board Schedule

In a discussion of the Board schedule between now and the Annual Meeting it was agreed that the papers on cofinancing and international investment insurance should be considered by the Board in early August.

FORM NO. 89
(7-81)

THE WORLD BANK

ROUTING SLIP

Date June 1, 1982

OFFICE OF THE PRESIDENT

Name	Room No.
Managing Committee	

	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

I attach for information the Record Minutes of May 17 and 19 meetings.

From

wsh.
William S. Humphrey

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FEB 16 2017
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Managing Committee

CONFIDENTIAL
May 20, 1982
Record: May 28, 1982

FROM: William S. Humphrey

SUBJECT: Minutes of May 19, 1982 Meeting
Members Present: Messrs. Clausen, Qureshi, Stern, Benjenk, Chenery, Paijmans.
Also Present: Mr. Lafourcade
Members Absent: Messrs. Golsong, Thahane

Draft World Development Report V

Attending: Messrs. B. Waide, J. Baneth, D. Pickering, D. Turnham and
P. Ljung, G. Kutcher, H. Walters, C. Redfern

Documentation

1.1 Memo (Waide) May 13, 1982 ERS/MC82-4: World Development Report V with draft report attached.
1.2 Memo (Golsong) May 18, 1982 LEG/MC82-11: World Development Report - World Development Indicators.

Presentation

Mr. Waide, after stressing that the WDR was addressed to multiple audiences, noted that this year its major focus was agriculture and rural development including the complementarities within the sectors between public and private activities. In addition to any general comments on the report the team would welcome specific guidance from the Managing Committee on whether the analysis of the effects of agricultural protectionism would unnecessarily offend Part I countries. In addition a judgment was needed on whether the analysis of the agricultural sector properly affirmed its priority in Bank operations. He noted that Part 1 of the report generally attracted more attention in the short-run. This year Chapter 1 on short-run developments was rather gloomy but was balanced by a somewhat more optimistic presentation of the prospects for the 1980s in Chapter 2. Again it was important that the presentation in Part 1 be crafted to help Bank interests and he would welcome the Committee's judgment on this point.

Discussion

In discussion it was noted that the WDR had three major purposes. First it gave a view of the longer-term developments in the world economy. Second it provided a base from which governors at the Annual Meeting could develop their own positions on a number of development issues. Third it provided the means to send out to the development community at large research done in the World Bank. These multiple purposes made it a difficult document to write. It was generally felt that the agricultural sections of the report were of a very high substantive quality and that all that was required in these sections was some additional editing, especially the shortening of Chapter 4 and the drafting of a more punchy conclusion to the whole report. The report's analysis of agricultural protectionism was felt to be appropriate. It was felt that the general analysis contained in Part 1 of the report needed more extensive further work. In its present form Chapter 1 was too much like an IMF analysis of short-term problems and did not develop longer-term themes. Two such themes might be the nature of the adjustment to the 79/80 oil shock compared with the adjustment to the 74/75 shock and also the affect of the decline in the OPEC surplus. A number of more detailed presentational suggestions were also made including those needed to avoid unnecessarily aggravating particular country sensitivities. It was important that the report should be of the highest quality and that this should not be sacrificed to meet an artificial deadline.

Committee Action

It was agreed that the report should be revised in the light of the Committee's discussion with special attention given by the Steering Group to the revisions of Chapters 1 and 2 which would be ready by about May 26. If further work was judged to be necessary, then the deadline for distributing the report to the Executive Directors should be postponed. The Committee authorised the Steering Group to make the final judgments on the report prior to its distribution to the Board. In addressing Mr. Golsong's memorandum on references to Taiwan in the footnotes of the tables in World Development Indicators, the Committee suggested that all necessary references should be made in a single note in the technical notes on the indicators. (Action Responsibility: Mr. Chenery.)

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FEB 16 2017
WBG ARCHIVES

Managing Committee

CONFIDENTIAL
May 18, 1982
Record: May 28, 1982

FROM: William S. Humphrey

SUBJECT: Minutes of May 17, 1982 Meeting
Members Present: Messrs. Clausen, Qureshi, Stern, Benjenk, Chenery, Golsong, Paijmans.
Also Present: Mr. Lafourcade
Members Absent: Mr. Thahane

Summary of Committee Action

During the meeting the Managing Committee (a) agreed that the Summary Report of the Attitude Survey and Manager's Guide should be distributed to the Senior Management Council for discussion and, with some revisions, to all staff and all managers respectively; (b) accepted all but two of the recommendations for the FY82 United Way Campaign from the Chairman of the Campaign; (c) agreed that UNCTAD be invited to attend LLDC CGs as an observer provided that the recipient government so requests and the aid partners agree and (d) agreed that the Bank should not provide the U.S. Government with information on the number of black US staff members.

1. Minutes of May 3 Meeting

Committee Action Approved.

2. Minutes of May 6 Meeting

Committee Action Approved.

3. Attitude Survey

Attending: G. Kaji, J. Dyck and N. Rosen

Documentation

3.1 Memo (Paijmans) May 5, 1982 PAD/MC82-27: Attitude Survey with Summary Report and Manager's Guide.
3.2 Draft Letter.

Presentation Mr. Paijmans said that the survey had been favorably received by the staff although there had been some skepticism on how managers would handle the results. The survey demonstrated that the staff derived high professional satisfaction from their work and felt that they were reasonably remunerated for it. However there was criticism of the way in which they were managed and of general management staff relations. The staff wanted more stress laid on team work, coordination and communications.

iscussion After noting that there was also considerable staff concern about career development and mobility, the discussion focused on how the survey would be used by managers, how the results for work units would be best communicated and how action plans would be formulated

It was generally felt that while work units should be consulted on the unit action plans, these plans were essentially the responsibility of the different levels of line management and should not require work unit approval. The main purpose of the survey was to supply managers at all levels with information needed to help improve the efficiency and working climate of the Bank. The means of communicating the results of the Survey to the Executive Directors was raised. It was felt that since this was a matter for Management, distribution of the Summary Report to the Board would be sufficient. A number of presentational suggestions were made including the need to cut down on the procedural detail in the Manager's Guide.

Committee Action

The Committee agreed that the Summary Report and the Manager's Guide should be distributed broadly in their present form to the Senior Management Council for discussion on Wednesday, May 19. At the same time the two documents should be revised in the light of the Managing Committee's discussion. The revised Summary Report would then be distributed to all staff and the revised Manager's Guide to all managers. The text of the draft letter would be revised and sent to all staff over Mr. Clausen's signature with the Summary Report. The Executive Directors should be sent copies of the Summary Report at the same time it is distributed to staff. Mid-November 1982 was set as the deadline for Vice Presidents to submit summaries of their action plans. (Action Responsibility: Mr. Paijmans.)

4. United Way Campaign

Attending: Mr. D. Keare

Documentation

4.1 Memo (Paijmans) May 12, 1982 PAD/MC82-28: United Way Campaign Report.

Presentation

Mr. Paijmans noted that under Doug Keare's Chairmanship the Bank United Way Campaign had reversed the negative trend of recent years. Given the past history it was important to note that this had been achieved without heavy Management involvement.
Mr. Keare's report had made a number of recommendations including a link between the corporate contribution and the level of staff contributions and a major kickoff benefit function attended by Senior Management. The Personnel and Administration Sub-committee, while supporting the other recommendations in the Campaign Chairman's report recommended against the link and the major kickoff benefit.

Discussion

In discussion Mr. Keare said that on further investigation he was withdrawing the suggestion of a major kickoff benefit. There was also a general concensus that there should be no link between the corporate contribution and the level of staff contributions. It was noted that the question was not whether Management should be involved but the kind of management involvement which was productive. With the right kind of Management support the participation level could probably be raised very substantially.

ommittee Action

The Committee thanked Mr. Keare for his leadership of the United Way Campaign and his success in reversing the negative trend. It also welcomed his willingness to continue his chairmanship for another year. The recommendations of his report were accepted with the exception of the proposals for a link between the corporate contribution and the staff contributions and for the kickoff benefit. It was also suggested that the Campaign itself could serve as the survey of staff attitude towards the United Way Campaign and that a separate survey was not needed. It was agreed that Mr. Keare would consult further with Mr. Paijmans and Mr. Clausen about the way in which they could provide support for the Campaign including possible meetings with Campaign workers. (Action Responsibility: Mr. Keare.)

5. UN Agencies Participation in Bank Aid Coordination Groups

Dcoumentation

5.1 Memo (Benjenk) May 4, 1982 EXR/MC82-14: Participation by UN Agencies in Bank Aid Coordination Groups for Least Developed Countries (LLDCs).

Committee Action

The Committee agreed with the recommendation that UNCTAD be invited to attend LLDC CGs as an observer provided that the recipient government so requests and the aid partners agree. Since the recipient government and the aid partners agreement was needed, it was not felt necessary to give the Chairman of the CG flexibility to decide under special circumstances that UNCTAD's presence would be detrimental to the effectiveness of the meeting. This proposed flexibility was therefore deleted from the recommendation. (Action Responsibility: Mr. Benjenk.)

6. Other Busines

Helsinki Meetings

Mr. Benjenk reported briefly on the meetings in Helsinki of the Group of 24, the Interim Committee and the Development Committee. A possible hostile reference to the Bank's sub-Saharan African report in the communique of the Group of 24 had been avoided partly thanks to the efforts of the Executive Directors representing African countries. At the Interim Committee there had been not much support for an increased issue of SDRs and also not much progress towards agreement on the size of the IMF's next quota increase at the end of 1983. The meeting of the Development Committee had mirrored the international situation with the developing countries arguing for increased financial flows and development assistance with many OECD countries, led by the USA, arguing for a more restricted approach.

IDA - Supplementary Commitment Authority and eplenishment

Messrs. Qureshi and Benjenk reported encouraging progress in Helsinki on IDA. A number of countries not expected to release their second tranche in full had done so and a number of countries who had already released had expressed interest in the special fund - especially for FY84. We had continued to indicate our preference for straight waivers for FY82 and FY83 and had tried to focus discussion of the special fund on FY84 in case IDA 7 could not be started in that year. This would provide more leverage with the French on some of the conditions which might be applied to the special fund. It was encouraging that more countries were now realizing that they could not use the US position as an excuse for reducing their own overall contributions.

Meeting with President Mitterrand

Mr. Benjenk said that in the preliminary meeting the previous Monday Mr. Cheysson had applauded plans for IDA but felt that what we were doing for energy was insufficient. In the meeting with President Mitterrand on May 17 Mr. Clausen had first outlined the efforts to supplement IDA's commitment authority and welcomed the proposal by France to help meet the gap. However, all these actions were palliatives and the real issue for heads of state was the initiation of IDA's seventh replenishment. He wondered whether this could be included on the agenda for the summit meeting at Versailles. President Mitterrand had responded positively and said that France was prepared to help on IDA and that he would instruct his representatives to be in touch with IDA's Management on resolving the short-term difficulties. He also accepted that IDA 7 should be on the Versailles agenda along with other development issues. On energy Mr. Clausen had stressed that, with very dim prospects for an energy affiliate, the Bank had stepped up its own energy lending. We were also exploring the idea of an <u>ad hoc</u> meeting on energy at ministerial level in September in conjunction with the Annual Meetings (see below). President Mitterrand had welcomed such an initiative on energy and had said that if the Bank called such a meeting France would attend. If theBank felt France could be helpful in any other way they would be ready to respond.

Energy

Mr. Clausen, noting the discussions which had taken place in Helsinki and Paris, about a possible high level meeting on energy said we would begin to plan for a ministerial meeting to be held at the time of the Annual Meeting and to identify the countries which should be invited to such a meeting. (Action Responsibility: Mr. Stern.)

New Lending/Borrowing System

Mr. Qureshi said that he had been encouraged by the discussions which both he and the Executive Directors had had in Helsinki with government authorities on the new lending/borrowing system. He felt that there was now sufficient support to ensure Board approval. The Board paper was therefore being prepared for consideration by the Managing Committee prior to distribution to the Executive Directors. In discussion it was reconfirmed that the cofinancing paper should be distributed for Board discussion after they had approved the new lending/borrowing system.

Congressional request for number of black US staff members

Mr. Paijmans said that Congressman Julian Dixon had asked the U.S. Treasury for statistics on the number of black US staff members. Mr. Paijmans recommended against providing such information since a) we did not record it and b) it would set a most unfortunate precedent which could lead other countries to request a breakdown of their nationals by ethnic groups, etc. The Committee agreed with this recommendation and with the suggestion that Mr. Clausen should speak to higher level Treasury officials on this matter if necessary.

FORM NO. 89
(7-81)

THE WORLD BANK

ROUTING SLIP

Date May 21, 1982

OFFICE OF THE PRESIDENT

Name	Room No.
Managing Committee	

	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

I attach Record Minutes for May 3 and 6 meetings for information.

From

WSH,

William S. Humphrey

THE WORLD BANK

May 17, 1982

Mr. Humphrey:

Yes, this refers to FY82.

MB

OK

Moeen A. Qureshi
Senior Vice President, Finance

FORM NO. 89
(7-81)

THE WORLD BANK

ROUTING SLIP

Date 5/17

OFFICE OF THE PRESIDENT

Name	Room No.
✓ Qureshi	

Yes: This refers to 82

	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

Moeen

May 6 Tom marked his copy of these minutes as shown. I would be grateful if you would confirm that we were indeed talking about FY82 ($8.3m → $8.7mn). If so, I will disregard his comment

From

Bill.

Managing Committee

CONFIDENTIAL
May 11, 1982
Record: May 17, 1982

FROM: William S. Humphrey wmt

SUBJECT: Minutes of May 6, 1982 Meeting
Members Present: Messrs. Clausen, Qureshi, Chenery, Golsong, Paijmans, Thahane
Also Present: Mr. Lafourcade
Members Absent: Messrs. Stern, Benjenk

1. Financial Issues in the Budget Memorandum

Attending: Messrs. G. Gabriel, H. Vergin, J. Wood.

Documentation

1.1 Memo (Wood) May 5, 1982 FIS/MC82-34: Financial Issues in the Budget Memorandum.

Presentation

Mr. Qureshi said that in addition to the issues relating to a sustainable level of lending, the phasing of IBRD borrowing and the projections of net income which were covered in Mr. Wood's memorandum, there was also the issue of the $11.2 billion commitment figure proposed for FY83 on which he sought the Committee's final confirmation.

Committee Action and Discussion

The $11.2 billion commitment figure for FY83 was re-endorsed by the Committee. It was suggested that in presenting this in the budget document, development needs should be stressed, and in addition cancellations over the last 18 months, especially in India and Algeria, should be mentioned. It was further agreed that an additional $500 million of borrowing in FY82 would be appropriate. The discussion of the sustainable level of lending and projections of net income focused on the uncertainties surrounding these projections and the need to emphasize the margins of error in the presentation to the Executive Directors. It was generally felt that both the projections of net income and the sustainable level of lending were somewhat conservative and could take a more favorable view of likely exchange rate movements. It was agreed that the net income projections under both present and proposed policies could appropriately be revised upwards. A range around an intermediate projection would be presented together preferably with some qualitative discussion of measures which might be taken to restore net income if the level appeared likely to fall too low. A more favorable view of exchange rates together with higher net income projections would also lead to a higher range for the sustainable level of lending to be included in the budget memorandum. Finally it was agreed that the text of the budget memorandum should not contain a projected commitment figure for FY87 due to the uncertainties surrounding such a projection. (Action Responsibility: Mr. Gabriel.)

Managing Committee

CONFIDENTIAL
May 3, 1982
Record: May 17, 1982

FROM: William S. Humphrey WSH

SUBJECT: Minutes of May 3, 1982 Meeting
Members Present: Messrs. Clausen, Qureshi, Stern, Benjenk, Chenery, Golsong, Paijmans, Thahane
Also Present: Mr. Lafourcade

Summary of Committee Action

During the meeting, the Managing Committee (a) approved the revised draft memorandum on reasons for a change in IBRD Borrowing and Lending Rate Policies; (b) approved draft Board paper on "Use of the SDR as a Unit of Account" including use of the SDR on a parallel basis with the US$ in Bank financial reporting; (c) approved, with some drafting suggestions, revised "Principles of Staff Employment: and agreed that comments should be sought from all staff through the management chain as well as from the Staff Association and the Board's Compensation Committee; (d) approved, with some amendments, draft board paper on 1982 Staff Compensation, including a 7-1/2% across-the-board salary increase effective May 1; (e) approved draft outline of International Investment Insurance Scheme as a basis for further consultation with business community and governments; (f) agreed that formal legal protection should be sought for names of IBRD, IDA and "The World Bank" but not for the emblem; (g) agreed that the proposal to the Board of $11.2 billion of Bank lending in FY83 should be maintained and (h) agreed that, with the release of shares by the U.K. the Board paper on Selective Capital Increases and on Hungarian membership should go forward forthwith.

1. Minutes of April 26 Meeting

Committee Action — Amended and approved.

2. Changes in Lending and Borrowing Rate Policies

Attending: Mr. J. Wood

Documentation — 2.1 Revised draft April 27, 1982 "Memorandum on Reasons for a Change in IBRD Borrowing and Lending Rate Policies"

Committee Action — With some slight editorial changes the Committee approved the revised draft memorandum for informal distribution to Executive Directors for use in their discussions with their authorities.

