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Correspondents / Participants
To: Executive Dining Room Manager
From: W.S. Humphrey

Subject / Title
Dining Room Reservation Request

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WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

WCH 12/13

TO: Mr. A.W. Clausen
Through : Mr. E. Stern
FROM: Warren C. Baum

DATE: December 13, 1982

SUBJECT: Senior Management Council - Friday, December 17

I regret I will be unable to attend the Senior Management Council Meeting this Friday as I will be in charge of a Retreat being held for the Advisory Staff of Operations Policy (OPS) and Energy and Industry (EIS) on Thursday and Friday, December 16 and 17. The dates of the retreat had to be fixed long in advance.

cc: Mr. Humphreys

WCB:mt

Mr. Humphrey E-1231

CONFIDENTIAL

December 13, 1982

SENIOR MANAGEMENT COUNCIL

Agenda for Friday, December 17 Meeting at 10:00 a.m. in Room E-1227

1. Creditworthiness Review of Bank Borrowers.
   * Memorandum and Paper dated December 8, 1982.

2. Management-Board Relations.
   Oral Presentation - T.T. Thahane.

3. Operational Travel Policy.
   ** Paper - Operational Travel Policy.

4. Other Business.

5. Luncheon - E Building, Room No. 1.

* Already distributed to members of the Managing Committee.
** To be distributed.

Mr. Stern

THE WORLD BANK

ROUTING SLIP	DATE: December 16, 1982

OFFICE OF THE VICE PRESIDENT
PERSONNEL AND ADMINISTRATION

Members of the Senior Management Council

SMC RECORD

	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	COMMENT		PER OUR CONVERSATION
	FOR ACTION		PER YOUR REQUEST
	INFORMATION		PREPARE REPLY
	INITIAL		RECOMMENDATION
	NOTE AND FILE		SIGNATURE

REMARKS:

The attached paper, which is for discussion at tomorrow's Senior Management Council Meeting, will be Item No.3 on the Agenda.

cc: Mr. Humphrey

FROM: Martijn Paijmans	ROOM NO.: A-1236	EXTENSION: 76428

PERSONAL & STRICTLY CONFIDENTIAL

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DECLASSIFIED
FEB 14 2017
WBG ARCHIVES

TO: Vice Presidents and Department Directors

DATE:

FROM: Martijn J. W. M. Paijmans, VPA

SUBJECT: Personnel and Administration Issues
Information for Managers
No.

This is intended to provide you with background information which you are free to use in communicating with your staff.

OPERATIONAL TRAVEL PROCEDURES - EFFECTIVE FEBRUARY 1, 1983

1. This memorandum provides an updating of operational travel policy and procedures effective February 1, 1983. It reaffirms in essence an existing operational travel policy which is based on the need to ensure the operational efficiency of the Institution and to ensure that staff can perform their responsibilities without undue fatigue or stress.

2. A recent review has shown that there should be a rearticulation of procedures concerning class of travel on long journeys, rest stop conditions, accomodations and issues of control and management 1/. The major result will be to rationalize exceptions to the basic policy permitting first class travel to achieve efficient and cost effective management of resources used in operational travel.

3. Line managers should cover travel costs under the procedures set out in the attachment hereto within already allocated budgets for FY83. Under these procedures, line managers are responsible for monitoring the adherence to the travel policy and for authorizing exceptions to the policy which should be explicitly stated on the Travel Requests and monitored by them.

4. Vice Presidents and Directors are requested to outline these procedures to their staff and to explain the rationale as outlined above. Copies of these papers may be used for this purpose. Questions from staff should be addressed to Mr. E. Hawie, Division Chief, Travel and Shipping Division, Extension 7-3925. Questions originating from outside the Bank should be referred to the Director, IPA.

Attachment

cc: Messrs. Clausen, Stern, Qureshi, Wuttke

1/ A complete statement of procedures is expected to be issued to all staff during the week of December 27, 1982 to replace Administrative Manual Statement No. 4.01 dated October 1978.

OPERATIONAL TRAVEL PROCEDURES

In order to achieve efficient and cost effective management of resources used in operational travel, the following procedures will be effective as of February 1, 1983.

Class of Travel by Air

1. Staff will travel in less than first class except when the farthest official destination is in Zone B when first class travel is authorized.

2. Members of the Bank's Senior Management Council and comparable IFC managers will travel in less than first class when the whole official journey is within the 48 contiguous United States, and in first class when the farthest official destination is outside that area.

3. Consultants held against consultant or authorized positions will travel in the same class as staff members; Line Managers will be responsible for monitoring application of this procedure. All other consultants will travel in less than first class to all destinations.

Zones of Travel

4. There will be two zones, a Zone A (or short zone) and a Zone B (or long zone) identical to the two zones delineated under the current policy by under and over 9-hour flying time (time in the air). At the discretion of the Director ADM, Zone B may include countries to which there is insufficient frequency of flights of less than 9 hours flying time and to which the alternative routes require more than 9 hours flying time. Peru, which falls in this category will be moved from Zone A to Zone B as of February 1, 1983.

Rest Stops en Route

5. Business stops of more than 24 hours duration will be treated as rest stops. In the case where business stops extend over more than one day, within a zone, only one rest stop will be counted.

Rest on Arrival

6. Staff members are encouraged to take sufficient rest on arrival at their destination to enable them to perform their work efficiently, as well as on their return to the duty station to recover from the effects of travel. The appropriateness and duration of such rest will be monitored by the Line Manager concerned who will determine which days spent by the traveler at the mission location on arrival, or at the duty station upon return, are to be considered a rest period, for which the Bank will reimburse expenses incurred at the mission location, and will not charge to annual leave.

Travel to Return to the Duty Station

7. Staff members are expected to return directly to duty station upon completion of business. Should they not do so, any extra expense will be to their account (beyond those expenses and rest stops provided under this policy), and any working days not worked will be charged to annual leave.

Travel by Supersonic Transport (SST)

8. Travel by SST is not permitted. Exceptions may be made only by the Vice President and only in cases of emergency or unforeseen urgent Bank business. A clear statement to that effect must be entered on the Travel Request Form and signed by the Vice President personally. If the need to use the SST arises whilst in travel status, the traveler will obtain a written approval from the Vice President concerned, either by telex before embarkation or by memo upon return, and attach it to the Statement of Expenses. Vice Presidents who may decide to travel SST under the conditions noted above shall submit written explanations to the Director, ADM.

Exceptions on Medical Grounds

9. The Director, Medical Department, or his delegate, will decide whether a staff member shall travel in first class on medical grounds. The decision will be addressed to the Line Manager authorizing travel for the staff member concerned, who will decide whether travel shall take place in first class or not at all. Consultants who are not held against consultant or authorized positions are not eligible for medical exceptions in the context of this rule.

10. The Director, Medical Department or his delegate may decide that a staff member should be eligible to travel by Concorde on medical grounds; the Vice President shall decide whether travel shall take place by Concorde or not at all.

Airlines' Classes of Services and Air Fares

11. Airlines may offer, depending on the flight, route and type of aircraft, three classes of service, viz. first class, business class and economy class. Passengers in each class are normally accommodated in a separate compartment on the aircraft. Each of these classes may carry various types and levels of air fares. In the context of this policy, staff members authorized to travel in less than first class may avail themselves of the business class of service, but may not refuse the economy class of service if the former class is not available.

12. The individual preferences of staff members as to the choice of airline, flight, routing, location of rest stops and personal stops, etc., will be taken into account by TSD whenever possible. However, if the effect of exercising such personal choices would necessitate the upgrading of the class of travel to first class or result in a higher air fare, staff members will be required to accept alternative arrangements that would get them to their official business or mission locations in time to carry out the purpose of their mission. For example:

(a) if a less than first class reservation cannot be secured on an airline or flight of a staff member's choice, the staff member will be required to accept an alternative routing;

(b) if the location of the rest stop or personal stop will result in:

(i) a higher fare caused by excess mileage; or

(ii) will necessitate the upgrading of the class of travel to first class due to space unavailability;

the staff member will be required to change the location of such a stop or pay the difference in air fare.

13. Whenever the excursion fares that may be available in the authorized class of travel will meet the requirements of the mission in terms of period of stay at the mission location, and allow stops en route to accommodate the authorized rest stops and business stops, but not personal stops, staff members will be required to accept such fares and will be provided with Miscellaneous Charge Orders (MCO) for the difference between the excursion fare used and the normal fare in the authorized class of travel. The MCO will then be used in case

changes in the requirements of the mission will necessitate the use of a normal fare. If not required to be used for such purposes the MCO's shall be returned with travel expense statements.

14. Line Managers may request TSD to use restrictive air fares such as advance purchase, promotional or stand-by fares in the authorized class of travel, by clearly stating such request on the Travel Request Form. Cancellation fees will be borne by the requesting Department.

Hotel Accomodation

15. Staff members are urged to use hotels on the Recommended List, with many of which "free sale" agreements have been concluded; rooms at hotels with "free sale" agreements are readily available upon advice by TSD, thus avoiding the necessity of sending request messages and the delay in securing reservations. The quality of hotels on the Recommended List is monitored by the Travel Office which will appreciate comments from staff members based on their experience.

16. Excluded hotels are available only to members of the Senior Management Council. Staff members who are not entitled to these hotels and who stay there by choice or because of changes in travel plans in the field beyond the control of the traveler, will be reimbursed up to the highest rate of a Bank approved and recommended hotel in that city.

17. In order to ensure adequate hotel accomodation for large missions, Mission Leaders are urged to inform the Bank Hotel Coordinator in TSD, well in advance and by memorandum, of their requirements for hotel reservations at mission locations and request all mission members to make reference to such memorandum and its date in the remarks box of their travel requests and to their travel counselors. Hotel accommodation can thus be consolidated and duplications and changes avoided.

18. On receipt of a hotel no-show invoice, TSD will determine whether the no-show was (a) erroneously charged by the hotel; (b) a result of a communication failure; (c) caused by an error made by the Travel Office; (d) justified by circumstances outside the control of the traveler; or (e) due to the traveler's failure to cancel the reservations. In the last case, TSD will send the original invoice, annotated with the Travel Request number, to ACT for payment to the hotel and debit to the traveler's department, and will also send a copy of same to the Line Manager concerned for appropriate action.

Transportation Expenses in lieu of Hotel

19. A staff member who, at a rest stop or connecting stop location, travels to stay with friends or relatives may claim the cost of such travel in lieu of hotel expenses up to the lowest room rate of a Bank approved and recommended hotel in that city, provided an acceptable proof of transportation is submitted with the statement of expenses.

Chartered Aircraft

20. The authority to approve expenses for chartering an aircraft rests with the Department Director concerned. The Mission Leader remains responsible for deciding whether travel by charter aircraft is essential to the accomplishment of the mission and for taking all reasonable precautions to assure the safety of the mission.

Operational Travel Combined with Home Leave

21. When operational travel is combined with home leave, the following procedures will apply if the operational travel falls within Zone B and the economy class of travel applies to home leave:

(i) When operational travel is undertaken before home leave, first class will be authorized on the journey from the duty station to the mission destination and onward to the country of home leave. Travel from the country of home leave back to the duty station will be in economy class.

(ii) When operational travel is undertaken during home leave (i.e. when home leave is interrupted and then resumed after the operational trip); travel from the duty station to the country of home leave and back from that country to the duty station will be in economy class. First class will be authorized on the round trip between the country of home leave and the mission destination.

(iii) When operational travel is undertaken after home leave, travel from the duty station to the country of home leave will be in economy class. First class will be authorized on the journey from the country of home leave to the mission destination and back to the duty station.

Submission of Travel Plans

22. Because late requests or changes may result in late delivery of tickets and impact on delivery of tickets to others, staff members should endeavor to plan their itineraries well ahead of time, finalize them with TSD as early as possible, limit the changes to operational exigencies only, and avoid late changes.

Acquisition and Reissuance of Tickets

23. All headquarters staff shall submit their travel requests to and obtain their transportation tickets from TSD, otherwise TSD will not process requests for travel advances nor will the Expenses Division, Accounting Department, reimburse the cost of tickets and travel expenses. Staff members who when still at HQ and before proceeding on mission, make direct reservations with hotels or airlines, assume responsibility in case such direct reservations are not honored. Departments concerned shall advise their consultants of this requirement. Field Office staff will comply with the rules set by the Head of the Field Office for obtaining tickets and advances.

24. Unless necessitated by operational exigencies, staff members shall not exchange the tickets issued or authorized by TSD for tickets in a lower class of travel or at a lower fare in order to change their routing in a manner that is not permitted by the policy or to obtain a Miscellaneous Charge Orders (MCO) that can be used for other transportation.

Responsibilities

25. The traveling staff member will be responsible for properly completing the Travel Request form in full compliance with all the provisions and rules of this policy, and for the validity of any information entered thereon. The Line Manager will ensure that staff are familiar with the policy and apply it. The Line Manager may, whenever necessary, make exceptions to the policy provided these exceptions are explicitly stated on the Travel Request and monitored.

26. The Line Manager approving the Travel Request form will be responsible for ensuring that the travel plans have been conceived in the most efficient manner with regard to the periods of stay at the business/mission locations, the sequence of these locations and the total period of absence, and that the whole plan is in accordance with the terms of reference of the mission.

27. TSD will be responsible for planning travel itineraries that will get staff members by the most expeditious and convenient route to their business or mission locations in time to carry out their mission, securing adequate flights and hotel reservations and issuing the required transportation tickets. It is also responsible for minimizing the costs in the planning of these itineraries and the application of air fares.

28. Travel plans made by staff members must conform, in every respect, with the itinerary shown on the approved Travel Request form and tickets will be delivered only upon the submission of an approved Travel Request form. TSD will initiate the planning of the itinerary and the reservation of flights and hotels at the request of the traveling staff member even before receiving the approved Travel Request form. However, if the itinerary planned by the staff member does not conform with the approved Travel Request with regard to the sequence of travel and the location of all types of stops (personal, rest, business, mission), TSD will not deliver the tickets and the staff member will be required to submit a revised approved Travel Request to conform with the planned itinerary thus assuming responsibility for any delay in the delivery of tickets. If the itinerary planned by the staff member, after the approved Travel Request has been submitted to TSD, is different from the Travel Request, the staff member will be required to submit a revised approved Travel Request before the tickets are delivered.

29. The Line Manager will be responsible for approving the statements of expenses. Any exception with regard to expenses or claims not specifically authorized by this policy or prohibited by this policy, will be obtained by the Expense Division, Accounting Department, from the Department Director concerned, or by the responsible Vice President in case of Director's travel.

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

FIS/MC82-69

CONFIDENTIAL

OFFICE MEMORANDUM

TO: Managing Committee
THRU: Mr. Moeen A. Qureshi
FROM: Heinz Vergin, Director, PAB

DATE: December 8, 1982

SUBJECT: Creditworthiness Review of Bank Borrowers

The attached review was undertaken in consultation with the Regional Offices and has benefitted from discussion in a joint meeting of the Operations Policy Subcommittee and Finance Subcommittee. Based on country risk assessments made in the spring and summer of 1982, i.e., before the further deterioration of world economic and financial conditions, the review identifies several dimensions of country risk and makes recommendations on how these risks should be addressed in the Bank's operational and financial management. Cross references to the attached report are provided below for all major recommendations. In our view, these recommendations strike an appropriate balance between the Bank's responsibilities as a lender of last resort in a situation where the general worsening of the world economy is having a severe impact on the creditworthiness of a growing number of countries on the one hand and the Banks' overall responsibility for prudential management of its loan portfolio on the other.

Risk Assessment (1)

- There has been a general deterioration of the creditworthiness of the Bank's borrowers with the attendant perception of increased risk to the Bank's portfolio on the side of rating agencies and bond markets. Unless the Bank is seen to act upon these concerns, the increased riskiness of the Bank's portfolio could cause difficulties in meeting the Bank's growing borrowing requirements on the best possible terms.

Recommended action:

- Assist borrowing member governments facing severe debt servicing difficulties to take the necessary structural adjustment action (i) by gearing our lending programs to increased support for government structural adjustment actions, and (ii) by such economic and sector work and technical assistance as may be required (para. 5.12). Where, however, there is no willingness or ability of the governments to take the necessary action towards structural adjustment, further lending should be suspended (para. 5.14). Action on these lines has been reconfirmed in the recent review of the Bankwide lending program.

- Place the following countries on a 'watch list' for intensive monitoring of creditworthiness as well as of actions taken by the governments concerned for structural adjustment: Bolivia, Costa Rica, El Salvador, Guyana, Honduras, Liberia, Nicaragua, Nigeria, Romania and Zambia. (On recent information, consideration is also being given to the inclusion of Argentina, Kenya, Philippines and

Yugoslavia in the watch list.) Periodic creditworthiness reports should be prepared by the respective Regional Office to enable the Financial Staff to carry out its portfolio reviews (para. 5.25).

- Review current policy with respect to the adequacy of Bank net income and of reserves. This review should focus on market perceptions as well as the risk of loan losses (paras. 5.9 and 5.10).

Risk Assessment (2)

- Given past lending as well as current lending plans, there is cause to monitor closely the increased concentration of the Bank's portfolio in a few higher-risk countries. Without a policy which sets limits on the portfolio shares for the Bank's major borrowers, as much as 40-45% of the total portfolio could end up being concentrated in four to five countries in the early 1990s. By the same token, the ten largest borrowers could end up accounting for as much as 70-75% of the portfolio. On present assessment, three of the four largest borrowers are higher-risk countries.

Recommended action:

- Limit individual country shares to 6-8% of the IBRD portfolio with the shares of the higher-risk borrowers not to exceed 6%. As such limits could unduly constrain the Bank's activities in individual large countries where the lending program has over time gained considerable momentum, the 6% limit may be exceeded in the case of Brazil, India and Indonesia but should not in any case be higher than 8%. However, the 6% limit should be strictly observed to contain the build-up of the portfolio share of high-risk borrowers such as Turkey and the Philippines. These limits have already been reflected in the country lending plans recently approved at the Bankwide lending program review (para. 5.22).

- Overall, keep the sum of the portfolio shares of the four largest borrowers below 30% of the total portfolio and establish through further analysis an appropriate upper limit for the portfolio share of the ten largest higher-risk borrowers.

Risk Assessment (3)

- There is increasing risk to the Bank's "preferred creditor" status because of its excessive exposure singly or jointly with other preferred creditors, in the debt and debt service of a growing number of countries. At present, there are fourteen higher-risk countries where the share of preferred creditors in these countries' total debt exceeds 33%; in four of these countries (El Salvador, Guatemala, Tanzania, Zambia) the Bank's share in debt outstanding and debt service is about 20% or higher.

Recommended action:

- Limit Bank exposure and where necessary, reduce gradually Bank exposure in total DOD and debt service to 20% relative to all other lenders. However, where preferred creditors account for 33% or more of the country's debt and debt service, Bank exposure should be brought down to 15% (para. 5.23). This is to ensure that should rescheduling of the country's debt be necessary, the Bank could reasonably be expected to be exempt from such rescheduling. Exceptions from these exposure limits could be made for countries with a very low risk of debt servicing difficulties.

- Take steps to assess the implications of the Bank's evolving cofinancing program for the measurement of the Bank's exposure.

- Consult with other preferred creditors (including the Fund) in all cases where our preferred creditor position could be threatened (para. 5.7).

- Maintain country-by-country contingency plans designed to defend the Bank's preferred creditor status in the event of "worst case" developments. Such plans should be maintained for all high-risk countries where preferred creditors account for more than 33% of the countries' debt (para. 5.7).

Overall, our review concludes that it should be an overriding objective of the Bank to manage the sovereign risks inherent in its country assistance efforts in such a way as to enable IBRD to defend its preferred creditor status even under "worst case" conditions. Country risk management, therefore, will need to entail periodic, country-by-country examination of the Bank's bargaining position vis-a-vis the borrowing governments, other preferred creditors, private cofinanciers, official bilateral donors and commercial banks against the event that debt service problems may cause any or all of the other parties to question the Bank's preferred creditor status. Such an examination needs to realistically assess the evolving strength or weaknesses of the Bank's bargaining position in terms of the size of the IBRD's lending plans, cofinancing programs, the size of its net transfers, the Bank Group's ability to hold out soft loan support as well as the Bank's leverage as aid coordinator or future mediator. In the final analysis, such an examination needs to assess the quid pro quo which the Bank has to offer to the other parties in order to obtain their support in defense of IBRD's continued preferred creditor status.

Attachment

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FOR REVIEW BY THE
MANAGING COMMITTEE

Copy No. 10

CREDITWORTHINESS REVIEW OF BANK BORROWERS

December 8, 1982

Country Program Review Division
Programming and Budgeting Department

CREDITWORTHINESS REVIEW OF BANK BORROWERS

Table of Contents

I. INTRODUCTION

1.1. This is the first in a series of semi-annual reports on country creditworthiness and Bank loan portfolio issues. Intended as a briefing paper for Senior Management, it reviews country creditworthiness prospects and identifies those high risk Bank Group borrowers in need of closer monitoring. While the Regional Offices are responsible for country risk analysis, for the monitoring of changes in the creditworthiness of individual countries, and for assisting borrowers to improve their debt servicing capacity, these semi-annual Bankwide reviews will be concerned with the implications of country risk for the financial management of IBRD resources. Thus, they will assess the aggregate impact of changes in country creditworthiness conditions on the quality of the Bank's loan portfolio and identify related operational and financial policy issues which need to be addressed.

1.2. The last extensive review of the Bank's loan portfolio was undertaken in 1978. Since then, there have been significant changes both in country creditworthiness and in the country distribution of Bank lending. The 1978 review had projected an increase in the portfolio share of the higher risk countries from 24% in FY75 to 50% in FY87. By FY81, however, the share of the higher risk countries already exceeded 70% and is expected to increase further. The increased incidence of country debt reschedulings combined with the continuing uncertainties facing the balance of payments and creditworthiness of these countries have increased the risk exposure of the IBRD loan portfolio.

1.3. These developments underscore the importance of regular portfolio reviews, especially now that the financial markets are giving increasing attention to the riskiness of commercial bank loans to LDCs. While the impact of increases in the probability of default on the Bank's risk bearing capacity (i.e., the adequacy of net income and reserves) requires review, of greater concern is the way the market will evaluate compositional changes in the Bank's portfolio quality and the extent to which market perceptions could affect the Bank's borrowing ability. As the Bank's loan portfolio increases relative to reserves and subscribed capital, perceptions of bondholders and bond rating agencies of the Bank's creditworthiness will be shaped by the Bank's financial performance as well as changes in the quality of its loan portfolio. In the light of the increasing financial requirements of the Bank's borrowers to meet their development needs and the severity of their liquidity requirements, a consensus is required of Senior Management as to the appropriate balance between, on the one hand the Bank's development responsibilities and, on the other, prudent management considerations. In line with their growing concerns about the quality of their portfolios, the major commercial banks engaged in international lending have begun to closely watch and curtail their exposure in developing countries. Much of the information on the Bank's own portfolio is in the public domain and can similarly be expected to come under increasingly close scrutiny.

1.4 The evaluation of country creditworthiness in this review is based primarily on CPPs and recent country analysis. While the impact of the weakened world economy in reducing the creditworthiness of a growing number of Bank borrowers is fully recognized, the analysis undertaken here attempts to present a secular (long term) view of country creditworthiness. The evaluation methodology adopted in this report is described in Section II below. Section III, which constitutes the heart of the paper, analyzes the creditworthiness of the higher risk Bank borrowers and, in particular, those borrowers for which closer monitoring of developments is considered necessary. The impact of changes in country indebtedness and creditworthiness on the quality of the IBRD portfolio is considered in Section IV. Finally, operational implications and recommendations are presented in Section V.

II. METHODOLOGY OF COUNTRY RISK ASSESSMENT

2.1. All countries receiving or programmed to receive Bank funds are covered in the portfolio review. The former blend countries (namely, Ghana, Sudan and Tanzania) where Bank lending has ceased because of a deterioration in their creditworthiness are also included.1/ Together, 65 countries are included. The country assessments undertaken are based primarily on information contained in CPPs 2/ and recent Bank country analysis. Our assessments have also been influenced by recent country evaluations of leading international banks and by market reports.

2.2. Our evaluation and ranking of country risk was influenced by two basic considerations. First, given the increasingly cautious attitude of the international capital markets towards sovereign risk lending, we believe that greater attention than in the past would have to be paid to market perceptions of the quality of the Bank's loan portfolio as a determinant of the Bank's continued ability to borrow on the best possible terms. This suggests that the Bank's own risk assessments would have to take close account of market views about the creditworthiness of individual countries, irrespective of the risk of direct financial loss posed by those countries to the Bank itself. Second, in order to preserve its preferred creditor status and to avoid becoming involved in a debt rescheduling, the Bank needs to identify that subset of its borrowers which constitutes the greatest direct risk to its loan portfolio. These considerations have led us to approach the evaluation and ranking of country risk as a three-step process. Initially the risk that a country would encounter balance of payments difficulties was evaluated. An assessment was then made whether these difficulties would force a country to default on its external obligations in general (i.e., not necessarily including obligations to the Bank).3/ Lastly, the specific risk that a country would fail to service its Bank debt was assessed.

1/ Zaire is also a former Bank borrower, although Bank lending since 1961 was limited to one enclave-type project.

2/ In some instances data contained in the President's Reports for Structural Adjustment Loans have been used. The CPP projections for 12 countries (including Argentina, Bolivia, Chile, Cyprus, El Salvador, Guatemala, Liberia, Oman, Sri Lanka, Swaziland, Syria, and Togo) date from 1979 or earlier and, although included here, may have become outdated by now.

3/ The risk of default is used here broadly as a risk of sustained non-payment by a country of its external debt obligations, whether principal or interest or both.

2.3. In line with our view that market perceptions of the quality of the Bank's loan portfolio are becoming increasingly important for ensuring access to the capital markets at reasonable rates, we have ranked and categorized the Bank's borrowers on a scale representing an increasing probability of debt servicing difficulties.1/ This ranking and classification should not be interpreted as a relaxation of the Bank's traditional insistence on being accorded preferred creditor status. The Bank will continue to insist on its preferred creditor status even though in a number of countries experiencing severe debt servicing difficulties, this privileged position is likely to come increasingly under attack. Accordingly, we have tried to identify in the group of countries where the generalized risk of default is considered the highest, a subset of countries where the exposure of preferred creditors (including the Bank), is high and, therefore, where the risk of preferred creditors being involved in a debt rescheduling is correspondingly high.

2.4. As in previous reviews, the present report takes full account of longer-term structural factors in the assessment and classification of country risk. However, our concern with market perceptions of the quality

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1/ In the earlier portfolio reports of the Financial Policy and Analysis Department, the Bank's borrowers were ranked and classified on a scale representing the specific risk of default to the Bank itself. Specifically, FPA's analysis grouped borrowers into three broad categories: category I--those presenting little or no risk of default; category II--those presenting a more substantial risk of default which would require rescheduling on non-concessional terms; and, category III--those presenting a risk of default requiring concessional rescheduling. While the thrust of FPA's analysis was on default to the Bank, the focus has been broadened here to consider the risk of default to borrowers in general. This was done since the Bank has to be concerned not only with its financial capacity to handle potential defaults but, also with market perceptions regarding the quality of its loan portfolio. Because of the differences between the PAB and FPA classification systems, we have also prepared portfolio projections based on the latter. The results which are summarized in Table 2 below shows that the ranking of country risks based on the PAB system and that resulting from the use of the FPA system are similar in terms of the distribution of the portfolio among the different risk categories. Overall, the broadening of the definition of risk under the PAB system from default to the Bank to default to all lenders, but not necessarily the Bank, would tend to shift countries to higher risk categories. This is, however, more than offset by the use in the PAB assessments of probable outcomes rather than pessimistic assumptions about downside risks as was the case in past FPA assessments.

of the Bank's loan portfolio has led us to pay greater attention to short-term factors which could affect not only a country's economic performance and debt servicing ability, but also the perceptions of other lenders of the country's economic prospects and creditworthiness. Thus, while the main creditworthiness concerns remain with a country's longer-term debt-servicing capacity and related structural issues, the analysis cannot ignore short- and medium-term adjustment problems. The nature of such problems often provides important insights into the underlying characteristics of a country's development problems and economic management. For example, an important aspect of economic management is how well the government is able to reconcile competing economic claims. Countries which have difficulty in this respect are typically subject to periodic crises involving rapid inflation or external liquidity problems or both. A government's choice of measures for dealing with a budgetary problem or a balance of payments liquidity squeeze can have important medium- and longer-term consequences, e.g., in influencing the incentive structure or in determining the level of resources available for investment and social programs. Similarly, excess demand generated by budget deficits or by large private credit expansion will often lead to pressure on the balance of payments or prices in the medium-term future. If significantly increased external borrowing is seen as one probable solution for a liquidity squeeze, the magnitude and terms need to be assessed as an input into the Bank's longer-term creditworthiness projections. In this report, no formal weights were attached to the short- or longer-term prospects. This issue will, however, be pursued in the forthcoming refinement of the Bank's risk assessment methodology.

2.5. The classification system applied in this review categorizes countries according to the likelihood of debt servicing difficulties and the risk of default as follows:

Category I - No likelihood of debt servicing difficulties

This category includes countries whose economies are both healthy and well-managed and enjoy favorable access to both the syndicated loan and bond markets. Among the Bank's current borrowers, only Trinidad & Tobago has a category I rating.1/

1/ The Caribbean Development Bank, whose borrowings are guaranteed by member countries, also has a category I rating.

Category II - Some likelihood of debt servicing difficulties

This category covers a wide range of countries with varying probability of incurring debt service difficulties and, therefore, has been sub-divided as follows:

IIa - Low probability of debt servicing difficulties

Includes countries with healthy, well-managed economies and sound balance of payments prospects, and which have favorable access to the private capital markets but as yet limited access to the bond markets. These countries may be regarded as the Bank's "blue chip" borrowers.

IIb - Moderate probability of debt servicing difficulties

Includes countries whose balance of payments are sound, but less so than category IIa countries and whose access to the private capital markets is also less favorable. Thus, for instance, Thailand has been classified as a IIb country and Korea and Malaysia as IIa. A further requirement is that the resources, management and institutional infrastructure of the countries give reasons to believe that they would be capable of resolving debt servicing difficulties in an orderly manner.

IIc - High probability of debt servicing difficulties

Includes two groups of countries, namely: those countries currently experiencing more pronounced balance of payments problems but which can be considered to have the economic resilience and institutional capacity to cope with potential creditworthiness difficulties without resort to rescheduling; also, countries without immediate pronounced balance of payments problems but which have experienced serious creditworthiness difficulties in recent years and, until structural and institutional improvements have been completed and tested, must be considered susceptible to renewed major debt management problems (India, Indonesia).1/

Of the 65 countries covered in this review, 31 are considered to be category II countries, with 7 in category IIa, 12 in category IIb and 12 in IIc.2/

Category III - Risk of default

Includes countries with fragile balance of payments, many of whom are in arrears (22 of the 33 category III countries, Table 7 of Statistical Appendix) and either have been recently involved or are currently involved in a debt rescheduling (18 of the 33 countries). This category also pays close attention to those countries where the exposure of preferred creditors (including the Bank) is high and, therefore, where the risk of preferred creditors becoming involved in a debt rescheduling is correspondingly high. Also included are countries whose creditworthiness is affected by major political uncertainties (Zimbabwe), and in addition severe internal security problems which are undermining economic management (El Salvador), as well as countries whose economic and institutional infrastructure is extremely weak (Swaziland, Yemen A.R.). Since category III covers a broad spectrum of country conditions, the rating system employs three sub-categories. We have assumed that rescheduling in the case of category IIIa countries would be on non-concessional terms but that the remaining two categories, could require concessional terms.

1/ Nigeria, although ranked a IIc country, is difficult to classify. The country enjoys conservative budgeting, a low debt service ratio and an economy underpinned by the long-term certainty of oil revenues. On this basis alone, Nigeria would clearly not be a category III country. However, the major weakness of Nigeria lies in its institutional capability, which more closely resembles a number of category III countries.

2/ Category IIa countries include: Fiji, Malaysia, Korea, Oman, Bahamas, Barbados and Colombia. Category IIb includes: Botswana, China, Papua New Guinea, Thailand, Algeria, Cyprus, Jordan, Tunisia, Chile, Paraguay, Uruguay and Cameroon. Category IIc includes: Mauritius, Seychelles, Indonesia, Philippines, India, Egypt, Portugal, Yugoslavia, Brazil, Panama, Peru and Nigeria.

IIIa - Includes two groups of countries: namely, countries with very serious balance of payments and debt servicing difficulties but generally adequate resources, management and institutional capability to resolve debt servicing difficulties in an orderly manner (Turkey); and also countries whose balance of payments are not in difficulties but which have a weak economic or institutional infrastructure (Sri Lanka, Yemen A.R.), and/or face uncertain political and security conditions such that there is no assurance that policy changes and structural adjustments will be made which enhance their economic and social development as well as their capacity to service external debt.

IIIb - Includes countries with very serious balance of payments problems and in a number of cases, recurring debt servicing difficulties. Unlike the category IIIa countries, most of these countries may not be able to effectively resolve their debt servicing difficulties without concessional rescheduling either because of the magnitude of the difficulties or because their management and institutional capacity are inadequate. Also includes countries where political instability and civil strife adversely affect economic and financial management.

IIIc - Includes the small group of countries where the category IIIb conditions have become so acute that Bank lending either has been or should be suspended. Unlike the category IIIb countries, there is no reasonable prospect of government commitment to stabilization and adjustment programs.

Thirty-three countries are currently placed in category III, with 17 in IIIa, 9 in IIIb and 7 in IIIc.1/

2.6. Classification of the Bank's borrowers into the above categories was based on quantitative as well as qualitative factors that could affect a country's ability to repay its external debt. For each of the countries concerned, the principal quantitative indicators of debt servicing capacity (e.g., the debt service ratio, export concentration ratio, debt

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1/ Category IIIa countries include: Pakistan, Morocco, Romania, Turkey, Yemen AR, Argentina, Dominican Republic, Ecuador, Guatemala, Honduras. Jamaica, Mexico, Kenya, Swaziland, Zimbabwe, Congo and Ivory Coast. Category IIIb includes: Sri Lanka, Syria, Bolivia, Costa Rica, El Salvador, Guyana, Malawi, Senegal and Togo. Category IIIc includes: Nicaragua, Sudan, Tanzania, Zaire, Zambia, Ghana and Liberia.

to GDP ratio) were derived mainly from balance of payments and external debt data and projections contained in recent CPPs or country economic reports. Our assessments of these projections took account of the downside risks posed by relatively undiversified export structures as well as likely fluctuations in export prices and/or volumes but focussed on the most likely developments, i.e., the "base case" CPP projections. While the projections were influenced by current developments in the world economy (depressed export markets, high real interest rates), they were not necessarily based on a simple extrapolation of these developments into the future. The underlying assumptions of these projections generally reflected the expectations of Regional Offices about: (a) the most probable trends in the country's export and import prices and volumes; (b) the country's access to official and private capital; and (c) the likely impact of economic policies on the balance of payments.

2.7. The qualitative criteria for assessing debt servicing capacity included the effectiveness of the country's economic and financial management, its economic structure and resource endowment, and the appropriateness of its longer-term development policies. Our qualitative assessment focussed in particular on the country's ability to adjust to adverse external conditions, determined on the basis of its past record of willingness to implement necessary measures, the compressability of imports, the availability of external reserves and the extent to which these resources could be supplemented by adjustment assistance from abroad. The relevant political factors that could affect a country's creditworthiness were also considered.

2.8. Given the complex economic and political factors that determine a country's creditworthiness, no set formula was used for translating country assessments into specific risk ratings.1/ The relative importance of the quantitative and qualitative factors noted above was allowed to

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1/ The translation of country assessments into specific risk ratings was undertaken solely within PAB. The comments received from Regional Offices on methodology underline the need to establish a more transparent method for analyzing and classifying country risk. Suggestions for further improvement are discussed in para. 5.26.

vary across countries.1/ However, in order to facilitate analysis, countries were initially categorized on the basis of several basic criteria. To ensure the consistency of ratings, each country was rated on these criteria against all other countries. This approach may be summarized as follows: Countries with an existing or projected debt service ratio close to 20% were viewed as generally warranting a IIc rating, although several countries with lower debt service obligations were also given a IIc rating because of their past poor creditworthiness (Indonesia) or their past poor development performance (Egypt, Nigeria). A category IIIa rating was applied to countries with debt service ratios greater than 20% and poor performance with respect to one or more of the following criteria: high current account deficit in the balance of payments; high debt to GDP ratio; existence of arrears or difficulties in meeting debt service obligations; or a high concentration of export earnings derived from commodities subject to rapid price changes. An additional consideration related to a country's recent or current involvement in a rescheduling. While not a precondition for a category III rating, active involvement in a rescheduling was generally viewed as precluding a category II rating. As noted above (para. 2.5), countries with low debt service ratios were also considered to deserve a IIIa rating in cases where the structure of their balance of payments and economies had to be judged fragile and their institutional capacity to be considered weak. A IIIb rating was generally given to countries which, besides a persistently poor performance on debt and balance of payments related indicators, tended also to be rated poorly in terms of their management and institutional effectiveness. Category IIIc ratings were restricted to countries which cannot be considered creditworthy and for which Bank lending has, therefore, either been or should be suspended.

2.9. The initial ratings derived on the basis of the above guidelines were then checked against other creditworthiness criteria and modified accordingly. For example, countries which are pursuing structural adjustment policies were rated higher than would be warranted on the basis of quantitative financial indicators alone. (The most notable case is Brazil, which based on debt indicators alone would have been given a category III rating, but because of its development performance as well as

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1/ For example, a debt service ratio of 20% in a small, open economy would be much harder to manage than in a country such as Brazil or Mexico. Also, given structural changes in the international financial system (such as the growth in the volume of sovereign borrowing and the share of commercial banks in this growth), the debt service ratio could be overstating the increase in the effective debt burden especially in the higher income developing countries which rely mainly on commercial capital flows and can continue to rely on these flows as long as confidence of lenders in these countries is maintained.

the underlying strength of its economy and demonstrated ability to adjust to changing external circumstances was rated II.) Also, countries facing relatively greater political risks were rated lower than would be justified on the basis of debt indicators alone (e.g., Guatemala, El Salvador).

2.10. The resulting country ratings are summarized in Tables 1 and 2 of the Statistical Appendix, together with previous FPA country ratings and current market assessments.1/ These tables also present a number of indicators of country creditworthiness together with measures of Bank exposure in these countries. Country creditworthiness assessments, prepared by PAB in consultation with the Regional Offices concerned, are presented in the Annex for the most critical countries.

1/ Namely, those of Euromoney and the Institutional Investor. Euromoney ranks countries according to a country risk index based on the volume of funds raised in a specified period, their spread and maturity, weighted by a composite Euromoney index based on the terms of all funds raised during the period. The analysis includes only syndicated loans over LIBOR to public sector agencies and to private sector borrowers with state guarantees. Institutional Investor country credit ratings are based on a weighted average of the ratings provided by leading international banks. Bankers are asked to grade countries on a scale of zero to 100, with zero representing the least creditworthy countries and 100 representing the most creditworthy.

III. COUNTRY RISK ASSESSMENTS

3.1. The growth in external indebtedness and debt service during the last decade, combined with the continuing adverse external environment have affected the creditworthiness of a large number of Bank borrowers. In fact, of the approximately 60 member countries covered by the 1978 portfolio review, it has been necessary to change the credit ratings of 38, or 60% of these countries. This section discusses primarily the creditworthiness assessment of those countries which pose a greater risk to the portfolio, namely those countries which continue to face serious creditworthiness problems and those whose creditworthiness has deteriorated significantly since the last review (Table 1). The section concludes with a brief discussion of countries where there have been significant improvements in individual country creditworthiness.

TABLE 1: Higher Risk Bank Borrowers

Category	E. Asia	S. Asia	EMENA	LAC	E. Africa	W. Africa
IIc	Indonesia ↑ Philippines	India ↑	Egypt ↑ Portugal Yugoslavia ↓	Brazil ↓ Panama Peru ↑	Mauritius ↓ Seychelles+	Nigeria
IIIa		Pakistan ↑	Morocco ↓ Romania ↓ Turkey Yemen AR+	Argentina Dominican Republic ↑ Ecuador ↓ Guatemala ↓ Honduras ↑ Jamaica Mexico ↓	Kenya ↑ Swaziland ↑ Zimbabwe+	Congo ↑ Ivory Coast ↑
IIIb		Sri Lanka ↑	Syria	Bolivia ↓ Costa Rica ↓ El Salvador ↓ Guyana	Malawi ↑	Senegal ↑ Togo ↑
IIIc				Nicaragua ↓	Sudan Tanzania Zaire Zambia ↓	Ghana Liberia

Source: Statistical Appendix Table 2.

Arrows indicate improvement (↑) or deterioration (↓) in a country's creditworthiness rating since the 1978 FPA review. No arrow indicates that a country's rating has not changed. While there are differences in the FPA and the PAB risk classification systems (see para. 2.3), the direction of the changes in country creditworthiness is similar under both systems.

+ Countries were not previously rated by FPA.

(i) Category III Countries

3.2. Within the EMENA Region, Romania has experienced the most serious deterioration in creditworthiness. While serious structural problems have contributed to this deterioration, the current creditworthiness difficulties were undoubtedly precipitated by events in Poland. As it began to be realized that the Soviet Union would not cushion the Western banks from the insolvency of any of its satellite countries, the commercial banks have adopted an extremely cautious attitude towards the Eastern bloc since the fall of 1981. Thus, financial pressure has increased in all countries in the Eastern bloc as they find themselves less able to borrow from the West.

3.3. Romania's financial crisis stems from both underlying structural problems as well as from a bunching of maturities falling due in 1982 and the sudden cessation of short-term availabilities from Western banks nervous over the Polish precedent. The latter developments left the country without the immediate means to service its debts and weather the particular difficulties of 1982. To help resolve the crisis, Romania has negotiated a rescheduling agreement of $0.4 billion with Western governments and an agreement to reschedule approximately $1.4 billion of its debt with commercial banks is to be signed on December 7. 1/ Past experience suggests that the government will take the necessary action to deal with the country's structural problems and that present difficulties notwithstanding, Romania's long-run prospects are sound. The present year, however, may prove in retrospect to be a crucial one for Romania; if the debt relief granted proves inadequate, Romania will have little choice but to draw closer to the Comecon fold. As a result of the serious balance of

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1/ A Paris Club meeting was held in July at which an agreement was reached to reschedule payment of $400 million of official debt due either in 1981 or 1982. The agreement provides for converting this debt into a new 6-1/2 year loan with a three-year grace period. The Paris Club agreement, together with the resumption of IMF lending to Romania in June 1982, has facilitated the rescheduling of Romania's commercial bank debt. An agreement with the commercial banks to reschedule about $1.4 billion of private debt on terms similar to those of the Paris Club is expected in December. IMF approval of Romania's new economic program (expected in December 1982) is crucial to the commercial rescheduling.

payments and debt servicing difficulties,1/ Romania is accorded a IIIa rating compared to its previous IIb rating.

3.4. Since the military takeover of Turkey in September 1980, political order has replaced chaos and endemic terrorism, inflation is down to a third of the 1980 level, the balance of trade has improved (with export earnings up 55% and imports declining) and the rescheduling of Turkey's external debt is almost complete. Despite substantial progress in implementing the structural adjustment program, much remains to be done. In particular, the confidence of the private sector has yet to be demonstrated. In the face of continuing austerity, implementation of the necessary measures may be politically difficult. Concerns as to the future of Turkey's structural adjustment program, in the wake of the resignation of Deputy Prime Minister Turgut Ozal who had been the architect behind Turkey's stabilization programs since 1980, have so far not been justified. However, in view of the magnitude of the effort that has yet to be made in implementing the structural adjustment program, Turkey is in this review still ranked as a category IIIa country.2/

3.5. Morocco's economy continues to be drained by the war with the Polisario guerillas, high costs of imported energy, soft prices for phosphates which remain Morroco's major hard currency earner and high US interest rates, which together contributed to an increase in last year's debt service ratio from just over 20% to 30%, despite a 26% increase in export earnings. Attempts by the government to develop a program which could be supported by a Structural Adjustment Loan have so far been unsuccessful although government is interested to resume discussions. Morocco's creditworthiness rating has been lowered from IIc in 1978 to IIIa in view of the chronic balance of payments difficulties and rising debt service ratio, notwithstanding the continued external assistance that is expected from Saudi Arabia and the United States.

1/ Principal repayments on short-, medium- and long-term convertible loans, amount to $3.3 billion in 1982. Payments of interest and arrears bring the total financial obligation of Romania in 1982 to $5.7 billion. Based on estimated 1982 convertible currency export earnings and assuming that no debt rescheduling takes place in 1982, this would imply a convertible currency debt service ratio of 72%.

2/ The 1980 CPP had projected Turkey's debt service ratio to remain at the 40-50% level through 1985. The balance of payments prospects have improved dramatically since this time and the debt service ratio is currently projected to average 18% through 1985, excluding repayment of IMF funds.

3.6. In Latin America, creditworthiness concerns have centered in recent months on Mexico, whose deepening financial crisis has overshadowed the problems of all other sovereign borrowers. With declining oil revenues, a huge budget deficit and a cumulative 1982 peso devaluation against the dollar in excess of 150%, accompanied by massive capital outflows, the crisis came to a head in early August. Mexico has an estimated external debt of $80 billion ($60 billion public, $20 billion private), of which approximately 40% is short-term debt. A total of approximately $29 billion in public and private debt repayments (including short term) are due in 1982 plus almost $12 billion in interest. With estimated export receipts of $31 billion in 1982, this is equivalent to a debt service ratio of some 130%. Mexico's gross borrowing requirements for 1982 were officially estimated at $25-28 billion, but it encountered growing difficulty in raising funds as banks became increasingly cautious in regard to Latin America as a whole and Mexico, in particular. Not only did Mexico's borrowing costs (both spreads and front-end fees) increase, but borrowing itself became more difficult as bankers ceased to accept higher rates and instead sought assurances that the economic crisis was being resolved. An international rescue effort launched in mid-August was designed to pump $5 billion into Mexico by end-1982 through a combination of US government actions, loans from international agencies and new borrowings from commercial banks. Additional debt relief has been obtained through a moratorium on repayment of principal on public debt. An agreement on the rescheduling of public debt is anticipated in early 1983. Even if the crisis proves, in fact, to be a short-run cash flow problem rather than a question of longer-term solvency, the magnitude of the crisis is such that it will take Mexico several years to regain the credibility lost in recent months. Mexico's rating has, therefore, been lowered from IIb in 1978 to IIIa.

3.7. With an estimated external debt of $37 billion, existing arrears of $2.3 billion and debt service payments close to $13 billion for the second half of 1982, Argentina faces serious debt servicing difficulties. With six new presidents in the past two years, successive governments have had little opportunity to salvage the economy from the pressures of continued inflation, recession and repeated peso devaluations. The recent war over the Falkland Islands further weakened Argentina's balance of payments, and Argentina's creditworthiness, such that the government has had to request a rescheduling of its debts and also to approach the IMF for assistance. In late October, Argentina signed an agreement with the IMF for a $2.05 billion credit, $1.5 billion of which will depend on a 15-month economic stabilization program aimed at reducing the public deficit from 3.7% of GDP to 2.2%, increased public tariffs, a restrictive monetary policy leading to positive real interest rates and increased exports. In addition, Argentina is in the process of negotiating a bridging credit for $1.1 billion with the commercial banks. In the light of these developments, Argentina's rating has been lowered from IIc to IIIa.

3.8. Bolivia's creditworthiness difficulties stem from both the country's political instability and serious debt and balance of payments problems. The latter represent the legacy of investment decisions made in the early seventies on the basis of overly optimistic petroleum export projections which did not materialize. In 1981 Bolivia negotiated a rescheduling of commercial debt; this, however, did not become effective since agreement with the IMF on a stabilization program was one of the preconditions for the rescheduling. Agreement with the IMF proved impossible, in part because of the present economic difficulties faced by Argentina which is Bolivia's main market for natural gas exports. Thus, Bolivia has begun again to renegotiate its debts with private banks. Bolivia has also approached the IMF again and is in the process of negotiating an EFF. Bolivia has had difficulties meeting its repayment obligations to the Bank and IDA.1/ Accordingly, Bolivia's credit rating has been lowered from IIc to IIIb.

3.9. Ecuador has been downgraded to IIIa from IIc in 1978 in the light of its current financial difficulties and overall weak economic management. Public and private medium- and long-term debt has increased sharply in the past few years to over $5.7 billion by end-1981, or 42% of GDP. The total medium- and long-term debt service ratio is now over 50% for 1982. Ecuador has encountered growing problems in renewing its short-term debt with increasingly nervous creditors and in October, Ecuador announced its intention to seek a rescheduling of some $2 billion of obligations due to foreign banks in 1983. Not only are oil prices less buoyant than expected, Ecuador has placed itself on an expenditure plateau that it will find difficult to reduce in an orderly manner. Moreover, barring new oil discoveries, Ecuador's oil reserves and exports will begin to decline drastically within a few years.

3.10. Events in Central America in recent years have contributed to a serious deterioration in the region's creditworthiness. Although the IBRD's exposure in El Salvador, Guatemala and Nicaragua is not a cause for concern per se, political developments in these countries have seriously jeopardized their economic prospects and creditworthiness. The civil war in Nicaragua and the present government's continuing ideological indecision have seriously impaired the performance of the economy. Although Nicaragua received generous assistance in rescheduling its external debts in 1980, including the rescheduling of interest payments, further rescheduling is now almost inevitable unless GDP and export growth prospects improve materially in the near future. Nicaragua's credit rating has accordingly been lowered from IIIb in 1978 to IIIc. The continuing military activity in El Salvador has all but paralyzed economic activity. If the newly elected government is able to create a more stable climate, the country's

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1/ As of November 15, Bolivia's arrears to the Bank exceeded $2.5 million.

creditworthiness could show early improvement. As a result of the civil war, El Salvador's credit rating has been lowered from IIc to IIIb. Although the situation in Guatemala is not as severe as in El Salvador or Nicaragua, internal dissension and civil war are responsible for Guatemala's IIIa rating, down from IIb in 1978. There is, however, some optimism that the new government will succeed in restoring economic stability and put an end to the decline in production.

3.11. Although Honduras has suffered much less civil disorder so far, its economy has been affected by the political turbulence in neighboring countries. The resulting uncertainties, in combination with the depressed prices for Honduras' major exports, high interest rates on foreign borrowings and continuing high levels of imports, have produced a liquidity crisis. Honduras total external debt is estimated at $1.4 billion at end-1981, or approximately 52% of GDP, and debt service due in 1982 as a proportion of exports has increased to about 24%. The new Centrist government of President Cordova is seeking to reschedule about $225 million of the country's external debt as well as taking appropriate deflationary action. Much of the debt being considered for restructuring consists of loans incurred or guaranteed by a public investment corporation (CONADI) which is in severe financial difficulties. In support of the program and as a result of an agreement as to the future of CONADI, a standby credit and compensatory financing facility (totalling $106 million) were approved by the IMF in November 1982. In view of Honduras' comparative political stability and the policy measures introduced by government, we have given Honduras a IIIa rating.

3.12. Costa Rica also continues to face serious creditworthiness difficulties. With a public sector debt of $3 billion and private sector debt of $1 billion, total debt amounted to more than 80% of 1981 GDP. In addition, the $800 million accumulated arrears (on unpaid interest and principal) alone account for over 80% of projected 1982 export earnings. Apart from the debt problem, the exchange rate has plummeted from 8.6 colones in September 1980 to 48 colones in April 1982 and inflation has risen dramatically and is now running at approximately 100%. Agreement with the IMF on a one-year standby for SDR 92.2 million was reached, after lengthy consultations, in October and Board approval is expected in December. It is hoped that this agreement will facilitate a rescheduling of some $500 million of commercial bank debt. Although agreement on an IMF standby and a debt rescheduling are only the first steps necessary to restore the economy to equilibrium, they are crucial to the restoration of stability. In addition, government has undertaken, or is planning to take many of the necessary deflationary and adjustment measures. Under these circumstances Costa Rica is rated IIIb.

3.13. The creditworthiness prospects of Guyana and Jamaica also remain fragile. Nevertheless, under the austere financial regime of the Seaga government, Jamaica has received substantial external assistance and it remains to be seen whether these policies can succeed in turning the economy around and restore the confidence of the private sector in Jamaica. Until this time, we leave Jamaica's IIIa rating unchanged. In the case of Guyana, failure to meet debt service obligations to the private sector has resulted in the rescheduling of these arrears on more onerous terms. The economy continues to face serious difficulties and improvements cannot be expected unless the government continues to pursue its current efforts at fiscal control, import reductions, and institutional improvement in the public enterprises, thus making it possible for further agreement with the IMF and the Bank for expanded assistance. In the meantime, we leave Guyana's IIIb rating unchanged.

3.14. Although for the most part Sub-Sahara African countries account for a small proportion of the Bank portfolio, a number of them are very high risk borrowers. Within the Eastern Africa Region, Zambia and Tanzania, which have two of the larger shares in the outstanding regional portfolio,1/ face the most serious creditworthiness difficulties. Zambia's economy has been caught in a downward spiral since the mid-1970's. A fall in the copper price in 1975 precipitated a balance of payments and budgetary crisis from which the economy has still to recover. There has been little progress in terms of policy reforms and, as a result, Zambia's prospects are highly adverse. In view of this, the Bank has slowed its lending to Zambia. Zambia has had frequent difficulties meeting its repayment obligations to the Bank and IDA, and disbursements were suspended briefly in October 1982.2/ We recommend that Zambia be rated IIIc and that Bank lending be suspended for the time being. Resumption of Bank lending should be conditional on the successful implementation of an agreed IMF program and the acceptance by the government of the conditions of the proposed Mining Rehabilitation loan. Although Tanzania as well as Sudan are currently IDA countries, their poor economic situation is a cause of concern because of their debt service obligations on past Bank loans. In the case of Tanzania, disbursements were suspended between June and

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1/ Zaire's share is also one of the larger shares in the regional portfolio, but was only for one enclave-type project. Following suspension of the IMF program this summer, Zaire announced its intention to seek a rescheduling of its $4 billion external debt and almost $1 billion in arrears.

2/ As of September 16, Zambia's arrears to the Bank totalled $14.4 million of which $8.7 million were more than 60 days overdue.

November 1982 because of persistent payments arrears.1/ Because of overdue service payments, the disbursement of Bank loans and IDA credits to Sudan was suspended in September 1981. Since the lifting of this suspension in December 1981, Sudan has kept reasonably current its debt service obligations to the Bank despite the severe shortage of foreign exchange it is encountering. Sudan and Tanzania are rated IIIc.

3.15. Kenya, Malawi and Zimbabwe are also considered very high risk countries although in the case of Kenya and Malawi significant improvement has taken place since the last review. In view of the policy reforms government is implementing with Bank assistance to rationalize the system of industrial protection and improve the export orientation and competitiveness of the industrial sector, Kenya has been reclassified as IIIa compared to a IIIc rating in 1978. Experience under the first structural adjustment credit, however, has suggested that future implementation of the structural adjustment program could be limited by institutional weaknesses and political considerations (e.g. land policy).

3.16. As in the case of Kenya, Malawi has been promoted from IIId (in the FPA classification) to IIIb in recognition of the structural adjustment program which the government has initiated with Bank assistance. Despite initial difficulties, implementation of the structural adjustment program has proved satisfactory. While Malawi has remained current on its external debt obligations, it has rescheduled, on advice of the IMF, its external debt owed to official as well as private creditors. Undertaken primarily as a pre-emptive measure, the rescheduling which took place in September (Paris Club) and November (London Club) is expected to significantly lower projected debt service over the next three years. Further improvement in Malawi's creditworthiness would be dependent on broad-ranging policy actions and especially in fiscal management, domestic resource mobilization and parastatal management. A second structural adjustment loan in support of these policy reforms is planned for late FY83 or early FY84.

3.17. Zimbabwe joined the Bank in September 1980, five months after independence, and has not been previously rated. Although Zimbabwe's development potential is one of the more promising in Sub-Sahara Africa, uncertainties about the future course of the Government's economic strategy and policies are causing concern as to Zimbabwe's creditworthiness for Bank borrowing. In part because of these uncertainties, investor confidence has not been restored with the result that Zimbabwe has been unable to attract sufficient long-term external financing. It has therefore been forced to borrow short term at high rates with the result that the debt service burden in the medium term could range from 24%-30%. In view of the

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1/ As of October 1, Tanzania's arrears to the Bank and IDA totalled $14.7 million, of which more than $6 million was more than 90 days overdue.

anticipated balance of payments difficulties and political uncertainties, Zimbabwe is rated IIIa.

3.18. Within the Western Africa Region, the countries of greatest concern are Ghana and Liberia. The Bank no longer lends to Ghana, but remains exposed because of outstanding obligations on past Bank loans. Although Ghana's projected debt service ratios are low, the Bank's projected share of the debt service in 1985 is high (almost 25%). Ghana is frequently in arrears to the Bank and IDA. Liberia's economy has serious structural problems and, despite debt reschedulings in 1980 and 1981, Liberia's ability to meet its future debt obligations on schedule is in doubt. Without debt relief on softer terms than has been given so far, further improvements in fiscal management, and a recovery in external demand for the country's major exports, Liberia faces the prospect of recurring debt difficulties over the medium-term. Perhaps, more seriously, since the preferred creditors account for approximately 50% of debt service obligations due in FY83-85 (of which 50% is owed to the IMF and 23% to the Bank Group), they could be drawn into future discussions of debt relief. Both countries retain their IIIc ratings.

3.19. Ivory Coast, Senegal and Togo are also category III countries but are less a cause for concern than Ghana and Liberia. Among the three, Togo, which is rated IIIb, has the most serious difficulties. Depressed prices for its major exports have contributed to increasing debt service difficulties which have been compounded by Togo's poor debt management. Rescheduling of Togo's debt was necessary in 1979 and 1981 and a third rescheduling is expected early in 1983. A structural adjustment credit is planned for FY83/84. Senegal with its persistent balance of payments problems, due in part to a too high rate of investment without regard for the external financing implications, coupled with weak debt and budgetary management is also rated IIIb. A first structural adjustment loan and credit was approved in 1980. A second debt rescheduling has recently (November) been negotiated with the Paris Club.1/ The Ivory Coast's balance of payments has been hurt by depressed prices for its major exports. In recognition of the discovery of oil, which should make the Ivory Coast a net exporter by 1985, and government's efforts to control internal budgetary problems, the Ivory Coast is rated as a category IIIa country, compared to a IIIb in 1978. A first structural adjustment loan was approved in late 1981 and a second is planned for FY84.

3.20. Congo has been upgraded to IIIa from IIIb in 1978 in light of its much improved prospects for increased oil exports in the medium term, as well as improvement in the government's financial management and development policy. The country, however, remains a very high risk

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1/ The agreement has still to be ratified by the governments involved.

borrower. The principal uncertainty is whether the government's oil revenues and the foreign loans that will be secured on the strength of these revenues, will be effectively used to develop other sources of growth and exports. Without successful economic diversification, Congo's long-term creditworthiness is seriously in doubt given the projected rapid decline in oil production in the latter half of the 1980s.