3. SDR As Unit of Account

Attending: Messrs. M. Hattori and J. Wood

Documentation

3.1 Memo (Hattori, Wood) April 29, 1982: Use of the SDR as a Unit of Account with draft paper to the Board.

Presentation

Mr. Hattori said that the paper recommended use of the SDR in Bank financial reporting on a parallel basis with the dollar but for the time being recommended against the SDR's use in denominating Bank assets and liabilities and for use in planning programming and monitoring Bank lending.

Discussion

In discussion it was noted that these proposals would not help resolve the more serious maintenance of value issue but that, on balance, the introduction of the SDR into Bank financial reports on a parallel basis with the US dollar was worth the cost involved.

Committee Action

With some minor editorial suggestions the Committee approved the paper for distribution to the Executive Directors including the timetable for introducing the SDR in Bank financial reports. In this connection it was suggested that the transfer to IDA from FY82 IBRD net income should be SDRs 100 million rather than $100 million expressed in SDRs. This increase was thought appropriate.

4. Principles of Employment

Attending: Messrs. R. Clarke and L. Doud

Documentation

4.1 Revised draft (COM/LEG) April 21, 1982: Principles of Staff Employment.

Discussion

After making some drafting suggestions on the portions of the principles dealing with discrimination, protection of staff and consultation with representatives of the staff, the main discussion focused on the next stages of approval in the light of a likely Staff Association request that the document be circulated to all staff for reactions.

Committee Action

The Committee agreed that the distribution to all staff should be on the initiative of management and comments sought through the management chain. At the same time the Executive Committee of the Staff Association should be informed of the management's proposed action and invited to respond with comments through Staff Association channels. The draft should also be sent to the Compensation Committee of the Board. After receiving comments through the management chain, and from the Staff Association and the Board Committee, the principles would be sent to the Executive Directors for final consideration and approval.

5. 1982 Staff Compensation

Attending: Mr. R. Clarke

Documentation

5.1 Memo (Paijmans) April 29, 1982: Staff Compensation with draft paper to the Board.

Presentation

In presenting the paper Mr. Paijmans said that he felt that the Staff Association's complaint in its memorandum of April 29 about lack of consultation was unfounded given the previous consultation on the paper. He also noted that the Association had changed its position on the reward system. His recommendation was to go forward on the basis previously agreed by the Managing Committee.

Committee Discussion and Action

With some presentational suggestions, the Committee approved the draft Board paper including the recommendation for a 7-1/2% general increase effective May 1, 1982 but subject to the qualification that the Executive Directors would be asked to take note of the revised reward system rather than approve it.

6. International Investment Insurance Scheme

Documentation

6.1 Memo (Golsong) April 29, 1982: International Investment Scheme with draft attachment.

Presentation

Mr. Golsong said that interest was growing in the scheme amongst the Executive Directors and that there appeared to be no substantial opposition. There was general concern that the scheme should be financially sound and not weaken the legal standing of existing bilateral agreements. The proposed outline took account of these concerns.

Discussion

The discussion focused on how far groups of countries should be identified, how far host countries should be obliged to cosponsor investments and the extent of risk coverage.

Committee Action

The Committee approved the paper for further consultations by the LegalDepartment with representatives of the business community and governments.A formal report would be sent to the Managing Committee for considerationon June 28, 1982 with the aim of getting approval of the Executive Directors of a draft resolution which could be submitted to the Board of Governors for adoption at the annual meeting.

7. Bank Emblem

Documentation

7.1 Memo (Golsong) April 27, 1982: Bank Emblem with attachment.

Discussion

In addition to the issue of the emblem the question of getting formal legal protection of the names of IBRD, IDA, and "The World Bank" was discussed.

Committee Action

The Committee agreed that while it would not be appropriate to seek legal protection of the emblem, the Legal Department should take further action to get legal protection for the names. (Action Responsibility: Mr. Golsong.)

8. Preparations for Western Summit at Versailles

Oral Report (Benjenk)

Mr. Benjenk reported that President Reagan has asked George Shultz to visit Western capitals prior to the proposed Western summit conference. He suggested Mr. Clausen speak to Mr. Schultz in order to ensure that he was familiar with IDA's problems. In addition the Joint Economic Committee of the US Congress would begin hearings around May 26 on the issues which the US should raise at the conference. The staff director had asked for suggestions of appropriate people who might be asked to testify. Members were asked to give any suggestions to Mr. Benjenk.

9. Other Business

Alternative Approaches for Supplementing IDA

Mr. Mistry reported on his discussions with the Dutch and French Governments on the proposed special fund. He distributed to members a revised draft on "Alternative Approaches" for discussion with the Deputies in Helsinki together with a translation of a French position paper on the proposed special fund. The Committee's discussion focused on the question of voting rights and the need to avoid any suggestion that the draft paper circulated by the Chairman to the Deputies implied any endorsement by Management of the special fund proposals. It was agreed that the paper should be revised to make clear that it was a technical note designed to clarify the present position of different members. A revised note would be circulated to members for any comments within the next 24 hours.

Hungarian Membership

Mr. Qureshi reported that a solution to the Hungarian membership problem had been found, since the United Kingdom had now agreed to forgo 12,000 shares to which it was entitled under the General Capital Increase. This brought the total of unallocated shares to 28,000 which permitted allocation of 12,000 for Latin American countries, 11,000 for Saudi Arabia and 4,200 for Hungary. The Board paper would be distributed to the Executive Directors later in the week.

Review of Proposed FY83 Budget

The Committee discussed the criticism of the size of the proposed Bank lending program for FY83 at the Board Seminar on the operating budget. It was agreed that the recommendation of the Bank lending program of $11.2 billion for FY83 should be sustained and that those representing Part I countries who now felt it should be lower should be persuaded that, given development needs, it was in the interest of the institution and the international community that this level be achieved. It was further agreed that next year a seminar of this type, prior to the formal distribution of the budget papers to the Executive Directors should be avoided.

Energy

Mr. Benjenk said that Mr. Clausen could expect questions on the Bank's future intentions for an expanded energy program when he was in Paris. It was agreed that we should make clear that we do not believe an energy affiliate is likely to be possible in the near future and that an interim solution could only come from enhanced Bank lending or enhanced cofinancing. For the moment we could only keep on with what we were doing. Mr. Clausen would take details of our planned energy lending for FY82 and FY83 with him to Paris.

Vice President Economics and Research

Mr. Clausen said that at 2:30 he would inform the Executive Directors that he proposed to appoint Ms. Anne Krueger as Vice President, Economics and Research. The Board would be allowed the customary five days for comment before the appointment was publicly confirmed.

Managing Committee

CONFIDENTIAL
April 27, 1982
Record: May 5, 1982

FROM: William S. Humphrey

SUBJECT: Minutes of April 26, 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 Managing Committee (a) agreed that a resolution proposing Hungarian membership and proposing the issue of additional shares, if necessary, would be put to the Board for consideration on May 25; (b) accepted the need for discussions with IMF management and further internal study of the implications of membership of additional Eastern European countries; (c) considered the progress report of the Management Efficiency Improvement Program and recommended greater involvement of other senior staff and line managers; (d) discussed and accepted the March Financial Report from the Controller and the Annual Financial Report of the Staff Retirement Plan; (e) approved, subject to revision in the light of discussions with the French Government, a draft paper for IDA Deputies on alternative ways of supplementing IDA commitment authority; (f) agreed not to offer an alternative to the pool-based lending rate and suggested some revisions in draft note on "Reasons for a Change in IBRD Borrowing and Lending Rate Policies" designed for Executive Directors to use in bilateral discussions with their authorities; (g) briefly discussed the concept of a cofinancing fund and agreed to discuss again at a later meeting; and (h) agreed not to give a wider circulation to Managing Committee Minutes for the time being.

Opening Comments

Mr. Benjenk's Trip

Mr. Benjenk said he had attended the meeting of the United Nations Administrative Committee on Coordination (ACC) in Rome where he had reported on various items relating to the Bank and IDA. The meeting had gone somewhat better than usual. He had also attended a seminar on development organized by the Vatican. It had been suggested by some there that Mr. Clausen should visit the Pope on some forthcoming visit to Europe. He also had meetings with the press in Bonn and had attended a press seminar in Berlin which had gone very well.

Mr. Clausen's Trip to West Africa

Mr. Clausen reported on his eleven-day West African trip which had started in Nigeria. Nigeria is facing difficult economic problems with oil production down to 700 thousand barrels a day. He was somewhat disappointed by the level of the economic dialogue between the Government and the Bank. For example, he had not been able to learn the details of the major economic measures which the government had announced shortly after his departure. He felt his lecture had gone very well. In Niger, a really poor country, the dialogue had been more satisfactory, and he had been impressed that the President appeared to wish to broaden cooperation with the Bank. In the Ivory Coast, he also felt that the dialogue was good and that the President was familiar with our activities, liked the multi-polar speech and was also anxious to broaden the relationship with Bank. While in Abidjan, he also met with the President of Senegal who was on a visit. All four African Heads of State had been positive on the Sub-Saharan African Report.

1. Minutes of April 19 Meeting

Committee Action

Amended and approved.

2. Hungarian Membership

Documentation

2.1 Memo (Qureshi) April 23, 1982: Hungary and Selective Capital Increases: Status Report.

Presentation

Mr. Qureshi reported that the Hungarian membership issue had not yet been solved. The U.S. still wanted to clarify whether Hungary would be a borrower and was unwilling to consider new authorized shares for Hungary.
Mr. El-Nagger was still opposed to using existing unallocated shares for Hungary. At an informal meeting of the Board, a compromise had been suggested whereby Hungary would become a member with a token issue of 250 shares in order to avoid delaying membership. There appeared to be a general desire to postpone formal Board consideration until after the Helsinki meeting, by which time a resolution might be possible, especially if the U.K. released shares.

Discussion

In discussion, it was generally agreed that the membership issue could not be linked to an assessment of Hungarian GNP per capita and its eligibility to borrow, that a general resolution of good intentions by the Board toward Hungarian membership would be of little value and that going forward with Hungarian membership on the basis of an allocation of 250 shares would be most undesirable and set a dangerous precedent.

Committee Action

It was agreed that the Executive Directors would be informed that a management resolution on Hungary would be brought to the Board for consideration on May 25 and that, in the absence of a solution, the membership resolution would propose an increase in authorized capital equal to the number of shares for Hungary. Action should also be taken, through the membership resolution or otherwise, to ensure that countries waive their pre-emptive rights in connection with any authorization of new shares for Hungary. (Action Responsibility: Mr. Qureshi)

3. Membership of Eastern European Countries

Documentation

3.1 Memo (Benjenk) April 23, 1982: Implications of the entry of Eastern European Countries into the Bank and the Fund.

Presentation

In presenting his paper, Mr. Benjenk said its main purpose was to launch further thinking on the consequences of possible membership of further Eastern European countries.

Discussion

The discussion focused on how fast the Polish application was likely to move, especially in the IMF, the likelihood of applications from other Eastern European countries, the impact that their entry might have on the Bank, including access to capital markets, and on what further work should be done internally on this question.

Committee Action

It was agreed that it was important in the near future to have a meeting with the management of the IMF in order to exchange views.

It was also agreed to supplement the calculations of possible voting power already done by the Secretary's Department with an analysis of the Articles of Agreement and whether there were additional criteria (such as IDA membership) which might be suggested as a qualification for membership. External Relations would coordinate this effort. (Action Responsibility: Mr. Benjenk)

4. Management Efficiency Improvement Program (MEIP)

Attending: Messrs. B. Rohrbacher and R. Lynn

Documentation

4.1 Memo (Lynn) April 22, 1982: Management Efficiency Improvement Program: Third Quarter FY82 Status Report.

Presentation

Mr. Lynn outlined the status of the MEIP as set out in the report and suggested that it was time to begin identifying new projects to add to the program for FY83.

Discussion

In discussion, it was emphasized that the exercise should be pushed closer to the line managers. Vice presidents, directors and division chiefs should be the ones to suggest new projects and monitoring systems should also operate at lower levels. OPD should help in this effort. The Managing Committee would then keep a general overview, and it would be sufficient for it to have reports after the end of the fiscal year and again at the end of the following December. It was agreed to add the resource dimension to FY83 projects and for members to begin identifying projects to replenish the program following completion of the FY82 projects.

Committee Action

It was agreed that the next steps should be adapted to the principles outlined above. (Action Responsibility: Mr. Rohrbacher)

5. March 1982 Financial Report and Status of Capital Subscriptions and Releases

Attending: Mr. M. Hattori

Documentation

5.1 Financial Report for March 1982 (Hattori) with financial statements. (Revised)

5.2 Memo (Gabriel) April 22, 1982: IBRD Capital Subscriptions and Releases - Status Report

Presentation

In presenting the report, Messrs. Qureshi and Hattori noted that if exchange adjustments persisted on their present trend, the Bank would be somewhat short of its 40% liquidity target by the end of FY82.

Discussion

In discussion, it was generally agreed that whether or not we increased our borrowing program should depend less on what was, by nature, an arbitrary liquidity target and more on what our view was of future interest rate movements. It was also noted that the forecasts on an SDR basis showed more stability than forecasts on a dollar basis, although it was too early to tell whether using the SDR as a unit of account would really enable us to plan better.

6. Staff Retirement Plan - Financial Report

Attending: Messrs. G. Gabriel and B. Holland

Documentation

6.1 Memo (Gabriel) April 22, 1982: SRP - Financial Report for 1981.

Presentation

In his presentation, Mr. Gabriel noted that, given the economic environment, the experience of the Pension Plan had been quite good.

Discussion

General satisfaction was expressed with the experience and management of the plan. It was noted that if inflation decelerates the plan may generate an experience gain which would in turn reduce the Bank's contributions to it.

Committee ction

The Committee noted that the report would be submitted to the Pension Finance Committee and later to the Executive Directors. (Action Reponsibility: Mr. Gabriel)

7. Supplementing IDA Commitment Authority for FY82-84

Attending: Messrs. K. Ikram and P. Mistry

Documentation 7.1 Memo (Qureshi) April 22, 1982: Draft Paper for circulation to the Deputies before the Helsinki Meeting with attached draft.

Presentation Mr. Qureshi said his main recommended approach on this issue was to encourage IDA members to increase their commitments in whatever way possible. We were not advocating any particular alternative.

Discussion The discussion focused on the likely U.S. reaction of the procurement proposals for the Special Fund, the impact of a Special Fund on the efforts to begin IDA 7 in FY84, the reaction of different countries to the "relaxed pro rata" and "special fund" proposals, and the question of how closely Bank management should be identified with the Special Fund proposal.

Committee Action The Committee agreed that the paper should go forward subject to any amendments considered necessary after Mr. Mistry's discussions with the French authorities in the course of this week. It would probably be necessary to issue the paper on Friday, April 30, if governments were to have adequate time to consider it prior to Helsinki. (Action Responsibility: Mr. Qureshi)

8. Restructuring IBRD Finances - Next Steps

Attending: Messrs. J. Wood and D. Bock

Documentation 8.1 Memo (Qureshi) April 22, 1982, with draft note "Memorandum on Reasons for a Change in IBRD Borrowing and Lending Rate Policies."

Presentation Mr. Wood said that the main policy issue at this stage was whether to offer an alternative to the pool-based lending rate for those countries who were unwilling to accept it. The draft note was designed for Executive Directors to use in bilateral discussion with their authorities.

Discussion In discussion, it was generally agreed that it would be better not to offer such an alternative even on a transitional basis. However, the most important point was not to submit the proposal to the Executive Directors until we were sure that it would be accepted. Nothing could be worse than a contentious failure to get approval. In this connection, it was also important that all members of the Senior Management Council should be fully in support of the proposals. In addition, some drafting suggestions were made.

Committee Action

It was agreed that the target date for Board approval of July 1 should be shifted if more time was needed to ensure that the proposals would be accepted. In addition, the justification for the proposals should be further emphasized to the Bank's senior staff. A revised draft would be reviewed at the Managing Committee meeting on May 3. (Action Responsibility: Mr. Qureshi)

9. Cofinancing Fund

Documentation

9.1 Memo (Qureshi) April 23, 1982: Outline of a Proposal for a World Bank Cofinancing Fund.

Discussion

In a brief preliminary discussion of such a fund, a number of issues were touched on. These included the political impact of making transfers out of cumulative earnings when we had held transfers to IDA down, the possible perceived relationship to the energy affiliate, the attitude of commercial banks, the additionality of its lending and the help such a fund would give us in gaining access to short-term money without damaging the Bank's borrowing prospects or increasing the risk of defaults on the Bank's own portfolio. The timing of such an initiative in relation to other initiatives on variable rate borrowing and lending and on cofinancing was also discussed.

Committee Action

It was agreed that the Committee would consider the matter again at a meeting when there was time for a fuller discussion. (Action Responsibility: Mr. Qureshi)

10. Managing Committee - Distribution of Minutes

Documentation

10.1 Memo (Humphrey) April 21, 1982.

Discussion and Committee Action

After some discussion the Committee decided not to distribute Managing Committee Minutes more widely while encouraging members to report as fully as was appropriate to their staff on the activities of the Managing Committee. It was also agreed that Minutes of the Sub-Committees of the Managing Committee should be circulated to Managing Committee members.