3.21. In South Asia, Pakistan has realized a very creditable economic growth performance (6% p.a.) since 1977 and simultaneously narrowed the current account deficit in the balance of payments. There has been significant improvement in both long-term planning and short-term financial management. A first structural adjustment operation was approved in June 1982 in support of government's program to improve development planning and sectoral policies. While there is continuing weakness in the country's economic and institutional infrastructure, progress is nevertheless being made in economic performance and therefore Pakistan is now rated IIIa compared to IIId (in the FPA classification) in 1978. Sri Lanka's economic performance has also improved under the present government and accounts for the improved rating, IIIb compared to IIId in 1978. However, fundamental weaknesses in the economy, serious problems of short-term financial management and the fragile balance of payments account for Sri Lanka remaining a high risk country.

(ii) Category IIc Countries

3.22. Among the category IIc countries listed in Table 1 above, Yugoslavia, Brazil and Nigeria provide the greatest concern. Yugoslavia's difficulties are not as serious as Romania's but continuing high inflation (39% in 1981, somewhat lower in 1982), political unrest in Kosovo, poor export performance in Western markets and inefficient mechanisms for capital and foreign exchange allocation are weak points in economic and political management. Although not a member of Comecon, Yugoslavia has been hurt by the reluctance of the Western banks to lend to the Eastern bloc. Payment delays in 1982 due to immobility of foreign exchange across republican borders further compounded Yugoslavia's difficulties in raising short- and medium-term financial credits. Although new foreign exchange legislation designed to pool foreign exchange resources among the republics helped alleviate payment delays, Yugoslavia has continued to face grave difficulties in raising necessary financing. Despite a devaluation and severe austerity measures in recent months, Yugoslavia's request for a $500 million credit from BIS has been rejected on the grounds that Yugoslavia's problems are too deep-rooted to be solved by a short-term credit from Western central banks. Meanwhile, we have lowered Yugoslavia's rating from IIb to IIc.

3.23. The financial ramifications of Poland's crisis are also affecting Hungary, which only recently became a member of the IMF and World Bank. While not in the same league as Poland or Romania, Hungary's external debt situation is quite serious even though it has had a hard currency trade surplus since 1979 and enjoys more flexible economic management. Hungary's total external hard currency debt is estimated around $8.6 billion. Based on published balance of payments figures, Hungary will need to borrow in the course of the next four years at least $500 million annually on the Euromarkets. Despite the current flux in the international financial markets, Hungary has succeeded in raising this year $810 million in bridging loans from Western central banks under the aegis of BIS and a $260 million medium-term loan from a syndication of commercial banks. The latter, however, was contingent upon IMF approval of Hungary's new economic program of import restrictions and sharply higher domestic prices. The IMF is expected to approve an SDR 475 million standby credit and other financing for Hungary in December. Hungary's debt repayment schedule bulges in 1984-85, at which time pressure to reschedule may be felt. In the absence of adequate socio-economic data, Hungary has not yet been ranked but would presently appear to warrant a IIc rating.

3.24. In the course of 1982, Brazil which already has a debt service ratio in excess of 70%, needed to borrow about $18 billion from the international capital markets; this would increase Brazil's total debt to about $80 billion. Given the slowdown in international bank lending and the hardening of credit conditions, average spreads for Brazil have been in excess of 2% over LIBOR. In the wake of Mexico's financial difficulties, Brazil encountered greater difficulty in raising necessary financing and following the recent November elections has approached the IMF for assistance. Approval of a first tranche of $500 million under the Fund's Compensatory Financing Facility is expected in December. Any additional assistance from the IMF would be conditional upon Brazil agreeing to IMF economic policy conditions. Creditworthiness monitoring will need to focus on the exchange rate, the size of the fiscal deficit, the growth of the money supply, interest rates and public sector pricing, and import restrictions as well as political developments which have a bearing on the ability of the government to act decisively on structural adjustment issues. In the light of the liquidity problems facing Brazil and pending further progress in structural adjustment measures, we have lowered Brazil's rating from IIb to IIc. Without sustained progress on these matters, a reduction in Brazil's share of the Bank's portfolio (below that currently projected at 7.8% by FY96) should be considered (see para. 5.18).

3.25. In the wake of the recent oil surplus, Nigeria's creditworthiness is increasingly a source of concern. Until recently, concerns were discounted because of the country's high level of reserves and low overall debt and debt service position. In recent months Nigeria's reserves have been seriously depleted and in mid-March the government introduced stringent import controls to contain the situation. Nonetheless, there have been growing delays in payments with the result that new medium- and long-term credit to Nigeria has dried up. As of October, Nigeria was three months in arrears on short-term trade debts of at least $5 billion.

Nigeria's public external debt as of end-1981 was $5 billion; total external debt may amount now to $12 billion. As noted above (footnote 1, page 7), Nigeria is a difficult country to classify. However, given Nigeria's abundant oil reserves and despite the current uncertainty facing the international oil markets, we have given Nigeria a IIc rating but the situation needs to be closely watched. Should the government's current efforts to diversify the country's productive base, contain imports and improve external debt management particularly with respect to the state governments, not be sustained, we would recommend that Nigeria's rating be downgraded to category III.

3.26. Within the East Asia and Pacific Region, the Philippines is currently the only country providing any major cause for concern as to its creditworthiness. The economy has been hurt by high energy costs and depressed prices for most of its commodity exports, which together have contributed to rising debt service obligations. Already the debt service ratio is approaching 20% and as a result of heavy external borrowing the debt to GDP ratio, which stood at 30% in 1980, is high. Thus, although the Philippines' economic performance remains very respectable (GDP growth in 1981 was 5.5%), projected balance of payments and debt service difficulties and institutional weaknesses account for the Philippines' IIc rating. However, if the main policy problems of a continuing weak system of fiscal management and too high a rate of investment are not effectively addressed, a downgrading to category III would be warranted.

3.27. Improvements in economic and financial performance and management have resulted in the promotion of several Bank borrowers out of the very high risk categories. In particular, and amongst the larger Bank borrowers, Egypt, India and Indonesia have been reclassified from IIIc to IIc. In the case of Egypt, the reclassification takes account of the country's favorable resource position as an oil exporter. However, its long-term creditworthiness has continued to be undermined by the slow implementation of essential structural and policy reforms to improve economic and financial management and to develop the non-oil sector of the economy. Maintenance of a IIc rating for Egypt would depend inter alia on progress being made on energy demand management, including a long-term program to adjust energy prices to international levels, and institutional reforms in the public sector to help promote efficiency.

3.28. Over the past four years, India's economic performance has been most encouraging, in particular, in liberalizing the trade regime. Nonetheless, and partly because of the continued sluggish demand for India's exports (mainly heavy machinery and other basic industrial products), balance of payments difficulties may re-emerge in the medium term. In the past, government has taken the necessary measures to overcome such difficulties. Given the increasing social pressures, India's decentralized economy and the federal structure of government, this may prove more difficult in the future. If the recent progress in trade liberalization, export promotion, industrial reform and energy policy rationalization continues, India might well warrant a IIb rating. However, until sustained progress is evident, a IIc rating would seem prudent at this time. Likewise, in Indonesia, the significant improvements which have taken place in recent years in the management of the country's resources would argue for an even better than IIc rating we have given the country. Indonesia's creditworthiness seems assured in the medium term in view of the country's abundant natural resources and stable government. We, however, recommend no further upgrading of Indonesia's rating at this stage given that its longer-term creditworthiness will depend increasingly on appropriate development of non-oil resources and continued political stability in the post-Suharto era.

3.29. China which has not been previously rated is another difficult country to classify. China's overall growth record has been above average for a low-income country. Its creditworthiness is not in question at this time. Its longer-run creditworthiness will, however, depend on the sustained growth of non-traditional manufactured exports, energy conservation and improvements in the quality of overall economic management. The Chinese government has clearly displayed a strong capability to mobilize domestic resources, human and financial, in pursuit of well-defined national objectives and to act with determination to undertake even drastic improvements. Its range of adjustment options is extensive and its room for maneuver considerable. On this basis and in consonance with the rating given by the international banking community, we have for the time being classified China a IIb country.

3.30. Improved creditworthiness has also resulted in the upgrading of a number of smaller countries from the higher risk categories: these include, Cyprus (IIId to IIb);1/ Jordan (IIId to IIb); Oman (IIc to IIa); Peru (IIIa to IIc); Uruguay (IIc to IIb);2/ and Papua New Guinea (IIId to IIb).

1/ The IIId ratings refer to the FPA classification.

2/ Graduation of Bank financial assistance to Uruguay is planned for FY88. Since 1974, Uruguay has successfully carried out an ambitious program of structural adjustment and economic liberalization. Recently, the impact of the world recession and spill-over effects from the economic difficulties of neighboring countries have induced a domestic economic downturn. These factors have contributed to a build-up of Uruguay's short-term indebtedness, such that debt servicing difficulties may arise in the short-to-medium term. The Region, however, feels that by the mid-1980s Uruguay should have a more favorable balance of payments and external debt configuration such that the recent economic momentum may be restored.

IV. PORTFOLIO ASSESSMENT

4.1. The first portfolio report prepared in 1975 projected an increase in the portfolio share of higher risk countries (categories IIc and III) from 24% in FY75 to 33% in FY83 and to 36% in FY87 (Table 2) compared to an actual 72% in FY81. This more rapid decline in the quality of the portfolio reflects primarily the deterioration in the risk ratings of a significant number of Bank borrowers as a result of adverse economic and/or political developments since the 1975 report (see Section III). As noted earlier (para. 2.3), the current risk classification system differs from that used previously by FPA. If the the latter system had been used for this review, the resultant assessment of portfolio quality would have shown a slightly greater deterioration mainly because the FPA approach to country classifications would have given greater weight to the downside risks in the balance of payments projections, whereas this review generally adopted the "base case" projections as presented in the CPPs.

TABLE 2: IBRD Portfolio Shares - Comparison of Portfolio Projections Between Portfolio Reports (%)

	Actual			Projected			
Risk Category	FY75	FY78	FY81	FY83	FY87	FY91	FY96
Category I, IIa and IIb							
1975 FPA Report	75.6	n.a.	n.a.	66.9	64.4	n.a.	n.a.
1978 FPA Report	n.a.	61.1	n.a.	52.8	49.8	n.a.	n.a.
Current Report							
FPA Classification a/			24.9	22.4	20.2	18.9	18.1
PAB Classification b/			28.2	28.8	26.1	28.0	29.3
Category IIc and III							
1975 FPA Report	24.4	n.a.	n.a.	33.1	35.6	n.a.	n.a.
1978 FPA Report		38.9	n.a.	47.2	50.2	n.a.	n.a.
Current Report							
FPA Classification a/			75.1	77.6	79.8	81.1	81.9
PAB Classification b/			71.8	71.2	73.9	72.0	70.7

a/ Based on the risk classification system of the 1975 and 1978 FPA portfolio reports.

b/ Based on the risk classification system discussed in Section II of this report.

N.B. Each report assumes an unchanged country composition for each risk category over time. Differences in portfolio projections between reports are due to changes in the underlying country risk ratings as well as in the assumed country lending programs.

Source: 1975 Report: Third Progress Report, Loan Portfolio Analysis Unit, FPA, December 1975.
1978 Report: An Evaluation of the IBRD Loan Portfolio, Loan Portfolio Analysis Unit, FPA, August 1978.

4.2. Projections of the Bank portfolio based on FY82 country lending plans for FY82-86 indicate that a further slight deterioration is likely 1/ with the portfolio share of the higher risk countries first expected to increase from 72% currently to 74% in FY87 and then to decline to about 70% through FY96 (Table 2). The reduction of the portfolio share of the category III countries from 38% in FY75 to 26% in FY96 reflects the declining portfolio shares of a number of high risk borrowers (Argentina, Mexico, Romania), the termination of Bank lending to a number of former blend countries (Tanzania, Ghana, Zaire) and the repayment of outstanding obligations of past borrowers in the high risk category (East African Community, Iran, Lebanon) (Table 3). This decline, however, is more than offset by a simultaneous increase in the share of category IIc countries (notably Egypt, India, Indonesia, and the Philippines) from 26% to 45% in FY96. Even excluding India the share of category IIc countries would still increase from 22% to 36% in this period.

1/ The FY82 lending allocations provided for substitution of IBRD for IDA lending in India, Pakistan and Sri Lanka in response to the IDA shortfall.

TABLE 3: Distribution of the IBRD Loan Portfolio by Risk Category FY75-96 a/
(percent of total debt outstanding and disbursed)

	Actual			Projected		
	FY75	FY78	FY81	FY86	FY91	FY96
Category I b/						
No likelihood of debt servicing difficulties	10.7	5.8	2.8	0.6	0.1	0.0
Category II	51.8	55.1	57.7	65.3	71.1	73.8
Some likelihood of debt servicing difficulties						
a) low risk	17.1	16.6	16.1	12.9	10.3	8.9
b) moderate risk	9.2	9.2	9.3	12.4	17.6	20.4
c) high risk	25.5	29.3	32.3	40.0	43.2	44.5
Category III						
Risk of default	37.5	39.1	39.5	34.1	28.8	26.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
(in billion US$)	11.8	18.0	25.4	51.0	83.0	117.9
Memo Item:						
No. of borrowers with outstanding IBRD loans at end of period	94	94	90 c/	87	79	74
Excluding past borrowers	68	70	68	69	68	67
Share of borrowers with more than 4% of portfolio	38.3	37.3	47.4	54.7	64.2	59.1
Share of borrowers with more than 6% of portfolio	19.0	18.1	24.8	28.4	35.6	44.4

a/ Projections of the risk category shares are based on the FY82-86 country lending program as in the FY83 Budget Memorandum.

b/ All of the category I countries have now graduated, with the exception of Trinidad & Tobago.

c/ Excluding UK (1981 Annual Report lists 91 including UK, p. 156 of Annual Report).

Source: PAB

(i) Country Risk Distribution of Portfolio

4.3. The degree of country concentration in the IBRD portfolio is projected to increase throughout the decade. By FY91, 11 borrowers are projected to account individually for at least 4% of the portfolio compared to 8 borrowers at present and five in the mid-seventies.

TABLE 4: Portfolio Shares of the Ten Largest Bank Borrowers, FY81-96 (%)

FY81	FY86	FY91	FY96
Mexico (8.9)	Brazil (8.5)	Brazil (8.2)	India (8.2)
Brazil (8.8)	Mexico (7.2)	India (7.5)	Brazil (7.8)
Korea (7.1)	Indonesia (6.6)	Indonesia (6.8)	Thailand (7.4)
Yugoslavia (5.3)	India (6.1)	Philippines (6.6)	Philippines (7.3)
Turkey (4.8)	Turkey (5.8)	Thailand (6.5)	China (7.1)
Colombia (4.3)	Korea (5.5)	Turkey (5.7)	Indonesia (7.0)
Philippines (4.2)	Philippines (5.4)	Mexico (5.1)	Turkey (5.6)
Indonesia (4.1)	Thailand (5.0)	China (4.9)	Egypt (4.7)
Romania (3.5)	Colombia (4.7)	Korea (4.6)	Nigeria (4.6)
Thailand (3.3)	Yugoslavia (3.7)	Egypt/Nigeria (4.1)	Korea (4.0)
Total Share in Portfolio 54.3	58.5	60.0 a/	63.3

a/ Ten countries only.

Source: Statistical Appendix, Table 2.

This implies an increase in the country concentration, based on countries accounting for at least 4% of the portfolio, from approximately one-half in FY81 to two-thirds in FY91 (Table 4). Of these 11 countries, the four largest borrowers (Brazil, India, Indonesia and Philippines) are all in category IIc. In total, eight of the 11 (including also Egypt, Mexico, Nigeria and Turkey), accounting for 48% of the entire portfolio, are in the higher risk categories.

4.4. A comparison of the ten largest Bank borrowers with the countries considered by Euromoney and the Institutional Investor to be the most creditworthy provides some indication of the vulnerability the Bank portfolio faces as the result of its role as a lender of last resort.1/ While these ratings cannot be regarded as providing a definitive assessment of market risk evaluation, it is nonetheless interesting to note that in 1981, only two of the Bank's 10 largest borrowers (Indonesia and Thailand) appeared amongst the 10 developing countries rated by Euromoney as the most creditworthy and three in the top 10 developing countries as rated by the Institutional Investor (Indonesia, Korea and Mexico). (Statistical Appendix Table 2.)

(ii) Bank Exposure within Countries

4.5. The riskiness of the IBRD portfolio is a function not only of its distribution between countries but also of the IBRD exposure in the countries' debt and debt service. To limit this risk exposure within countries, the Bank has adopted a ceiling of 25%, both for the Bank's share in a country's total external debt and the Bank's share in total external debt service. This was adopted primarily as a defense against the Bank becoming involved in debt rescheduling since it would clearly be easier to sustain the Bank's preferred creditor status if the Bank's share of a country's debt was held below a certain level.2/ This guideline also serves to ensure that member

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1/ Bank borrowers involved in debt reschedulings in 1982 accounted in total for approximately 25% of the Bank's portfolio.

2/ Several objections have been raised about the guideline as formulated. These include, one, that countries present differing degrees of risk and that there should accordingly be different ceilings. (It has been proposed that these should range from 35% for countries with a Class I or IIa ranking down to 20% for Class III countries.) Two, that the guideline provides no way of considering exceptions to the rule. Third, that the rule may be inappropriate because of the structure of a country's debt since, if most of the debt owed in the consolidation period is short and medium-term, the long-term lenders may in any case avoid involvement. Similarly, if the creditors are mostly commercial, the preferred lenders face little problem. More serious is the converse situation where, if the debt is owed mostly to preferred creditors, as in the case of Liberia, the guideline is of little help. Finally, it has been argued that the guideline rewards borrowers who borrow heavily outside the Bank. The last criticism has led to a rider to the effect that the rule applies only "within a reasonable debt structure". Because of the criticism to which the debt service ratio is subject, it has been proposed that the Bank use as a guideline a certain percentage of export earnings. This would have the advantage of implicit exposure ceilings which vary between countries, but has the disadvantage of basing the assessment of risk to the Bank portfolio too narrowly on projected export earnings.

countries diversify their borrowing sources. Because of the shortcomings inherent in any single exposure rule the Bank has, in the past, interpreted the guideline liberally. Table 5 lists those countries where the Bank's share of current and projected outstanding debt or total debt service is near 20% or above.

TABLE 5: Countries for Which IBRD Share of Outstanding Debt or Debt Service Exceeds 20% a/

	1980	1985	1990
Share in Debt Outstanding b/	Colombia (25%)	Colombia (26%)	Colombia (28%)
	Botswana (34%)	Botswana (31%)	*Indonesia (21%)
	*Zambia (20%)	*Kenya (22%)	*Kenya (21%)
	*Guatemala (27%)	*Liberia (21%)	Cameroon (24%)
			*Liberia (23%)
Share in Debt Service	Colombia (21%)	Colombia (26%)	Colombia (21%)
	Botswana (81%)	Botswana (28%)	*Indonesia (20%)
	*Tanzania (25%)	*Ghana (24%)	*Malawi (23%)
	*Nicaragua (20%)	*Liberia (21%)	Cameroon (21%)
	*El Salvador (25%)		*Ghana (23%)
	*Guatemala (23%)		*Liberia (30%)

Source: Statistical Appendix, Table 2.

a/ Numbers in parentheses indicate Bank exposure. Asterisks (*) indicate country has a IIc or III rating.

b/ Technically Oman should be included since the Bank's share of debt outstanding exceeds 20% in 1985, but has been excluded as Oman has graduated.

Most of the 14 countries listed in Table 5--Botswana, Cameroon and Colombia are probably the only exceptions--face potential creditworthiness difficulties in the course of the decade and will therefore, require close observation. The creditworthiness of five of these countries--Ghana, Liberia, Tanzania, Zambia and Nicaragua--is already a cause of considerable concern for the Bank. The Bank's exposure in Indonesia could also become a cause for concern if sufficient progress is not made in developing the country's non-oil resources.

4.6. The greatest concern, however, relates to countries where not only the Bank has a high share in these countries' outstanding public debt (DOD) but preferred creditors 1/ as a group also hold a substantial share (say 40% or more of total DOD). In such countries, the probability of the Bank being drawn into a debt rescheduling is significantly increased. Table 6 lists those countries in which the share of preferred creditors in total DOD (as of end-1981) exceeds 25%. A comparison of Tables 5 and 6 shows an almost complete overlap of countries (with the exception of Indonesia) in which both the Bank and the preferred creditors have a high exposure. While projected data on the share of preferred creditors are not available, it is useful nonetheless to note that of the eleven category III countries in which the preferred creditors share exceeds 40%, the Bank's share in debt outstanding and debt service through 1990 exceeds 20% for seven of these countries.

1/ Traditionally, preferred creditor status (implying non-participation in debt reschedulings) has been accorded to IBRD, IMF and the regional development banks.

TABLE 6: Countries for Which Preferred Creditors Share of Outstanding Public Debt Exceeds 25% (end 1981)

Category III Borrowers	% Share in DOD	Category II Borrowers	% Share in DOD
Guatemala	67.8	Botswana	61.3
El Salvador	55.7	Mauritius	56.4
Swaziland	49.1	Fiji	41.4
Malawi	48.4	PNG	38.6
Honduras	47.2	Thailand	37.3
Tanzania	46.4	Paraguay	35.8
Senegal	44.2	Philippines	35.7
Jamaica	43.3	Colombia	31.5
Liberia	42.7	Cyprus	30.9
Kenya	40.3	Cameroon	26.2
Zambia	39.7	India	44.6
Sri Lanka	39.1		
Ghana	36.1		
Guyana	35.2		
Costa Rica	30.1		
Nicaragua	28.9		
Pakistan	28.1		
Sudan	28.0		
Turkey	26.0		
Bolivia	25.3		

Source: IBRD Debtor Reporting System; total DOD includes obligations to the IMF.

4.7. The extent to which evaluation of the Bank's exposure should also take into account lending associated with the Bank's expanded program of cofinancing ('B' loans in particular) is a matter which is presently under review; however, the Bank has made it quite clear that it would oppose the rescheduling of 'B' loans (the Bank's policy of not rescheduling its loans will be made known to co-lenders) and would, under no circumstances, retreat from its policy of not rescheduling its own portion of these loans.

V. IMPLICATIONS FOR FINANCIAL & OPERATIONAL MANAGEMENT

5.1. To carry out its development functions, the Bank must ensure that the funds required to support its lending operations are available when needed and at the lowest possible long-term cost to its borrowers. This in turn requires that bondholders and rating agencies perceive the Bank as a soundly managed financial institution such that there can be no question as to the safety of bondholder investments in IBRD obligations. The considerable strength of the Bank's financial structure--underpinned by callable capital which with the General Capital Increase is 9 to 12 times as large as paid-in capital and by financial policies which are sensitive to the capital markets--provide this assurance. For this very reason, however, questions have been raised about the degree of attention which the Bank as a development institution should give to issues of asset quality and the financial provisions which it should make for loan losses, particularly taking account of the Bank's preferred creditor status.

5.2. In evaluating the financial and operating performance of supranational entities such as the World Bank, financial analysts like Standard and Poor's Corporation, a bond rating agency, acknowledge that the purpose and structure of such entities differ completely from those of commercial banks. Therefore, the criteria used for commercial banks cannot be applied directly in evaluating the performance of the Bank and account must be taken of the statutory and policy limitations placed on its operations. Nonetheless, the performance criteria by which the Bank is judged are exacting, commercial in character and entail an examination of the quality of both liability and asset management.1/

5.3. With respect to portfolio quality, these evaluations call for an assessment of the procedures for evaluating, authorizing and servicing loans; the extent of the loan portfolio's concentration by country and industry; and, the effectiveness of the internal systems developed by the Bank to track its own assessment of portfolio risk. The rating services have paid relatively little attention to this last aspect of the Bank's management in the past, given the record of a loan Oortfolio which has not had a single loss in 30 years. In view of the environment which the Bank will be facing in the next few years, however, it is anticipated that increasing attention will be given to the quality of the Bank's loan portfolio for reasons quite

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1/ "Standard & Poor's Approach to Rating Supranational Entities", Standard & Poor's Corporation.

unrelated to its own financial condition but rather to prevailing capital market attitudes about the quality of the international portfolios of major banking groups.

5.4. In recognition of these perceptions and with a view towards assuring prudent management of its own loan portfolio, the possible consequences of the deterioration in portfolio quality, as discussed in Chapter IV, need to be fully considered. This deterioration is reflected in:

a. The increase in the share of higher risk countries (categories IIc and III) from 56% in FY71 1/ to 71% of a much larger portfolio during FY81 and FY91.

b. The increase in the share of countries accounting for at least 4% of the portfolio from 38% in FY75 to almost one half at present and two-thirds by FY91.

c. The increase in IBRD exposure in several countries.

d. The decline in the reserve cushion against outstanding Bank loans to the higher risk countries from 46% in 1971 to 19% in FY81.

5.5. The financial and operational implications of these trends emphasize the fundamental importance of measures to strengthen the Bank's preferred creditor status and support the Bank's policy against any participation in reschedulings; to align both income and reserves policies to assure more than sufficient capacity on the part of the institution to absorb unanticipated reductions in loan income due to defaults, reschedulings or moratoria and to protect against the possibility that the Bank might have to write off portions of loan principal; and, notwithstanding the above, to improve the quality of the Bank's portfolio through measures to minimize possible losses from default in the case of severe country risk while at the same time improving the quality of individual country risks in those cases where there is a reasonable prospect of government commitment to structural adjustment action.

(i) Strengthening the Bank's Preferred Creditor Status

5.6. The Bank's policy against participation in the rescheduling of the external debt of member countries has been confirmed on a number of occasions in the 1970s when the Board considered various

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1/ Based on current country classifications.

papers on the Bank's financial policies. Two reasons underlie the Bank's policy: the first is the effect of rescheduling on the Bank's own financial position; the second, and by far the more important reason, is the likely reaction of bondholders to such a change in the Bank's policy. Once the Bank agrees to a rescheduling of debt due to it however small this may be, such a relaxation can be expected to set off a chain reaction among other borrowers experiencing debt service difficulties where the Bank also has high exposure. The Treasurer's Office emphasizes that the resulting adverse publicity would lead to an immediate and severe deterioration in the market's perceptions of the quality of the loan portfolio. This would mean at the very least an increase in the cost of IBRD borrowings if not also a reduction in the degree of access it now enjoys in the capital markets at a time when its borrowing requirements continue to expand significantly.

5.7. Preservation of the Bank's preferred creditor status and strengthening of the underpinnings of its policy against participation in any rescheduling are clearly of fundamental importance. This emphasizes the need to:

(a) strengthen the Bank's "early warning" system for identifying and monitoring short-term liquidity and debt-servicing difficulties;

(b) limit Bank exposure relative to all other lenders as well as other preferred creditors in countries experiencing severe debt servicing difficulties. This will ensure that, if rescheduling of the country's debt should become necessary, the Bank's share of total debt service is sufficiently low so that it can reasonably expect to maintain its policy against participating in these reschedulings. For this purpose, it is recommended that, as a general principle, the Bank's share in total DOD and debt service should not exceed 20% in all category III countries and that its exposure be further reduced to say 15% in those category III countries where preferred creditors as a whole account for more than, say 40% of these countries' DOD and debt service.

(c) establish arrangements for consultation with other preferred creditors in all those cases where our preferred creditor status could be threatened with a view to coordinated action being taken to avoid any rescheduling by preferred creditors.

(d) develop the country strategies that the Bank would put into effect to avoid its being drawn into a rescheduling and in the event that it is so drawn, the action it would take with respect to future Bank/country relations.

(ii) Providing Adequate Capacity to Absorb Possible Loan Losses

5.8. The Bank's preferred creditor status and refusal to participate in debt rescheduling provide a significant degree of protection against loan losses. It is nevertheless important that the Bank's income and reserve policies are also perceived by the market as providing an adequate buffer against what the market sees as possible loan losses, arising from a severe and prolonged deterioration in the balance of payments conditions and debt servicing ability of category III borrowers. In the event that such losses should occur, the primary impact would result from (i) the risk of non-payment of loan servicing charges by one or more relatively large borrowers, or (ii) the risk of reduced income resulting from a write-off of loans due from one or more borrowers. Aside from these economic risks, the political risk to the loan portfolio however small should not be totally discounted.1/

5.9. The Bank's net income over the FY82-86 period is expected to show significant growth which should sustain the Bank's already strong position in capital markets. However, the margin available to absorb downside risks to income--expressed in terms of the pre-risk interest coverage ratio 2/--is projected to decline from 1.21 in FY83 to 1.13 by FY86; equivalent to the low end of the interest coverage ratio range in recent years. In light of the issues raised by the earlier analysis in the paper, the Bank should, therefore, reconsider whether it would be able to maintain net income at a level sufficient to retain the confidence of the capital markets if all the downside risks were to materialize. More than a mere shading of current practice may be called for. FPA will address these issues in its review of IBRD income policy, which is planned for Board discussion in early 1983.

5.10. A principal purpose of Bank reserves is to provide protection against the possibility of having to write off portions of loan principal.3/

1/ In earlier portfolio reports, a notional amount of political risk equivalent to 1.5% of the portfolio was added to the risk of loss calculations.

2/ The interest coverage ratio is defined as net income before interest expenses divided by interest expenses.

3/ Reserves also represent additions to the cost-free resources of the Bank and help the growth of equity, which enables the Bank to expand lending without seeking additional capital subscriptions.

Over time, the level of reserves in relation to the Bank's exposure in the higher risk borrowers has fallen substantially.1/ Thus, in light of projected increases in portfolio concentration (see para. 4.3) and increased risks due to the possibility of some countries becoming more susceptible to recurrent debt crises, the FPA review of IBRD income policy will include a review of the adequacy of the Bank's current policy of not allowing reserves to fall below 8% to 10% of disbursed loans. This review will be undertaken from the point of view of market perceptions (i.e. whether the reserve ratio is going up or down) as well as from the point of view of the Bank's ability to refuse participation in reschedulings in higher-risk countries (i.e., to write off loans, if necessary).

(iii) Strengthening Portfolio Quality

5.11. In the short to medium term little can be done to significantly strengthen the portfolio through the reprogramming of lending. For example, Table 7 below shows the risk distribution of the portfolio under two sets of assumptions. Both of these assume a Bank lending program of $60 billion for FY82-86, allocated by country according to the regional submissions for the FY83 budget and no real growth in overall Bank lending after FY86. The first, or base case, assumes as in Table 3 above that the country shares in the FY84-86 lending program remain constant beyond FY86. The alternative scenario demonstrates that even if the allocations to the higher risk countries were to be severely constrained at the expense of the Bank's own

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1/ As a proportion of disbursed Bank loans, reserves (special reserve plus retained earnings) have fallen from 25% in FY71 to 13% in FY81. As a proportion of disbursed loans to countries considered to be higher risk borrowers, reserves have declined from 46% to 19%. Recent projections (which assume that the current policy of transferring $125 million p.a. to IDA would continue) show that reserves would be around 11% of disbursed loans by FY86; for the higher-risk borrowers, the ratio would reach 16% in that year.

development responsibilities, it would only succeed in lowering the Bank's exposure in the higher risk categories marginally.1/

5.12. It follows that, while suspension and reduction of lending to selected countries is clearly warranted to minimize possible losses from default in the cases of severe country risk, significant enhancement of portfolio quality, over and above that associated with an improvement in the world economy, can only come from improving the quality of individual country risks through the promotion and support of structural adjustments in the higher risk countries. For this purpose, the effectiveness of the Bank's policy dialogue and the conditionalities attached to Bank lending in the high risk countries are of utmost importance.

1/ Given the lag between commitment and disbursement, a drastic reallocation of lending resources in favor of the more creditworthy borrowers would be necessary in the medium term if the portfolio was to be significantly strengthened. This approach would have serious implications for the objectives and operations of the Bank. First, Management decisions to slow the pace of lending to oil exporters or to countries with access to other sources of capital may have to be reconsidered (e.g. Korea, Malaysia, Portugal). Second, serious inequities in per capita distribution of lending in favor of the smaller and relatively less risky countries would have to be tolerated (e.g. Botswana, Fiji, Papua New Guinea). This would, however, have to be balanced against the objective of limiting Bank exposure in individual countries to less than 25% of their projected debt service. Third, individual country shares of the more creditworthy countries would have to be allowed to exceed 10% (e.g. China, Thailand). Finally, while Bank lending to selected high and very high risk countries pursuing structural adjustment programs would need to be safeguarded (Turkey, Philippines), continued Bank lending to very high risk countries which are likely to face recurring debt servicing problems may have to be reconsidered (e.g. Senegal).

TABLE 7: Comparison of Alternative IBRD Portfolios by Risk Category, FY81-96

Risk Category	Loan Portfolio Shares (%)						
	Actual	Base Scenario a/			Alternative Scenario b/		
	FY81	FY86	FY91	FY96	FY86	FY91	FY96
Category I							
No likelihood of debt servicing difficulties	2.8	0.6	0.1	0.0	0.6	0.1	0.0
Category II	57.7	65.3	71.1	73.8	65.3	71.8	77.0
Some likelihood of debt servicing difficulties							
a) low risk	16.1	12.9	10.3	8.9	12.9	11.0	12.4
b) moderate risk	9.3	12.4	17.6	20.4	12.4	19.2	27.9
c) high risk	32.3	40.0	43.2	44.5	40.0	41.6	36.7
Category III							
Risk of default	39.5	34.1	28.2	26.2	34.1	28.1	23.0
Total Portfolio (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
($b)	25.4	51.0	83.0	117.9	51.0	82.5	115.2

a/ Projections of portfolio shares assume constant country shares beyond FY86.

b/ Projections of portfolio shares for categories IIc and III assume constant FY86 lending programs in nominal terms for FY86-96; the balance in the lending program is pro-rated amongst categories IIa and IIb.

Source: PAB

5.13. Specifically, our recommendations for strengthening the quality of the portfolio can be categorized as follows:

(a) reduce the risks on the portfolio by suspending lending to those countries where the risks of default facing external lenders are most acute and where there is no reasonable prospect of immediate government action for structural adjustment;

(b) limit lending to the largest borrowers, for reasons of prudent portfolio management, such that their portfolio shares would normally not exceed say 6% to 8%;

(c) agree on those countries in which the Bank's exposure in total debt and debt service should be reduced and give special consideration to the treatment of co-financing in the assessment of Bank exposure; and

(d) strengthen the creditworthiness of countries experiencing severe balance of payments problems, where the conditions exist for intensive policy dialogue with the government and for the implementation of clearly defined structural adjustment policy reforms.

The principal considerations in the case of the countries identified as currently posing policy problems are discussed below.

(a) Countries to which lending should be suspended pending substantial improvements in country conditions 1/

5.14. For portfolio considerations, we recommend a continued suspension of lending to Nicaragua, Liberia and Zambia and, in the absence of an IMF agreement, to Bolivia also. Equally, lending to El Salvador should continue to be suspended. With the exception of Bolivia, the Bank's exposure in these countries is also a cause of concern.

Bolivia: Until an agreement with the IMF is reached, suspension of lending to Bolivia should be continued. As is the Region's position, resumption of lending operations should be strictly conditional on specific efforts to improve both domestic economic management and management of the external debt.

El Salvador: The political and security situation is such that we are unable to support any resumption of lending until such time as the situation stabilizes.

Liberia: With its serious structural problems and the prospect of recurring debt difficulties over the medium term, Liberia constitutes a high risk to the Bank portfolio, especially since the multilateral lenders' exposure in Liberia is unusually high (50% of debt service obligations maturing in FY83-85). The last IBRD loan to Liberia (Iron Ore Rehabilitation Project, FY82) was extended on the basis of special security arrangements and no IBRD lending is planned for FY83. We recommend that IBRD lending be resumed only

1/ See Annex for country creditworthiness assessments.

after another review of Liberia's economic prospects and creditworthiness has confirmed that the Government is committed to a structural adjustment program and is making tangible progress in the implementation of such a program. The CPP which Senior Management is expecting in the course of FY83 would provide the context for this review.

Nicaragua: In our judgment, Nicaragua is also not creditworthy for Bank lending. Recognizing the special circumstances Nicaragua faces following the civil war, the Region has proposed continuation of lending on a reduced scale for a few high priority projects during the next two years. As agreed at the recent CPP review meeting, the Bank as a development institution would be justified in supporting a minimum assistance program and accepting the risks involved only if there is progress in the implementation of policies and programs that would contribute to a restoration of Nicaragua's creditworthiness in the medium term.

Zambia: We feel that no Bank lending should be extended to Zambia until there is an agreed IMF program and an agreement to implement structural adjustment policies geared both to bringing the current economic crisis under control and developing measures for export diversification. We support the decision that the proposed copper loan ($70 million) should contain structural adjustment conditions.

5.15. In addition, it should be noted that the group of former Bank borrowers, namely Ghana, Sudan and Tanzania also constitute a risk to the Bank's portfolio.

(b) Programming of IBRD lending to contain concentration

5.16. As discussed above (Section IV), projections of the portfolio show that by the mid-1990's the portfolio will be dominated by six major borrowers--Brazil, China, India, Indonesia, Philippines and Thailand--who will account for approximately 45% of the portfolio. Currently only two of these countries (China and Thailand) are not considered a high risk to the portfolio. A deterioration in the creditworthiness of any one of these major borrowers could put severe pressure on the Bank's equity base, reserves and income. Pending further analysis of the interdependencies between the composition and relative riskiness of the portfolio on the one hand, and the financial provisions which it is considered prudent to make against the risks involved, it is proposed that lending to the higher-risk borrowers, even if they are considered responsive to policy advice and are following reasonable structural adjustment programs be generally constrained so as to keep their individual shares of the FY91 portfolio to no more than 6%. Simultaneously, a limit of 8% is proposed for the lower risk borrowers.

5.17. Although there is no objective basis for this ceiling, it is proposed on the ground that it constitutes an acceptable balance between the need for prudential portfolio management on the one hand and the Bank's development responsibilities on the other. Assuming that IDA transfers continue, over one half of the Bank's reserves and more than one third of reserves and usable equity would be at risk in any one country accounting for about 6% of the FY91 portfolio.1/ Should exposures rise to 8% and 10%, some 75% and almost all of reserves would be at risk; the corresponding portions of reserves and usable equity at risk would be 50% and 60%. In the case of some of the Bank's larger borrowers, the proposed ceiling may prove inequitable. The extent to which the proposed limit may constrain the ability of the Bank to play a meaningful development role needs, therefore, to be considered on a case-by-case basis in the largest countries, namely Brazil, China, India and Indonesia.

5.18. Brazil will account for 7-8% of the FY91 and FY96 portfolio under the approved lending program for FY82-86. If as a higher risk borrower, its share is to be brought down to about 6% of the portfolio in the 1990s, the level of Bank commitments during FY83-87 would have to be reduced by as much as 22%, from $6 billion to $4.7 billion. For a country with an excellent debt service record, this could be counter-productive both to the Bank and the government, given the severe balance of payments strain currently facing the economy and the negative impact on Brazil's credit standing that such a reduction would create in the market. The Bank's credibility in Brazil would also be adversely affected at a time when our country dialogue is making substantial progress on crucial structural adjustment issues.

5.19. China will account for 5% of the FY91 portfolio and 7% of the FY96 portfolio under the approved FY82-86 lending program. While a build-up of the Bank Group's lending operation in China is clearly envisaged by the country assistance strategy approved at the last CPP Review (February 1982), increases over and above the approved FY82-86 program would be very difficult to accommodate for portfolio reasons, especially as the financial resources the Bank can offer China must necessarily be very limited relative to the country's needs.2/

1/ Reserves Policy Paper, FPA, draft dated June 10, 1982.

2/ The FY83-87 lending program submitted by the Region for the Bankwide allocations review (completed in December 1982) would increase China's portfolio share to 7% and 10%, respectively, of the FY91 and FY96 portfolios.

5.20. The issue of what would be an appropriate claim for India on the Bank's portfolio is complicated by the reduction in IDA availabilities that it will have to continue to face . The Region considers that maintaining a substantial and active lending program by the Bank Group is of critical importance to India's development efforts, both because of the resource transfer and the scope that it provides to upgrade the technology and improve efficiency in key sectors of the economy. Under the approved Bank lending program for FY82-86, India's share in the portfolio amounts to 8% in FY91 and FY96. Under this lending program, however, increased IBRD lending during FY82-86 only makes up for about 60% of the loss of IDA lending.1/ The sensitivity analysis in the CPP under preparation shows that assuming an effective structural adjustment program, India's debt service ratio would stay below 20% through the mid-1990s. Under these circumstances, it would clearly be inappropriate to restrict India to 6% of the portfolio through the 1990s. Assuming 'partial adjustment', however, the alternative sensitivity projections show the debt service ratio rising as high as 30% in the mid-1990s. Thus, a much higher exposure for the Bank must take account of the risks that India's debt servicing problems could seriously deteriorate should its structural adjustment efforts be only partially successful. If India maintains its much improved credit standing, future lending programs must also take account of the alternative sources of capital available to the country. Like China but unlike Brazil, India has considerable unused capacity for medium-term borrowing from the private capital markets. Unless IBRD availabilities increase significantly, it would therefore not appear prudent on portfolio grounds to increase the IBRD lending program beyond its presently approved level.

1/ To more adequately make up for this loss, the Region has proposed that the IBRD lending for FY83-87 be increased by 30% over the currently approved FY82-86 program, giving India 10% and 12% shares of the FY91 and FY96 portfolio.

5.21. The approved FY82-86 lending program for Indonesia would provide it with just under 8% of both the FY91 and FY96 portfolios.1/ In approving this lending program at the last CPP review (September 1981), Management made its implementation conditional on satisfactory policy performance on a number of structural adjustment issues with respect to domestic resource mobilization and the reform of the financial regime, the trade regime and the licensing system. The present short-run situation and long-term development needs make it even more important for significant progress to be made in assuming long-term diversified growth and creditworthiness in a less oil-dependent era. To bring Indonesia's share of the portfolio close to 6% in FY91 and FY96 would require the approved FY82-86 lending program to be reduced by 11%. While such a drastic reduction could adversely affect the receptivity of the government to the Bank's overall development objectives in the country, it is not clear that program considerations warrant any significant increase of the lending program above Indonesia's current 8% share of the portfolio. Indonesia, like India and China, still enjoys very favorable access to the private capital markets.

5.22. In summary, an assessment of the portfolio implications of the lending programs for the Bank's largest country members indicates that a strict application of the 6% limit to higher risk countries would necessitate severe cutbacks 2/ in the currently approved lending programs for Brazil, India and Indonesia. Given that the Bank's ability to implement its current country assistance strategies in these countries could be severely jeopardized at a time when significant progress is being made in the policy dialogue, the application of this limit in the case of these countries is not proposed at the present time. Rather, the maintenance of the higher (8%) country limit in the case of Brazil, India and Indonesia currently appears more appropriate. It is consistent with the size and phasing of the currently approved lending program, all of which are being pursued within country strategies in which policy advice and

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1/ These portfolio shares are based on revised projections of DOD from the pipeline of undisbursed commitments and are not consistent with Indonesia's share shown in the Statistical Appendix. Under the proposed FY83-87 lending program which calls for an increase in lending over the FY82-86 level of 28%, Indonesia would account for 9% of the FY91 portfolio and about 10% by FY96.

2/ Clearly sudden changes in the Bank's net resource flow to such countries could be counter-productive for both the country and the Bank and any cutbacks would have to be undertaken within an appropriate time frame.

technical assistance rather than resource transfer are the predominant elements.

(c) Programming of IBRD lending to contain exposure

5.23. A deterioration in the creditworthiness of those countries listed in Table 5 above, where the Bank's exposure in debt outstanding and debt service exceeds 20%, should be a cause of concern for the Bank. In addition, because of the coincidence of countries in which the exposure of the Bank and the preferred creditors as a group is high, it is proposed that the Bank's share in total DOD and debt service should be reduced to 15% in those category III countries where preferred creditors as a whole account for more than 33% of these countries' DOD and debt service. In particular, the lending programs of El Salvador, Guatemala, Liberia and Kenya should be kept under review with a view to ensuring that prudent limits are placed on the Bank's own exposure, taking into account the exposure of other preferred creditors. An exposure of as much as 40% of debt service on the part of the preferred creditors may be acceptable under mitigating circumstances. These circumstances may include a low risk of debt servicing difficulties (e.g., category IIb or better) or a sufficiently small share of the IBRD loan portfolio such that the Bank could credibly maintain the position that it would write off the loans rather than participate in a rescheduling. Recognizing that any sharp changes in the net resource flow to a country could be counterproductive for both the country and the Bank, any corrections to the Bank's exposure would be undertaken within an appropriate time frame.

(d) Countries where continued lending should be subject to structural adjustment and policy improvements

5.24. Countries included in this grouping present a less serious threat to the institution than those identified in the previous paragraph. Nonetheless, the creditworthiness of Guyana, Honduras, Nigeria and Romania is such that further lending should be strictly conditional on structural adjustment actions.1/ Specifically, we recommend the following:

Costa Rica: Since acceleration of exports is critical to the restoration of Costa Rica's creditworthiness, it was decided at the last CPP review (July 1981) to support continued processing of the export sector loan providing agreement is

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1/ Depending on the outcome of forthcoming discussions with the government, Ecuador may subsequently be added to this group of countries.

reached with the IMF; various qualitative export restrictions are removed; export procedures are simplified; and, serious consideration is given to a general increase in interest rates. It was also decided that further processing of the proposed SAL for FY83/84 should be dependent on progress in reaching an agreement with the new government and that processing of project loans should be held in abeyance pending progress in implementing a structural adjustment program. In view of the recent agreement with the IMF and progress in structural adjustment measures, we recommend that IBRD lending be continued, providing Costa Rica succeeds in implementing the IMF agreement and there is continued progress on structural adjustment measures.

Guyana: As is the Region's present position, continued IBRD lending will need to be subject to progress in implementing structural adjustment policies which are geared both to improving Guyana's creditworthiness and increasing the confidence of Guyana's private sector. Future lending should also be conditional on progress in reaching agreement with the IMF.

Honduras: IBRD lending will need to be subject to efforts by the Government to improve its fiscal performance, upgrade the efficiency and management of state enterprises and autonomous agencies, reform pricing and expenditure policies, promote new exports and define a medium-term investment program. Future lending should also be conditional on satisfactory performance under the IMF standby agreement.

Nigeria: Events in 1982 have revealed the extent of weaknesses in the Government's economic policies and programs and in their economic management capability. Considerable strengthening of policies and programs is necessary and, as intimated at the last CPP review meeting (March 1980), we feel that the level of lending in the future should continue to be tied to structural adjustment actions, which are aimed at reducing the country's dependence on the oil sector and controlling imports and external borrowing by both federal and state agencies.

Romania: Once the 1982 debt rescheduling has been completed, we propose that a full CPP be prepared reflecting the impact of the current crisis on Romania's development prospects and on the Bank's country assistance strategy. In addition, we propose that further lending be strictly conditional on structural adjustment actions.

(iv) Provisions for Monitoring

5.25. Of the countries identified above, we recommend that the ten countries listed in categories (iii), (a) and (d) above, be placed on a "watch list" for intensive monitoring: namely, Bolivia, Costa Rica, El Salvador, Guyana, Honduras, Liberia, Nicaragua, Nigeria, Romania and Zambia. These countries are also a cause of concern since the Bank's as well as other preferred creditors' exposure in many of these countries is high. For these countries, we propose that PAB keep in close touch with the concerned Regions on country developments and report semi-annually to both the Finance and Operations Sub-Committees. Until a country is removed from the "watch list", we further recommend annual management reviews of the lending programs and policies for these countries. For this purpose, country risk reviews should be prepared annually, focusing on creditworthiness and debt servicing capacity trends in these countries and the extent to which the policy prerequisites to Bank lending cited above are being met by the Government. For all countries on the "watch list", PAB also considers that the Bank's lending work should take note of the concerns over country creditworthiness so that untimely pre-appraisal and appraisal activities do not leave governments (and the markets) in doubt about the seriousness with which the Bank intends to insist on adjustment conditions.

(v) Further Work

5.26. The country risk analyses underlying this paper have relied on the assessments by the Regional Offices of creditworthiness conditions contained in their most recent CPPs and updates of these papers. In the case of the most critical countries, the country assessments summarized in the Annex have in addition been developed in consultation with the Regional Offices concerned. The translation of these assessments into specific risk ratings has been undertaken solely within PAB. The framework for the latter translation leaves much to be desired. While the rating of country risk must, in the final analysis, remain a matter of subjective judgment of the complex economic and political factors that need to be taken into account, further work has to be undertaken to establish a pragmatic and transparent method for selecting, analyzing and categorizing risk-related country characteristics. To help in this process, PAB plans to develop and maintain country risk profiles which summarize and keep current the Bank's creditworthiness assessments for each of the IBRD borrowers and provide the selective, supporting economic, financial, market, institutional and political data. The objective is to put into place a risk classification system which is more transparent and makes the process of judgment which underlies the risk ratings more open. For this purpose also, it has been proposed to the International Economy Working Group of the Research Committee that it should examine the need for and recommend on the further work needed to strengthen country risk analysis for portfolio management.

Statistical Appendix

TABLE 1: Creditworthiness Indicators

	Date of Last CPP	GNP p.c. (US $) 1980	Ratio of DOD to GDP (%) a/ 1980	Export Concentration Ratio (%) b/ 1977-79	Average Maturity of New Loans f/ (Years) 1980	Debt Service Ratio g/ Actual 1975	Debt Service Ratio g/ Actual 1980	Debt Service Ratio g/ Projected 1985	Debt Service Ratio g/ Projected 1990	Reserves in Months Of Import Coverage 1980	Reserves in Months Of Import Coverage 1985	Reserves in Months Of Import Coverage 1990
East Asia and Pacific												
China	(1982)	290	15	52	14.3 m/	-	4.6 m/	5.3	15.2	2.9	2.7	2.3
Fiji	(1981)	1850	16	61	14.4	1.5	3.2	7.5	9.5	3.2	2.0	2.0
Indonesia	(1981)	420	21	73	18.9	7.5	8.0	6.4	6.4	4.2	6.1	3.5
Korea	(1982)	1520	29	2	14.5	12.1	12.7	12.8	11.1	1.7	1.8	1.9
Malaysia	(1980)	1670	13	45	18.0	3.3	2.3	3.8	2.9	5.0	5.0	4.0
PNG	(1982)	780	20	69	16.6	4.4	5.9	9.3	4.8	4.0	3.0	6.0
Philippines	(1981)	720	24	33	15.7	12.8	12.5	21.2	19.3	4.6	2.2	3.0
Thailand	(1982)	670	17	33	16.1	12.6	14.6	16.5	16.8 c/	4.0	3.0	2.0 c/
South Asia												
India	(1980)	240	12	14	34.5	13.0	9.9	15.4	18.5	6.9 m/	3.0 d/	3.0 c/
Pakistan	(1980)	300	41	24	24.2	15.6	10.9	13.5	23.0	2.8	1.0	1.0
Sri Lanka	(1979)	270	36	64	30.1	21.8	5.5	22.3 q/	-	1.5	3.2	-
EMENA												
Algeria	(1982)	1920	38	85	14.1	8.7	23.9	17.0 e/	11.0 o/	2.2	2.6	2.4
Cyprus	(1978)	3560	21	2	9.6	3.3	5.4	12.0	-	5.5	3.0	3.5
Egypt	(1981)	580	57	48	27.5	22.5	18.9	18.6	17.8	3.0	1.3	0.7
Jordan	(1980)	1420	58	24	14.8	5.9	5.4	9.8	-	6.0	2.5	2.6
Morocco	(1980)	860	40	39	13.7	5.7	28.0	21.8	15.9	1.7	1.9	1.9
Oman	(1979)	4380	13	96	12.6	2.4	4.2	2.7	-	5.2	2.2	-
Portugal	(1982)	2350	26	4	9.4	2.7	10.1	20.9	20.4	2.5	1.7	1.8
Romania	(1981)	2340	13	42 k/	6.3	-	24.0 i/	-	-	-	-	-
Syria	(1979)	1340	19	81	14.3	7.9	14.9	20.0	-	1.0 m/	1.0	1.0
Tunisia	(1982)	1310	40	46	18.8	6.9	11.8	13.4 d/	14.9 c/	1.1	1.5 d/	1.7 c/
Turkey	(1980)	1460	28	27	17.5	8.0 j/	11.5 j/	27.0 j/	-	2.0	2.0	2.0
Yemen AR	(1982)	460	32	98	30.5	1.2	1.1	6.2	9.0	6.1	3.4	3.0
Yugoslavia	(1980)	2620	22	8	18.9	17.6	18.9	15.3	12.7	1.4	1.9	1.9
LAC												
Argentina	(1979)	2390	15	22	7.5	22.0	17.7	-	-	6.6	-	-
Bahamas	(1980)	3300	9	53 l/	-	4.1	3.0	2.6	-	0.0	2.0	-
Barbados	(1980)	3040	11	19 l/	18.0	1.7	2.4	1.3	-	1.4	-	-
Bolivia	(1976)	570	35	68	13.5	14.5	25.9	-	-	5.4	-	-
Brazil	(1981)	2050	23	27	10.3	41.9	56.4	41.9	-	2.1	2.9	-
Chile	(1979)	2160	34	57	6.9	28.6	39.3	22.4	14.8	6.2	3.2	6.3
Colombia	(1982)	1180	16	69	13.7	14.4	11.2	17.5	19.3	13.9	3.3	3.3
Costa Rica	(1981)	1730	33	60	13.2	10.6	16.4	37.5	30.8	1.3	-1.0	0.0
Dominican Rep.	(1981)	1140	21	56	13.3	4.8	20.1	20.2	20.3	2.7	2.0	2.0
Ecuador	(1980)	1220	23	67	13.4	4.5	13.9	9.1	5.6	4.3	7.0	3.0
El Salvador	(1976)	590	15	76	27.3	9.0	3.7	-	-	3.9	-	-
Guatemala	(1979)	1110	7	62	17.5	1.7	3.5	4.6	4.9	4.0	5.1	-
Guyana	(1980)	690	103 m/	80	9.5	4.3	16.8	-	-	0.3	-	-
Honduras	(1981)	560	54 m/	62	24.9	4.7	9.9	- s/	-	1.5	2.0	2.0
Jamaica	(1982-SAL)	1030	49	31	12.2	6.9	12.8	15.1	-	1.1	2.2	-
Mexico	(1981)	2130	20	51	9.5	25.1	32.1 n/	27.9	26.5	1.4	1.1	1.1
Nicaragua	(1982)	720	80	60	14.6	12.3	14.9	28.0	34.0	1.0	1.0	1.0
Panama	(1980)	1730	67	39	11.6	5.9	14.0	39.3	-	0.5	-	-
Paraguay	(1980)	1340	18	50	22.4	12.8	18.0	16.0	-	9.4	3.0	-
Peru h/	(1980)	930	32	38	12.1	25.3	31.9	17.7	14.9	3.8	6.3	-
Trin. & Tobago	(1980)	4370	9	42	8.0	2.1	2.4	-	-	13.8	13.0	-
Uruguay	(1981)	2820	12	28	12.5	50.0	12.0	13.9	-	15.9	9.5	-
Eastern Africa												
Botswana	(1981)	910	31	99	-	3.1	1.6	- r/	- r/	4.7	-	-
Kenya	(1981)	420	29	52	31.4	3.6	8.9	24.5	28.0	2.9	1.7	1.2
Malawi	(1982)	230	45	82	8.0	7.9	18.4	20.0	13.7	1.6	1.4	1.6
Mauritius	(1981)	1060	23	68 l/	11.8	2.7	6.5	11.6	19.1	0.9	1.4	1.4
Seychelles	(1980)	1770	-	90 v/	11.8	-	0.5	-	-	-	-	-
Sudan	(1980)	470	100 m/	69	33.0	20.3	17.4	-	-	0.3	0.8	1.0
Swaziland	(1979)	680	87	59	20.7	1.5	3.1	10.2	14.0	4.0	3.7	3.4
Tanzania	(1981)	260	31	52	29.5	5.9	7.3	20.4	14.0	0.2	1.2	1.1
Zaire	(1981)	220	68	62	17.9	15.0	20.0	20.0	-	-	-	-
Zambia	(1981)	560	48	92	17.1	10.0	24.4	15.0	17.9	1.4	1.0	1.3
Zimbabwe	(1981)	630	19	25	13.1	0.8	2.8	- t/	- t/	2.6	2.3	2.2
Western Africa												
Cameroon	(1981)	670	33	60	24.9	53	11.0	12.5 d/	11.8	0.1 p/	5.0 d/	3.7
Congo	(1982)	730	51	85	22.8	12.7	9.4	16.7	25.5	0.9	2.7	0.3
Ghana	(1981)	420	7	75	41.7	5.5	6.0	5.5	9.2	3.0	4.0	3.0
Ivory Coast	(1980)	1150	61	69	10.6	8.8	21.6	27.0	23.0	1.9	0.2	1.5
Liberia	(1979)	520	52	80	16.9	7.9	7.0	7.6 u/	5.2 u/	0.6	0.6	0.7
Nigeria	(1982)	1010	5	92	10.7	2.7	2.0	17.8	18.0	5.8	3.1	3.0
Senegal	(1980-SAL)	450	34	43	21.4	5.8	18.0	14.1	14.3	-	-	-
Togo	(1979)	410	86	79	23.7	9.7	34.0	29.7	17.7	0.7	0.6	0.5

a/ Ratio of public and publicly guaranteed external debt to GDP. Includes data on non-guaranteed private debt wherever available.
b/ Calculated as a percent of total export earnings derived from the country's three major exports.
c/ 1991
d/ 1986
e/ 1984
f/ Average maturity of commitments of public and publicly guaranteed foreign loans in 1980.
g/ Ratio of debt service on public and publicly guaranteed debt to exports of goods and services. Includes debt service on non-guaranteed private debt wherever available.
h/ Scenario I.
i/ Independent estimate. In 1982, the debt service due as a proportion of convertible currency export earnings is estimated at over 70%.
j/ Total debt service as a percent of exports of goods and non-factor services plus workers' remittances. Data are from the President's Report for the SAL III Project (May 1982).
k/ 1976-78 data.
l/ Based on two major exports only.
m/ 1981
n/ In 1982 the debt service ratio is expected to exceed 60%.
o/ 1989
p/ The projected deterioration in the current account balance in 1980-81 reflects conservative assumptions. Actual data indicate reserves of approximately 1.5 months at end-1980.
q/ Scenario II of the country economic memorandum. A less optimistic scenario involving more favorable export prospects would result in a debt service ratio of 18.3% by 1985.
r/ Based on recent creditworthiness assessment (draft) done by the Region.
s/ The ratio of debt service due to exports in 1982 was 24%. The debt service ratio in the medium term is projected to to average 18% - 20% after rescheduling.
t/ The debt service ratio could range from 24% - 30% in the medium term.
u/ In the case of Liberia, the ratio of debt service payments to Government revenue is more relevant as a measure of debt servicing burden. This ratio is expected to increase to about 33% in 1983, and is projected to increase further to 40% in 1985.
v/ Derived from tourism receipts.