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Managing Committee

CONFIDENTIAL
April 20, 1982
Record: April 28, 1982

FROM: William S. Humphrey wsH

SUBJECT: Minutes of April 19, 1982 Meeting
Members Present: Messrs. Stern, Qureshi, Benjenk, Golsong, Paijmans, Thahane
Members Absent: Messrs. Clausen, Chenery
Acting Chairman: Mr. Stern

1. Minutes of April 5 Meeting

Committee Action Approved.

2. Minutes of April 12 Meeting

Committee Action Amended and approved.

3. IDA Retrospective Study: A Progress Report

Attending: Messrs. P. Mistry and A. Shakow

Documentation
3.1 Memo (Qureshi, Vogl) April 2, 1982. FIS/MC/82-17
3.2 Revised draft outline April 6, 1982. FIS/MC/82-18

Presentation Mr. Shakow said that the outline proposed was flexible, and the steering committee was in particular seeking the Managing Committee's guidance on how to deal with the views of IDA critics.

Discussion and Committee Action In discussion, it was agreed that the views of critics should not be singled out for rebuttal but addressed more generally in the text of the "Retrospective" as appropriate. The relationship of IDA to IBRD should be carefully handled and should emphasize that IDA allows the World Bank to be a global institution by permitting financing to be extended to countries not creditworthy for Bank lending. Otherwise, project and performance criteria are the same for both institutions. This point should be made at the beginning of the paper. A number of other suggestions were made on the outline.

4. Names and Symbols

Attending: Mr. B. Rohrbacher and Ms. A. Trzeciak PAD/MC/82-20

Documentation
4.1 Memo (Paijmans) April 15, 1982: Names and Symbols - Sample Letterheads and Mastheads (attached)

Presentation Mr. Rohrbacher presented a number of samples of the style of different types of Bank documents.

Discussion and Committee Action

After brief discussion, the Committee accepted the styles proposed subject to: (1) IFC should be asked whether it could agree to its regular letterhead showing it as an affiliate of the World Bank, (2) separate letterhead for IBRD and IDA would be retained for legal and other specialized purposes, and (3) the last sentence on the cover sheet of Board documents should read 'Its contents may not otherwise be disclosed without authorization.'

5. Board Seminar on Personnel Policy

PAD/MC/82-21

Documentation

5.1 Memo (Paijmans) April 15, 1982: Board Seminar on the Personnel Management Department with attached paper for Board.

Discussion and Committee Action

The Committee approved the draft Board paper with minor presentational suggestions.

6. Other Business

Separate Funding Entity

Following the discussion of April 12 (Minutes Item No. 4), it was agreed that the Finance Complex should produce a brief paper outlining issues relating to such an entity. (Action Responsibility: Mr. Qureshi)

Selective Capital Increase and Hungarian Membership

Mr. Qureshi reported on a series of meetings with Executive Directors, especially Mr. Hennessy and Mr. El-Naggar, to try to find a way of speedily proceeding with Hungarian membership. He had recalled to them the pre-GCI position where 25,000 shares has been set aside for selective capital increases. This was based on applications for 6,000 shares for Latin American countries, 7,000 for Saudi Arabia, 4,000 for Kuwait, and 1,000 for UAE. Korea had registered an interest at the time but was not encouraged to apply formally. He had proposed to Messrs. Hennessy and El-Naggar that, because of scarcity in shares, the allocation should be made in stages. First, 6,000 should be allocated to the Latin American countries, 7,000 to Saudi Arabia and 2,000 to Hungary which would be a comparable minimum amount for membership. The second stage could be carried out under two scenarios. First, if United Kingdom released 12,000 shares, then an additional 4,000 could be allocated to Saudi Arabia, 6,000 to the Latin American countries and another 2,000 to Hungary. If the United Kingdom was not prepared to release these shares, then we would propose an increase in the authorized capital of up to 8,000 shares, make the appropriate allocations to Saudi Arabia and Latin America to the extent feasible and ask Hungary to wait for the balance of 2,000 shares. Allocation to UAE and Kuwait could be taken up in a third stage after agreement is reached on general criteria for selective increases. Mr. El-Naggar was prepared to exclude UAE and Kuwait from the first two stages but insisted that the increase in authorized capital of up to 8,000 should be guaranteed if the U.K. did not release its shares. The U.S. was prepared to go along with all parts of the proposal except any undertaking to increase authorized shares. He felt that the U.S. was not keen to be pressed into quick action on Hungary until it was clear whether Hungary's GNP per capita would be at a level which would permit Hungary to borrow from the Bank. Mr. El-Naggar said that unless there was some commitment on the issue of the additional 8,000 shares, he would send a note to the Executive Directors saying that it would be contrary to earlier understandings if the Bank used any of its unallocated shares for Hungary.

Committee Discussion and Action

In discussion, it was agreed that there was indeed such an understanding on the use of unallocated shares, and it would not be possible to use these for Hungary if Mr. El-Naggar objected. It was further agreed that the management could not take the responsibility for delaying a memorandum to the Board proposing Hungarian membership. If no solution was found, then the management should act by including the appropriate number of shares for Hungary in the membership resolution which should be put to the Board as soon as possible, since Hungary was expected to sign the IMF Articles on May 6. It was not clear how the U.S. would vote on such a resolution. It was noted that, on present evidence, Hungary's GNP per capita was likely to be below the trigger point for graduation. However, any lending operations which might take place over the next few years would be modest and not significant in terms of overall claims on Bank resources.

IDA Availabilities

In discussion, it was agreed that IDA should not attempt to commit more than $2,600 million in FY82. Any additional contributions which became available which might permit higher levels in FY82 should be applied to FY83 since FY83 was already programmed for a higher level of commitments than might be possible if the full $945 million was not forthcoming from the United States.

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Managing Committee

CONFIDENTIAL
April 14, 1982
Record: April 22, 1982

FROM: William S. Humphrey

SUBJECT: Minutes of April 12, 1982 Meeting

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

1. Minutes of March 29 Meeting

Committee Action

Approved as amended.

2. Minutes of April 5 Meeting

Committee Action

Corrected as indicated in the attached amended version.

3. IDA Retrospective Study - A Progress Report

ocumentation

3.1 Memo (Qureshi, Vogl) April 2, 1982.
3.2 Revised draft outline April 6, 1982.

This item was deferred for discussion at a future meeting.

4. Cofinancing with Commercial Banks

Attending: Mr. E. Rotberg

Documentation

4.1 Memo (Stern) April 1, 1982, with draft report.
4.2 Memo (Qureshi) March 20, 1982: Financial Aspects of Cofinancing with B Loan Technique.

Discussion

The discussion, continued from the previous week, focused on the implications for the Bank's borrowing and other financial policies of implementing the proposals in the paper. Among the items discussed was the risk that the increased possibility of rescheduling under B loans would reduce the Bank's credit standing in the market. The proposals could also change the method of fixing interest rates, the policy on liquidity and implied a decision to move to variable rate borrowing and lending by the Bank. It was noted that although it was possible in principle to go forward with 'B loan' type operations on the basis of fixed rate borrowing and lending, such a move did not appear useful. It was felt that Board approval of variable rate borrowing and lending for general Bank operations should be secured before the new cofinancing proposals were presented to the Board to avoid possible difficulties or delays in getting the general policy approved. The creation of a separate entity to fund 'B loans' was discussed, noting that this could help protect the Bank's credit from the risks associated with rescheduling and also could provide extra leverage and possibly the facility to take deposits. On the other hand, 'B type loans' funded through such an entity would not provide the same degree of security in the eyes of the commercial banks as B loans funded from the Bank's own resources. It was further noted that such an entity would undoubtedly take some time to organize since it could require changes in the Articles and the negotiation of a capital structure. However, the idea was worth further thought.

Committee Action

In order to ensure that the consideration of new types of cofinancing using variable rate borrowing and lending did not jeopardize securing Board approval of the concept of variable rate borrowing and lending for the Bank as a whole, the Committee decided to defer presenting the cofinancing paper to the Board until the Board had agreed on the new lending rate policy. However, the Board paper on variable rate borrowing and lending should indicate that proposals for new cofinancing instruments using variable rate lending techniques would be presented to the Board shortly. The lending/borrowing policy paper should be submitted to the Board as soon as possible to allow time for discussion by governments before a Board meeting in early June which would permit implementation of the new policy if possible by July 1. (Action Responsibility: Mr. Qureshi)

5. Lending Charge Review

Documentation

5.1 Draft Board Paper April 8, 1982: IBRD Lending Rate and Other Loan Charges.

Committee Action

The Committee approved the Draft Board Paper.

6. FY83 Budget Recommendation

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

Documentation

6.1 Memo (Gabriel) April 8, 1982: Formulation of the FY83 Budget with annexes.

Presentation

Mr. Gabriel said that, starting with the Managing Committee's earlier guidelines, the original budget requests from operating units had far exceeded them. However, an intensive round of consultations between PAB and the Vice Presidents had reduced the proposals to a point where very little disagreement remained. The Vice Presidents' revised proposals showed no overall increase in staff and a 3 percent increase in dollar amount over the FY82 budgeted figure. PAB was proposing an option which involved no increase in staff and no increase in the budgeted FY83 dollar amount over the $525.5 million budgeted for FY82. This would involve an estimated 3 percent increase in the FY83 dollar budget over the estimated actual outturn of $510 million for FY82.

Discussion

The discussion first focused on the assumptions. It was emphasized that the IBRD lending program had been rephased to take account of shortfalls in the IDA lending program, that IDA 6 had been stretched out to four years and the present planning assumptions on IDA 7 had been reflected. The reaction of the Board to an increase to $11.2 billion in FY83 was discussed. It was also noted that manpower had not been budgeted for the full projected levels of IDA commitments for FY85, FY86, and FY87. The assumptions were accepted as were the projected country and sectoral lending patterns.

In discussing the main features of the operational programs and budgets, the major focus was on the budget for the Personnel and Administration units where PAB was recommending substantial cuts compared with the revised proposals put forward by Mr. Paijmans. It was noted that, in terms of presentation to the Board, it would be appropriate to make a "fair" rather than "conservative" estimate of the one-time expenses related to moving to the new building and that these should be broken out from other discretionary expenses. It was further recognized that the relatively large increase in discretionary expenses compared with other units reflected the need to continue to make up for past neglect in the Personnel and Administration area. The Committee accepted the aim of getting all division members adjacent and division continguous to their departments by August 1983. It was also thought desirable to take the necessary action to upgrade the computing system, although it was recognized that a foolproof facilities plan had not yet been produced. It was not possible at the meeting to reconcile the figures in the different scenarios presented in Mr. Paijmans' memo of March 22 with the figures in the PAB budget document. However, based on Mr. Paijmans' memorandum of March 22, it was generally agreed that (although this would involve some pain) an increase of 6 percent over the FY82 base excluding one time costs might be appropriate (i.e., midway between scenario B which implied 5 percent and Mr. Paijmans' own revised recommendation which implied 6.7 percent.) In other areas, the PAB recommendations on the accommodation of the China Research Program within the amounts earlier set for internal research was questioned, as were the fairly substantial travel increases for OED and the number of established positions for Executive Directors. The appropriateness of reducing the contingency fund was also discussed.

Committee Action

(1) PAB's recommendation for a dollar budget for FY83 of $525.8 million was broadly accepted subject to upward adjustment to take account the following items: (a) Further discussions should take place between Mr. Paijmans and PAB on the appropriate level of one-time expenses for the move and the need to avoid reducing too much the momentum of necessary changes in Personnel and Administration to make up for past neglect. In Mr. Clausen's absence, outstanding issues in this area should be settled by Mr. Stern and Mr. Qureshi; (b) The contingency should be reduced from 1 percent of budget to 0.75 percent of budget or $4.0 million rather than the 0.3 percent of budget or $1.5 million as recommended by PAB. However, internal control over the use of this contingency fund should be tightened; (c) Further minor adjustments might result from the consultation between Mr. Chenery and PAB on the China Research Program.

The increases arising from the above adjustments were not expected to increase the FY83 budget more than 2 percent above the $525.5 million budgeted for FY82.

(2) At his next lunch with the Executive Directors, Mr. Clausen would ask their help in trying to hold the numbers of their staff at present levels and not fill vacant positions at this time of budgetary stringency. He would also urge a selective approach to project performance audits which in turn might permit, in future, a slower growth in the budget of OED.

(3) The FY83 Capital Budget was approved subject to the resolution of (1)(a) above.

(4) PAB was authorized to proceed with the preparation of the FY83 Board memorandum on programs and budgets and to prepare for the Board Budget Seminar scheduled for April 29. (Action Responsibility: Messrs. Qureshi and Gabriel)

Documentation 6.2 Memo (Qureshi) April 8, 1982: IAD Special FY83 Budget Request, Staffing for Project Lending and Supervision Audits with attachments.

Presentation Mr. Qureshi said that he had transmitted to the Committee the budget request from the Internal Auditor for one additional position for FY83 on the basis of the present scope of work and for further additional positions to expand the scope of internal audit both in the area of project supervision and appraisal. This request had partly sprung from the discussions of the Joint Audit Committee.

Discussion It was generally felt that the Internal Audit Department should not get involved in auditing ongoing operational functions, since this would involve yet another layer of intervention in operational activities. There was, therefore, little support for the proposal from the Internal Auditor.

Committee Action The proposal for additional positions in IAD for FY83, FY84 and FY85 was rejected, and the Committee agreed with the recommentation in the budget document that the positions in IAD would be held at FY82 levels.

7. 1982 Compensation Review

Attending: Messrs. R. Clarke and G. Kaji

Documentation 7.1 Memo (COM) April 8, 1982.

Presentation Mr. Paijmans said that the survey data from Hay Associates would be ready this week and would be provided to the Board and the Staff Association. Consultations would then follow with the IMF, the Board Committee and the Staff Association. The paper was designed to seek guidance from the Managing Committee for these consultations on the basis of preliminary information received on the results of the survey. The paper recommended that the data on the pay movements of incumbents of matched jobs should not be used mainly because these movements were highly unrepresentative of overall salary movements. It further recommended that the actual U.S. public sector data should be used which reflected settlements constrained by political considerations rather than the data indicated by the Annual Bureau of Labor Statistics Survey for U.S. public sector increases, which were not actually awarded. In addition, decisions should be based on U.S. comparator data alone since it did not appear that French and German pay was increasing at a significantly faster rate than the U.S. comparators. Using the overall average salary increase as a basis for adjustment for a 12-month period to March 1, 1982, the A-I indicated adjustment would be 6.1 percent and the J-N indicated adjustment 7.2 percent.

It was, therefore, recommended that the eventual adjustment should be in the range of 6 to 7.5 percent for the 12-month period or 7 to 8.5 percent for the 14-month period to May 1, 1982. It was also recommended that the same adjustment should be awarded to A-I and J-Q staff since the difference was not great and making a differential adjustment would be divisive and not follow the precedent of last year.

Discussion — Discussion focused on possible difficulties in reaching agreement with the IMF and the consequences of giving a higher than warranted increase to A-I staff which would bring some grades and levels further out of line with the market.

Committee Action — The Committee accepted the recommendations of the paper and agreed on the timetable for further action including consultation with the IMF, the Staff Association and the Board Committee followed by specific recommendations and a draft Board paper distributed to the Managing Committee on April 23. Managing Committee consideration would be on May 3 with the Board paper issued on May 5 and Board consideration May 27. (Action Responsbility: Mr. Paijmans)

8. Reward System

Attending: Messrs. R. Clarke and G. Kaji

Documentation — Memo (COM/PMD) April 9, 1982.

Presentation — Mr. Paijmans outlined the recommendations of the paper which proposed for J-Q staff that the amount available for discretionary salary increases over and above the structural adjustment be reduced from the present 2.4 percent to 1.8 percent, the balance of 0.6 percent being used for bonuses, etc. The amount available for discretionary salary increases would be allocated to vice presidencies within the framework of a salary increase matrix, which would be published to all staff, based on five reward categories, the division of each salary range into quintiles, and the assumption that fully satisfactory performers would receive at least the full structural adjustment. The reward categories would not be defined, and the salary increase matrix would provide a benchmark for conscious decisions by managers from which they would be free to depart within the constraints of their salary increase budget. The revised system would be announced as soon as the Executive Directors' views are known (scheduled for May 27, 1982), but its implementation postponed to May 1983.

Discussion

The design of the reward system was accepted by the Committee, and the main discussion focused on the reasons for delaying its implementation to May 1983. It was stressed that this delay was felt advisable by the majority of managers in the Bank, particularly since an annual merit review had just been undertaken at the end of 1981, and the additional amount to be distributed on a discretionary basis would be rather small. In addition, time was needed to accustom both managers and staff to the new reward system, and it was important that everybody should be fully "on board" by the time it was implemented.

Committee Action

The paper's recommendations were approved, and it was agreed that vice presidents and department directors should be advised now of the intention to recommend the introduction of the revised system with implementation in 1983. The outlines of the revised system would be announced to all staff as soon as the Executive Directors' views were known, to be followed by an intensive communications program. After appropriate consultations, proposals for the complete system would be formulated for consideration by the Managing Committee in November 1982. Thorough training of managers in all aspects of the system would be arranged during the period January-March 1983. (Action Responsibility: Mr. Paijmans)

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WBG ARCHIVES

Managing Committee

CONFIDENTIAL
April 9, 1982
Amended: April 15, 1982
Record: April 22, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of April 5, 1982 Meeting
Members Present: Messrs. Stern, Golsong, Paijmans, Thahane
Members Absent: Messrs. Clausen, Benjenk, Chenery, Qureshi
Acting Chairman: Mr. Stern

1. Minutes of March 22 Meeting

Committee Action

Approved as amended.