Sources: 1980 GNP p.c. estimates - 1981 World Bank Atlas;
1980 data on external debt to GDP ratio, average maturity of new loans, and reserves, and 1975 and 1980 data on debt service ratios World Debt Tables, December 1981.
Projections of debt service ratios and reserves from recent CPPs or Country Economic Reports.
1977-79 export concentration ratios from Commodity Trade & Price Trends, August 1981 (EPD).

TABLE 2: Bank Exposure and Overall Assessment

	% of External Debt Outstanding			% of Debt Service			Share in IBRD Loan Portfolio			Lending i/ Program ($ m)		Ave. Weighted Spread (%) j/	PAB	Country Assessment: FPA		Country Assessment: Institutional Investor			Country Assessment: Euromoney	
	1980	1985	1990	1980	1985	1990	1980	1985	1990	FY82-86		1981		1978	1981	1980	1981	1982	1980	1981
East Asia & Pacific																				
China	-	-	-	-	-	-	0.0	0.7	4.3	3195	(1500)	0.93	IIb	-	IIc	24	28	26	37	36
Fiji	16.3	11.9	-	9.5	9.6	-	0.1	0.1	0.1	50		-	IIa	IIa		-	-	-	-	-
Indonesia	7.1	18.3	20.7	6.4	15.9	20.4	4.6	6.2	6.9	4150		0.51	IIc	IIIc	IIc	45	38	35	17	13
Korea	10.4	5.6	2.0	6.6	4.9	2.2	6.7	5.7	4.7	3060		0.64	IIa	IIa	IIb	43	39	32	45	29
Malaysia	14.0	14.6	3.0	11.2	10.8	8.0	2.2	2.0	1.6	890		0.39	IIa	IIa		23	19	20	10	4
P. N. Guinea	10.2	4.4	13.9	9.8	2.7	6.8	0.2	0.2	0.4	238	(2)	0.58	IIb	IIId	IIc	-	56	53	34	16
Philippines	10.2	13.0	16.4	7.6	9.2	10.8	3.9	5.1	6.5	3681		0.89	IIc	IIc		59	64	59	26	37
Thailand	11.5	15.0	16.8 a/	8.1	10.3	11.5 a/	3.1	4.6	6.3	3821		0.59	IIb	IIb		51	48	43	28	25
South Asia																				
India	5.5 b/	7.4 c/	7.7d/	14.2b/	22.2c/	27.1d/	3.3	5.5	7.3	4845	(6000)	0.53	IIc	IIIc	IIc	55	52	48	9	19
Pakistan	5.6	3.8	5.1	10.5	8.2	3.6	1.5	0.9	0.9	590	(1190)	0.88	IIIa	IIId		84	81	75	67	65
Sri Lanka	2.2	0.7	-	4.3	2.3	-	0.1	0.1	0.4	265	(505)	0.69	IIIb	IIId		-	-	73	39	32
EMENA																				
Algeria	2.4	6.6e/	12.3f/	2.5	11.9e/	5.1f/	1.2	1.4	1.3	740		0.56	IIb	IIb		44	34	38	24	28
Cyprus	17.7	12.2	9.0	12.8	7.8	6.4	0.2	0.2	0.1	57		0.73	IIb	IIId		72	72	69	19	35
Egypt	3.6g/	6.7	10.5	2.7g/	4.2	9.2	1.8	2.7	3.9	2600		-	IIc	IIIc		75	67	65	-	-
Jordan	2.3	3.8	-	0.5	5.2	-	0.1	0.3	0.3	242		-	IIb	IIId		66	66	63	-	-
Morocco	7.9	10.2	8.3	7.9	10.9	9.7	2.2	2.7	2.7	1674		1.06	IIIa	IIc	III	68	70	72	43	53
Oman	3.3g/	26.3	-	3.7g/	8.0	-	0.1	0.1	0.0	15		-	IIa	IIc	IIa	58	55	51	-	-
Portugal	2.2	4.9	4.8	2.0	4.2	4.3	0.5	0.9	1.0	799		0.55	IIc	IIc		47	40	39	29	21
Romania	13.7	13.0	5.4	5.8	6.0	3.1	3.0	3.0	2.3	1526		0.72	IIIa	IIb		54	60	79	30	42
Syria	8.1g/	7.0	5.3	6.9g/	8.4	7.0	0.9	0.8	0.7	350		-	IIIb	IIIb		73	74	76	-	-
Tunisia	8.4	9.8	-	8.5	12.2	-	1.2	1.4	1.2	668		0.50	IIb	IIb	IIc	56	53	47	-	17
Turkey	6.7	13.8	12.5	13.2	11.8	15.6	4.8	5.9	5.7	3644		1.13	IIIa	IIIa		93	91	78	-	68
Yemen AR	-	-	-	-	-	-	-	0.0	0.1	50	(203)	-	IIIa	-		-	-	-	-	-
Yugoslavia	8.0	7.7	-	4.4	5.0	-	5.5	4.1	2.7	1650		1.22	IIc	IIb		53	54	60	49	58
LAC																				
Argentina	4.0	-	-	5.0	-	-	2.0	1.9	1.4	1100		0.80	IIIa	IIc		30	42	64	24	38
Bahamas	-	-	-	-	-	-	0.0	0.0	0.0	6		1.13	IIa	IIb		-	-	-	-	51
Barbados	1.1	-	-	1.4	-	-	0.0	0.1	0.1	46		0.69	IIa	IIb		-	-	-	-	23
Bolivia	8.3	-	-	4.7	-	-	0.6	0.6	0.5	285		2.22	IIIb	IIc	III	81	86	88	-	63
Brazil	3.7	5.2	-	2.0	3.0	-	9.0	8.6	8.2	5659		2.05	IIc	IIb	IIc	50	50	42	53	62
Chile	3.5	9.4	16.5	1.7	3.9	7.9	0.7	0.6	0.6	400		0.79	IIb	IIb		46	46	44	38	34
Colombia	25.1	26.1	27.5	21.0	25.6	21.3	4.3	4.8	4,0	2358		0.66	IIa	IIb		37	36	34	21	26
Costa Rica	9.2	8.4	3.6	4.9	8.7	4.4	0.7	0.6	0.3	141		-	IIIb	IIb	IIc	69	73	91	-	-
Dominican Rep.	7.0	7.6	-	3.4	5.5	-	0.3	0.4	0.5	323		-	IIIa	IIIb		76	76	77	-	-
Ecuador	4.2	9.0	-	3.1	10.4	-	0.5	0.9	0.6	486		0.70	IIIa	IIc		52	49	52	42	39
El Salvador	17.1	-	-	24.5	-	-	0.3	0.3	0.3	122		-	IIIb	IIc	III	-	100	103	-	-
Guatemala	26.6	-	-	22.6	-	-	0.6	0.4	0.4	210		-	IIIa	IIb	IIc	-	80	89	-	-
Guyana	11.0	-	-	5.0	8.0	-	0.1	0.2	0.1	53	(5)	-	IIIb	IIIb		-	-	-	-	-
Honduras	16.6	16.5	14.5	13.2	18.3	16.5	0.7	0.7	0.6	275	(5)	1.39	IIIa	IIIc		-	85	92	-	57
Jamaica	14.1	7.3	-	-	9.5	-	0.7	0.6	0.4	246		212	IIIa	IIIa		88	89	83	-	64
Mexico	5.7	5.5	4.3	3.2	3.2	2.6	8.3	7.6	5.5	2949		0.62	IIIa	IIb		22	25	37	13	27
Nicaragua	5.0	3.8	2.1	19.7	5.4	3.3	0.4	0.3	0.3	175		-	IIIc	IIIb		95	101	104	-	-
Panama	7.0	8.5	-	3.0	5.9	-	0.6	0.6	0.4	174		1.25	IIc	IIc		62	62	55	52	56
Paraguay	11.0	15.0	-	3.0	14.0	-	0.4	0.5	0.5	315		-	IIb	IIb		61	57	54	-	-
Peru	6.4	15.4	16.9	2.7	6.8	12.5	1.5	1.7	1.8	1259		1.05	IIc	IIIa	IIc	69	61	62	55	47
Trin. & Tobago	-	-	-	-	-	-	-	-	-	-		0.75	I	-		40	41	36	-	49
Uruguay	8.3	13.7	-	8.3	9.7	-	0.3	0.4	0.3	205		0.93	IIb	IIc		67	65	58	36	33
Eastern Africa																				
Botswana	33.7	31.1	24.5	80.5	28.3	18.9	0.2	0.2	0.2	83		-	IIb	IIb		-	-	-	-	-
Kenya	18.4	22.4	4.3	13.4	16.0	18.1	-	1.5	1.6	809	(550)	1.08	IIIa	IIIc		64	69	71	63	41
Malawi	3.3	8.4	10.1	2.9	6.0	13.0	0.1	0.2	0.2	120	(283)	-	IIIb	IIId		-	79	82	-	-
Mauritius	13.8	13.8	10.5	12.8	16.5	11.8	0.2	0.2	0.2	116		-	IIc	IIb	IIc	-	82	80	-	-
Seychelles	-	-	-	-	-	-	0.0	0.0	0.0	9		0.55	IIc	-		83	83	90	-	14
Sudan	2.0	1.3	0.5	2.4	1.3	0.5	-	0.1	0.0	-	(561)	-	IIIc	IIId		92	99	99	-	-
Swaziland	7.7	7.0	5.6	10.3	8.8	6.9	0.1	0.1	0.1	34		-	IIIa	IIIc		-	-	-	-	-
Tanzania	14.2	7.3	2.5	25.1	17.0	12.9	0.8	0.5	0.2	-	(547)	-	IIIc	IIId		86	94	97	-	-
Zaire	2.6	2.9 e/	1.2 h/	2.2	4.7 e/	7.9 h/	1.4	0.1	-	-	(451)	-	IIIc	IIId		98	102	105	-	-
Zambia	19.7	12.2	9.2	15.2	13.4	11.7	1.4	0.8	0.5	170	(191)	1.30	IIIc	IIIc		87	93	95	66	66
Zimbabwe	0.9	8.7	12.3	8.0	5.0	13.4	0.0	0.4	0.7	492	(115)	1.34	IIIa	-		79	75	74	59	54
Western Africa																				
Cameroon	8.0	15.7	23.6	6.5	10.1	20.9	0.6	0.8	1.2	768		-	IIb	IIb		-	72	68	-	-
Congo	6.8	3.6	4.7	8.6	1.5	3.1	-	-	-	12	(27)	1.13	IIIa	IIIb		91	92	85	-	55
Ghana	11.0	9.0	8.0	13.0	24.0	23.0	-	-	-	-	(284)	-	IIIc	IIIc		-	-	-	-	-
Ivory Coast	9.2	15.9	13.3	3.8	6.2	7.5	1.1	1.4	1.2	805		1.42	IIIa	IIIb		60	63	61	54	52
Liberia	17.6	21.3	23.1	17.5	20.7	30.0	0.3	0.2	0.2	89	(61)	-	IIIc	IIIc		80	88	96	-	-
Nigeria	13.0	4.2	1.5	14.0	3.0	2.2	2.4	3.1	4.0	2252		0.88	IIc	IIc		49	43	46	41	43
Senegal	5.6	7.3	9.5	3.1	5.9	8.8	0.2	0.3	0.3	145	(198)	2.00	IIIb	IIId		78	78	81	-	60
Togo	7.5	7.0	4.3	4.0	5.1	5.7	0.0	0.0	0.1	65	(101)	-	IIIb	IIId		-	-	-	-	-

a/ 1991
b/ 1980/81
c/ 1985/86
d/ 1990/91
e/ 1984
f/ 1989
g/ 1981
h/ 1988
i/ Based on the country lending plans which underpin in the 1983 Budget [numbers in parentheses indicate IDA allocations].
j/ Euromoney, February 1982.

TABLE 3: Distribution of the IBRD Loan Portfolio by Risk Category FY55-96 a/
(percent of total debt outstanding and disbursed)

	Actual								Projected		
	FY55	FY59	FY63	FY67	FY71	FY75	FY78	FY81	FY86	FY91	FY96
Category I b/											
No likelihood of debt servicing difficulties	66.0	51.3	37.8	32.4	20.5	10.7	5.8	2.8	0.6	0.1	0.0
Category II Some likelihood of debt servicing difficulties	23.3	31.5	39.9	42.4	46.8	51.8	55.1	57.7	65.3	71.1	73.7
a) low risk	2.8	2.7	4.8	11.1	15.3	17.1	16.6	16.1	12.9	10.3	9.0
b) moderate risk	4.8	4.9	5.9	6.7	7.8	9.2	9.2	9.3	12.4	17.6	20.5
c) high risk	15.7	23.9	29.2	24.6	23.7	25.5	29.3	32.3	40.0	43.2	44.2
Category III											
Risk of default	10.7	17.2	22.3	25.2	32.7	37.5	39.1	39.5	34.3	28.8	26.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
(in billion US$)	1.7	2.6	3.2	4.8	6.4	11.8	18.0	25.4	51.0	83.0	117.3
Memo Item:											
No. of countries with outstanding IBRD Loans at end of period	33	41	48	67	76	94	94	90c/	87	79	74
Excluding countries that have graduated	21	29	37	55	63	68	70	68	69	68	67

a/ The classification of countries into the various risk categories is based on current assessments of country risk. No allowance is made for country movements across risk categories over time. Projections of the risk category shares are based on the FY82-86 country lending plans which underpin the FY83 Budget Memorandum.

b/ All of the category I countries have now graduated, with the exception of Trinidad & Tobago.

c/ Excluding UK. (The 1981 Annual Report lists 91 including UK, p.156.)

Source: PAB

TABLE 4: Debt Outstanding to Major Developing Country Groups, Service Payments and Net Capital Movements 1971-80 (US$ billions)

	Debt Outstanding & Disbursed b/			Amortization			Interest			Net Transfers		
	1971	1975	1980	1971	1975	1980	1971	1975	1980	1971	1975	1980
All Developing Countries b/	77.9	174.1	426.1	6.5	16.8	44.5	3.1	9.0	34.1	7.4	23.6	22.7
Official	42.0	76.2	156.1	1.9	3.5	7.9	1.1	2.4	6.2	3.4	9.9	14.1
Private	35.9	97.9	269.4	4.6	13.3	36.6	1.9	6.6	27.8	4.0	13.7	8.6
(Public Credits from Private Markets)	11.5	42.6	162.5	1.4	3.3	16.5	0.6	2.8	17.6	1.6	9.4	6.6
Major Borrowers c/	36.3	107.9	270.7	2.8	10.3	30.8	1.2	6.0	24.0	3.1	15.5	7.7
Official	24.1	41.6	81.6	1.0	1.8	4.3	0.6	1.3	3.5	1.7	5.3	6.0
Private	12.2	66.2	189.1	1.8	8.5	26.5	0.6	4.7	20.5	1.4	10.2	1.7
(Public Credits from Private Markets)	7.2	29.4	113.1	1.0	2.1	11.8	0.4	2.0	12.9	1.4	6.5	2.7
Low-Income Oil Importers	15.9	26.6	48.6	0.6	1.2	1.9	0.4	0.6	1.2	1.4	3.4	4.6
Official	14.2	23.3	42.4	0.4	0.7	1.2	0.3	0.4	0.8	1.2	3.2	4.0
Private	1.7	3.2	6.2	0.2	0.5	0.7	0.1	0.1	0.4	0.2	0.2	0.6
Middle-Income Oil Importers	38.4	93.1	247.6	3.5	9.9	27.8	1.7	5.6	21.5	4.0	11.5	13.6
Official	17.0	32.0	73.6	0.9	1.6	4.4	0.5	1.3	3.7	1.5	3.0	7.0
Private	21.4	61.1	173.9	2.6	8.3	23.3	1.2	4.3	17.9	2.5	8.5	6.6
(Public Credits from Private Markets)	7.2	24.9	93.5	0.9	2.1	8.7	0.3	1.6	9.9	1.0	4.8	4.2
Oil Exporters	18.4	48.3	128.6 d/	1.8	4.6	14.7	0.8	2.4	11.2	1.6	9.4	4.3
Official	8.9	17.5	39.8	0.4	0.8	2.2	0.2	0.5	1.7	0.4	3.6	3.0
Private	9.5	30.8	88.8	1.4	3.8	12.5	0.6	1.9	9.5	1.2	5.8	1.2
(Public Credits from Private Markets)	3.3	15.9	65.3	0.4	0.9	7.5	0.2	1.1	7.4	0.5	4.6	1.6

a/ Figures include the public and publicly guaranteed debt plus estimates of private non-guaranteed debt.

b/ Based on 98 developing economies.

c/ Includes Algeria, Argentina, Brazil, Egypt, India, Indonesia, Israel, Korea, Mexico, Spain, Turkey, Venezuela and Yugoslavia.
d/ Of this $99 b. (77%) is owed to Algeria, Egypt, Indonesia, Mexico and Venezuela.

TABLE 5: Average Terms of Borrowing
Commitments of Public and Publicly Guaranteed Debt, 1970-80

	1970	1973	1975	1980
Interest Rate (%)				
Total Public Debt	5.3	6.7	6.9	9.4
Of which: Bilateral	2.8	3.8	4.2	5.5
Multilateral	5.4	4.7	6.0	5.1
Total Private Source Debt	7.5	9.0	8.7	13.1
Maturity (years)				
Total Public Debt	20.0	28.6	15.5	16.2
Of which: Bilateral	28.1	24.2	22.2	22.2
Multilateral	27.2	31.6	27.8	26.7
Total Private Source Debt	9.3	11.0	7.8	9.1
Grace (years)				
Total Public Debt	5.4	5.7	4.8	4.8
Of which: Bilateral	8.5	7.7	7.6	6.2
Multilateral	5.9	7.1	6.3	6.4
Total Private Source Debt	2.5	4.1	2.7	3.6
Grant Element (%)				
Total Public Debt	31.8	23.4	19.8	8.9
Of which: Bilateral	54.8	44.8	40.3	32.9
Multilateral	33.8	42.7	31.1	37.2
Total Private Source Debt	10.6	4.5	4.9	-13.7

Source: Debt Reporting System

TABLE 6: Medium- and Long-Term External Debt Outstanding and Disbursed By Source, 1970-80

	1970	1973	1975	1980 a/	Trend Growth 1970-80
Public Debt					
Concessional Bilateral	22.6	34.8	45.5	78.3	13.9
Official and Export Credit	4.3	6.2	9.4	23.4	20.5
Multilateral	8.0	12.9	19.3	51.8	21.3
Private Source	17.7	35.1	60.8	187.3	29.9
Total Public Debt	52.6	89.0	135.0	340.7	22.3
Total Private Non-Guaranteed Debt	11.0	25.7	38.8	82.5	23.4
Total Public and Private	63.5	114.8	173.9	423.3	22.5

a/ Estimates
Source: Debt Report System

TABLE 7. External Payments Arrears Outstanding 1975-81 a/
(US$ million end period)

	1975	1976	1977	1978	1979	1980	1981	1980 Imports	Level of gross official Int. Reserves
Benin	-	...	-	-	29	27	-	...	...
Bolivia	-	-	-	-	55	189c/	93	12	69
CAR	...	41	47	10	55	80	34d/	15	48
Chad	11	10	11	29	51	66	...	58	...
Congo	15	30	53	87	66	28e/	...	4	...
Costa Rica	-	-	-	-	-	283	633d/	46	481
Dominican Rep.	-	13	-	-	22	47	84f/	5	41
Egypt	96	362g/	1047h/	-	-	-	-	...	...
El Salvador	-	-	-	-	-	52	77d/	7	106
Gabon	-	-	522	442	-	-	-	...	...
The Gambia	-	-	-	-	-	13	17f/	13	150
Ghana	162	223	244	512	427	343	425f/	44	257
Grenada	...	...	...	3	1	-	-	-	-
Guyana	-	-	33	22	26	29	44i/	11	927
Haiti	-	-	-	-	-	-	30i/	10	154
Jamaica	-	-	27	63	55	114	48i/	5	31
Liberia	-	-	-	-	-	-	7	1	30
Madagascar	4	6	9	14	17	185	73	11	450
Mali	-	-	13	23	36	48	50	13	331
Mauritania	-	...	11	30	20	19	23d/	8	14
Nicaragua	-	-	-	76	478	240	58j/	8	58
Peru	-	...	...	150	-	-	-	...	...
Romania	-	-	-	-	-	-	1143j/	14k/	208
Senegal	...	...	...	...	...	9	14i/	2	240
Sierra Leone	5	10	15	22	71	93	115	16	582
Somalia	-	-	-	-	17	45	28	11	63
Sudan	80	280	695	778	1157	1379	1099l/	76	3776
Tanzania	-	-	-	65	155	304	263	23	1507
Togo	-	-	19	56	65	28	69f/	6	55
Turkey	-	235	2077	1984	2330	1615	325f/	4	22
Uganda	43	45	25	91	78	227	143d/	21	2135
Zaire	255	447	807	1239	1472	534	539	41	359
Zambia	159	259	478	645	462	588	666	56	1125

Source: External payments arrears of Fund Members, 1980-81, IMF (EBS/82/57, March 31, 1982).

a/ The Table shows data on countries known to have had external payments arrears in any year during the period 1975-1981, or other dates indicated in the footnotes. Defaults, i.e., payments arrears incurred by governments participating in common central bank arrangements (Bank of Central African States (BEAC), Central Bank of West African States (BCEAO), and Eastern Caribbean Currency Authority (ECCA)) and and which resulted from the government's inability to obtain domestic currency with which to purchase needed foreign exchange from the common central bank, as well as those incurred by the government or a government entity whose financial operations form part of the budgetary process, are included in these figures. In the former case, it was not possible to distinguish between domestic and external arrears; total arrears are shown.

b/ Latest estimates available in 1981; total based on end-1980 figures, where 1981 figures not available.

c/ Includes SDR 135 million in payments arrears postponed by agreement with creditor banks through early 1981.

d/ December 1981.

e/ March 1980.

f/ October 1981.

g/ April 1976.

h/ April 1977.

i/ November 1981.

j/ Projection for 1981. The entire amount may not represent payments arrears as it is known to include delayed provision of foreign exchange due to administrative delays considered normal.

k/ As a ratio of convertible currency imports.

l/ June 1981.

Statistical Appendix

TABLE 8: Arrears to Bank as of November 15, 1982
($)

	Over 30 days	Over 45 days	Over 60 days	Over 75 days	90 days or more
Algeria		893,250			
Bolivia	624,886	1,918,629			
Congo			387,932		
Dominican Republic		216,155		2,224,977	
Ecuador	905,770				
Ghana, Ivory Coast and Togo a/					3,283,101
Kenya	2,779,760	215			
Lebanon		1,047,117	3,284,886		
Liberia				7,155	
Sierra Leone		319,040			
Syria		925,629			
Tanzania	598,164	1,498,345			
Tunisia	457,940	240	5,580		
Turkey	85,140	4,014,419			
Yugoslavia	71,805				

a/ Loan 1295-0 WAF Ciments De L'Afrique De L'Ouest (CIMAO) (CIMAO Regional Clinker).

Source: Overdue Service Payments SecM82-944, IDA/SecM82-337, Nov. 17 1982.

TABLE 9: Arrears to IDA as of November 15, 1982
($)

	over 30 days	over 45 days	over 60 days	over 75 days	90 days or more
Benin		55,255			
Chad		6,897			1,153,788
Congo	37,675			9,775	
Dominican Rep.		34,804			
Gambia		14,540			
Ghana			44,037		
Guinea	29,924	78,750	13,212		
Guinea Bissau	27,284				
Liberia			820		
Mali		11,710			
Mauritania		10,449			
Sierra Leone		33,975			
Rwanda	2,047				
Tanzania	66,570	348,065			
Uganda		49,360			

SOURCE: Overdue Service Payments SecM82-944, IDA/SecM82-337, Nov. 17, 1982

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FOR REVIEW BY THE
MANAGING COMMITTEE

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CREDITWORTHINESS REVIEW OF BANK BORROWERS

A N N E X

COUNTRY NOTES

December 8, 1982

Country Program Review Division
Programming and Budgeting Department

ANNEX

COUNTRY CREDITWORTHINESS ASSESSMENTS a/

Region	Country	Risk Category	Page No.
LAC	Argentina	IIIa	1
	Bolivia	IIIb	4
	Brazil	IIc	6
	Costa Rica	IIIb	10
	Guyana	IIIb	13
	Honduras	IIIa	16
	Mexico	IIIa	19
	Nicaragua	IIIc	24
EMENA	Romania	IIIa	26
Eastern Africa	Sudan	IIIc	29
	Tanzania	IIIc	32
	Zambia	IIIc	35
Western Africa	Ghana	IIIc	38
	Liberia	IIIc	41
	Nigeria	IIc	45

a/ Country notes were prepared for borrowers which we have recommended for inclusion in the "watch list" for intensive monitoring [except El Salvador for which none was prepared due to lack of data], and for major Bank borrowers whose external debt situation is of current interest (Argentina, Brazil, Mexico). Country notes were also prepared for former Bank borrowers which have been encountering difficulties in servicing their Bank loans (Ghana, Sudan, Tanzania).

ARGENTINA

Current Situation

1. The already fragile Argentine economy was dealt a severe blow by the conflict with the United Kingdom over the Falkland Islands; conservative estimates place the cost of the war at between $500 million and $1 billion. However, its effects on the domestic political configurations, the domestic economy, and the country's creditworthiness have been even more significant.

2. Between 1976 and 1979, the growth rate of the economy averaged just over 4% with a high of 8.5% in 1979. Export growth was 24% in 1979, but this was accompanied by rising import levels (84% growth in 1979) which converted a previous balance of payments surplus to a substantial deficit by 1979. In the same year, total debt including short-term debt was in excess of $30 billion, of which about 66% was owed by the public sector. Public debt outstanding and disbursed was 15% of GNP while the corresponding debt service ratio was 18%.

3. Economic growth became negative (-6%) in 1981. Export growth fell to about 11% and although import growth was slower (16%) compared to previous years, a serious current account deficit could not be avoided; international reserves declined from the equivalent of 17 months of imports at the end of 1979 to 3 months at the end of 1981. The external debt rose to $35.7 billion with public debt totalling $20 billion and private debt $15.6 billion; short-term debt accounted for $9.6 billion or 27% of the total debt.

4. The Government's economic policy between 1976 and 1981 emphasized the progressive reduction of state intervention in the economy and the opening of the economy. This freeing of the economy and the subsequent attraction and encouragement of both domestic and foreign private investment stimulated the growth of exports, while the continued overvaluation of the currency was responsible for growth of imports. The level of inflation fell (920% in 1976; about 140% in 1979; 88% in 1980); but rose to 130% in 1981.

5. The period after 1976 was also marked by an overall reduction in the budgetary deficit--12.5% of GDP in 1975, 2% in 1979, but rising to over 6% in 1980. This improvement stemmed inter alia from revision of the tax laws, more effective control over expenditure and a rationalization of the operations of the public enterprises. A major area of public expenditure was the military budget, which attracted about 31% of central government expenditures. The cost of the war in the Falkland Islands and the need to replace lost military hardware can occasion even higher levels of military expenditures and possibly increased budgetary deficits.

6. The first impact of the war internally was the replacement of the Government which pursued the war. The new Government has introduced measures to combat the unprecedented deterioration of the economy. These measures included further devaluation of the peso to stimulate exports, reorganization of the financial market, substantial salary increases for both private sector and state employees, ceilings on interest rates to stimulate industrial and other investment, and limitations on imports.

While these measures appear on the surface to address the present problems, their adoption under pressure from industry and labor demonstrates the weakness of the Government and may prove counter-productive in the longer run.

7. The economy is expected to register a slightly positive GDP growth in 1982. By June 1982, the external debt had risen to over $37 billion including payment arrears of $2.3 billion; debt service payments still due in the second half of 1982 amount to about $13 billion. The international reserves stand at just over $3 billion or the equivalent of about 3 months of imports.

8. The international financial community is justifiably nervous about its exposure in Argentina. The major part ($1.3 billion) of the payment arrears is on the short-term debt. Argentina has indicated that while it does not anticipate defaulting on its payments, it will need assistance and understanding in meeting payments of both capital and interest due in 1982. The Government is seeking to renegotiate as much as possible of the debt falling due in 1982 and has indicated an interest to borrow directly from the market again. To enhance its prospects in the capital markets, the Government has negotiated assistance of about $2.05 billion with the IMF and is finalizing a $1.1 billion bridging credit with the commercial banks in order to normalize payments on its external debt by July 1983. The financial community feels that on present performance Argentina is not eligible for new loans and it is only prepared to roll over existing loans for up to one year.

Medium-Term Prospects

9. The short and medium-term prospects for the economy will depend on the effectiveness of measures taken to speed up recovery and reduce the high rate of inflation, estimated at about 20% per month during the third quarter of 1982. Plant utilization has already improved, but unemployment remains high. The situation over the next 12 months will remain uncertain. However, with its abundant natural and human resources, its near self-sufficiency in food and over 90% self-sufficiency in oil, Argentina's ability to regroup quickly, resume production, recover its export markets, control import levels, and meet its external debt obligations is good. Already there are some signs of recovery, and a trade surplus of about $3 billion is expected in 1982. A major concern, which is not easily measurable, is the political impact of the crisis. It is questionable whether the Government will persist in the implementation of the new policies in the face of growing political opposition.