2. Minutes of March 29 Meeting

Committee Action

Corrected as indicated in the attached amended version.

3. Cofinancing with Commercial Banks

OPS/MC/82-11

FIS/MC/82-16

Documentation

3.1 Memo (Stern) April 1, 1982, with draft report.
3.2 Memo (Qureshi) March 30, 1982: Financial Aspects of Cofinancing with the "B" Loan Technique.

Presentation

Topic introduced by Mr. Stern who emphasized that to increase private cofinancing requires new tools. All the possible new instruments, however, have significant risks, especially that of drawing the Bank into debt rescheduling. The concern of how the proposal bears on a proposed policy of variable rate borrowing has been considered. The Operations Policy Subcommittee concluded that the new instruments should be tested on a pilot basis.

Discussion and Committee Decision

After discussing the specific problem of rescheduling and various options to cover against this risk, the Committee observed that it is time for the Bank to come out with concrete proposals since expectations have been building up in many places following various speeches of Mr. Clausen on the subject. After several editorial comments were made on the paper, it was agreed that the report could be issued, after revision, in the course of the following week as the basis for a Board seminar at the end of April. A formal Board decision will be scheduled for May. (Action Responsibility: Mr. Stern)

4. Board Seminar on SAL

OPS/MC/82-12

Documentation

4.1 Memo (Stern) March 29, 1982, with draft Board paper.

Presentation

Mr. Stern reported on minor changes in the draft Board paper as a result of the meeting of the Operations Policy Subcommittee. The main substantive change has been the deletion of the reference to a 10% ceiling for the share of structural adjustment lending to total Bank lending.

Committee Decision The Committee agreed that the paper can be issued to the Board promptly. (Action Reponsibility: Mr. Stern)

5. Attitude Survey

PAD/MC/82-15

Documentation 5.1 Memo (PMD) March 29, 1982: Attitude Survey - Feedback and Action Planning Process.

Presentation Mr. Paijmans stressed the importance of securing the support of Senior Management for the feedback process on the results of the survey.

Committee Decision The Committee agreed that the starting point of this process will be the meeting of the Managing Committee of May 17 where the Bank Group-wide Survey Report will be presented. The next step will be: (a) a meeting of the Senior Management Council and (b) a set of three workshops for each vice presidency. The date of the meeting of the SMC was left open, to be discussed with Mr. Clausen at next week's meeting. The schedule of meetings proposed for each vice presidency will need to be reviewed again with each vice president to avoid possible timing conflicts. (Action Responsibility: Mr. Paijmans)

6. Separation and Demotion Policy

Attending: Messrs. G. Kaji, J. Dyck

PAD/MC/82-16

Documentation 6.1 Memo (Paijmans) March 31, 1982, with report.

Presentation Mr. Paijmans stressed the importance of the proposed policy which is clearly meant to fill a void. At the same time, the timing of issuing this policy is somewhat unfortunate because of the uncertainties which currently prevail among staff. The proposal is based on past experience of the Bank and other institutions. It was reviewed and agreed upon by the Personnel and Administration Subcommittee. An important aspect is that, from a legal standpoint, it is not possible to distinguish between separation because of abolition of office and because of unsatisfactory performance, as far as pension benefits are concerned.

Discussion The major change is the proposed withdrawal of the Bank Group funding for participation in the Staff Retirement Plan of staff placed on Special Leave. The reason for this change is to match the value of the separation package under the Special Leave arrangement with that under the lump sum arrangement. It was noted that the justification for Special Leave is related to the G(iv) visa status; staff who have been terminated are given more time to sort out their personal affairs, since they remain as employees of the Bank. Without this system, U.S. laws force them to leave the country shortly after losing their G(iv) status.

Committee Decision

The Committee agreed that the Directors or Vice President should not be expected to know of other assignment possibilities outside their span of supervision when a staff member is considered for termination. Managers should strictly state that they cannot use the staff member who is therefore designated for termination. The decision not to terminate and therefore to seek alternative positions in the Bank should then rest entirely with PMD. The report should be revised to reflect this decision.

Subject to this revision, the report was agreed upon by the Committee. The Committee further agreed that the policy statement to the staff should be written in a positive tone. This statement will be submitted to the Committee for approval before being issued. (Action Responsibility: Messrs. Paijmans, Kaji)

7. Day Care Center

Attending: Messrs. G. Kaji, J. Dyck

Documentation

7.1 Memo (Paijmans) March 31, 1982, with report. PAD/MC 82 - 17

Discussion

The paper prepared by PMD has been reviewed by the Personnel and Administration Subcommittee. It was noted that there are some differences of opinion on the cost estimates between PMD and the vocal, if limited in size, group of staff who feel strongly about this matter. In addition, the paper was found somewhat unfortunate in tone, paying little attention to the real problem which is that of recruitment of women. The Bank's efforts to hire women at the professional and managerial levels have not been very successful in recent years and for many women, adequate day care facilities is a critical factor in seeking and accepting employment. It was also observed that the issue of subsidizing a day care center for a small group of staff should be viewed in the context of other subsidies paid by the Bank (e.g., education loans). This is, however, a very complex issue for which there may not be much flexibility for change.

Committee Decision

The Committee agreed with the recommendation of the Personnel and Administration Subcommittee for the continuation of a $6,000 Bank subsidy for the private child care center for a second and final year. It also agreed that the different cost estimates should be reconciled, and a list of other subsidies and their distribution should be prepared. (Action Responsibility: Mr. Paijmans)

8. Principles of Employment

Presentation

Mr. Paijmans reported on last week's meeting at the Delegate Assembly of the Staff Association on the draft report on Principles of Employment. The DA voiced sharp criticism of the Executive Committee for "giving in" and going much too far along with management's positions. Major objections to the report included: (a) the non-recognition of the right to associate; (b) excessive prerogatives of the President; and (c) insufficient reference to "fundamental" rights of the staff. The DA wanted the draft report circulated desk to desk to all Bank staff. The Executive Committee convinced the DA to wait for the review of the Managing Committee and the following revised version of the report, before they decide whether or not to distribute to all staff.

Committee Action

The Committee agreed that the paper should first be rewritten (the Legal Department is working on it). The new version will then be discussed with the Executive Committee of the Staff Association. At the same time that the EC puts it to the Delegate Assembly, the paper should also be put to Bank managers so that if the DA decides to distribute it to all staff, managers will have received it beforehand and will be able to assist the staff in its understanding. The Committee also agreed that the Board should be appropriately informed after the paper is revised. (Action Responsibility: Messrs. Paijmans, Golsong)

9. IDA Retrospective Study - Progress Report

Documentation

9.1 Memo (Qureshi, Vogl) April 2, 1982. FIS/MC/82-17

Discussion

The discussion focused on whether traditional critics of aid in general and IDA in particular should be invited to express their views in the study as recommended in the memo. Since several of these critics simply want the abolition of IDA, this may not be desirable. At any rate, if they are invited, their criticisms should be answered point by point.

Committee Decision

The Committee agreed that it should look again into this issue and the overall proposed program at next week's meeting, on the basis of a discussion of a detailed outline of the study to be distributed to MC members. (Action Responsibility: O. Lafourcade)

10. Other Business

Management by Objectives

Mr. Paijmans reported that a training session on MBO for the whole Senior Management Council has been scheduled for April 30. This will take the form of a full day session, probably from 9:00 to 3:30. The timing of this session fits well with the feedback process on the attitude survey and the forthcoming performance review. The Secretary to the Managing Committee should issue a note informing the Senior Management Council. (Action Reponsibility: O. Lafourcade)

Managing Committee

CONFIDENTIAL
April 1, 1982
Amended: April 9, 1982
Record: April 15, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of March 29, 1982 Meeting

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

1. Minutes of March 22 Meeting

Committee Action Corrected as indicated in attached amended version.

2. February Financial Report

FIS/MC/82-15

Documentation 2.1 Memo (Hattori) March 24: February Financial Report

Discussion The main noticeable feature of this month's report is that loan disbursements are picking up faster than expected. This is the result of the measures taken in 1979 to move project appraisal further downstream in the preparation of projects so as to lead to early disbursements after Board approval.

The administrative expenses outlook for the year is below the budget forecast. The presentation of the budget forecast should be revised in the future, to reflect the May 1981 salary adjustment. It was noted that administrative expenses have increased at more than 15% annually since 1977, with the only exception of 1978 (5%). The increase from FY83 over FY82 is expected to be at the inflation rate (9-10%) plus 2%.

On the operating income side, it was also noted that financial expenses are likely to increase substantially over the next few months since most of the borrowing to come until the end of the fiscal year will be high cost borrowing.

3. Future WDRs

Attending: P. Wright, A. Shakow

ERS/MC/82-3

Documentation 3.1 Memo (Wright, Shakow) March 25: Future WDRs

Presentation Topic introduced by Peter Wright who emphasized that the recommendation for WDR topics for next year and subsequent ones is the result of extensive discussions among the various parties concerned in the Bank. The subject of Managing Development, recommended for FY83, is a difficult one, but it touches on a crucially important problem.

iscussion

The Committee agreed that the topic "Managing Development" is very appropriate for WDR VI. It comes as a timely subject which should be approached systematically, drawing on the Bank's own 35 years of experience and also on the experience of others. Being a difficult subject, caution will need to be exercised in its treatment. In particular, it will need to be presented in constructive terms, as there is a risk to point excessively to failures of the past. It was also noted that the report will be able to draw on studies such as the Sub-Sahara African report and the ongoing IDA retrospective study.

Committee Decision

The Committee decided that the subject for WDR VI (FY83) should be Managing Development and that the Board should be so informed at the April 15 seminar on topics for future WDRs. Barring unexpected circumstances over next year which would justify a change, "Population and Development" will be the subject for 1984, because of the Population Conference scheduled for the fall of 1984. The other subjects will be presented in the memorandum to the Board as possible topics for later years.

4. Principles of Staff Employment

Attending: R. Clarke

Documentation

4.1 Memo (Paijmans) March 24: Principles of Staff Employment PAD/MC/82-14

esentation

Topic introduced by Mr. Paijmans who made a brief history of the background leading to the present proposal, dating back to the ill-fated Legal Rights Conference started in 1977. In essence, there is an undeniable necessity to define employer-employee relationships in the Bank. The whole exercise of preparation of the principles and the rules and regulations was conducted by the Personnel Administration and the Legal Department which worked with a very cooperative Executive Committee of the Staff Association. The proposed text is acceptable to the Executive Committee whose only expressed regret is that the right to associate is not explicitly recognized.

Discussion

The discussion focused first on the overall tone of the paper which was felt excessively "Presidential." While it was recognized that the Bank's Articles of Agreement call for the President himself to decide on such personnel matters, the President can delegate, as expressed in Principle I(c). There is, therefore, no need to repeat each time the reference to the President.

The Committee then reviewed the document paragraph by paragraph. In this process, both editorial and substantive changes were made which will be reflected in a revised version to be submitted to the Managing Committee. Several issues of substance were discussed, for which it was agreed that further thought should be given by the Legal Department, the Compensation and Personnel Management Departments. One such issue debated at some length was whether there should be a right of staff to associate. It was pointed out that the "right to associate" may be given different legal interpretations, some of which include the right to collective bargaining and thus may be undesirable in the context of the Bank. Likewise, the issue of consultation with the staff was debated. It was generally recognized that to limit consultation to elected staff members would not be desirable and consultation both through the chain of command and with elected representatives would be preferable. Whether consultation with staff should be stated as a staff right in the Principles was left for further examination and recommendation by the Legal Department.

Committee Decision

The Committee agreed that the document should be immediately distributed to the Senior Management Council so that managers throughout the Bank can be fully informed of the proposal. A revised version of the document will be prepared, incorporating the comments/changes made at the meeting, and will be submitted again to the Committee. It was noted that the Delegate Assembly of the Staff Association has already received a copy of the report and has scheduled a meeting on March 30 to discuss it. The Chairman of the Staff Association may ask to meet with the Committee at next week's meeting to present the views of the Assembly to the full Committee.

Further consultations with the Staff Association will take place after completion of the revised version of the paper. The Committee was also reminded that the objective is to put a final version of the Principles to the Board before the end of the fiscal year. (Action Reponsibility: Messrs. Paijmans, Golsong)

5. IDA Deputies Meeting

Presentation

Mr. Qureshi reported that the campaign of support for IDA by Third World political leaders is moving slowly. Good support came from Mrs. Gandhi during her recent visit to U.K. where she raised the seriousness of the situation with Mrs. Thatcher. She apparently was able to convince Mrs. Thatcher that something should be done. On the other hand, the Germans are as inflexible as ever, and the Canadians are unwilling to move unless someone else does. The French are keen on the idea for a special account for energy, but the British would probably favor the waiver approach. In this overall context, the Deputies meeting should be seen as a starting point to build momentum for the Helsinki meeting of the Development Committee and for the summit meeting of Versailles in June.

Mr. Qureshi noted that, at today's exchange rates, the IDA VI agreement amounts to $10.8 billion and not the $12 billion negotiated. Furthermore, the Bank's assumptions for next year are based on the U.S. allocating about $900 million. This could however be lower, which would lead to further slowdowns.

6. Other Business

Selective Capital Increases

Following on last week's discussion of this issue, Mr. Qureshi reported that the U.K. Executive Director, Mr. Anson, expects that the Chancellor of the Exchequer will look favorably at the possibility of release of shares by U.K. However, a reply from the British cannot be expected before two weeks. The Committee agreed that the Hungary membership should be processed separately from the Selective Capital Increases.

Seminar in France

Mr. Stern informed the Committee of a request by the French government for a seminar of the Bank similar to that held two years ago in Paris, which had focused on selected subjects such as agriculture and procurements. The seminar, to which Mr. Stern agreed, will be held in October, and like the last one, will gather government officials, businessmen and industrialists with a number of Bank staff.

Save the Children's Fund

Mr. Benjenk reported that a request has been made for holding a dinner in the Bank some time in May on the occasion of the 50th Anniversary of the Save the Children's Fund. The Bank is familiar with this fund whom it is associated with in some projects. The Committee agreed that the Bank could agree to the dinner provided that: (a) this is a serious event, i.e. not to be viewed only as a social occasion; and (b) the Bank can get some credit out of it. (Action Responsibility: Mr. Benjenk)

PER

Mr. Paijmans reported briefly on the results of the meeting of the Search Committee for filling the position of Vice President, Economics and Research.

Bank's World

Mr. Paijmans reported that the *Bank's World* staff have asked for an article on the IDA situation and the possible implications for the staff of the Bank. The Committee agreed that such an article should not be written before the FY83 budget is finalized. It could, therefore, be published in the May issue of the *Bank's World*.

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FEB 16 2017
WBG ARCHIVES

Managing Committee

CONFIDENTIAL
April 1, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of March 29, 1982 Meeting
Members Present: Messrs. Clausen, Qureshi, Stern, Benjenk, Paijmans, Thahane, Golsong
Members Absent: Mr. Chenery
Also Present: Mr. Humphrey

1. Minutes of March 22 Meeting

Committee Action Corrected as indicated in attached amended version.

2. February Financial Report

Documentation 2.1 Memo (Hattori) March 24: February Financial Report

Discussion The main noticeable feature of this month's report is that loan disbursements are picking up faster than expected. This is the result of the measures taken in 1979 to move project appraisal further downstream in the preparation of projects so as to lead to early disbursements after Board approval.

The administrative expenses outlook for the year is below the budget forecast. The presentation of the budget forecast should be revised in the future, to reflect the May 1981 salary adjustment. It was noted that administrative expenses have increased at more than 15% annually since 1977, with the only exception of 1978 (5%). The increase from FY83 over FY82 is expected to be at the inflation rate (9-10%) plus 2%.

On the operating income side, it was also noted that financial expenses are likely to increase substantially over the next few months since most of the borrowing to come until the end of the fiscal year will be high cost borrowing.

3. Future WDRs

Attending: P. Wright, A. Shakow

Documentation 3.1 Memo (Wright, Shakow) March 25: Future WDRs

Presentation Topic introduced by Peter Wright who emphasized the recommendation for WDR topics for next year and subsequent ones is the result of extensive discussions among the various parties concerned in the Bank. The subject of "Managing Development, recommended for FY83, is a difficult one, but it touches on a crucially important problem.

Discussion

The Committee agreed that the topic "Managing Development" is very appropriate for WDR VI. It comes as a timely subject which should be approached systematically, drawing on the Bank's own 35 years of experience and also on the experience of others. Being a difficult subject, caution will need to be exercised in its treatment. In particular, it will need to be presented in constructive terms, as there is a risk to point excessively to failures of the past. It was also noted that the report will be able to draw on studies such as the Sub-Sahara African report and the ongoing IDA retrospective study.

Committee Decision

The Committee agreed that a specific recommendation should be made to the Board, for the April 15 seminar, that the subject for WDR VI (FY83) should be "Managing Development." The other subjects would form a list of suggested topics for the following years, with a management preference to be expressed for "Population and Development" for 1984, in view of the Population Conference scheduled for the fall of 1984. It was further agreed that the list of topics included in the memorandum should also mention "monitoring and evaluation capabilities of development countries" as a suitable topic.

approved
1983
1984
w/ topics
selected for
future
years.

4. Principles of Staff Employment

Attending: R. Clarke

Documentation

4.1 Memo (Paijmans) March 24: Principles of Staff Employment

Presentation

undeniable

Topic introduced by Mr. Paijmans who made a brief history of the background leading to the present proposal, dating back to the ill-fated Legal Rights Conference started in 1977. In essence, there is an undeniable necessity to define employer-employee relationships in the Bank. The whole exercise of preparation of the principles and the rules and regulations was conducted by the Personnel Administration and the Legal Department which worked with a very cooperative Staff Association. The proposed text is acceptable to the Executive Committee of the Staff Association whose only expressed regret is that the right to associate is not explicitly recognized.

Discussion

The discussion focused first on the overall tone of the paper which was felt excessively "Presidential." While it was recognized that the Bank's Articles of Agreement call for the President himself to decide on such personnel matters, the President can delegate, as expressed in Principle I(c). There is, therefore, no need to repeat each time the reference to the President.

The Committee then reviewed the document paragraph by paragraph. In this process, both editorial and substantive changes were made which will be reflected in a revised version to be submitted to the Managing Committee. Several issues of substance were discussed, for which it was agreed that further thought should be given by the Legal Department, the Compensation and Personnel Management Departments. One such issue debated at some length was whether there should be a right of staff to associate. It was pointed out that the "right to associate" may be given different legal interpretations, some of which may be undesirable in the context of the Bank. Likewise, the issue of consultation of staff was debated. It was generally recognized that to limit consultation to elected staff members would not be desirable and consultation both through the chain of command and with elected representatives would be preferable. Whether consultation with staff should be stated as a staff right in the Principles was left for further examination and recommendation by the Legal Department.

Committee Decision

The Committee agreed that the document should be immediately distributed to the Senior Management Council so that managers throughout the Bank can be fully informed of the proposal. A revised version of the document will be prepared, incorporating the comments/changes made at the meeting, and will be submitted again to the Committee. It was noted that the Delegate Assembly of the Staff Association has already received a copy of the report and has scheduled a meeting on March 30 to discuss it. The Chairman of the Staff Association may ask to meet with the Committee at next week's meeting to present the views of the Assembly to the full Committee.

Further consultations with the Staff Association will take place after completion of the revised version of the paper. The Committee was also reminded that the objective is to put a final version of the Principles to the Board before the end of the fiscal year.

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Mr. Qureshi reported that the campaign of support for IDA by Third World political leaders is moving slowly. Good support came from Mrs. Gandhi during her recent visit to U.K. where she raised the seriousness of the situation with Mrs. Thatcher. She apparently was able to convince Mrs. Thatcher that something should be done. On the other hand, the Germans are as inflexible as ever, and the Canadians are unwilling to move unless someone else does. The French are keen on the idea for a special account for energy, but the British would probably favor the waiver approach. In this overall context, the Deputies meeting should be seen as a starting point to build momentum for the Helsinki meeting of the Development Committee and for the summit meeting of Versailles in June.

Mr. Qureshi noted that, at today's exchange rates, the IDA VI agreement amounts to $10.8 billion and not the $12 billion negotiated. Furthermore, the Bank's assumptions for next year are based on the U.S. allocating about $900 million. This could however be lower, which would lead to further slowdowns.

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Following on last week's discussion of this issue, Mr. Qureshi reported that the U.K. Executive Director, Mr. Anson, expects that the Chancellor of the Exchequer will look favorably at the possibility of release of shares by U.K. However, a reply from the British cannot be expected before two weeks. The Committee agreed that the Hungary membership should be accommodated first.

Seminar in France

Mr. Stern informed the Committee of a request by the French government for a seminar of the Bank similar to that held two years ago in Paris, which had focused on selected subjects such as agriculture and procurements. The seminar, to which Mr. Stern agreed, will be held in October, and like the last one, will gather government officials, businessmen and industrialists with a number of Bank staff.

Save the Children's Fund

Mr. Benjenk reported that a request has been made for holding a dinner in the Bank some time in May on the occasion of the 50th Anniversary of the Save the Children's Fund. The Bank is familiar with this fund whom it is associated with in some projects. The Committee agreed that the Bank could agree to the dinner provided that: (a) this is a serious event, i.e. not to be viewed only as a social occasion; and (b) the Bank can get some credit out of it. (Action Responsibility: Mr. Benjenk)

VPER — Mr. Paijmans reported briefly on the results of the meeting of the Search Committee for filling the position of Vice President, Economics and Research. The leading candidate of the Committee is clearly Mr. Bruno.

Bank's World — Mr. Paijmans reported that the *Bank's World* staff have asked for an article on the IDA situation and the possible implications for the staff of the Bank. The Committee agreed that such an article should not be written before the FY83 budget is finalized. It could, therefore, be published in the May issue of the *Bank's World*.

Record Removal Notice

The World Bank Group
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File Title Managing Committee Official Files: Minutes - Minutes 02	**Barcode No.** 1775318

Document Date 26 March, 1982	**Document Type** Minutes	

Correspondents / Participants
From: Olivier Lafourcade

Subject / Title
Managing Committee - Minutes of March 22, 1982 Meeting

Exception(s)
Prerogative to Restrict

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	**Date**
Shiri Alon	February 22, 2017

Archives 01 (March 2017)

Record Removal Notice

The World Bank Group
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& Records Management

File Title Managing Committee Official Files: Minutes - Minutes 02	**Barcode No.** 1775318

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Correspondents / Participants
From: Olivier Lafourcade

Subject / Title
Managing Committee - Minutes of March 22, 1982 Meeting

Exception(s)
Prerogative to Restrict

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by Shiri Alon	**Date** February 22, 2017

Managing Committee

CONFIDENTIAL
March 18, 1982
Record: March 25, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of March 15, 1982 Meeting
Members Present: Messrs. Clausen, Qureshi, Benjenk, Paijmans, Thahane
Members Absent: Messrs. Stern, Chenery, Golsong
Also Present: Messrs. Humphrey, Rohrbacher

Opening Comments

Mr. Humphrey On behalf of the Committee, Mr. Clausen extended a warm welcome to Mr. Humphrey who has been designated as Secretary to the Managing Committee and Senior Management Council. Mr. Humphrey will take his position on April 1, 1982.

Mr. Clausen's Visit to Latin America Mr. Clausen reported on his visit to Mexico, Colombia and Brazil, which was quite successful. Press coverge was very good in the three countries, especially in Brazil. In the three countries, Mr. Clausen visited a cross-section of projects. It is clear that agriculture and rural development are very important in all three countries, particularly in Brazil, to counter the rapid growth of urban centers. Good progress is being made in Brazil on the economic policy front, especially in the field of tariffs of public services and reduction of subsidies. In Mexico, the main theme of discussion was the recent devaluation of the peso. President Lopez Portillo was very positive in his response to the request made to him for his personal intervention on behalf of IDA.

Mr. Benjenk's Visit to Europe Mr. Benjenk reported on his visit to France, Belgium and the UK. In France, government officials seem to be of two minds: on one hand, they seem quite favorable to the idea of France taking the leadership of a European initiative in the energy field, possibly through a special fund to cofinance energy projects with the Bank. On the other hand, with respect to IDA, the French express the view that they don't want to take any initiative which would appear to relieve the U.S. from its responsibilities. Mr. Benjenk mentioned that an invitation from President Mitterrand will be sent shortly to Mr. Clausen to visit with him before the Versailles summit in June. The Committee agreed that such a visit should take place before the Helsinki meeting of the Development Committee.

In the UK, where Mr. Benjenk met with the archbishop of Canterbury and a group of 20 bishops, it is clear that the church is very active on development issues and well informed about Bank activities. In some respects, the church acts as a conscience for the government. In general, however, the British government is unlikely to be very helpful on the IDA question at this time.

1. Minutes of February 22 Meeting

Committee Action

Approved as amended.

2. Minutes of March 1 Meeting

Committee Action

Corrected as indicated in attached amended version.

3. 1983 Compensation Review

PAD/MC/82-12

Documentation

3.1 Note (Compensation Department) March 5.

Presentation

Mr. Paijmans introduced the subject. The Kafka exercise had resulted in the agreement by the Board that a comprehensive review of staff compensation should be undertaken every three years. Since the major review following Kafka came to the Board in May 1981, the next one should come in May 1984, with the implication that the review itself should start in 1983. Since it is a very costly and time consuming exercise, it is recommended that the start of the comprehensive review be postponed and that the 1983 review be of the semi-automatic "intervening years" type based on the pay movements of comparators. The IMF, the Board Committee on Compensation and the Staff Association agree with this recommendation.

Committee
tion

The Committee agreed that the next comprehensive review should be postponed at least until 1984.

4. World Bank Name and Logo

PAD/MC/82-13

Documentation

4.1 Memo (Paijmans) March 12: Names and Symbols for the World Bank and its Affiliates, with accompanying OPD report.

Presentation

Topic introduced by Mr. Paijmans who pointed to the complexity of the problem at hand and the fact that the proposal is to be taken as a workable compromise. There is no solution that can satisfy all of the objectives.

Discussion

The pros and cons of the various alternatives presented in Annex A of the OPD paper were discussed. One of the key objectives is to eliminate the confusion which currently exists between the World Bank and IDA, especially in the press. The Committee agreed that the term "The World Bank" is a short, clear, well known name which should not be discarded. However, whether it should cover both IBRD and IDA, or only IBRD, is still open to question. One possibility is to use stationary with "The World Bank" at the top and IBRD/IDA at the bottom, leaving to the text of the document to be specific about whether IBRD or IDA is the subject matter. At any rate, every effort should be made by everyone in the Bank to use the appropriate term when referring to one or the other of the institutions.

With respect to the logos, the issue is whether they should be registered and protected. IFC's is registered but not the Bank's. Emblems are registered but are now used on very few occasions (e.g. Annual Meetings). The Legal Department is currently reviewing this issue of protection, and the Committee agreed that it should receive its recommendation by May 15.

Committee Decision

The Committee agreed that the next step should be to look at some examples of stationery and letterheads, after which a revised report should be prepared for further consideration by the Committee. At that stage, the Board will need to be informed.

The Committee also agreed that there should be some monitoring of the implementation of the final decisions to come on this issue. It was noted that the documentation unit in ADM, which the Committee recently agreed to expand, is the logical place to perform this function.

5. IDA 7: Analysis of Borrowing Capacity

Attending: Mr. Mistry

F15/MC/82-10

Documentation

5.1 Memo (Qureshi) March 12: IDA 7: Analysis of Borrowing Capacity together with Annexes 1-4.

Presentation

Topic presented by Mr. Qureshi. The paper addresses four key questions raised at the March 1 meeting of the Managing Committee. A three-year replenishment cycle is recommended, and members agreed. The impact of IDA borrowing on IBRD depends on how this borrowing would be conducted (amounts, currencies, etc.); this can be influenced by the type of instrument chosen. Maturation criteria related to country classifications have been considered, but need further work. Borrowing capacity has been analyzed under alternative scenarios; the longer the maturities, the more that can be borrowed. The footnote in para. 16 should be revised to read Group A - hardest credits and Group C - softest.

Discussion

One of the issues that must be dealt with is the overall amount that can be reached, and the possible distribution between the grant and the loan portions. The question is whether, tactically, the starting point for negotiations should be some real increase over the IDA 6 level. For a period of 1985-87, no real increase would mean about $17 billion. The $15 billion suggested in the paper may be too small, and a starting point could be $18 billion, distributed $12 billion in grants (same amount in nominal terms as IDA 6) and $6 billion in loans.

The question of whether the proposed changes from the present IDA terms would perhaps be too abrupt for the borrowing countries was discussed. Specifically, the possibility of establishing a common grace period for all three groups, but to start the system of repayment with some delays, was raised. It was pointed out, however, that if there were delayed repayments, then the concept of IDA potentially becoming a revolving fund would become lost, and this would be politically difficult with donor countries. On the other hand, the seven-year grace period means that countries have until 1992 to prepare themselves for the change.

With respect to borrowings from governments, it was agreed that below market rates should be sought. The 12% assumed may be too high and other options and their implications on the cash flow should be looked at. Mr. Mistry pointed to the fact that the model as it currently stands is rather simple and would get much more complicated if it were to include the possibility of borrowing in several currencies. The best option may be to borrow in SDRs where 8% below-market rate borrowing should be feasible compared with an SDR market rate of 11%.

As to the important problem of perception of Third World countries, it was noted that the political effect of the proposed changes is likely to be much greater than the real effect. In fact, the additional debt servicing burden will be minimal, especially for countries like India and China. This issue of political perception should be analyzed further. Mr. Qureshi suggested sounding out donors first to provide a basis for approaching borrowers and running additional scenarios. On the donors' side, an argument for selling the proposal is that IDA's reliance on donors will be on a declining basis after the year 2010. There are, however, a number of sensitive issues with respect to donors, which need to be considered. One example is the allocation of voting rights. As a matter of principle, they should be allocated on the basis of a grant-equivalent approach.

Other issues discussed included that of whether there is enough differentiation between the terms faced by Group A (hard terms) and IBRD terms, especially with regard to the amortization period (18 years versus 15 years). Other options may need to be looked at. Also, it was agreed that the grace period should run from the date of effectiveness and not be staged by disbursement date. The discussion also covered country classifications, maturation criteria and their overall impacts on cash flow. The magnitude of the replenishment affects the proportion of funding allocated to Groups A, B, and C. The major question is at what absolute dollar threshold are the poorest countries "cut off."

<u>Conclusion</u>

Overall, members acknowledged the paper as very useful. It will serve in the preparation of a briefing note intended for discussion with IDA Deputies on April 6. Some remaining questions need to be further pinned down; for instance, is the amount of risk reserve (10%) sufficient, how is it to be funded, will it include paid-in-capital. As to movements of countries among groups, members agreed that downward movements as well as upward would be allowed. There would be no reclassification of outstanding credits following a change in country classification since it is not Bank practice to apply terms retroactively. Additional scenarios should be run to pinpoint the effects of a reduction in inflation on interest charges. The issue raised by Mr. Stern at the March 1 meeting vis-a-vis an option to extend the grace period for three years at the time the granting of credits are reviewed needs to be clarified and built into the product design.

Committee Action

Members agreed with the recommendations for a three-year replenishment period, three-group country classification scheme, and seven year common grace period as key elements of the new IDA product. Borrowings should be received in SDRs to moderate the impact on IDA voting rights. A note will be prepared as a basis for discussion at the IDA Deputies meeting. After feedback has been received on this note from the meeting, a definitive proposal will be prepared. The whole issue should also be discussed at the Helsinki meeting which is turning out to be a very important meeting for the Bank. (Action Responsibility: Mr. Qureshi)

6. Other Business

Contingency Fund

6.1 Memo (Gabriel) March 8: FY82 Contingency Fund FIS/MC/82-11

The Committee took note of the conclusions of the March 8, 1982, memo from Mr. Gabriel stating that the FY82 Contingency Fund is practically exhausted.

EYR/MC/82-9

China-Taiwan

6.2 Memo (Benjenk) March 11: Treatment of Taiwan Province in Bank Reports, Documents and Maps, together with attached memo (Chen Hui) March 9 and previous correspondence on the subject

The Committee took note of Mr. Chen's memo of March 9, 1982, conveying the Chinese Governor's message in response to the February 19 memo of Messrs. Benjenk and Golsong. It was agreed that this message will be circulated to member countries through the offices of Executive Directors. (Action Responponbility: Mr. Thahane) EYR/MC/82-10

Mahbub ul Haq Interviews

The Committee agreed that various points made by Mahbub ul Haq in recent press interviews should be responded to. Rather than to refute or comment directly on these specific points, a preferred approach is to respond to them indirectly in the context of press interviews of senior Bank officers.

Technical Assistance, Italy

In the face of renewed pressures applied by the Italian ED, the Committee agreed that there should be no modification of the Bank's position covering the request of the Italian government for the release of Messrs. Grilli and Pennisi.

Seminar on Lending

Mr. Qureshi reported on the Board Seminar on Lending, which provided a good opportunity for EDs, Alternate EDs and their staff to increase their understanding of the problems at hand. The visual presentation and the supporting material circulated were especially useful. The Committee agreed that this supporting material should be distributed to the Senior Management Council and the subject matter should be discussed at the March 26 meeting of the SMC. (Action Responsibility: Mr. Qureshi) FIS/MC/82-12

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WBG ARCHIVES

Managing Committee

CONFIDENTIAL
March 5, 1982
Amended: March 18, 1982
Record: March 25, 1982

FROM: Olivier Lafourcade

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

1. Minutes of February 8 Meeting

Committee Action

Approved as amended.

2. Minutes of February 22 Meeting

Committee Action

Approved.

3. End-January Financial Report

Attending: Mr. Hattori

FIS/MS/82-6

Documentation

3.1 Paper (Hattori) February 22: Financial Report for January 1982 together with attached Tables 1-8.

Presentation

Topic presented by Mr. Hattori who highlighted the impact of exchange rate movements in January which had the effect of halving the positive adjustment of December. Exchange rate adjustments are not so much a major matter on the borrowing side since they tend to even out over time, but rather on the interest free resources of the Bank. If the trend continues, it could have serious implications on the Bank's income. What becomes important is the net effect of individual currencies on the Bank's income position. For instance, the average cost of borrowing in U.S. dollars is 10% and the average loan rate is 7.2% leaving a negative spread of over 2%. However, half of the U.S. dollars held are in liquid assets and a return of at least 13% on these dollars ensures that the Bank breaks even on its dollar balance. This is currently the case, but the whole situation is rather uncertain and volatile, and it will be studied further for next month's report. Mr. Hattori also summarized the current situation vis-a-vis payments and amounts outstanding on subscriptions to the GCI.