Assessment

10. The weak economic performance in 1981 which continued into 1982 combined with the disruption caused by the hostilities over the Falkland

Islands is responsible for the caution of the international community towards Argentina. How quickly the economy recovers and the confidence of the international community returns will depend on the new Government's success in tackling the problems of disrupted production, inflation, lost export earnings, debt payment arrears, etc. The measures proposed constitute a departure from past strategies, and their possible outcome cannot be fully assessed at this time. However, there have already been some positive signs; imports are well below the corresponding 1981 level, and with favorable price projections for most of its products, export growth is expected to be between 4% and 9%.

11. The Bank's share of Argentina's public DOD in 1981 was 5% and the corresponding debt service stood at 4%. Argentina's share of the Bank portfolio is also small (2%) and is expected to decline during the next decade.

ARGENTINA: External Debt and Payments ($m)

	External Debt		Service Payments	
	1981	March 1982	July-December 1982	
Public	20024	19907	Public	6863
Short term	6123	5722	Financial	6229
Medium and long term	13901	14185	Commercial	634
Private	15647	14942	Private	5867
Short term	3481	3136	Financial	4834
Medium and long term	12166	11806	Commercial	1063
Total	35671	34849	Total	12760

Payments of Arrears as of June 1982

	Public	Private	Total
Financial debt	361	691	1052
Commercial debt	227	910	1137
Other incl. freight, insurance	89	32	121
Total	677	1633	2310

BOLIVIA

Current Situation

1. The foreign exchange and debt repayment crises in Bolivia continue to attract the attention of the international banking community. The total DOD on MLT loans amounted to $2.4 billion (36% of GDP) at the end of 1981, of which between $300 million and $400 million was owed by the private sector; by the end of September 1982, this debt had risen marginally to $2.5 billion, and in addition, short-term debt stood at $0.5 billion. Total debt (disbursed and undisbursed) is estimated at $3.8 billion. The debt service ratio, which was 27% at the end of 1981 after rescheduling, is expected to rise to about 65% during 1982 and to continue at this level through 1983. By September 1982, arrears on debt service payments amounted to $322 million, of which $176 million was due on the short-term debt. Further, between September and December 1982 an additional $185 million of public debt service payments will fall due. In reaction to these ongoing problems as well as to the debt crisis facing the developing world in general and Latin America in particular, sources of foreign credit have dried up, and no new loans have been negotiated since 1981. Gross international reserves fell from the equivalent of 5-1/2 months of imports in 1980 to 4-1/2 months in 1981 and is even lower at the present time.

2. The new Government has introduced urgent preliminary measures to combat the general economic deterioration, including efforts to stabilize the foreign exchange market through the establishment of a single exchange rate and to increase the income of public sector enterprises and the receipts from taxation; imports, already slashed to about 50% of the 1981 level, is to be further reduced by the imposition of a total prohibition of non-essential imports on a temporary basis. The re-unification of the foreign exchange markets and the establishment of a single exchange rate are intended to bring order into the foreign exchange market while the strengthening of export incentives is expected to stimulate export growth; however, significant investments in those areas where Bolivia's comparative advantage is obvious (minerals and gas) cannot proceed in the face of declining external inflows.

Medium-Term Prospects

3. Bolivia's medium and long-term prospects hinge heavily on the Government's ability to solve its short-term problems, which will include the rescheduling of its foreign debt, reaching agreement with the IMF regarding a loan of about $300 million under the EFF arrangements, and adopting measures to effect structural and other changes in the economy. The Government has opened negotiations with both the commercial banks and the IMF, but it appears unlikely that any significant progress will be

made before the early months of 1983. However, the inauguration of a new Government opens the door for new Bank Group initiatives and the possible renewal of resource transfers if agreement can be reached on the measures to achieve structural adjustments. While the need to generate foreign exchange from exports will continue to loom large, the depressed state of the market for Bolivian exports (minerals and hydrocarbons) is not very comforting. Tin prices have been declining during 1982 and Argentina is not expected to fully honor its payment obligations for Bolivian gas in the immediate future.

4. In this context, the prospects for any significant improvements over the next year or two are marginal at best, and little growth is anticipated.

Assessment

5. Recent political developments must be viewed with caution. The new Government has given itself time to come to grips with the economic and financial problems facing the economy and has introduced only temporary measures to ameliorate the situation while it studies the situation in depth; if out of its studies should come a commitment to fundamental change on both the economic and non-economic issues, the stage may be set for subsequent improvement. However, its resolve will be tested on three fronts simultaneously: negotiation of the EFF with the IMF, the rescheduling of the foreign debt, and the formulation and effective implementation of relevant policies. Should it be successful in these efforts, its creditworthiness will be enhanced.

6. The Bank Group's share of Bolivia's public debt was 11% in 1981, while its share of total debt service was about 7%.

BRAZIL

Current Situation

1. During the early months of 1981, because of its high exposure in Brazil, the international banking community evinced extreme nervousness over the ability of that country to meet its rising international obligations. These fears had largely evaporated by the end of 1981, but in the wake of growing concerns about the debt servicing problems of the developing countries and the recent Mexican bail-out, international bankers once again began to raise questions about the size of Brazil's external debt and the country's ability to service it.

2. Total external debt rose from $55 billion in 1980 to $68 billion in 1981, of which about $7 billion (10%) were short-term obligations. Of the $61 billion of medium- and long-term debt, $54 billion (88%) comprised commercial obligations; the remainder, about $7 billion (12%), were bilateral credits ($3.9 billion) and multilateral loans ($3.6). The total debt is projected to increase to between $75 billion and $80 billion by the end of 1982, of which more than $17 billion will be short-term. Brazil's international indebtedness is second only to Mexico's. Debt service payments amounting to 65% of gross commodity export earnings in 1980 rose to 72% in 1981; the ratio in 1982 is projected to reach 80%. On the basis of strong export performance resulting in a trade surplus of $1.2 billion, the current account deficit on the balance of payments declined to 5% of GDP in 1981. In 1982 a substantially smaller trade surplus of about $0.5 billion is expected. As a consequence, of the general reduction of commercial bank lending since August, international reserves, which were the equivalent of over three months of imports in 1981, now stand at about $7 billion, the equivalent of about two months of imports.

3. While Brazil has already obtained over $13 billion of the $17.5 billion it needs to meet its 1982 external obligations, the events associated with the Mexican debt crisis temporarily brought lending to a halt. Lending was subsequently restored, although at reduced levels, and the major U.S., Japanese, and European commercial banks have resumed nearly normalized lending activities. Taking account of the expected reduced lending amounts available to Brazil for 1983, the Brazilian Government has recently announced steps to significantly pare its current account balance-of-payments deficit and, accordingly, its gross borrowing requirements (down to $10.6 billion, for a decline of 40%) for 1983.

Medium-Term Prospects

4. The international banking community has continued to express concern about the situation in Brazil. The strict control of imports coupled with a program of export incentives and exchange rate variations in favor of exports have been the cornerstones of the program to improve the balance of payments. But import controls have been challenged by those who are urging the reflation of the economy, and export prospects to some of the previously buoyant markets for Brazil's products (Chile, Argentina, Mexico and Uruguay, for example) can no longer be counted on to the same degree. The substantial trade surpluses projected for the next few years are far from certain and can only be achieved if the vast new resources (now being developed) come on stream, if oil price increases are not excessive, if the controls on imports are vigorously maintained, and if growth is substantially restrained.

5. The performance of the economy in the short term will be affected by all these factors. GDP growth, which was negative (-1.9%) in 1981, is expected to be about zero in 1982 and to remain flat or even to decline in 1983. While the balance of payments is expected to remain under great pressure, a gradual decline in the debt service ratio to about 45% by 1985 is anticipated as the international economy adjusts to gradually falling interest rates.

6. In summary, improvement of Brazil's medium-term prospects depends on the policies pursued over the last year being maintained and on continued support from the international community. Also Brazil can earn some respite from its balance-of-payments problems if its success in developing its petroleum and other energy resources continues. Another important factor will be the maintenance of a high caliber economic management, as has been observed in recent years. Following the recent elections, Brazil has approached the IMF for assistance. Approval of $500 million in compensatory financing is expected in December. This, together with cautious preliminary discussions with the Fund about a standby may signal that Brazil is willing to involve that institution in its efforts to weather the economic storm.

Assessment

7. Servicing its external debt obligations remains a central priority of the Government. The experience of the recent past has suggested that the Government will undertake those steps necessary, however painful, to continue to service its international financial obligations. The recently announced policies for 1983, involving measures to drastically reduce (a) the current account balance of payments deficit and (b) the consolidated public sector deficit, reflect the Government's commitment to satisfy these obligations. The results of the recently held elections, in which opposition candidates won the governorships of some key states, are not

expected to substantially affect the pursuit of economic policy objectives.

8. About 4% of Brazil's total external debt was owed to the Bank Group in 1981, and 2% of all debt service payments was made to the Group. Brazil's share of the Bank portfolio now in the vicinity of 9% is expected to decline gradually over the next decade to about 8% in 1991.

BRAZIL: Medium- and Long-Term External Debt a/
(in billions of US$; end of period)

	1981			March 1982
	Public b/	Private	Total	Total c/
Foreign governments	3.64	0.25	3.89	3.79
Germany	(0.53)	(0.09)	(0.62)	..
Japan	(0.51)	(..)	(0.51)	..
United States	(1.91)	(0.12)	(2.03)	..
Others	(0.69)	(0.04)	(0.73)	..
Multilateral lenders	3.33	0.25	3.58	3.49
IBRD	(2.26)	..	(2.26)	..
IDB	(1.07)	..	(1.07)	..
IFC	(0.001)	(0.248)	(0.25)	..
Suppliers' credits	4.66	1.24	5.89	5.72
Financial institutions	27.01	17.97	44.98	47.11
United States d/	..	..	(16.80)	..
United Kingdom d/	..	..	(6.70)	..
Others	..	..	(21.48)	..
Bonds	2.90	..	2.90	2.69
Total	41.54	19.71	61.24	62.80

a/ Disbursed.
b/ Public and publicly-guaranteed.
c/ Includes public and publicly-guaranteed and private non-guaranteed debt.
d/ Consolidated exposure (Source: BIS)

Source: Data provided by the Brazilian authorities.

Brazil: Service Payments on Medium- and Long-Term External Debt 1/

(In millions of U.S. dollars)

	1982				1983				1984 and beyond			
	Public 2/		Private		Public 2/		Private		Public 2/		Private	
	Amort.	Int.	Amort.	Int.	Amort.	Int.	Amort.	Int.	Amort.	Int.	Amort.	Int.
Foreign governments	450	233	53	20	504	188	49	16	2,685	811	154	56
Germany	(32)	(36)	(10)	(9)	(33)	(34)	(10)	(8)	(466)	(186)	(73)	(33)
Japan	(62)	(37)	(—)	(—)	(62)	(32)	(—)	(—)	(385)	(122)	(—)	(—)
United States	(155)	(83)	(42)	(9)	(168)	(75)	(36)	(6)	(1,590)	(454)	(44)	(8)
Others	(202)	(78)	(1)	(3)	(242)	(47)	(3)	(2)	(244)	(49)	(37)	(15)
Multilateral lenders	298	244	28	31	322	221	40	28	2,716	1,246	180	67
IBRD	(219)	(164)	(—)	(—)	(231)	(147)	(—)	(—)	(1,813)	(864)	(—)	(—)
IDB	(79)	(79)	(—)	(—)	(90)	(74)	(—)	(—)	(902)	(383)	(—)	(—)
IFC	(0.5)	(0.1)	(27.7)	(31.0)	(0.5)	(0.1)	(39.6)	(27.7)	(0.5)	(—)	(179.5)	(66.6)
Suppliers' credits	927	352	368	113	726	289	277	80	3,003	886	592	188
Financial Institutions	1,948	4,309	2,889	2,697	1,833	3,999	2,963	2,232	23,320	13,838	12,031	5,712
Bonds	227	227	—	—	112	203	—	—	2,557	758	—	—
Other	15	11	—	—	16	10	—	—	129	58	—	—
Total: by type of payment	3,865	5,376	3,338	2,861	3,513	4,910	3,329	2,356	34,410	17,597	12,957	6,023
Total: by type of debt	9,241		6,199		8,423		5,685		52,007		18,980	
Total debt service	15,440				14,108				70,987			

Source: Data provided by the Brazilian authorities.

1/ As of December 31, 1981.
2/ Public and publicly-guaranteed.

Note: Components may not add up to totals due to rounding.

COSTA RICA

Current Situation

1. Costa Rica is in the midst of an acute financial crisis. In July 1981, the government ceased to service its \$2.6 billion 1/ public external debt and for almost a year failed to pay the interest due on this debt. Until the new government took office in May 1982, almost no progress was made in resolving the crisis. This was the result, in part, of the former government's inability to undertake any actions that the IMF (and the Bank) believed necessary to improve the situation and also resulted from the creditors' insistence on a new IMF agreement as a precondition for rescheduling. Agreement on an IMF standby was finally reached in October on a one-year standby for SDR 92.2 million. This is to be considered by the Board in December and its approval should facilitate a rescheduling of Costa Rica's official and commercial debts.2/

2. The origins of the current financial crisis lie both in Costa Rica's dependence on volatile commodity exports and government mismanagement. Although the price of coffee (which accounted in 1977-79 for some 40% of export earnings) fell dramatically from its 1977 peak, and the exchange rate plummeted from 8.6 colones to the US dollar in September 1980 to 48 colones in April 1982,3/ government continued with its highly expansionary policies. Between 1978 and 1981, the trade deficit leaped from \$226 million to \$600 million, and public external debt jumped from \$830 million to \$2.6 billion. For a country of 2.3 million people, the debt is large--amounting to \$1130 per capita, or approximately 60% of 1980 GDP. Inflation in 1981 jumped to 65% and is now running at approximately 100%. Unemployment has also risen from 2% in 1978 to over 10%.

1/ In July 1982 the government resumed token payment of interest on debt due to commercial banks. In the course of 1982 approximately \$36 million in interest has been paid; arrears in interest now easily exceed \$300 m.

2/ Costa Rica has requested that a Paris Club meeting be held following approval of the IMF standby.

3/ Costa Rica has currently a 3-tier exchange rate: this comprises an official rate of c20:US\$1 which is applied to 10% of export receipts; an interbank rate of c40:US\$1; and a free market rate which has fluctuated sharply above the interbank rate but which has currently dropped to about c47:US\$1

Medium-Term Prospects

3. Agreement on the new IMF standby and, hopefully, a debt rescheduling are only the initial steps necessary to restore the economy to equilibrium. More fundamentally, domestic demand has to be brought into line with the country's present and prospective income. Simultaneously, a more efficient productive structure is needed to ensure some output growth and, in particular, to accelerate export growth. However, even realization of the past (8%) export growth level will be difficult given present world market conditions. Bananas and coffee account for almost half of Costa Rica's exports, and their market prospects are not promising. Also, the Central American Common Market, which had earlier absorbed most manufactured exports, is depressed.

4. Even under optimistic assumptions, the medium-to-long term prospects for Costa Rica are bleak. As a result of the severe foreign exchange constraint, little real GDP growth is expected during the 1980-85 period. Between 1985-1990, significantly higher GDP growth rates are possible only if it is assumed that higher than historic levels of productivity accompany the expected low level of investments throughout the decade.

5. Realization of these objectives is dependent on the government being able to retain over a prolonged period, a rigorous and austere program for structural adjustment. The Bank is advocating wide-ranging adjustment policies. These focus on management of the public sector, rejuvenation of the banking system and export acceleration. The Bank is also calling for a reduction in price and marketing controls, a strengthening of sectoral planning, and legislation to encourage private sector development.

6. The October agreement with the IMF, although politically difficult for the social democratic government, represents an important step in the restoration of stability to Costa Rica's economy. The main conditions include (i) a tightening of exchange controls and gradual unification of the interbank and free market exchange rates during 1983, (ii) a reduction in the public sector deficit from 15% of GDP in 1981 to 4.5% at the end of 1983 and, (iii) a 3.5% increase in basic interest rates for deposits to 25%. As conditions for Board presentation, government has already passed legislation to increase taxes and has also increased various tariffs and prices.

7. Even with implementation of the proposed adjustment measures and a massive debt rescheduling, Costa Rica will be dependent on large capital inflows. To assume any new significant private loans to Costa Rica during the next few years would be unrealistic, although a modest private inflow from capital repatriation and new investment now seems likely. Bank staff estimate that, at most, a gross annual official capital inflow of $350

million can be expected in the next few years. A rescheduling of commercial and official bilateral debt would immediately improve Costa Rica's net reserve position, which is now negative (including arrears) by over $500 million.

Assessment

8. Costa Rica's current difficulties are the direct result of highly expansionary domestic policies pursued since the mid-1970s, in the face of deteriorating terms of trade and despite warnings from both the IMF and the World Bank. Currently, the Bank's exposure in Costa Rica's outstanding external debt is $197 million or approximately 10%. The adjusted FY82-86 lending program for Costa Rica is $140 million, of which approximately $100 million is scheduled for FY83 and FY84. The Monge government has resolved the difficulties the Bank had previously experienced with delays in loan payments. The economic management capability of the new government is considerably superior to that of the former and it has undertaken, or is planning to take many of the necessary deflationary and adjustment measures. Agreement with the IMF, although difficult, has been reached but implementing the terms of the agreement will be equally difficult. Under these circumstances, continued Bank lending should be contingent on the government's success in implementing the IMF agreement and on progress towards rescheduling. In addition, lending should be strictly conditional on structural adjustment actions. An export sector loan, as a first phase of a structural adjustment operation, is planned for late FY83 and a structural adjustment loan, per se is planned for FY84.

GUYANA

Current Situation

1. GDP, which showed a small positive growth of 2% in 1980, declined by about 1% in 1981; preliminary projections indicate a further decline of about 5%-8% in 1982. The current account deficit which amounted to 17% of GDP in 1980 rose to 32% of GDP in 1981, primarily because of a 12% reduction in export earnings paralleled by an 11% increase in imports. The debt service ratio rose from 17% in 1980 to over 20% in 1981, while gross international reserves fell from about $7 million at the end of 1981 to about $0.5 million (or the equivalent of about one day's imports) at the end of March 1982. By the end of 1981, the public and public guaranteed DOD exceeded the GDP by about 3%; of a total public debt of $636 million, bilateral loans accounted for $280 million (44%) and the multilateral institutions $168 million (26%); the commercial debt of $188 million (30%) included $92 million owed to the international banking community and $61 million as compensation for the nationalization of the assets of foreign companies. Payment arrears on this debt amounted to about $10 million at the end of 1981, mainly on the bauxite nationalization compensation payments to ALCAN; these arrears reached about $30 million during the first half of 1982. In addition, external payment arrears on current transactions which amounted to about $46 million have risen to over $70 million during the first six months of 1982.

2. A number of factors, some beyond the control of the Government, contributed to this deteriorating situation. Rising prices and shortages of imported commodities fueled domestic inflation which was estimated at 22% in 1981 compared to about 13% in 1980; already in 1982 the prices of basic commodities have risen between 50% and 80%. Already low export earnings, due to weak market demand for bauxite and bauxite products, extremely low prices for sugar in combination with falling output are expected to decline by a further 25% in 1982.

3. Low domestic production in almost every sector (resulting in lower than expected revenue collection) and the failure of the Government to restrain public sector expenditures were responsible for an overall public sector current account deficit of about 13% of GDP in 1981. The position has worsened in 1982; although current expenditures are projected to fall by 10%, a sharp decline in revenue collection will result in a deficit of about 35% of GDP.

4. In 1980, the IMF made SDR 100 million available to Guyana to provide balance of payments assistance under an EFF arrangement; this was increased to SDR 150 million in 1981. Drawings rights under this arrangement were suspended by the IMF in September 1981, primarily because

the ceilings for public sector borrowing were breached; in July 1982 the Government cancelled the agreement. The Government also rescheduled two SDR purchases from January and April 1982 to May 1983 and has requested a further rescheduling of a purchase due on July 30, 1982. In February 1981, the Bank Group approved a Structural Adjustment Loan and Credit of $14 million and SDR 6.3 million, respectively. The release of the second tranche of this loan/credit was suspended in March 1982 because the Government failed to take agreed actions with respect to, inter alia, revision of the Investment Code and the preparation of an export action program; disbursements were resumed in July 1982 on the basis of actions taken to conform to the structural adjustment program. The payment arrears to ALCAN have been rescheduled, while the 1982 amortization payments (about $14 million) due to the commercial banks have been deferred for one year. China and Libya have agreed to reschedule their debts, but Canada, the United Kingdom, and the United States have indicated a preference for rescheduling arrangements to be made through the Paris Club, and the Government of Guyana has requested that a Paris Club meeting be held.

Medium-Term Prospects

5. The prospects for economic improvements are uncertain in spite of the country's good resource base. Improved economic performance will hinge heavily upon the adoption and implementation of policies to make production more efficient, to promote private sector investment and exports, to improve the performance of public enterprises, and to make government itself more efficient. In an effort to address these issues, the Government has recently retained a consortium of international bankers as well as management and marketing specialists to examine the viability of several public enterprises and to find joint venture partners to operate these enterprises.

6. A lasting recovery of the economy beyond 1982 can only be achieved by addressing the key constraints to production, viz., the inefficiency of the public sector, the overregulation of the economy, and the limited role assigned to the private sector. While the structural adjustment program supported by the Bank Group's Structural Adjustment Loan and Credit included a number of important measures required to begin addressing the main issues confronting the economy, in order to cope with the worsening external environment the program has to be strengthened. The Government is aware of this need and has adopted, in consultation with the Bank, an action program which aims at improving efficiency in production by strengthening and rationalizing public sector management, by limiting public sector operations and encouraging the expansion of the private sector, and by rationalizing controls and the regulatory framework.

7. Shortages of foreign exchange will continue to bedevil the Government's efforts to improve economic performance; this will clearly

affect the speed with which critical imported inputs can be supplied and production levels raised. In addition, a soft export market will continue to confront the bauxite industry and the inordinately low price for sugar in the international market is expected to persist for some time. With respect to the flow of external assistance, the difficulties which the country now faces in meeting its payment obligations has made external sources wary of additional involvement in Guyana. Export credit guarantee agencies in Canada, the United Kingdom, and the United States are no longer supporting credit facilities for Guyana, and very little non-project assistance can be expected unless the economic program adopted in May 1982 is satisfactorily implemented and negotiation of a program with the IMF held very soon. In this context, the completion and publication of an Investment Code providing clear and consistent rules for direct investment in Guyana is needed to catalyse private investment, and the support of the Bank for the Government's efforts to formulate such a code as quickly as possible should be maintained. Other actions recently announced by the Government include (a) the opening up of the domestic rice market to private traders and (b) the granting of concessions on duties levied on imports by export manufacturers.

Assessment

8. Guyana cannot be considered creditworthy for significant non-concessional borrowing pending further progress in the implementation of the economic action program. However, the Government is adopting measures to deal with the country's fundamental economic problems and has started to implement the action program referred to above. Faced with increasing financial and balance of payment deficits, the Government has moved towards further austerity measures such as layoffs of public sector employees (over 14,000 persons in 1982) and reduction in imports. Moreover, the Government has indicated its intention to reach agreement soon on a new program with the IMF. If satisfactory progress is maintained in these areas, the country's creditworthiness can be improved in the near future.

9. In 1981 the Bank Group accounted for 11% of Guyana's public DOD and 5% of total debt service; the Bank's share of total debt service is projected to rise to 8% by 1984.

HONDURAS

Current Situation

1. While Honduras has suffered much less civil disorder so far compared with its neighboring countries, the political turbulence in Central America as well as the current international recession, have contributed to a sharp deterioration in the country's economic performance and prospects. Private foreign lenders have been unwilling to increase their exposure in Honduras, significant outflows of private capital have occurred, and trade transactions with other CACM countries have become increasingly difficult. These factors, in combination with large current account deficits due to depressed export prices, high interest rates on foreign borrowings and continuing high levels of imports, have produced a liquidity crisis. Gross international reserves have dwindled to about 1.5 weeks of imports while arrears on principal payments mainly on commercial bank loans have started to accumulate.

2. To finance the current account deficits which rose from 8.6% of GDP during 1976-79 to 12.6 in 1980 and 10.8% in 1981, the Government has substantially expanded its foreign borrowing in recent years. Public external debt increased from $344 million or 23% of GDP at end-1976 to $1223 million or 45% of GDP at end-1981.1/ During this period, the proportion of total external public debt owed to private sources (suppliers' credits and financial institutions) increased from 13% to 30%. Reflecting this changed composition of foreign debt as well as the projected decline in export earnings in 1982, debt service due in 1982 as a proportion of exports has jumped to about 24%. This increase from 13% in 1981 also reflects the fact that a significant amount of foreign borrowing incurred or guaranteed by CONADI, a public investment corporation, was not previously included in the debt statistics.

3. The increase in foreign borrowings from private sources was accounted for largely by CONADI. A number of private enterprises, whose foreign loans were guaranteed by CONADI, as well as CONADI itself, are in severe financial difficulties and have been unable to service their loans. Most of the arrears on Honduras' external debt are arrears on CONADI's direct borrowings and guarantees to private enterprises, and it is mainly CONADI's debt which the Government is currently trying to reschedule. In total, Government is seeking to renegotiate about $225 million of public

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1/ Total external debt, including private non-guaranteed debt, increased from $458 million or 36% of GDP at end-1976 to at least $1400 million or 52% of GDP at end-1981.

debt; a rescheduling of principal is expected for about $100 million by the end of 1982.

4. Aside from a partial rescheduling of commercial bank loans, the new Centrist government of President Roberto Suazo Cordoba, the first freely elected civilian government in ten years, is pursuing an economic stabilization program involving cuts in government expenditures, increases in tax and tariff rates, and greater budgetary control over state enterprises. In support of this program, a standby credit and a compensatory financing facility (totalling $106 million) were approved by the IMF in November 1982. Among other conditions, a decision on the future of CONADI was required by the Fund as a pre-condition for the standby credit. The Government has requested further balance of payments support from the Bank in the form of a SAL.

Medium-Term Prospects

5. The short-term outlook for the economy is dominated by political uncertainties in the region as well as by depressed prices for the country's exports. Given these conditions, improvement in the balance of payments in the near term will depend largely on how well the Government's stabilization program succeeds in restraining aggregate, including import, demand, and on progress in completing a large sawmill and linked infrastructure, which will significantly expand lumber exports. Overall, growth in GDP is expected to be zero in 1982 with a slight recovery to 1%-2% in 1983. Assuming the the Government is able to obtain debt relief (mostly on the CONADI debt), the debt service ratio for 1983 would be about 19%, compared to 23% in the absence of rescheduling.

6. The last CPP (October 1981) projected a favorable but risky growth scenario over the longer term. The Government's large investment effort was expected to increase export capacity directly (e.g., investment in sawmills) as well as provide the infrastructural support for private sector investments in export-oriented industries. An economic recovery to a 4%-5% average annual GDP growth in the medium term was considered feasible. Central to this scenario was the restoration of confidence of the private sector. While appropriate Government policies (e.g., credit, interest rate and investment incentives) are expected to be pursued under the IMF standby, a recovery in private investment is likely to be determined more by a reduction of political tensions in the region.

7. Honduras' future prospects are also handicapped by a heavy debt service burden. The effect of the debt rescheduling being negotiated with commercial banks would be to spread out over a number of years the hump in debt service due in the short term. Debt service ratios in the medium term and perhaps longer would be in the order of 20% if export prices continue to be depressed. A debt service burden of this magnitude significantly increases the risk of recurring debt servicing problems

given the vulnerability of Honduras' balance of payments to fluctuations in export prices and adverse weather conditions.1/

Assessment

8. At the last CPP review, an IBRD lending program of $60 billion for FY82-83 was approved with the lending level of FY84-86 to be determined later based on the Government's fiscal performance. Given the general scarcity of IDA funds, none was allocated to Honduras. The CPP's base scenario showed that Honduras' debt service burden was likely to be manageable but that there were considerable downside risks due to the country's heavy dependence on coffee and bananas, whose prospects depend heavily on uncertain world market conditions and which are subject to heavy damage from hurricanes (bananas) and coffee rust.

9. More recent debt data show that the magnitude of Honduras' external debt had been underreported 2/; and also that commercial borrowings have grown rapidly. Also, because of prolonged recession in major export markets, the country's balance of payments difficulties have been more severe than expected and thus, the debt service ratio is now higher than previously anticipated. Consequently, even with a rescheduling of commercial bank debt, Honduras is likely to be saddled with a heavy debt service burden in the medium to long term future.

10. In light of these increased risks to IBRD lending, the need to condition future lending on improvements in the Government's economic management assumes greater importance. The political risks remain significant but should these risks materialize, more than marginal adjustments in the Bank's lending posture would be necessary. In this regard, we recommend that the level of future IBRD lending should be subject to: (i) satisfactory performance under the IMF standby program as well as the fiscal agreements between the Government and the Bank in the context of the Bank-supported El Cajon Hydroelectric Project; and (ii) efforts being made by the Government to improve the efficiency and management of state enterprises and autonomous agencies, reform their pricing and expenditure policies, promote exports, and define a medium term investment program.

1/ Hurricane damage to banana plantations in 1974, for example, resulted in a 43% reduction in banana exports between 1974 and 1975.

2/ As noted above, not all CONADI's external liabilities were included in the debt reporting system.