Discussion

A member questioned whether the effect of exchange rate fluctuations on the Bank's financial reports suggest that a less volatile measure of financial results should be used (e.g., SDRs). Mr. Hattori responded that SDRs would be better for management; however, reporting in dollar terms at the same time is necessary to meet expectations of the financial markets. Mr. Qureshi added that a paper on SDR accounting is due to the Board by end-June.

Another member inquired as to the effect on the Bank of a reduction in short term interest rates since earnings on short term investments have been enough to offset lower interest rates on longer term loans. Mr. Hattori responded that the practical effect of the basket of currencies is to cushion the impact of short term interest rate movements on the long term loan rates of the institution. The incremental effect on the average loan rate is most pronounced for U.S. dollars, but it is not possible to try to continuously balance currency holdings to even out the impact of varying short term interest rates.

One member suggested that it would be useful for Managing Committee members to be provided an overall presentation on the financial position of the Bank. Mr. Qureshi pointed to the March 10 presentation to the Board as such an opportunity. Mr. Hattori replied that its a question of how best to look at the financial flows affecting the Bank. Another member suggested that members' understanding of financial reports would benefit from improvements in overall presentation, e.g., para 8 on income variances could be better explained to the reader. Other examples are Tables 3 and 5a which do not aid the reader through labelling or highlighting. Financial reports to management should underscore what areas need attention, what should be done differently, what corrective actions are required.

Conclusions Mr. Hattori and Mr. Qureshi summarized key points for management attention. Progress of paid-in capital subscriptions should be closely monitored; currently, Part II countries are paying in, Part I countries are not. The net income situation should be closely looked at; however, liquid asset management should not be strictly "income driven", but rather its target should be maximization of financial return.

4. Bank's Poverty Focus

Attending: Messrs. Shakow and van der Tak

ERS/MC/82-1

Documentation 4.1 Memo (Chenery) February 23: Report of the Task Force on the Bank's Poverty Focus.

Presentation Topic introduced by Mr. Chenery who reminded other members that this internal study of the Bank's focus on poverty was authorized by the Managing Committee in September 1981. The Task Force, chaired by Mr. Chenery, included representatives from both CPS and DPS. The Task Force, after thorough discussion and consultation with staff throughout the Bank, has reached general agreement on the text of the report. The major findings are noted in the Executive Summary and Conclusions sections of the paper. One of the major objectives of the Task Force was to counter staff uneasiness and uncertainty as to whether the Bank was turning away from its previous strong commitment to poverty alleviation as an integral part of the Bank's programs.

Discussion

The discussion centered first on the issue of staff perceptions that Bank interest in the poverty issue had eroded. Several speakers agreed that this was a problem. Staff members have not seen specific statements on this issue in the President's speeches. What they read in the press, their understanding of some donor attitudes, and the absence of significant Bank statements--internally and externally--on this issue lead them to express doubts and concerns on whether the Bank will remain as strongly committed as before. In the past, the Bank's major policy statements came directly from Presidential speeches. Staff and Board alike were looking to the President for affirmation of the Bank's position on various key development issues, including the continued emphasis on poverty alleviation.

The Committee agreed it was important to stop the erosion of this perception, both within and outside the Bank. The group considered several avenues for clarifying Bank policy to guide the institution, in addition to the Task Force suggestion for a Managing Committee statement reaffirming the poverty policy.

For example, the paper for the April 16 Board seminar will permit management to reemphasize its interest in the poverty issue. The President's annual address to the Governors and other speeches provide important further opportunities. An article on the poverty focus by a senior Bank official should run in the Bank's World. This year's WDR, with its focus on agriculture and rural development, would be another good vehicle. A member also suggested that a basic statement of purpose for the Bank, with periodical updating, should be considered to place the total program of the Bank in proper context.

Several members, while welcoming the paper as a very good contribution to thinking in the Bank, especially as it illustrates clearly the Bank's experience and successes in dealing with the poverty issue, expressed their reservations over the way specific conclusions and recommendations are presented in the report. In particular, there were concerns over the implication that the poverty focus could be applied to all projects or every structural adjustment loan. It was also difficult to giver higher priority or increased attention to all the points included in the report without indicating what deserved less attention. Care must be taken, it was suggested, to avoid the implication that poverty focus was to be singled out for reaffirmation and not other important aspects of Bank policy as well.

Mr. van der Tak reviewed the original three tasks assigned by the Managing Committee and explained that the conclusions and recommendations should not be misinterpreted. The Task Force concluded that the Bank's experience in dealing with the poverty issue has been reasonably successful, but some changes and adjustments were desirable to enhance our effectiveness. While the Bank's project work in this area has been quite good, there are specific suggestions in the report for improvements. The Task Force also concluded that the Bank had been less successful in incorporating the poverty focus into macro-economic policy work. This is not an easy task, but important as we attempt to strengthen our country policy and strategy emphasis. On SALs, for example, all the Task Force recommends is that, when the Bank analyzes an adjustment package in a given country, it should try to evaluate the possible impact of this package on different income groups in the country. This must be a preliminary effort in many cases, but it is worth doing. Likewise, with respect to projects, the Bank has tended to differentiate between "poverty projects" and "non-poverty projects." What is suggested now is to look more generally at the impact of projects on poverty and employment as an additional important dimension. Members found themselves in considerable agreement with Mr. van der Tak's explanation which dispelled many doubts they previously had based on their reading of the text.

Conclusions and Committee Action

The Committee noted the erosion in staff and Board confidence that povery alleviation continued to be a major focus on the Bank's program. It was agreed that clear signals ought to be sent both within and outside the Bank to counter this perception. A variety of different ways should be used to achieve this purpose, as noted above. In particular, there should be an article in the Bank's World and the theme should be included in speeches. There was general agreement, however, that a single statement issued by the Managing Committee would probably not be as effective as the other alternatives suggested.

The Commiteee accepted the report but agreed that Part III--Implications for Bank Action--should be revised after details have been discussed with the OVPs. For the purpose of the Board seminar, a shorter and more general conclusion, along the lines of the summary presented by Mr. van der Tak should be substituted for the current Part III and the paper issued to the Board by the end of March. The Committee further agreed that after review by the OVP group and final revisions, the paper and the annexes should be distributed to the staff. (Action Reponsibility: Mr. Chenery)

5. Employee Attitude Survey

Attending: Messrs. Kaji and Rosen

PAD/MC/82-10

Documentation

5.1 Memo (Paijmans) February 25: Attitude Survey - Results of the Pilot Study and Recommendations for Further Action together with Annexes A and B.

Presentation

Topic presented by Mr. Paijmans. The pilot test was successful achieving 86% participation. No major problems emerged in terms of process or substance. Good suggestions were contributed by pilot test respondents. Three issues require Managing Committee attention: (1) staff skepticism as to Management attention to survey findings, (2) staff perceived problems vis-a-vis "next-in-line" managers, (3) request for data on nationality. Despite staff sensitivity on this latter point, the question should be asked. The Committee is being asked to approve the recommendations outlined in the memo.

Discussion and Conclusion

Members pointed out several minor problems with the package as presented. Not all employees are well informed about "next-in-line" management, so they should be instructed not to answer if they have no knowledge. Several specific questions were challenged as strangely worded, e.g., Numbers 70-72, 79 and 155. On the question of how to handle the DPS/CPS reorganization, it was suggested that affected staff be instructed to respond as of March 16. As to the problem of key personnel being away on workshop days (e.g., May 13 and 14, 1982), it was agreed that scheduling adjustments can be made. The most effective contributions Management can make to this exercise are to provide strong commitment, serve as backup for communicating information to staff, and, most importantly, follow through and provide necessary feedback to staff.

mittee Action

Authorization was granted to proceed as recommended. (Action Responsibility: Messrs. Kaji, Paijmans.)

6. IDA 6: IDA Deputies Meeting

F15/MC/82-7

cumentation

Documentation

6.1 Paper (Qureshi) February 26: Paper to be circulated at forthcoming IDA Deputies Meeting

Discussion and Conclusions

Several members raised some questions on the modalities proposed for the establishment of a Special Account as well as its possible implications, especially with respect to the procurement aspects. Part of the issue is that the Special Account would not permit "tied" procurement to its subscribers if it is established within the IDA context, and this may be a disincentive for European countries to participate. Likewise, some potential contributors, e.g. Arab countries, have little procurement benefit to expect and therefore may not be much interested in this proposal. Mr. Qureshi explained that the papaer will be revised to clarify the details of the proposed Special Account. (Action Reponsibility: Mr. Qureshi)

7. IDA 7 Issues and Alternatives

Attending: Mr. Mistry

cumentation

7.1 Memo (Qureshi) February 18: Redesigning IDA 7. F15/MC/82-8

7.2 Memo (Qureshi) February 26: IDA 7 - Issues and Alternatives. F15/MC/82-9

Presentation

Topic introduced by Mr. Qureshi. As requested at the February 22 meeting, further analysis of alternative IDA product configurations has been completed. Results indicate that certain scenarios can produce accelerated cash flows. Some payback proceeds can be used to supplement available resources but the amounts are insufficient to be of much help. Establishing a shorter amortization period has a bigger impact on cost to borrowers than application of a trigger mechanism. An underlying assumption for each scenario looked at was a continuing IDA program with a 10% increase in nominal terms for each 3-4 year replenishment period.

Discussion

Members expressed satisfaction with the work performed to enhance the issues paper. One member noted that the trigger mechanism should be applied after 7 years of grace period with a decision to: (1) continue the grace period for 3 more years, (2) something less or (3) cut off immediately. The point on hardening terms retroactively should be deleted. The amortization period should be 35 years for Group C. Interest rates should be indicated by group as well.

A member asked if the various product packages should not more appropriately be labelled credits instead of loans; all IDA products are credits with some more concessional than others. Another member cautioned against listing countries by group except for illustrative purposes. He acknowledged that labelling India and China in this manner was probably unavoidable.
Mr. Mistry confirmed that the service charge of 3/4% would remain as an add-on to the 6% interest rate in addition to the 1/2% fee on undisbursed amounts.

The impact of borrowing for IDA on IBRD was brought up. A member noted that IDA could no longer be construed as a "giveaway" program since borrowing would be paid back. However, IDA borrowing might adversely affect IBRD. Some governments might end up borrowing in their own credit markets to re-lend to IDA. It was argued that this would not be any different than a government in deficit accessing the financial markets to provide annual grants. Mr. Qureshi pointed out that this would be true only for governments with a single budget; for those with dual budgets for operations and capital investments, this would not be the case. It was acknowledged that in any event, borrowing would result in pressures on IBRD in financial markets. The impact will not be severe in Arab markets, but the U.S. and Germany could act to restrict IBRD access. Although the paper makes it clear that this is a new and separable package for which IDA could provide reserves and a subsidy, donor countries providing IDA funds through borrowing may look to all IDA members to provide assurances.

Conclusion

Members generally acknowledged the paper to be helpful. It was noted that repayment flows should be made explicit. Also, it should be clearly demonstrated that shortening maturities is preferable to increasing interest rates from an overall financial standpoint. At present, it was pointed out, credit repayments cannot be used for subsequent grants. This issue must be discussed with the IDA Deputies. Beforehand, however, the U.S. must be persuaded to open dialogue on IDA 7 earlier than they have publicly stated.

The paper requires some refinement, particularly in definitions of various categories and criteria. It is not necessary to tie figures to the balance sheet; however, analyses should demonstrate that cash flows will be adequate at various levels of borrowing, e.g., 7, 9 and 18 percent. This will aid the Managing Committee in coming to grips with what it should support and "sell" in the way of a new IDA product. The entire package should be all in order prior to the April 5-6 IDA Deputies meeting. This means tying down all loose ends, e.g., practical borrowing periods, IDA replenishment period of 3 versus 4 years, provision for annual increases in credit levels. It was suggested that a more attractive package could be presented if loan repayments could be "pledged" toward repayment of borrowings. How IDA borrows and repays is crucial to cash flow and the acceptability of the new product. Further analysis will be performed and the issue will be scheduled for discussion again on March 15. (Action Responsibility: Mr. Qureshi).

8. Managing Committee Procedures

PAD/MC/82-11

Documentation

8.1 Memo (Rohrbacher) February 23: Revised Procedures with attachment.

Discussion

The Committee reviewed the report which has been revised as a result of the Managing Committee meeting of January 25. The Committee agreed that the new version is much improved over the previous one, reflecting the concern of the Committee that procedures should be kept flexible and the document should be much shorter. A number of editorial changes were made during the discussion, and the title of the report was changed to "Committee Structure and Procedures for Bank Senior Management." The Committee also agreed that the final report will be distributed to the Executive Directors 24 hours before distribution to Vice Presidents and Department Directors. (Action Reponsibility: Mr. Rohrbacher)

9. Other Business

Messrs. Pennisi and Grilli

Mr. Paijmans reported that Mr. Benjenk was approached again by Mr. Ragazzi on the issue of the Italian Government's request for the release of Messrs. Grilli and Pennisi from the Bank to the Government. Mr. Ragazzi is apparently attempting to reverse the Bank's decision by introducing the overall Bank-Italy relationship in the picture, including cofinancing and IDA. The Committee agreed that there was no way that the Bank would reverse its decision on this issue.

Argentina Procurement

Mr. Stern reported on the situation concerning the procurement issue for the Yacyreta project in Argentina. It is now clear that the Bank cannot agree with the conclusions of the borrower to award the contract to the second lowest bidder, the Italian consortium headed by Impregilo. The fact that IDB, cofinancier of the project, is almost certain to follow the borrower's recommendation is likely to create very serious difficulties and will undoubtedly lead to this issue acquiring a very high profile (e.g. in the press). Mr. Stern recommended that any inquiry on this project be turned over to Warren Baum.

FY83 Budget

Mr. Vergin participating. He reported that communications with each vice presidency have generated proposed new budget requests of 100 higher-level staff years over FY82 representing 4-6% growth in real terms. PAB's practice is to treat budget requests seriously; however, unless PAB challenges these requests more than in years past, the resulting budget will exceed Managing Committee guidelines.

A member stated that, in his view, this was not so much different than in previous years and that cut-backs from original requests are always expected. Mr. Vergin responded that budget issues in specific vice presidencies will be place before the Financial Subcommittee at the end of March and presented to the Managing Committee in mid-April. At that time, members will be provided a full picture including unresolved vice presidency-specific issues. Members could assist PAB by encouraging managers to submit detailed budget requests as early as possible.

What seems to be happening already is a substantial amount of redeployment of resources among categories by managers. The magnitude of possible transfers among categories is a bit too large for comfort. Therefore, it is recommended that transfers out of salaries and consultants to other categories above 1% of the budget for FY82 should be referred to PAB. The Committee agreed to the recommendation while several members observed that this will not be seen as a very happy signal by managers.

On a related issue, a member pointed out that a serious problem will arise for the operational units faced with a reduced workload. The difficulty will be how to allocate savings opportunities among loan officers, financial analysts, economists, etc. Another member argued that if the Bank really wants to hold the line, management should attack squarely the issue of how to get rid of some of the "dead-wood." In this respect, it was noted that the termination and demotion policy papers will be submitted to the Managing Committee in about 6 weeks.

Managing Committee

CONFIDENTIAL
February 26, 1982
Amended: March 4, 1982
Record: March 17, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of February 22, 1982 Meeting
Members Present: Messrs. Clausen, Qureshi, Stern, Benjenk, Chenery, Golsong, Paijmans, Thahane
Also Present: Mr. Rohrbacher

1. Approval of Minutes of February 8 Meeting

Committee Action: Corrected as indicated in attached amended version.

2. IDA 7 Issues and Alternatives

F13/MC/82-5

Documentation: 2.1 Memo (Qureshi) February 18: Redesigning IDA 7 and accompanying paper.

Discussion: One member initiated discussion by stating his preference to recycle IDA monies faster rather than raise interest rates as a means of leveraging scarce funds. A third (middle) window, reduced maturities or a trigger mechanism for accelerated repayments are all ways to recycle faster. The IDA program is essential, but $22 billion for IDA 7 is simply unrealistic. How the transition from IDA 6 to 7 is handled is also critical. Overall, the "tailor-made" approach to product design is appealing.

Mr. Qureshi summarized the key points of the paper as follows. A full $22 billion is recognized as unrealistic. Even obtaining $12-16 billion would be difficult through the traditional means. There is, therefore, the need to differentiate among the countries which have no alternatives to pure IDA funds and those which do. For the latter, the proposal is to create a separate facility which would be financed through direct borrowings from governments. Such borrowing could even take place at market rates, and the lending rate could then be subsidized to fall somewhere between 0% (pure IDA) and 11.6% (current IBRD rate).