MEXICO

Current Situation

1. In sheer size, the magnitude of Mexico's crisis and the salvaging operations dwarf any previous crisis, including those of Britain and Italy in the 1970's and Poland's current crisis. Mexico has an estimated $80 billion external debt ($60 billion public, $20 billion private), of which approximately 40% is short term. A total of approximately $29 billion in public and private debt repayments (including short term) are due in 1982 plus almost $12 billion in interest. With the estimated export earnings of $31 billion in 1982, this is equivalent to a debt service ratio of some 130%. By mid-year it had become clear that Mexico would be unable to meet its 1982 borrowing requirements (about $25-28 billion). Bankers had become increasingly cautious in regard to Latin America as a whole and Mexico, in particular, and not only did Mexico's borrowing costs (both spreads and front-end fees) rise, but borrowing itself became more difficult as bankers became increasingly reluctant to accept higher rates and instead sought reassurances that the economic crisis was being resolved.1/

2. The mounting concern over Mexico in the international financial markets came to a climax on August 13 with the imposition of exchange controls. The transfer abroad of all foreign currencies was banned, domestic dollar accounts were frozen and trading in precious metals stopped. Although foreign exchange transactions have since resumed, there is little indication of a return to normalcy in the foreign exchange markets. The closure of the foreign exchange markets came only one week after the introduction of a two-tier foreign exchange system, which led to an immediate 40% devaluation of the peso against the dollar, and has subsequently brought the total depreciation of the peso for 1982 to some 150%.2/ The two-tier system established a preferential rate of 50 pesos to

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1/ The last jumbo credit arranged for Mexico this summer resulted in a sell-down of less than $400 million on a $2.5 billion credit. In London, Banamex had been struggling to complete a $150 million 6-12 month credit for Mexico--this would have met less than two days of the country's borrowing requirements. In July, Mexico paid an interest coupon of 18-1/2% on a $175m Eurodollar bond, the highest interest ever paid in the history of the Eurobond market.

2/ At the beginning of 1982 the exchange rates was 26.5 pesos to the dollar.

the dollar and an ordinary rate of 70 pesos.1/ The preferential rate is is primarily for the public sector and essential imports. Private companies can repay interest on debt at the preferential rate but have to repay principal at the higher rate. The tier system, however, failed to stem the dollar outflow from Mexico, leaving the administration no choice but to introduce exchange controls and to turn to the IMF for assistance, both of which had previously been anathema to the Government. The Government has also nationalized the commercial banks in order to control the movement of foreign exchange; this action has been criticized both within and outside the country as a retrograde step.

3. A major international rescue effort was immediately launched to prevent economic collapse in Mexico and support the hundreds of financial institutions with large outstanding loans in Mexico. The objective of the rescue effort is to pump about $5 billion into Mexico by end-1982 through a combination of US government actions, loans from international agencies and new borrowings from commercial banks, in addition to the restructuring of much of Mexico's external debt. The major elements of this package include:

Amount	Source	Availability	Terms
$1 billion	US Treasury	Immediate	Complex swap arrangement with the Treasury's Exchange Stabilization Fund, tied to future oil purchases from Mexico. The swap is to be reversed once Mexico is paid for the US oil purchases of this amount.
$1 billion	US CCC	October 1982 for one year	Funds to purchase US agricultural products.
$0.7 billion	US Federal Reserve	Immediate	Currency swap line.
$1.85 billion	10 Central Banks through BIS.	Immediate	Short-term credit of about three months maturity which can be extended for one year, to provide interim finance until Mexico can draw on IMF credits. The credit is to be drawn in three installments in line with Mexico's progress towards an agreement

1/ In November 1982, this became a three-tier system with a free rate (about 100-120 pesos to the dollar) operating in the border areas.

			progress towards an agreement with the IMF. The third, and final tranche ($0.6 billion) should be disbursed by December 1982. The loan is secured by oil and gas reserves and Mexico's holdings of IMF SDRs.
$3.9 billion	IMF	To be approved by IMF Board in early December.	(i) Mexico has requested an EFF amounting to 450% of its quota, or nearly $3.9 billion. An agreement has been reached whereby Mexico can draw this amount from the Fund over the next three years. Terms of the IMF package include reducing the 1983 public sector deficit to 8.5% of GDP from 16.5% in 1982; limiting new foreign borrowing to $5 billion in 1983; doubling domestic gasoline prices; doubling the 10% value added tax; reducing food subsidies; and a freeze on Government hiring. The exchange rate policy is also to be revised; most likely the three-tier system will be replaced by a preferential rate (of perhaps 80-90 pesos to the dollar) and a free market rate.
$1.0 billion	Private banks	Negotiated	The loan was dependent on completion of a credit agreement with the IMF.

4. In addition to this program, Mexico negotiated in August a 3-month moratorium on principal repayments on public debt to private banks. This was extended by an additional four months in November. In the absence of a rescheduling agreement on public debt by March 1983, an additional extension of the moratorium is anticipated in view of the Finance Minister's announcement that Mexico would pay no public sector principal before 1984. At the present time the private sector debt, which the IMF credit agreement does not address, remains the major stumbling block to the orderly resolution of Mexico's debt difficulties. Already interest arrears on loans to Mexico's private sector amount to several hundred million dollars. By the end of the year, the US banks will have to begin writing off a large part of these private sector loans (approximately $11 billion). In addition, the question of Mexico's interbank borrowings

(almost $7 billion) remains unresolved. Originally intended as short-term credit lines, these are not technically included in the repayment moratorium but, in practice, the international banks have no immediate means of recovering these deposits. Thus, until these two issues are resolved, the IMF's request to the commercial banks for commitments of new loans totalling several billion dollars in 1983 is likely to meet with a cool reception.

5. Although most bankers are viewing Mexico's problem as a liquidity crisis rather than a question of solvency, because of the magnitude and complexity of the crisis, its consequences will be far reaching. Domestically, the whole situation is extremely sensitive. To win approval of the IMF loans, Mexico will have to agree to an austerity program that will require cuts in government spending, less borrowing and fewer imports. Already zero economic growth is predicted for 1982 and 1983, compared to 8% growth in recent years. Fears are widespread that the IMF's conditions could spark serious social and economic tensions. Managing the labor unions will prove especially difficult.

Medium-Term Prospects

6. The immediate objective of the government is to overcome the current crisis and restore international and domestic confidence in the economy. This will depend, in part, however on whether the crisis proves to be simply a short-run cash flow problem or a question of longer-term solvency. In either case, given the magnitude of the crisis, it will take several years for Mexico to regain its lost credibility.

7. Five years before the oil boom, Mexico could have been characterized as a moderately successful, industrializing country with an underdeveloped agricultural sector, full-time employment for, perhaps, 60% of the labor force and a highly skewed distribution of wealth. The oil boom has not led to any fundamental changes, notwithstanding numerous positive policy measures introduced by the Portillo government (para. 8). Essentially, the oil boom resulted in a large inflow of petro-dollars which only fuelled already high levels of expenditure. Unrestrained government and corporate spending grew faster than the oil revenues permitted, leading to extensive borrowing on the international capital markets such that by 1981 Mexico had the highest level of foreign debt in the world and, notwithstanding oil revenues, current account and public sector deficits equivalent to 6.5% and 15% of GDP, respectively and a debt service ratio estimated at approximately 60%. Additional causes of the deterioration in 1981 and 1982 include the lower than expected oil revenues,1/ an over-valued currency (which in turn contributed to a drop in non-oil exports, tourism receipts and the flight of capital), higher

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1/ Energy exports represent about 75% of total merchandise exports.

international interest rates and accelerating domestic inflation, currently running at 100% p.a.

8. Although the prospects for the Mexican economy through 1983 are bleak, the economy is rich in resources and basically, many of the structural adjustment policies introduced in recent years should prove effective in the longer run. In place are an export-promotion scheme, a generous array of tax rebates to foster domestic investment, programs aimed at raising the low agricultural production levels, government investment programs in petrochemicals and minerals that will generate substantial additional export earnings and an infrastructure-building scheme that should improve distributional efficiency. If, in addition, the necessary austerity measures are implemented, an improvement in economic performance can be expected in the second half of 1983. By this time, the world economy may be recovering from the present recession and with possibly higher oil and commodity prices, the economy could be well on the road to recovery.

Assessment

9. On the surface, the Mexican crisis is the outcome of government mismanagement. Mexico appears to possess the natural resources and management capability to overcome the present difficulties. Domestically, however, where more than 40% of the population is under-employed, the necessary austerity measures will prove extremely costly. Internationallly, and because of the size of Mexico's debts, the crisis may have widespread repercussions both directly on private sovereign lending and indirectly, through increased government regulation of such lending.

10. As regards the World Bank, Mexico has currently the largest share in the Bank's portfolio (8.9% of DOD in FY81). The Bank's exposure in Mexico's external debt is quite low (about 6%) and its share in Mexico's debt service lower (about 3%). The adjusted FY82-86 lending program for Mexico is $2949 million. In view of the recent developments, the Bank has adjusted the structure of the lending program to accelerate projects (e.g., agricultural and industrial credit operations) requiring the least budgetary support. Simultaneously, major infrastructural-type projects, which require substantial local counterpart funding have been postponed until the situation improves. The Region is working to strengthen the Bank's policy dialogue with the government and future bank lending is to be tied to progress in appropriate policy adjustments. Also special efforts are being made to develop cofinancing arrangements with the commercial banks.

NICARAGUA

Current Situation

1. The civil war, which ended in 1979, dealt a severe blow to Nicaragua. The war itself was preceded by increasing incidents of capital flight, which continued during the conflict, resulting in a loss of more that $500 million; it was also accompanied by flight of human resources, thus further weakening subsequent recovery efforts. In 1980, sharply increased imports of food and the rise in oil prices (financed from external aid and substantial drawdown of the country's reserves) accompanied by a drastic drop in export receipts resulted in a resource gap of about $460 million or about 20% of GDP. In 1981, with export prices declining by 9% and import prices rising by 11%, a net loss of purchasing power of about 5% of GDP resulted, creating a resource gap of about US $340 million or 13% of GDP.

2. The decision of the new Government to repay all legitimate outstanding debts opened the way to systematic negotiations with its creditors. Arrangements were quickly completed with the multilateral agencies with respect to a debt of $664 million and by April 1980 all arrears of debt service to the IDB, CABEI, and the Bank were settled. With respect to debt owed to bilateral donors totalling $650 million, negotiations have either been completed (Spain) or are underway (Germany), in the case of the USA, discussions have broken down. Negotiations with the private foreign banks have also been completed with respect to the debt of the public sector ($582 million) and the nationalized banks ($180 million), while agreement is pending with respect to the debt ($30 million) of the nationalized enterprises. The responsible attitude of the Nicaraguan Government in these negotiations, coupled with the good relations of the new Government with many Western and Eastern European countries as well as the support of the USA, Mexico, and Venezuela, led to an unprecedented level of official capital inflows. Between 1979 and 1981, multilateral and bilateral agencies committed about $1120 million of assistance to Nicaragua and disbursed over $700 million. The total external debt more than doubled between 1977 and 1981, from $658 million to $1.7 billion (about 80% of GDP), while debt service payments as a percentage of exports rose from 14% to 30%.

Medium-Term Prospects

3. Short and medium term prospects are bleak. No GDP growth is anticipated in 1982, while 2% and 4% growth is projected in 1983 and 1984 respectively, even under the most auspicious circumstances. The overwhelming medium-term problem, however, will be a shortage of foreign exchange. The growth rate of exports is projected at between 9% and 11% during 1983-85, which appears very optimistic. Selective consumption

taxes, quantitative restrictions, and exchange controls will be imposed to restrict the growth of imports; these measures are expected to reduce the resource gap to 2.5% of GDP by 1985. The debt service ratio is projected to fall marginally to about 28% by 1985 on the basis of the continued inflow of assistance on concessionary terms, but will rise again to about 34% by 1990. External assistance on the scale experienced in the past is unlikely both because of lower availability of such assistance and because of its perceived misuse by the Government.

4. The projected export growth assumes the adoption of monetary, fiscal, and foreign exchange and pro-business policies which will facilitate export promotion, but the active participation of the private sector and improved efficiency in the state enterprise sector will also be critical. However, the private sector is still so uncomfortable with and suspicious of the Government that little action can really be expected from this source. On the other hand, while the Government has announced the adoption of relevant policy measures, the implementation of these has been slow.

5. The generous rescheduling terms provided in 1980 by the commercial banks was premised on the agreement that no new capital will be provided in the immediate future; thus, little if any market borrowing can be expected even if the lending risks were not as high as they are. One source of possible assistance is the IMF which in the last days of the Somoza regime extended a stand-by to the Government. The present Government, while receiving a consultation mission in late 1981, has been wary of the IMF and has made no formal request for assistance.

Assessment

6. The prospects for GDP and export growth are at best marginal, while the burden of debt service payments continues to rise; in these circumstances, Nicaragua's ability to meet its debt obligations must be questioned. Should the projected export growth not materialize and the inflow of external assistance decline, the prospects of further debt rescheduling will become real. Further, if the Government does not implement policy measures which address the many problems affecting performance output and the required structural adjustment, Nicaragua will continue to be uncreditworthy and there will be no justification for further Bank lending in spite of the low Bank Group exposure.

7. The Bank Group share of public DOD stood at 8% in 1980 and 1981; while its share of total debt service fell from 20% to 10%.

ROMANIA

Current Situation

1. Between 1977 and 1980 Romania's balance of payments deteriorated sharply, due primarily to a rapid increase in net imports of oil together with higher oil prices. To achieve its production and investment growth targets, Romania resorted increasingly to private external borrowing. As a result, Romania's hard currency debt 1/ (as reported to the IMF) jumped from $3.6 billion in 1977 to $10.2 billion by end-1981. In addition, Romania signed in June 1981 a 3-year $1.4 billion IMF standby agreement; this, however, was suspended in November due to arrears in payments to the commercial banks, even though all quantified standby criteria had been met.2/ Romania's external debt is backed by reserves valued slightly in excess of $2 billion,3/ and equivalent to three months convertible imports. The debt service ratio as a percent of convertible currency exports is estimated at 28% in 1981, up from 24% in 1980.

2. In January 1982, Romania announced its intention to seek a rescheduling of some $3.6 4/ billion or approximately 34% of total debt outstanding. Of this, $2.1 billion is commercial bank money; $0.7 billion government loans; $0.3 billion Arab bank loans; $0.2 billion from the Moscow Bank; and $0.3 billion from undisclosed sources. The Romanian government moved rapidly to reach an agreement with the commercial banks but discussions were slowed by a number of technical factors, not least of which was Romania's insistence on rescheduling suppliers credits and the unwillingness of the Arab banks and the Moscow Bank to reschedule. These issues, however, were resolved enabling a Paris Club meeting to be held in July at which an agreement was reached to reschedule payment of $400 million of official debt due either in 1981 or 1982. The agreement provides for converting this debt into a new 6-1/2 year loan with a three-year grace period. The Paris Club agreement, together with the resumption of IMF lending in June 1982, has facilitated the rescheduling

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1/ Romania's non-convertible debt is small ($386 m).

2/ The standby was renewed in June and, subject to Board approval in early December, Romania will have drawn SDR $310 million from the facility in 1982.

3/ With gold valued at end-1981 prices of approximately $420/oz.

4/ In the course of 1982, Romania will have rescheduled approximately $1.4 billion of commercial bank debt and $0.4 billion of official debt.

of Romania's commercial debt, an agreement on which should be signed on December 7.

3. In the case of Romania, market perception has proved an important determining factor of short-term creditworthiness. Romania's external debt and debt service ratio have grown rapidly in recent years, but given Romania's needs and prevailing conditions in the international economy, the rate of growth would have been less a cause for concern but for developments in Poland. These made the western banks increasingly cautious in their dealings with Romania, and thus made it more and more difficult for Romania to roll-over short-term debts or obtain new financing. As a result of past development strategies, Romania has serious structural difficulties. Past experience, however, suggests that government would have taken the necessary action and that, but for the tightening in the international capital markets, Romania's current difficulties would have been averted. Romania's hard currency external debt is not high and reserve coverage is adequate. In addition, Romania has a broad industrial and agricultural base and a stable, if totalitarian, government. Other than a reaction to the Polish situation, the banks' caution appears to be based on the maturity of Romania's debt--almost 50% becomes payable this year.1/ Additional factors influencing the market assessment were the reluctance of the Romanian government to be open in its dealings with the banks and the widely publicized projections by the Wharton Econometric Group, which predicted a rapid growth in Romania's external debt to $16 billion in 1982.

Medium-Term Prospects

4. Romania's current difficulties are the result of both underlying structural problems and the roll-over of short-term credits, which have been exacerbated by events in Poland. The present difficulties, notwithstanding, Romania's longer-run prospects are sound. Amongst the Comecon countries, Romania is one of the best endowed in terms of its agricultural potential and mineral resources (oil, gas, coal, hydro-electricity and uranium). Also, the government has a reputation for being willing to implement tough measures. If Romania is unable to resolve its current financial difficulties, the medium-term prospects and, in particular, Romania's oil needs will inevitably lead to a greater

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1/ Principal repayments on short, medium, and long-term convertible loans (including IMF credits), amount to $3.3 billion in 1982. Payments of interest and arrears bring the total financial obligation of Romania in 1982 to $5.7 billion. Based on estimated 1982 convertible currency export earnings and assuming that no debt rescheduling takes place in 1982, this would imply a convertible currency debt service ratio of 72%.

participation in Comecon and a closer relationship with the Soviet Union. As a result of the greater caution of of the western business banking community, Romania's trade with the west is likely to be curtailed and, unless Romania can expand its trade with the third world countries, will reinforce Romania's eastward moves.

5. Currently, the Bank's exposure in Romania's outstanding external debt is $1.15 billion or approximately 10% and the share in debt service, approximately 5%. Romania's share in the Bank's portfolio is 3.0% and is projected to fall to 2.3% in FY91. The adjusted FY82-86 lending program for Romania is $1474 million, with $320 million approved in FY82 and $270 million scheduled for FY83.1/ The Bank has not experienced delays in loan payments and there is no reason to presume that Romania would ignore the Bank's preferred creditor status.

Assessment

6. Once the 1982 debt rescheduling is completed, we propose that a full CPP be prepared reflecting the impact of the current crisis on Romania's development prospects and on the Bank's country assistance strategy. In addition, further lending should be strictly conditional on structural adjustment actions. Provided that Romania gives priority to payments on cofinanced loans, the Bank could best help Romania re-enter the capital markets by inducing the commercial banks to provide cofinancing.

1/ In view of the moratorium on foreign borrowing, Romania is not expected to borrow more than $66 million in FY83.

SUDAN

Current Situation

1. Sudan faces an external debt crisis. It is the result of the accelerated but poorly managed investment program which the Government undertook during the last decade and financed mainly through a rapid expansion in external borrowing, much of it on commercial terms. The country's external debt (disbursed and outstanding) is currently estimated at around $7 billion (including short-term debt and arrears) or eight times export earnings and about 100% of GDP. The expansion in external borrowing and investment spending did not result in a commensurate increase in debt servicing capacity. In fact, the volume of exports declined during the decade because of the relative neglect of export-oriented investments, including the lack of maintenance of existing export-oriented public irrigation schemes.1/ As a result, debt service payments due increased to over 40% of exports by 1980/81. However, actual debt service payments have averaged only around 20% of exports during the last three years. The result has been a rapid build-up in arrears to $1.4 billion (IMF data) by the end of 1980. Sudan's arrears problem is probably one of the most difficult compared with those faced by other Bank Group borrowers.

2. Assisted by a British merchant bank (Morgan Grenfell, Ltd.), the Government has taken steps to reschedule its debt. In November 1979, the Paris Club agreed to reschedule about $500 million of arrears on principal and interest payments and of debt service on medium-term debt falling due up to June 1981. Within the framework of this overall agreement, separate bilateral agreements have been signed with members of the Paris Club. In December 1981, private banks also agreed to reschedule about $500 million of principal and interest payments. Following approval of a Fund stand-by program for SDR 198 million ($230 million), the Paris Club agreed in March 1982 to reschedule debt service payments due between July 1981 and December 1982. The Government has also been negotiating with trade creditors, mainly UK companies, on outstanding suppliers' credits.

3. Despite the debt relief provided by the above reschedulings, Sudan's future debt service burden remains unmanageable, with annual debt service amounting to around 100% of export earnings during the next few years. The Region's most recent projections show that even under optimistic assumptions about export and import growth, debt relief on the order of well over $600 million a year would be needed in the period

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1/ Cotton exports, the country's major source of export revenue, decreased from 1.5 million bales in 1970/71 to 0.4 million bales in 1980/81.

1982/83 to 1988/89 to keep the debt service ratio at 25%. As certain classes of debt will be difficult to reschedule (e.g. debt owed to multilateral institutions), average debt relief of this magnitude is not feasible unless future reschedulings of other categories of debt are made on very highly concessional terms.

4. Aside from further debt relief on softer terms than had been obtained so far, the resolution of Sudan's external debt crisis requires a comprehensive package of measures aimed at restoring macroeconomic equilibrium and improving the economy's growth and balance of payments prospects. In the context of the recently approved Fund Stand-by Program, the Government has devalued the Sudanese pound; adjusted tax rates on domestic sales and on numerous import and export items; and, abolished subsidies on essential consumer items such as petroleum and sugar. The Government has also announced its intention to remove subsidies on wheat and bread in the near future. Assisted by an IDA program credit, the Government has taken major steps to rehabilitate and restructure the agricultural sector. In this regard, a three-year public investment program which gives highest priority to the utilization of existing capacity and to export-oriented projects has been developed. Steps have also been taken to improve the performance of parastatal firms in sugar, textile, and cement industries, and domestic oil production has been actively pursued.

5. Central to Sudan's economic recovery and future debt servicing prospects is a reversal of the declining trend in export volumes (-8.3% p.a. over the period 1978/79-1981/82). For this purpose, an even sharper focusing of available investment resources on export-oriented projects is required, complemented by the introduction of an appropriate cost recovery and pricing system in the public irrigated subsector, strengthening the management of public irrigated schemes, and maintaining a realistic exchange rate. To augment the economy's foreign exchange revenues, additional measures to attract a higher rate of workers' remittances are needed. There is also an urgent need for improving the Government's capacity to undertake foreign exchange budgeting to ensure efficient allocation of available foreign exchange resources.

Medium-Term Prospects

6. Sudan's current debt difficulties are likely to continue in the medium term, and perhaps even longer, given the magnitude of the debt problem, the nature of its underlying structural causes, and the uncertainties about the response of aid donors to Sudan's need for concessional debt relief. The Government will have to pursue more vigorously than before a program of stabilization and structural adjustment to permit a modest economic recovery to take place. This program could entail significant political costs, as illustrated by the demonstrations in Khartoum early this year against the removal of consumer

subsidies. Provided the required stabilization and structural adjustment measures can be successfully carried out, there is some basis for optimism about Sudan's longer-run growth and creditworthiness prospects. In addition to rich agricultural resources, Sudan has the potential to be self-sufficient in oil during the 1980s.

Assessment

7. Because of overdue service payments, the Bank Group suspended the disbursement of Bank Group loans and credits to the Sudan in September 1981. The suspension was lifted in December 1981. Since then, despite its severe debt difficulties, the Government has managed to keep reasonably current its debt service obligations to the Bank Group.

8. IBRD exposure in the Sudan is limited to about $55 million (end-FY81) or 0.2% of the total IBRD loan portfolio. Debt service on this amount is projected to account for 1% to 2% of Sudan's total debt service. However, despite this limited exposure, it is not inconceivable that, because of the country's severe liquidity problem, there could be occasional delays in the servicing of Bank loans.

TANZANIA

Current Situation

1. Tanzania is in a severe economic and financial crisis. The current account deficit which was around 13% of GDP during 1980 is estimated to have increased further in 1981. External reserves have dwindled to only about a few days of imports, arrears on import payments have accumulated to about US $260 million and prompt servicing of external loans has become increasingly difficult. As a result, the country's access to commercial credit is virtually closed. Much of the industrial sector has ground to a halt, with capacity utilization reported at around 40%-50%. Most basic consumer goods are in short supply and available only in unofficial markets at much higher prices. The Government's large budget deficit has increased from US $535 million in 1980/81 to US $940 million in 1981/82, fueling an inflation rate which has risen from 9%-13% in 1979 to 30%-40% in 1981, depending on the price index which is used. Overall, GDP is estimated by the Government to have grown by less than 5.5% in 1979 and by about 3.6% in 1980. Most of the growth, however, has been accounted for by subsistence production, the data on which appear to be gross overestimates. There has been a fall in the monetary GDP in agriculture and industry.

2. In response to these difficulties, the Government has been trying to obtain more foreign assistance in non-project form and to improve incentives and services in the productive sectors, especially agriculture. In September 1980, the Government reached agreement with the Fund on a standby program which was to provide up to US $235 million over the subsequent two years. The program was suspended in December 1980 when the Government failed to meet agreed targets for retiring import arrears, curbing public spending and limiting the expansion of domestic credit. Since then, discussions have been held on a possible EFF program, but no agreement has yet been reached especially on such contentious issues as the need for devaluation, reduced price controls, and higher interest rates. Fund/country relations have been increasingly strained in recent months with President Nyerere denouncing in public the "unrealistic" advice of certain outside institutions and countries.

3. In support of an Export Rehabilitation Program, IDA provided in April 1981 a US $50 million credit. The measures which have been adopted included producer price increases for major export crops (coffee, sisal, and cashew nuts), establishment of a Special Agricultural Account at the central bank to channel a larger share of foreign exchange earnings back into the agricultural sector, a cash bonus for non-traditional exports and simpler export procedures, improvements in the quality of parastatal accounts, a review of the agricultural price-setting system, and the

preparation of an action program to improve essential agricultural services.

4. Further actions would have to be taken by the Government to provide a basis for economic rehabilitation and recovery. As identified in the recent CPP, the broad areas for reform should include: (i) the improved maintenance and utilization of existing capacity; (ii) reduced allocations and clearer priorities for public investment; (iii) improvements in incentives, including adjustments in exchange rates, a rational interest rate structure, and selected price decontrol; and (iv) reduced Government participation in and regulation of the economy.

5. The Government recognizes the need for further immediate action but does not want to be perceived as being dictated to by international institutions or other countries. For example, in announcing a recent devaluation of the Tanzanian shilling,1/ the Bank of Tanzania was careful to point out that it was "purely a domestic affair". An impartial Advisory Group has also been organized by the Government, at the suggestion of the World Bank, to provide guidance on a comprehensive program of rehabilitation and recovery. The recommendations of this group have formed the basis for a Structural Adjustment Program (SAP) for which the Government has requested support from the World Bank and the IMF. A Bank mission visited Tanzania in September to review the Government's SAP while the Fund and the Government are currently negotiating another stand-by arrangement.

Medium-Term Prospects

6. Without a comprehensive program of economic rehabilitation and recovery and the substantial increases in foreign assistance that this could trigger, a worsening of the current crisis is most likely. Indeed, with the continuing food import requirements resulting from another year of poor rains and the projected continued decline in coffee prices, the prospects would appear to be rapidly deteriorating. In addition, because of import arrears and increasing debt servicing problems and with most foreign governments no longer willing to extend export insurance cover, Tanzania's access to major new commercial and trade credits has been virtually choked off.

7. The projections of the recent CPP illustrate that even on the basis of optimistic assumptions with respect to export growth, investment efficiency and foreign assistance, Tanzania will find it extremely difficult to prevent further decreases in per capita GDP without a substantial increase in the economy's debt service burden. Based on an annual GDP growth rate of 3.6% (implying virtually no increase in per

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1/ On March 8, 1982 the Tanzanian shilling was devalued by 10% to a new value of 9.284 to the US dollar and pegged to a basket of currencies.

capita terms), the current account deficit could increase from US $692 million in 1980 to around US $1,100 million by 1985. Even if aid commitments remain at roughly the 1980 level in real terms, and Tanzania is able to avail itself of higher-level IMF facilities, the residual gap would still be sizeable at about US $190 million p.a. The debt service ratio would increase from 13.3% in 1980 to over 20% during the mid-80s even if the residual gap is financed on highly concessional, i.e., IDA terms.

8. Given the present aid climate, the substantial increases in concessional external assistance that Tanzania needs would be difficult to mobilize, especially since the country already receives a high level of aid per capita (US $34 in 1980). However, a number of traditional donors have expressed a willingness to increase their support provided a more comprehensive program of economic rehabilitation and recovery is implemented.

Assessment

9. Until 1979, Tanzania was a blend country receiving on average US $1 of IBRD resources for every US $2.70 of IDA money. In early 1980, IBRD lending was discontinued in light of the serious deterioration in the country's creditworthiness. Since then, the economic and financial crisis has become more acute, and prospects for the medium term are likely to remain very difficult. The Bank Group has not been insulated from Tanzania's debt servicing difficulties. In mid-June, Tanzania's withdrawal rights under all effective and not fully disbursed Bank Group loans and credits (with some exceptions) had to be suspended because of the Government's inability to settle debt service arrears. By mid-September, these arrears totalled approximately $10.4 million, of which almost $3.0 million was overdue by at least 90 days.1/ On October 29, following the settlement of most of Tanzania's arrears, the suspension of Tanzania's withdrawal rights was lifted.

10. Currently, it is estimated that the Bank accounts for 14% of Tanzania's external debt outstanding and disbursed (29.9% for the Bank Group) and 25.1% of the country's debt service (27.5% for the Bank Group). The relatively high level of Bank exposure reflects in part the recent series of debt write-offs benefiting Tanzania, which totalled US $277 million in 1978 and 1979. The Bank's share in debt service is projected to decline to 17.0% by 1985 (20.3% for the Bank Group), given the increased IDA component in the lending program and the growing need for capital from other sources.

1/ Excluding arrears on IBRD loans to the EAC corporations, which are jointly and severally guaranteed by Tanzania, Kenya, and Uganda.