A member summarized his reactions to the paper and its proposals in five points: (1) it is important from a political standpoint to label this exercise of examining alternative IDA 7 options appropriately; in this respect, the self-sustaining revolving fund notion is attractive; (2) maintaining the Bank Group's relevance to the very poor countries through IDA is absolutely essential; (3) it is critical to avoid the Bank being perceived as adding to the burdens of the poorest countries to satisfy political feelings in major donor countries; (4) there is a precedent for a workable interest subsidy mechanism in the EIB; and (5) since the transition from IDA 6 to 7 is critical, is there any possibility that a bridging arrangement might be established. Mr. Qureshi responded that the U.S. is going public with its position that it will not start IDA 7 until 1985. If other donors are asked to accelerate IDA 6 contributions, only U.S. funds would be available for 1984. Since it is unrealistic to start IDA 7 in 1984 without U.S. participation, a bridging arrangement for 1984 must be worked out. On an earlier point, Mr. Qureshi noted that there is a strong feeling in the Bank that hardening terms for the very poor has minimal financial benefits to IDA and makes it appear like the Bank is "playing games."

Mr. Qureshi summarized the new approach to product design as follows: (1) differentiate the poorest countries from the relatively more creditworthy (e.g. India, China, Pakistan, Sudan, Kenya); (2) provide an intermediate credit facility for blend countries; and (3) retain as much concessionality as possible for the poorest countries; to shorten credit maturity may be necessary, but the grace period and the service charge should be left as they are now. The intermediate facility would have to be discussed with donors/lenders, but it cam be assumed that borrowings from governments is feasible. At any rate, this facility should be designed as flexibly as possible.

A member suggested defining the product by varying the mix of concessionality factors according to category of borrower, e.g.: (1) very poor - 30-35 year maturity, 10 year grace period, no interest, nominal fees; (2) not so poor - 25-30 year maturity, 7 year grace period, 6% interest; (3) IBRD eligible - 20 year maturity, 5 year grace period, 11.6% interest rate, trigger mechanism. Another member pointed out that a trigger mechanism for IBRD was impractical since it is already the practice to vary maturities (only poorest countries get 25 years; the average is 17 years) according to per capita income. The grace period can also vary from 3 to 5 years.

A member pointed out the disincentives inherent in an automatically applied trigger mechanism for the IDA program and suggested providing the flexibility of extending the grace period if countries' GNP have not grown by the end of this period. Taking exception, another member stated there should be a trigger applied at the end of the grace period which is clear, simple and arbitrary. Two or three categories of borrowers should be established and, if a country exceeds its limits by the end of the grace period, tougher terms are automatically invoked. Factors other than GNP could be applied, but they must be capable of being objectively monitored. Countries should not be categorized at the outset, but the criteria for determining each category should be made explicit and precise.

A member pointed out that the basic approach is to recycle funds faster. However, another member observed that recycling faster has a bigger impact on the debt service of borrowers and, given the choice, most borrowers would prefer to pay 4%-6% interest rather than accept a shorter maturity or shorter grace period. A third member suggested reviewing terms as a project proceeds, but it was pointed out that terms and consequences must be made clear at the time of signing.

Turning to the paper itself, a member suggested that arithmetic analysis of alternatives was lacking. Figures need to be provided in order to determine if assumptions are realistic. As to the subsidy scheme, the EIB approach is different in that it provides subsidies on a current basis. Also, some examples of likely impact on borrowers of varying grace periods, maturities and interest rates need to be worked out. "Packaging" also needs to be looked at in terms of possible impacts on creditworthiness from mixing loan instruments to blend countries. Another member added that more economic analysis is necessary to examine the impacts of inflation on the subsidy mechanism and the overall amounts of loan funds available to borrowers. Pro forma examples need to be shown under different assumptions.

As to the intermediate facility, it was pointed out that differentiation among countries by varying concessional factors was desirable, but its impact on the Bank's ability to raise funds must be considered. Lenders want to know what the money will be used for, who will get it, and on what terms. A member suggested establishing 3-4 categories by varying the mix of concessional factors (e.g. maturities of 20-25-30-35 years, grace period of 3-5-7-10 years, interest rates of negative-zero-positive-positive in real terms). For example, the intermediate facility would have a set of conditions for China and India, but other borrowers would be subject to different terms and conditions. Another member cautioned against confusing lenders over IDA intermediate facilities vis-a-vis IBRD. It may be prudent to simply foreclose the option of going to normal credit markets so as not to adversely impact IBRD financing. It was pointed out that direct loans from donor countries would have to be financed from their capital budgets, at least in the case of European countries. This raises the problem of burden sharing. Recovery of IDA funds will not be available until the early 1990s.

Conclusion

One member summarized the generally agreed-upon approach to redesigning the product for IDA 7 as "differentiating by case." To illustrate:

Case	Initial Grace Period	Additional Grace Period	Amortization Period	Interest Rate
A	7	3	20-25	0 (nominal)
B	7	0	18-23	0 (nominal)
C	7	0	13-18	Real (6%-7%)
D	7	0	8-13	Real (6%-7%)

IBRD would be clearly set apart, although expediting payback in windfall cases (e.g., oil discoveries) should be considered.

In terms of assessing the receptivity of a modified IDA program, the posture of the U.S., while important, cannot be perceived as dictating management's position on redesigning the IDA product. The EDs have been kept informed of developments, but it is important to realize they serve only as conduits to their principals. Before the April IDA deputies meeting, EDs should be contacted vis-a-vis the proposed redesign of the IDA product in an informal manner. This exercise should be labeled a "future design" to get around U.S. objections to opening dialogue on IDA 7; they would have to recognize that it is not too soon to talk in terms of future design. Over the next week, additional calculations will be performed by Finance, and the discussion will be taken up again at the March 1 meeting. (Action Responsibility: Mr. Qureshi)

3. Development Committee

Documentation

OPS/MC/82-8 3.1 Memo (Stern), January 27: Responsibility for the Development Committee.

SEC/MC/82-2 3.2 Memo (Thahane), Feburary 11: Staff Attendance at the Helsinki Meeting of the Development Committee.

EXR/MC/82-6 3.3 Memo (Benjenk), February 19: Interim Development Committee Meeting - IPA Participation and attachments.

Conclusions and Committee Action

The Committee agreed with the recommendation of Mr. Stern to transfer responsibility for the Development Committee from Operations to External Relations. The Committee further agreed that the responsibilities for the support of the various Task Forces of the Development Committee (e.g. Task Force on Non-Concessional Flows) will remain unchanged.

The Committee agreed that Bank staff attendance to the Helsinki meeting of the Development Committee should be kept at a minimum. Since the Finns have specifically asked for a press seminar, two representatives from the Paris office (R. Steckhan and K. Blanc) will travel to Helsinki only for this seminar. Because no lobbying will be needed, there will be no need for Mr. Clark (of External Relations) to attend the meeting.

4. McNamara Fellowships

Documentation

4.1 Memo (Benjenk), February 10.

ExR/Mc/82-7

Presentation

Topic introduced by Mr. Benjenk who summarized the proposal and emphasized that the tax issue would be resolved by the Bank giving a temporary trainee status to the candidates selected under the program.

Discussion

The Committee discussed the issue of the overall amount of each fellowship, some members arguing for raising the limit above the proposed $18,500, and others recommending to leave out the specific figure. One member expressed disagreement with the proposed mechanism for screening applications which he found excessively internalized within the Bank.

The Committee also discussed what the next steps ought to be with respect to raising funds. The Executive Directors have agreed to write to their governments to ask for financial contributions. Regional Vice Presidents should also be mobilized to contact governments in their respective regions.

Committee Action

With respect to the selection process, the Committee agreed that the selection committee should be composed of five persons: two Executive Directors, two persons from outside the Bank, and one from the Senior Management of the Bank, all to be designated by the President. The idea of EDI doing the prescreening of applicants was endorsed.

The Committee also agreed that tentative figures should be established for contributions of various countries before the respective governments are contacted. In any event, the Bank will earmark $1.0 million for the FY82 budget which it will contribute as early as possible. The Committee further agreed that no tied funds should be accepted.

Concerning the amount for each fellowship, the Committee agreed that no ceiling should be established, the expenses covered being those listed on page 2 of the draft announcement. The Committee finally agreed that the draft letter and the Resolution should be revised, one aspect being to make more clear why the program is called Robert S. McNamara Fellowship. (Action Responsibility: Mr. Benjenk)

5. Public Statements of Staff Members and Attendance at Meetings

Documentation 5.1 Memo (Benjenk), February 11. EXR/MC/82-8

Presentation Mr. Benjenk explained that the basic difference between the new set of rules and the previous ones is that there will now be the possibility of monitoring and screening, especially for attendance of staff members at meetings.

Committee Action The Committee endorsed the proposal submitted by Mr. Benjenk. With respect to attendance at meetings, line managers and vice presidents are expected to exercise more direct responsibility. As for public statements, vice presidents should also exercise more direct responsiblity and consult with the VP External Relations to the extent possible.

6. Bank/IDA Lending Policies - Allocations by Groups and Sectors

Documentation 6.1 Memo (Thahane), February 17.

6.2 Memo (Drake, Looijen, Lundstrom, Ragazzi), February 12. } SEC/MC/82-3

Discussion Some members argued that there is some legitimacy to the EDs desire to look into the Bank/IDA allocation. It should be possible to talk to them early in the process outside of the budget discussion. A member suggested that EDs could be given ranges of figures, especially for allocations by sector.

Another member expressed his difficulty in understanding what the Board expects in terms of discussion of this issue. There is no policy element in it that can be of interest to EDs. To talk about optimistic or pessimistic scenarios means nothing for sectoral allocation, and higher or lower scenarios by regions has no policy element. In essence, the basis for allocation is the individual country and the aggregate figures by group of countries or sectors have no independent relevance.

Committee Action The Committee noted that there may be different motives of individual EDs for asking for a closer look into group and sector allocation. However, it was also noted that management has already agreed to a Board discussion of this issue for FY83 which can be a good opportunity to educate the Board. The Committee agreed that a paper should be drafted in preparation for this Board discussion. (Action Responsibility: Mr. Stern)

7. Bank-Lending Program in FY83

OPS/MC/82-9

Documentation 7.1 Memo (Stern), February 19: Bank Lending Program in FY83.

Presentation Topic introduced by Mr. Stern who summarized the proposal contained in his memorandum for increased Bank lending and emphasized the basic point that such an increase should be viewed quite separately from the IDA shortfall.

Discussion
and
Committee
Action

While recognizing that increasing Bank lending at this time is a controversial issue likely to attract strong opposition, especially from the U.S. (for fear of speeding up the next General Capital Increase), the Committee agreed with the proposal. It was agreed that even if the Bank were to move to the "steady state" level of lending by 1985, implying no need for a further capital increase, there would still be the need for increased Bank lending now. The Committee also agreed that spilling 3% to 5% above the existing planned lending level over the next fiscal year would not be politically appropriate vis-a-vis the Board. It was finally agreed that the increase for FY83 should be for a total Bank lending of $11 billion.

In a related discussion, the Committee agreed that it should take a first look at the FY83 budget and review the status of work on the selective capital increases at its meeting of March 15. (Action Responsibility: Mr. Qureshi)

8 7. Co-Financing Organization

Documentation

7.1 Memo (Stern) February 19 19: OPD Report on Cofinancing OPS/MC/82-10

Discussion
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Several members expressed their agreement with OPD's proposal. The direct budgetary requirements (1-1/2 to 2 positions) are minimal. However, larger budgetary implications can be expected from the considerable training requirements which the proposal implies.

A member suggested that the approach to private cofinancing should be global, from a central unit which would have regional responsibilities but would be able to work more directly with the management of commercial banks. Another member disagreed with this approach, arguing that there is more need for people in the regions to work with the regional managers of the banks who take most of the operational decisions. The Committee also recognized the need for getting an experienced commercial banker on board.

The Committee endorsed the OPD proposal. (Action Responsibility: Mr. Stern)

9 8. Other Business

Treasury
Report

A member suggested, and the Committee agreed, that a note on the newly released U.S. Treasury Report should be issue to the staff. (Action Responsibility: Mr. Benjenk)

Poverty Focus
Paper

Mr. Chenery indicated that the report of the Task Force on Poverty Focus will be scheduled for consideration at the March 1 meeting of the Committee.

VP E&R Search

Mr. Paijmans reported that a search committee to identify candidates for the position of VP E&R has been established. It is chaired by Arthur Lewis and includes Messrs. Srinavasan, Dwight Perkins, Diejmaoh (from Nigeria) and Leopoldo Solis. Its first meeting will take place on March 17 in New York. The Committee agreed that this information should be communicated to the Board. (Action Responsibility: Messrs. Paijmans, Thahane)

SDR Accounting	Mr. Clausen asked that a discussion on the use of SDRs vs. US$ in the Bank's accounts should be scheduled for a forthcoming Committee meeting. (Action Responsibility: Messrs. Qureshi, Lafourcade)
South Africa	The Committee took note of the UN Resolution on South Africa, with the special references to the Bretton Woods institutions. It agreed that no action is to be taken at this time on this issue.

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WBG ARCHIVES

Managing Committee

CONFIDENTIAL

February 26, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of February 22, 1982 Meeting

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

Also Present: Mr. Rohrbacher

1. Approval of Minutes of February 8 Meeting

Committee Action Corrected as indicated in attached amended version.

2. IDA 7 Issues and Alternatives

Documentation 2.1 Memo (Qureshi) February 18: Redesigning IDA 7.

Discussion One member initiated discussion by stating his preference to recycle IDA monies faster rather than raise interest rates as a means of leveraging scarce funds. A third (middle) window, reduced maturities or a trigger mechanism for accelerated repayments are all ways to recycle faster. The IDA program is essential, but $22 billion for IDA 7 is simply unrealistic. How the transition from IDA 6 to 7 is handled is also critical. Overall, the "tailor-made" approach to product design is appealing.

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Mr. Qureshi summarized the key points of Mr. Mistry's paper as follows. A full $22 billion is recognized as unrealistic. Even obtaining $12-16 billion would be difficult through the traditional means. There is, therefore, the need to differentiate among the countries which have no alternatives to pure IDA funds and those which do. For the latter, the proposal is to create an separate ~~additional~~ facility which would be financed through direct borrowings from governments. Such borrowing could take place at market rates, and the lending rate could then be subsidized to fall somewhere between 0% (pure IDA) and 11.6% (current IBRD rate).

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A member summarized his reactions to the paper and its proposals in five points: (1) it is important from a political standpoint to label this exercise of examining alternative IDA 7 options appropriately; in this respect, the self-sustaining revolving fund notion is attractive; (2) maintaining the Bank Group's relevance to the very poor countries through IDA is absolutely essential; (3) it is critical to avoid the Bank being perceived as adding to the burdens of the poorest countries to satisfy political feelings in major donor countries; (4) there is a precedent for a workable interest subsidy mechanism in the EIB; and (5) since the transition from IDA 6 to 7 is critical, is there any possibility that ~~the~~ bridging arrangements might change. Mr. Qureshi responded that the U.S. is going public with its position that it will not discuss IDA 7 until 1985. If other donors are asked to accelerate IDA 6 contributions, only U.S. funds would be available for 1984. Since it is unrealistic to start IDA 7 in 1984 without U.S. participation, a bridging arrangement for 1984 must be worked out. On an earlier point, Mr. Qureshi noted that there is a strong feeling in the Bank that hardening terms for the very poor has minimal financial benefits to ~~the Bank~~ IDA and makes it appear like the Bank is "playing games."

Mr. Qureshi summarized the new approach to product design as follows: (1) differentiate the poorest countries from the relatively more creditworthy (e.g. India, China, Pakistan, Sudan, Kenya); (2) provide an intermediate credit facility for blend countries; and (3) retain as much concessionality as possible for the poorest countries; to shorten credit maturity may be necessary, but the grace period and the service charge should be left as they are now. The intermediate facility would have to be discussed with donors/lenders, but it cam be assumed that borrowings from governments is feasible. At any rate, this facility should be designed as flexibly as possible.

A member suggested defining the product by varying the mix of concessionality factors according to category of borrower, e.g.: (1) very poor - 30-35 year maturity, 10 year grace period, no interest, nominal fees; (2) not so poor - 25-30 year maturity, 7 year grace period, 6% interest; (3) IBRD eligible - 20 year maturity, 5 year grace period, 11.6% interest rate, trigger mechanism. Another member pointed out that a trigger mechanism for IBRD was impractical since it is already the practice to vary maturities (only poorest countries get 25 years; the average is 17 years) according to per capita income. The grace period can also vary from 3 to 5 years.

A member pointed out the disincentives inherent in an automatically applied trigger mechanism for the IDA program and suggested providing the flexibility of extending the grace period if countries' GNP have not grown by the end of this period. Taking exception, another member stated there should be a trigger applied at the end of the grace period which is clear, simple and arbitrary. Two or three categories of borrowers should be established and, if a country exceeds its limits by the end of the grace period, tougher terms are automatically invoked. Factors other than GNP could be applied, but they must be capable of being objectively monitored. Countries should not be categorized at the outset, but the criteria for determining each category should be made explicit and precise.

A member pointed out that the basic approach is to recycle funds faster. However, another member observed that recycling faster has a bigger impact on the debt service of borrowers and, given the choice, most borrowers would prefer to pay 4%-6% interest rather than accept a shorter maturity or shorter grace period. A third member suggested reviewing terms as a project proceeds, but it was pointed out that terms and consequences must be made clear at the time of signing.

Turning to the paper itself, a member suggested that arithmetic analysis of alternatives was lacking. Figures need to be provided in order to determine if assumptions are realistic. As to the subsidy scheme, the EIB approach is different in that it provides subsidies on a current basis. Also, some examples of likely impact on borrowers of varying grace periods, maturities and interest rates need to be worked out. "Packaging" also needs to be looked at in terms of possible impacts on creditworthiness from mixing loan instruments to blend countries. Another member added that more economic analysis is necessary to examine the impacts of inflation on the subsidy mechanism and the overall amounts of loan funds available to borrowers. Pro forma examples need to be shown under different assumptions.

As to the intermediate facility, it was pointed out that differentiation among countries by varying concessional factors was desirable, but its impact on the Bank's ability to raise funds must be considered. Lenders want to know what the money will be used for, who will get it, and on what terms. A member suggested establishing 3-4 categories by varying the mix of concessional factors (e.g. maturities of 20-25-30-35 years, grace period of 3-5-7-10 years, interest rates of negative-zero-positive-positive in real terms). For example, the intermediate facility would have a set of conditions for China and India, but other borrowers would be subject to different terms and conditions. Another member cautioned against confusing lenders over IDA intermediate facilities vis-a-vis IBRD. It may be prudent to simply foreclose the option of going to normal credit markets so as not to adversely impact IBRD financing. It was pointed out that direct loans from donor countries would have to be financed from their capital budgets, at least in the case of European countries. This raises the problem of burden sharing. Recovery of IDA funds will not be available until the early 1990s.

Conclusion

One member summarized the generally agreed-upon approach to redesigning the product for IDA 7 as "differentiating by case." To illustrate:

Case	Initial Grace Period	Additional Grace Period	AMORTIZATION PERIOD ~~Maturity~~	Interest Rate
A	7	3	20-25	0 (nominal)
B	7	0	18-23	0 (nominal)
C	7	0	13-18	Real (6%-7%)
D	7	0	8-13	Real (6%-7%)

IBRD would be clearly set apart, although expediting payback in windfall cases (e.g., oil discoveries) should be considered.

In terms of assessing the receptivity of a modified IDA program, the posture of the U.S., while important, cannot be perceived as dictating management's position on redesigning the IDA product. The EDs have been kept informed of developments, but it is important to realize they serve only as conduits to their principals. Before the April IDA deputies meeting, EDs should be contacted vis-a-vis the proposed redesign of the IDA product in an informal manner. This exercise should be labeled a "future design" to get around U.S. objections to opening dialogue on IDA 7; they would have to recognize that it is not too soon to talk in terms of future design.

~~Mr. Clausen will soon have to take on a leadership role on the issue of burden sharing, particularly with the U.S. and Europe, so that the Europeans cannot continue to hide behind the U.S. position. Despite the loss of a "friend" (Mr. Chesson) in the European Community, European countries, particularly France, remain key to financing IDA 7.~~ Over the next week, additional calculations will be performed by Finance, and the discussion will be taken up again at the March 1 meeting. (Action Responsibility: Mr. Qureshi)

3. Development Committee

Documentation

3.1 Memo (Stern), January 27, 1982: Responsibility for the Development Committee.

3.2 Memo (Thahane), Feburary 11, 1982: Staff Attendance at the Helsinki Meeting of the Development Committee.

3.3 Memo (Benjenk), February 19, 1982: Interim Development Committee Meeting - IPA Participation and attachments.

Conclusions and Committee Action

The Committee agreed with the recommendation of Mr. Stern to transfer responsibility for the Development Committee from Operations to External Relations. The Committee further agreed that the responsibilities for the support of the various Task Forces of the Development Committee (e.g. Task Force on Non-Concessional Flows) will remain unchanged.

The Committee agreed that Bank staff attendance to the Helsinki meeting of the Development Committee should be kept at a minimum. Since the Finns have specifically asked for a press seminar, two representatives from the Paris office (R. Steckhan and K. Blanc) will travel to Helsinki only for this seminar. Because no lobbying will be needed, there will be no need for Mr. Clark (of External Relations) to attend the meeting.

4. McNamara Fellowships

Documentation

4.1 Memo (Benjenk), February 10, 1982.

Presentation

Topic introduced by Mr. Benjenk who summarized the proposal and emphasized that the tax issue would be resolved by the Bank giving a temporary trainee status to the candidates selected under the program.

Discussion

The Committee discussed the issue of the overall amount of each fellowship, some members arguing for raising the limit above the proposed $18,500, and others recommending to leave out the specific figure. One member expressed disagreement with the proposed mechanism for screening applications which he found excessively internalized within the Bank.

The Committee also discussed what the next steps ought to be with respect to raising funds. The Executive Directors have agreed to write to their governments to ask for financial contributions. Regional Vice Presidents should also be mobilized to contact governments in their respective regions.

Committee Action

With respect to the selection process, the Committee agreed that the selection committee should be composed of five persons: two Executive Directors, two persons from outside the Bank, and one from the Senior Management of the Bank, all to be designated by the President. The idea of EDI doing the pre-screening of applicants was endorsed.

The Committee also agreed that tentative figures should be established for contributions of various countries before the respective governments are contacted. In any event, the Bank will earmark $1.0 million for the FY82 budget which it will contribute as early as possible. The Committee further agreed that no tied funds should be accepted.

Concerning the amount for each fellowship, the Committee agreed that no ceiling should be established, the expenses covered being those listed on page 2 of the draft announcement. The Committee finally agreed that the draft letter and the Resolution should be revised, one aspect being to make more clear why the program is called Robert S. McNamara Fellowship. (Action Responsibility: Mr. Benjenk)

5. Public Statements of Staff Members and Attendance at Meetings

Documentation 5.1 Memo (Benjenk), February 11, 1982.

Presentation Mr. Benjenk explained that the basic difference between the new set of rules and the previous ones is that there will now be the possibility of monitoring and screening, especially for attendance of staff members at meetings.

Committee Action The Committee agreed with the proposal submitted by Mr. Benjenk. It recognized that more control should be established than is presently the case, and the budget control is the best control possible. Both in the case of public statements and attendance at meetings, it was agreed that Vice Presidents should have the basic responsibility for decision but should consult as much as possible with the VP External Relations.

6. Bank/IDA Lending Policies - Allocations by Groups and Sectors

Documentation 6.1 Memo (Thahane), February 17, 1982.

6.2 Memo (Drake, Looijen, Lundstrom, Ragazzi), February 12, 1982.

Discussion Some members argued that there is some legitimacy to the EDs desire to look into the Bank/IDA allocation. It should be possible to talk to them early in the process outside of the budget discussion. A member suggested that EDs could be given ranges of figures, especially for allocations by sector.

Another member expressed his difficulty in understanding what the Board expects in terms of discussion of this issue. There is no policy element in it that can be of interest to EDs. To talk about optimistic or pessimistic scenarios means nothing for sectoral allocation, and higher or lower scenarios by regions has no policy element. In essence, the basis for allocation is the individual country and the aggregate figures by group of countries or sectors have no independent relevance.

Committee Action The Committee noted that there may be different motives of individual EDs for asking for a closer look into group and sector allocation. However, it was also noted that management has already agreed to a Board discussion of this issue for FY83 which can be a good opportunity to educate the Board. The Committee agreed that a paper should be drafted in preparation for this Board discussion. (Action Responsibility: Mr. Stern)

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Presentation Topic introduced by Mr. Stern who summarized the proposal contained in his memorandum for increased Bank lending and emphasized the basic point that such an increase should be viewed quite separately from the IDA shortfall.

Discussion and Committee Action

While recognizing that increasing Bank lending at this time is a controversial issue likely to attract strong opposition, especially from the U.S. (for fear of speeding up the next General Capital Increase), the Committee agreed with the proposal. It was agreed that even if the Bank were to move to the "steady state" level of lending by 1985, implying no need for a further capital increase, there would still be the need for increased Bank lending now. The Committee also agreed that spilling 3% to 5% above the existing planned lending level over the next fiscal year would not be politically appropriate vis-a-vis the Board. It was finally agreed that the increase for FY83 should be for a total Bank lending of $11 billion.

In a related discussion, the Committee agreed that it should take a first look at the FY83 budget and ~~at the issue of the next~~ selective. capital increase at its meeting of March 15. (Action Responsibility: Mr. Qureshi)

7. Co-Financing Organization

Documentation

7.1 Memo (Stern) February 19: OPD Report on Cofinancing

Discussion and Committee Action

Several members expressed their agreement with OPD's proposal. The direct budgetary requirements (1-1/2 to 2 positions) are minimal. However, larger budgetary implications can be expected from the considerable training requirements which the proposal implies.

A member suggested that the approach to private cofinancing should be global, from a central unit which would have regional responsibilities but would be able to work more directly with the management of commercial banks. Another member disagreed with this approach, arguing that there is more need for people in the regions to work with the regional managers of the banks who take most of the operational decisions. The Committee also recognized the need for getting an experienced commercial banker on board.

The Committee endorsed the OPD proposal. (Action Responsibility: Mr. Stern)

8. Other Business

Treasury Report

A member suggested, and the Committee agreed, that a note on the newly released U.S. Treasury Report should be issue to the staff. (Action Responsibility: Mr. Benjenk)

Poverty Focus Paper

Mr. Chenery indicated that the report of the Task Force on Poverty Focus will be scheduled for consideration at the March 1 meeting of the Committee.

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SDR Accounting

Mr. Clausen asked that a discussion on the use of SDRs vs. US$ in the Bank's accounts should be scheduled for a forthcoming Committee meeting. (Action Responsibility: Messrs. Qureshi, Lafourcade)

South Africa The Committee took note of the UN Resolution on South Africa, with the special references to the Bretton Woods institutions. It agreed that no action is to be taken at this time on this issue.

Managing Committee

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

FROM: Olivier Lafourcade

SUBJECT: Minutes of February 8, 1982 Meeting
Members Present: Messrs. Clausen, Qureshi, Benjenk, Chenery, Golsong, Paijmans, Thahane
Members Absent: Mr. Stern
Also Present: Mr. Rohrbacher

Opening Comments

SEC/MC/82-1

Board Concerns re DPS/CPS Reorganization

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

1. Minutes of January 25 Meeting

Committee Action

Approved as amended.

2. Minutes of February 1 Meeting

Committee Action

Approved.

3. End-December Financial Report

Attending: Mr. Hattori

F13/MC/82-4

Documentation

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

Presentation

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

Discussion

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

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

Conclusions

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

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

4. Expanded Public Affairs Program

Attending: Mr. Vogl

Documentation

EXR/MC/82-3

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

EXR/MC/82-4

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

4.3 Telex (Stern) February 8: Views in re Political Program. OPS/MC/82-7

Presentation

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

Discussion

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

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

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

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

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

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

Conclusion and Committee Action

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

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

5. Answer Line

Documentation

5.1 Memo (Benjenk, Paijmans) February 4: Answer Line EXR/MC/82-5

Presentation

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

Discussion

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

Conclusions

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

6. Other Business

IDA

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

Board Matters

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

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

Research Program

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

Front-End Fee

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

Switzerland Membership

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

Staff Association Report

PAD MC/12-8

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

<u>IDA Retrospective Study</u>

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

<u>McNamara Fellowships</u>

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

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

<u>Bank Finances</u>

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

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

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

Managing Committee

CONFIDENTIAL
February 12, 1982
Amended: February 26, 1982

FROM: Olivier Lafourcade

SUBJECT: Minutes of February 8, 1982 Meeting

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

Opening Comments

Board Concerns re DPS/CPS Reorganization

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

1. Minutes of January 25 Meeting

Committee Action

Approved as amended.

2. Minutes of February 1 Meeting

Committee Action

Approved.

3. End-December Financial Report

Attending: Mr. Hattori

Documentation

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

Presentation

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

Discussion

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

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

Conclusions

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

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

4. Expanded Public Affairs Program

Attending: Mr. Vogl

Documentation

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

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

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

Presentation

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

Discussion

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

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

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

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

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

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

Conclusion and Committee Action

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

The Committee also agreed that the [proposal must now follow the normal budgetary process through PAB] ~~proposed budget cannot be approved until additional information is provided on actual past expenses~~. (Action Responsibility: Messrs. Benjenk, Vogl)

5. Answer Line

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

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

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

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

6. Other Business

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

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

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

Research Program

In reference to the forthcoming Board meeting on the Bank's research program, a member observed that the final impact of the DPS/CPS reorganization is not yet known, and argued that the total research program may be cut [substantially] ~~as much as 25% to 30%~~. The Committee agreed that specific figures are still debatable and should not be discussed at the ~~Board~~ meeting [with EDs].

Front-End Fee

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

Switzerland Membership

Mr. Qureshi mentioned that the issue of Swiss membership in the United Nations is likely to come before that of membership in the Bretton Woods institutions. Both Messrs. Jolles and Leutwiler, whom he had met during his recent trip to Switzerland, feel that [if] the UN membership issue [does] ~~will~~ not go through, [it would] ~~which will~~ make matters more difficult for joining the Bank and IMF. ~~The Swiss government is, therefore, trying to buy some time. According to the Swiss process, an issue must first go through the legislature. There are then 30 days for the opposition to get 50,000 signatures to send the issue to a referendum.~~

Staff Association Report

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

IDA Retrospective Study

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

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

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

Bank Finances

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

Board Seminar

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

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

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WBG ARCHIVES

Managing Committee

CONFIDENTIAL
February 5, 1982
Record: February 9, 1982

FROM: Olivier Lafourcade

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

Opening Comments

Report on Chenery Trip

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

Report on Qureshi Trip

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

Bank Policy re Political Questions

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

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

1. Minutes of January 25 Meeting

Committee Action

Corrected as indicated in attached amended version.

2. Personnel Management Policies

Attending: Messrs. Clarke and Kaji

PAD/MC/82-5

Documentation

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

Presentation

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

Discussion: Performance Appraisal

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

Conclusions

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

scussion:
Reward
Systems

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

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

Conclusions

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

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

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

Conclusions: Job Grading

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

Committee Action

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

4. Taiwan-China

EXR/MC/82-2

Documentation

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

Conclusion a Committee :tion

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

5. McNamara Fellowships

LEG/MC/82-2

Documentation

5.1 Memo (Golsong) January 28: McNamara Fellowships

Presentation

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

Discussion

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

Conclusion

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

6. DPS/CPS Reorganization

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

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

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

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

7. Other Business

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

Record Removal Notice

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File Title Managing Committee Official Files: Minutes - Minutes 02	**Barcode No.** 1775318

Document Date 28 January, 1982	**Document Type** Minutes	

Correspondents / Participants
From: Olivier Lafourcade

Subject / Title
Managing Committee - Minutes of January 25, 1982 Meeting
Amended: February 5, 1982
Record: February 9, 1982

Exception(s)
Prerogative to Restrict

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	**Date**
Shiri Alon	February 22, 2017

THE WORLD BANK

e of the President

January 27, 1982

TO: Managing Committee Members

FROM: Olivier Lafourcade OL

As there were no comments on the draft minutes of the January 11 and 18 meetings, I attach the "Record" versions of both meetings for your files.

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Managing Committee

CONFIDENTIAL
January 21, 1982
Record: January 26, 1982

FROM: Olivier Lafourcade

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

1. Minutes of January 11 Meeting

Committee Action

Corrected as indicated in attached amended version.

2. Management Efficiency Improvement Program

Attending: Mr. Lynn

Documentation

2.1 Memo (Lynn) January 15: Work in Process. PAD/MC/82-1

Presentation

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

Discussion

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

Conclusions and Committee Action

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

3. Other Business

Documentation

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

LEG/MC/82-1

DA Commitment thority

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

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

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

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

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

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

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

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

CGIAR

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

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Managing Committee

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

FROM: Olivier Lafourcade

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

1. Minutes of December 21 Meeting

Committee Action

Approved as amended.

2. Minutes of January 4 Meeting

Committee Action

Approved.

3. Other Business

A Commitment Authority

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

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

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

MIIA

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

Relationships w/Executive Directors

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

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

Board Schedule

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

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

CODAM Paper on ED Travel

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

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

Staff Association

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

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

Subcommittees

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

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

Documentation

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

nagement fficiency Improvement Program

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

THE WORLD BANK

Office of the President

January 18, 1982

TO: Managing Committee Members

FROM: Olivier Lafourcade OL

SUBJ: Minutes of Managing Committee Meetings

As I mentioned to you at the January 11 meeting of the Committee, I attach copy of the final version of the minutes of meetings of the Managing Committee from the time minutes were formally recorded on October 26, 1981. These minutes are those "for the record." As you know, after each meeting of the Committee, minutes are drafted; they are then eventually amended at the following meeting, and, with further corrections on the amended version at the next meeting, they are finalized in this version for the record.

Managing Committee

CONFIDENTIAL
January 8, 1982
Record: January 15, 1982

FROM: Olivier Lafourcade

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

1. Minutes of December 14 Meeting

Committee Action

Approved as amended.

2. Minutes of December 21 Meeting

Committee Action

Corrected as indicated in attached amended version.

3. FY83 Budget Formulation

(Attending: Messrs. Gabriel and Vergin)

Documentation

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

Presentation

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

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

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

Budget Discussion

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

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

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

Committee Decision

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

4. Monthly Financial Report

(Attending: Mr. Hattori)

ocumentation

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

Presentation

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

Discussion and Conclusions

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

5. Employee Attitude Survey

(Attending: Messrs. Kaji and Rosen)

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

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

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

6. IDA Commitment Authority

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

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

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

7. DPS Reorganization

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

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

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

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

8. Secretary to the Managing Committee

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

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

9. Group of Nine Report

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

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

10. Other Business

Documentation

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

Staff Association Report

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

Public TV Show

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

Muldoon Report

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

Service Payments

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