ZAMBIA

Current Situation

1. As an economy which derives 95% of its foreign exchange earnings from copper, Zambia's economic performance is tied to the vicissitudes of the international copper trade. Since 1975, when the price of copper fell by 40%,1/ Zambia has been in an increasingly difficult economic and financial position. The shortage of foreign exchange has depressed economic activity, with GDP declining at an average annual rate of 1.7% from 1975-81.2/ As a result of this economic contraction as well as sizeable increases in expenditures on subsidies (mostly for maize consumption and fertilizer) and defense, the Government's fiscal accounts have come under serious pressure. External borrowings have had to be increased substantially to finance the large current account deficits in recent years. As of December 1981, Zambia's medium and long-term public debt (excluding net drawings from the Fund of around US $720 million) was almost US $2.0 billion, equal to 57% of GNP (compared with 27% in 1974) and 1.6 times the value of exports (compared with one-half in 1974). Foreign exchange reserves have dwindled to only about two weeks of imports while according to recent Fund estimates, arrears on import bills and remittances have increased to US $670 million.

2. With the support of the Fund, the Government has been trying to reduce the imbalances in the economy. A two-year stand-by program for SDR 250 million, agreed with the Fund in April 1978, was carried out satisfactorily. In May 1981, the Fund approved a three-year EFF program aimed at restoring balance in the fiscal and external accounts by 1983. In the context of this program, the Government agreed to reduce import arrears by about US $480 million over 1981-83, from US $590 million as of December 1980. In the event, import arrears instead of decreasing have continued to increase to about US $670 million by end-December 1981. The Government also failed to keep within the agreed domestic credit ceilings. Nevertheless, the IMF granted a waiver which allowed Zambia to draw the second tranche of SDR 180 million in November 1981. Including the first tranche, the Government was able to draw SDR 300 million under the EFF

1/ After a recovery in 1979-80, market demand for copper softened as a result of the recession in OECD economies. In 1981, the real price of copper was 16% below the 1979-80 average and 8% below the 1975 level.

2/ Copper production has fallen from an average annual level of 670,000 tons in 1975-78 to less than 600,000 tons, and production costs have increased to the point where copper mining, at the present world price and Zambian exchange rate, is a loss-making operation.

agreement, in addition to SDR 59.6 million from the Compensatory Financing Facility during 1981.

3. Negotiations on the content of the EFF program for 1982 proved difficult. The Fund suggested a 30% devaluation in order to restore the profitability of the copper companies. The Government did not agree with this given its effect on external payments arrears and on wage claims which the Government was afraid it may not be able to contain. In view of this lack of agreement on the need for devaluation and other issues, the EFF program was cancelled in July 1982. Negotiations with the Fund, however, are continuing with the aim of agreeing on a new stand-by agreement, provided there is some movement in the exchange rate and agreement on subsidies and "economic pricing" for controlled goods.

Medium-Term Prospects

4. The economy's short-term prospects are bleak. The price of copper which in June 1981 was being projected at $1.15/lb. in 1982 is now expected to average $0.85/lb., a 26% reduction. As a result, Zambia's export earnings in 1982 could fall to as low as $1200 million, or marginally below the depressed level in 1981 ($1220 million). This will aggravate the economy's already acute liquidity difficulties. Debt service on contracted medium and long-term debt will account for 24% of exports while repurchases of and charges on Fund drawings will account for another 13%. A stand-by agreement with the Fund, if it materializes, will provide little incremental foreign exchange to meet minimum import requirements, in view of large repurchases and charges on Fund drawings (US $150 million in 1982).

5. Over the medium term, Zambia's balance of payments problems are likely to remain severe. Even with a projected recovery in the price of copper and optimistic assumptions about future capital inflows, the need to reduce import arrears and repay contractual debt, including IMF drawings, will leave little foreign exchange for imports and other needs. Zambia's financial and economic difficulties could worsen to the point where the country is increasingly unable to fully service its contractual debt, if the projected recovery in copper prices is less than currently expected and/or copper production falls well below 600,000 tons. The latter is a likely outcome if foreign exchange shortages result in a deferral of capital expenditures needed to maintain production capacity.

6. Without successful economic diversification, the longer-term outlook for Zambia is one of secular economic decline and deterioration in creditworthiness. Based on what is presently known about Zambia's mineable reserves, copper production can be sustained at around 600,000 tons per annum provided an adequate rehabilitation and investment program is undertaken. However, with the depletion of reserves, copper production is expected to decline to perhaps 330,000 tons by the year 2000. In

addition, because many mines are nearing the end of their economic life, and areas to be mined in the future are deeper or farther away from existing hoisting facilities, the unit cost of mining is expected to increase by 2-3% per annum in real terms. On the other hand, there is scope for improvement in mining efficiency which could result in a net marginal decline in operating costs.

7. While other mineral resources are known to exist (uranium and perhaps petroleum) and there is some scope for growth in exports of manufactures, the greatest potential for developing new major sources of foreign exchange lies in the agricultural sector. In this regard, a number of steps have been taken by the Government to increase public investment in agriculture and improve production incentives. Further steps to promote structural change and diversification have been discussed between the Government and Bank in the context of the proposed Mining Rehabilitation Loan (IBRD $70 million, FY83).

Assessment

8. The Bank's exposure in Zambia is estimated at almost 18% of total debt service and of debt outstanding in 1981. The Bank has not been insulated from the effects of Zambia's foreign exchange crisis. As of mid-March 1982, Zambia was in arrears on IBRD loans in the amount of $14.1 million. The Government was notified that unless payments were kept current, disbursements from Bank Group loan/credit commitments would be suspended. The Government settled its arrears, and, until end-July, was current on its debt service obligations. By end-September, Zambia was again in arrears on IBRD loans by about $9.2 million, of which $8.9 million was at least 60 days past due. Zambia's withdrawal rights under approved commitments were suspended on October 1 but were restored on October 5 when when all overdue payments were received.

9. As noted above, Zambia's liquidity difficulties are likely to persist in the short to medium term. Even more important, without additional efforts to diversify production and exports, Zambia's basic solvency and, hence, continued creditworthiness for Bank lending are questionable. We recommend that Zambia be rated IIIc and that Bank lending be suspended for the time being. Resumption of Bank lending should be conditional on the successful implementation of an agreed IMF program and the acceptance by the Government of the conditions of the proposed Mining Rehabilitation Loan.

GHANA

Current Situation

1. Ghana's economic performance in recent years has been dismal. During 1975-79, per capita GNP is estimated to have fallen at an average annual rate of 3%; preliminary data for 1980 indicates a further decline of 0.6%. As a result of expansionary fiscal and monetary policies, the country has experienced rampant inflation with the rate of inflation accelerating to 116% during 1981. Although no firm data are yet available, the expenditure restraint policies adopted by the present Government are likely to reduce the rate of inflation in 1982. The acute overvaluation of the Cedi 1/ has reduced the incentive for export production and encouraged smuggling of both exports and imports with adverse effects on Government revenues. Exports of cocoa (over 80% of total export earnings) have fallen to half of the peak level of 549,000 tons achieved in 1964/65. Because of chronic foreign exchange shortages and Ghana's limited access to external capital, imports have had to be severely curtailed to less than what they were in 1970.

2. With Ghana's economic decline, shifts in political power in Ghana have been relatively frequent. Since 1977, the Government has changed hands four times, three via a military coup. The present Government headed by Flt. Lieutenant Jerry Rawlings assumed power in December 1981, ousting an elected civilian Government which had ruled since September 1979. Also in power from June 1979 to September 1979 before bowing out to make way for President Limann's civilian regime, Flt. Lieutenant Rawlings has justified his return on the failure of the former to curb political corruption and to arrest the deteriorating economic situation.

3. Ghana's medium and long-term external debt was estimated at about $1 billion at end-December 1980, or about 7% of GNP. Service payments on this debt are modest, about 6% in 1979 and in 1980, reflecting the concessional rescheduling which Ghana obtained under the Rome Agreement in March 1974 and the relatively modest levels of external, and largely concessionary borrowing, since then. Nevertheless, arrears on external debt service (including deposits awaiting transfer in payment of equity in foreign enterprises sold to Ghanaians under the Investment Policy Decree of 1975) amounted to SDR 47.4 million (US$54 million) at end-October 1981. The bulk of arrears, estimated at SDR 317.6 million (US$366.5 million), were on current payments. These arrears have inhibited Ghana's access to sources of external finance with the result that the country has not been

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1/ The black market value of the Cedi had by mid-1981 fallen to over c35 = US $1, compared to the official rate of c 2.75 = US $1.

able to increase its imports well above its export earnings. Thus, in spite of the economic decline in recent years, the current account of Ghana's balance of payments has recorded either small deficits or even a modest surplus.

Medium-Term Prospects

4. With its good human and natural resource base, Ghana has the potential to achieve a much better economic performance. However, given the severity of the economic crisis, even a modest recovery will require an overhaul of existing economic policies, supported by a significantly increased inflow of external assistance. Foremost among the measures required is a massive devaluation of the Cedi. This will have to be complemented by improvements in price incentives, support services and supplies of needed inputs to assure an expansion especially of cocoa and mineral production. In addition to the controls that have been effectively imposed on Government expenditures in recent months, an intensified revenue collection effort is needed to help reduce fiscal imbalances and inflationary pressures. There is also an urgent need to improve the quality of public administration and the efficiency of parastatal organizations.

5. The new Government has re-established a policy dialogue with the Fund and the Bank on the required stabilization and structural adjustment measures and is in the process of formulating a comprehensive program of policy and institutional reform. The program could provide the basis for a Fund stand-by credit and an IDA export rehabilitation credit, as well as increases in external assistance from other sources. Preliminary discussions on the likely policy content of the program between Bank/Fund staff and technical levels of Government have made only modest progress so far, and the Ghanaian delegation has returned to Accra to study the Fund's proposals. Whether a program can be devised acceptable to the Fund and Bank and to the highest political authorities in Ghana (the Provisional National Defense Council chaired by Mr. Rawlings) remains to be seen. In this regard, an indication that the PNDC may be prepared to take the political risks of a reform program is Rawlings' recent speech in Accra warning of "drastic economic policies" in the near future (as reported in the August 20 issue of the Washington Post).

Assessment

6. Total Bank Group exposure in Ghana is about 21% of the country's total debt outstanding and 16% of its total debt service. IBRD exposure alone is limited to 11% of total debt and 13% of total debt service. Since April 1977, no IBRD loan has been extended to Ghana and none is planned over the next five years. Ghana's IBRD debt accounts for 0.5% of the total IBRD portfolio.

7. The mid-September report on overdue service payments shows that Ghana is in arrears in its service payments to the Bank Group by $847,013 including $33,750 in arrears to IDA,1/ of which $626,238 was more than 30 days overdue.

1/ Excludes arrears in payments on the CIMAO loan jointly and severally guaranteed by Ghana, Ivory Coast and Togo.

LIBERIA

Current Situation

1. Since mid-1980, Liberia has been unable to meet its external debt obligations promptly. Stemming primarily from the large-scale commercial borrowing undertaken by the previous (Tolbert) Government to finance an OAU conference,1/ the country's debt problem has been exacerbated by political uncertainties in the aftermath of the April 1980 coup which have led to a flight of capital and skills. Salary increases decreed by the successor Government for the lower ranks of the civil service and the military also strained its capacity to service its debt, as did adverse external developments, i.e., the weakening in the markets for the country's exports and increases in oil prices and in LIBOR rates. In FY82 (July-June), the ratio of debt service payments (including IMF credit) to Government revenues had risen to around 26%, compared with an average of around 15% during FY76-78.2/

2. With support from the Fund in the form of a two-year stand-by arrangement for SDR 65 million, the Government introduced a stabilization program in July 1980. An IMF review in June 1982 showed that Government complied with the credit ceilings of the agreement, avoided short-term external borrowing, and introduced the necessary measures to increase revenues. But, there were also shortfalls in the Government's performance, e.g., the controls on expenditures of public corporations were not fully effective and there was some extra-budgetary recurrent expenditure. Overall, the budgetary deficit in FY82 was about $120 million (excluding grants) or 53% of Government domestic revenues.

3. Following agreement between the Government and the Fund on a stand-by arrangement, the Paris Club creditors agreed in December 1980 to

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1/ Between end-1976 and end-1980, disbursed debt to private financial institutions increased from $10.5 million in $136.6 million, including $60 million in the form of a syndicated Euro-dollar loan led by Chase Manhattan Bank. Total disbursed debt increased from over $206 million or 32 percent of GNP to almost $537 million or 53 percent of GNP during the same period.

2/ Since the US dollar is Liberia's currency, debt servicing difficulties manifest themselves as a Government budgetary problem rather than as a foreign exchange problem. Thus, the ratio of debt service payments to Government revenue is more relevant as a measure of debt servicing burden than the ratio of debt service payments to exports. The latter ratio was about 10% in FY80.

July 1980 and December 1981 of guaranteed export credits and loans from government agencies contracted before January 1, 1980. Ninety percent of these maturities were consolidated and scheduled to be paid over a 5-year period, with a grace period of 4 years. Ten percent was to be repaid in four installments, the first on the last day of the consolidation period (December 31, 1981) and the remaining at the end of July in 1982, 1983, and 1984. The maturities covered by the agreement amounted to $32 million or 36% of total debt service due from July 1980 to December 1981. However, the bilateral agreements that the Government was able to negotiate in implementation of the overall 1980 agreement covered only $19.4 million.

4. In December 1981, the Paris Club extended the debt relief arrangements agreed to in December 1980 for maturities falling due between January 1982 and June 1983. This additional debt relief amounts to almost $25 million, or about 20% of total debt service due during the period. Continuance of the 1981 Paris Club agreement after September 30, 1982 was however conditional on: (i) the Government reaching agreement with the London Club banks on debt relief on terms comparable to those agreed to by the Paris Club; (ii) rescheduling of debts to non-participating countries on comparable terms; and (iii) Liberia's eligibility for use of upper credit tranche IMF resources. Another one-year standby program with the IMF for SDR 55 million became effective at end September, 1982. At the same time, a CFF in the amount of SDR 27.7 million was also approved by the Fund. A rescheduling agreement with the London Club was reached in late November but is not yet effective.

Medium-Term Prospects

5. Debt relief obtained from the December 1981 Paris Club rescheduling will alleviate the Government's liquidity problem somewhat. With rescheduling, the ratio of debt service to Government revenues is expected to decline to 20% in 1982, from 26% if there had been no rescheduling. (The ratio of debt service to Government revenues including net IMF credit is projected to decrease to 13% from 20% without rescheduling.) If current discussions between the Government and commercial banks prove fruitful and commercial bank debt is rescheduled at the same terms as Paris Club debt, the pressure on the budget would be lightened significantly, with debt service declining to about 7% of Government revenues in 1982.

6. Debt relief on the terms provided so far is at best a short-term solution to the country's debt difficulties. Because of the relatively short maturities of rescheduled debt owed to Paris Club creditors, the ratio of debt service to Government revenue is expected to increase to more than 25% in 1983, and is projected to remain at around 27% until 1986. [If repayments of IMF credit are included, the debt service ratio would increase to 33% in 1983, and would increase further to around 40% in

1985 before declining to around 26% by 1987.] If commercial bank debt were rescheduled on the same terms as Paris Club debt, the resulting debt service ratios in the medium term will be somewhat higher.

7. It seems likely, therefore, that Liberia will require further debt relief in the medium term. The receptivity of Liberia's creditors to future requests for debt rescheduling will be influenced by, among others, the Government's efforts to improve its fiscal performance. A number of politically difficult steps in this direction have been taken by the Government as part of its IMF-supported stabilization program (e.g. removal of consumer subsidy on rice, a new national reconstruction tax on wages and salaries, increased excise taxes on beer and gasoline and reduction in recurrent expenditure). Further improvements, especially a reduction in the wage bill, are needed if the overall budgetary deficit is to be reduced to a more manageable level. On the assumption that recurrent expenditure growth can be restrained to 7% p.a. (compared to 30% p.a. during FY77-81) and revenues can be increased by about 11% p.a. over the medium term (3% in real terms), the overall budgetary deficit could be reduced from 10% of GDP in FY81 to about 5% by FY85. These projections imply a much tighter fiscal discipline than what the Government has shown so far.

8. Future improvement in the Government's budgetary position and debt servicing capacity also depends on the recovery of external demand and prices for Liberia's major exports--iron ore and natural rubber--as well as on the extent to which development efforts to exploit the country's relatively good natural resource endowment (e.g., gold and barite mining, coffee and cocoa projects) are successful in diversifying the economy and accelerating export growth. With respect to the latter, the restoration of investor confidence and maintenance of the traditional openness of the economy are of crucial importance.

Assessment

9. With its projected heavy debt service burden and as yet uncertain prospects for economic recovery, Liberia's ability to meet its future debt obligations on schedule is in doubt. As noted above, it is likely that further debt rescheduling will be required. Since international agencies as a whole account for about 50% of debt service obligations during FY83-85,1/ it is possible that international agencies could be drawn into future discussions of debt relief.

1/ Of the debt service due to international agencies, about 50% is owed to the IMF General Resources Account and 23% to the Bank Group. Liberia's debt servicing problem has also been reflected in its inability to repay Bank Group loans and credits promptly. As of November 19, 1982 Liberia's arrears on Bank Group loans and credits amounted to almost $341,000.

10. Because of the high risks attached to Bank lending to Liberia, we recommend that future Bank lending be extended only for enclave projects or on the basis of special security arrangements (as in the case of the Iron Ore Rehabilitation Project approved in December, 1981).

NIGERIA

Current Situation

1. The Nigerian economy is dominated by the oil industry which in 1981 accounted for 98% of export earnings, over 80% of government revenue and about 20% of GDP. Because of the glut on the world market, petroleum production, which in 1980 averaged over 2 mbd, fell to about 1.4 mbd in 1981; by agreement with OPEC Nigeria's 1982 production has been fixed at a maximum of 1.3 mbd. During the first six months of 1982, actual production averaged 1.1 mbd with a low of about 600,000 b/d in March. Since any substantial shortfall in oil revenues will have serious implications for the balance of payments, public finances and the economy in general, substantial direct assistance from other OPEC members has been promised in order to maintain as far as possible the flow of foreign exchange to Nigeria; the Government has not used this facility as yet.

2. Even if the OPEC-dictated production level is achieved, unless import levels can be contained and even reduced, a monthly trade deficit of $200-$300 million can be expected which, if not halted, could lead to a steady run-down of foreign reserves. Containment of imports will be politically difficult and will require changes in the system of granting import licenses, adjustment of the exchange rate, as well as the imposition of physical restrictions. In 1981, the Government proposed the gradual imposition of import restrictions, but the sharp decline of oil production and, as a result, export earnings in the early months of 1982, as well as the depletion of its international reserves forced the Government to impose immediately a virtual virtual freeze on imports. The reduction in petroleum earnings from $22.4 billion in 1980 to a projected $14.3 billion in 1982 also dictates a cutback in the public investment programs, as well as the flow of financial subventions to states, both of which are politically volatile issues. Already important capital investments (e.g. the railway from Port Horcourt to Makurdi) have been either delayed or suspended.

3. In 1978, public DOD amounted to $2.3 billion or 4% of GDP; it rose to $4.9 billion or 7% of GDP by 1981. The corresponding debt service ratios were 1% and 4%, respectively. Although the international financial community has grown cautious in its dealings with oil-dependent economies, this low level of debt provides the country with the flexibility necessary to exploit the financial market. International reserves which at the end of 1980 amounted to about six months of imports fell to less than three months by the end of 1981 as the lower oil revenues forced a sharp draw-down on reserves to finance imports; this trend continued into 1982 and reserves now stand at about $1 billion or the equivalent of about one month of imports, while accumulated arrears on short-term trade debts amount to approximately $5 billion.

Medium-Term Prospects

4. Nigeria's medium-term prospects will hinge on the performance of the oil industry, the diversification of economic activity, and the ability of the Government to control imports. The Federal Budget for 1983 is based on an oil production forecast of only 1 mbd and estimates of earnings from oil have been reduced to $14.3 billion and $16.6 billion in 1982 and 1983 respectively, because of both reduced export prospects and lower prices; further, planned investment in other sectors will need to be curtailed, leading to lower growth expectations in these years. GDP fell by about 5% in 1981 and a further decline of 2% is expected in 1982; a projected 3%-4% growth in 1983 is premised on the expectation of a recovery in the oil industry. The public debt is projected to rise from $4.9 billion in 1981 to $6.9 billion in 1982; a further increase to $9.4 billion in 1983, then to $14.9 billion in 1985 is anticipated because of the need to bridge the widening resource gap; the debt service ratio is expected to reach 9% in 1983 rising to over 12% by 1985.

5. At present, imports are running about 13% above the target of $1 billion per month set earlier in the year. However, the Government proposes an even further reduction to $840 million per month in 1983. The Government's ability to control import levels and achieve these targets will be a major test of its ability to manage the economy. Further, foreign borrowing by the state governments which usually requires the guarantee of the federal government will need to be carefully monitored and controlled and extreme vigilance exercised to ensure that state governments do not embark on capital projects which are inconsistent with national development priorities. But in the final analysis, the medium-term prospects will remain dependent on the fortunes of oil; the minimization of that dependence in the long run will in turn depend on the development of other sectors.

Assessment

6. The present difficulties of the oil sector underscore the importance of the Government's drive to diversify the economy and to provide broader support for the country's creditworthiness. However, unless the capital program in agriculture and industry can be financed, the country's dependence on the volatile oil market will continue.

7. The Bank's share of Nigeria's public DOD was 13% in 1980 but will decline to about 10% by 1984 if Nigeria is successful in meeting its external capital needs by borrowing on the private capital market. At the same time, the Bank's share of debt service payments will fall from about 14% in 1980 to about 6% in 1984. Nigeria's share of the Bank portfolio, which was estimated at 2% in FY81, is projected to rise to about 4% by FY90.

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

Office of the President

December 4, 1981

Dear Sue:

Attached as promised is the list of participants to the Seminar, along with the form showing their room assignments (I'll be going to the farmhouse myself).

Please note that the sessions will run from 9:00 a.m. until 12:30 p.m. and 2:30 p.m. to 5:30 p.m. (I think I gave you different hours last Tuesday.) Lunch should be served at 1:00 p.m.

I spoke with Bill Tharp about wine and he knows what to do.

I am planning to arrive at Wye no later than 6:00 p.m. on Thursday and look forward to seeing you there. Many thanks for your assistance.

Sincerely,

Olivier Lafourcade
Personal Assistant
to the President

Ms. Sue Turner
Aspen Institute for Humanistic
Studies
Post Office Box 222
Wye Plantation
Queenstown, Maryland 21658

November 18-20th 1982

World Bank Seminar, Wye Plantation, ~~December 10-12, 1981~~

Participants:

A. W. Clausen, President, World Bank Group
Moeen A. Qureshi, Senior Vice President, Finance
Ernest Stern, Senior Vice President, Operations
Nicolas Ardito Barletta, Vice President, Latin America and the Caribbean Regional Office
Warren C. Baum, Vice President, Central Projects Staff
Munir P. Benjenk, Vice President, External Relations
Roger Chaufournier, Vice President, Europe, Middle East and North Africa Regional Office
~~Hollis B. Chenery, Vice President, Development Policy Staff~~
K. Georg Gabriel, Vice President, Programming and Budgeting
~~Heribert Golsong, Vice President and General Counsel~~
Masaya Hattori, Vice President and Controller
W. David Hopper, Vice President, South Asia Regional Office
S. Shahid Husain, Vice President, East Asia and Pacific Regional Office
A. David Knox, Vice President, Western Africa Regional Office
Martijn J.W.M. Paijmans, Vice President, Administration, Organization and Personnel Management
Timothy T. Thahane, Vice President and Secretary
Willi A. Wapenhans, Vice President, Eastern Africa Regional Office
Mervyn L. Weiner, Director-General, Operations Evaluation
Hans A. Wuttke, Executive Vice President, International Finance Corporation
~~Olivier Lafourcade, Personal Assistant to the President~~
William S Humphrey, Secretary to the Managing Committee
Roy Southworth, Assistant to the President
{Eugene Rotberg, Vice President and Treasurer}
{Hugh Scott, Acting General Counsel}

Anne Krueger - Vice President, Economics and Research.

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Shiri Alon	15-Feb-17

Aspen Institute for Humanistic Studies

Aspen Institute at Wye Plantation
P.O. Box 222
Queenstown, Maryland 21658
301 758-2666

March 18, 1982

Mr. Olivier Lafourcade
Personal Assistant to the President
The World Bank
1818 H Street
Washington, D. C. 20433

Dear Mr. Lafourcade:

This acknowledges receiving the signed contract which confirms your conference November 18-20, 1982.

Very truly yours,

Sue Turner

Sue Turner

10/1

Bill,

Olivier ordered the wine & it is set aside for the Retreat. We should call Mr. Donner a couple of days before the Retreat & have the wine picked up.

Olivier will be back in ten days before he goes out on a mission again.

Mcern.

Directions

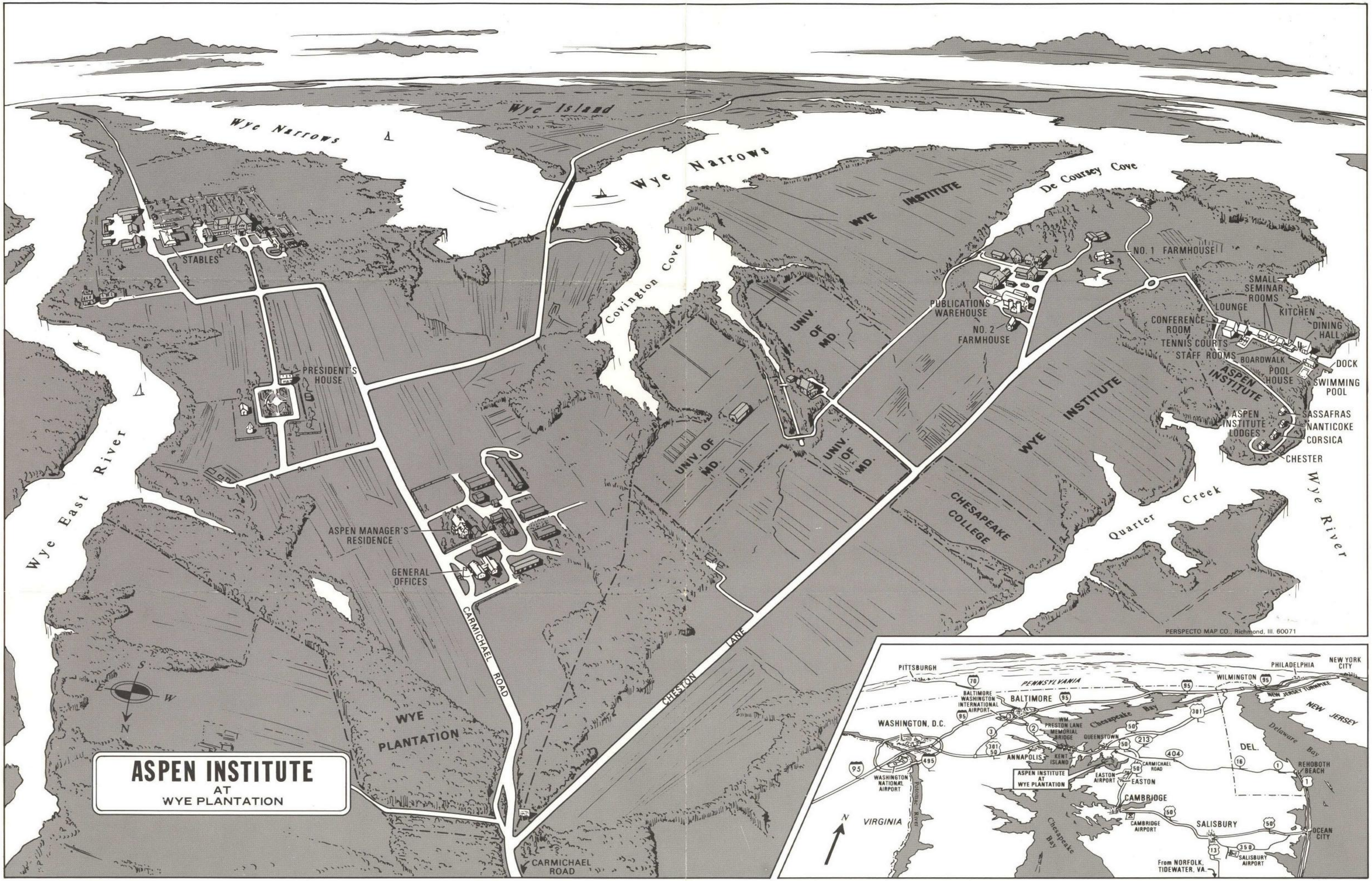
The Wye Plantation is approximately 65 miles from Bank Headquarters.

-- Take Route 50 East from Washington.

-- Cross the Chesapeake Bay Bridge, continue on Route 50.

-- 3 miles beyond the intersection of Route 50 and Route 301, turn right on Carmichael Road whose intersection with Route 50 is between the signs indicating mile 49 and mile 50.

-- Follow the signs indicating Aspen Institute and Wye Plantation. At the intersection of Carmichael Road and Cheston Lane, about 3-1/2 miles from intersection with Route 50, take a right on Cheston Lane and follow signs indicating Conference Center and Registration. Distance from Route 50 to Conference Center is about 5 miles.



Wye Island
Wye Narrows
Wye Narrows
De Coursey Cove
Covington Cove
WYE INSTITUTE
STABLES
NO. 1 FARMHOUSE
SMALL SEMINAR ROOMS
LOUNGE
KITCHEN
CONFERENCE ROOM
DINING HALL
PUBLICATIONS WAREHOUSE
NO. 2 FARMHOUSE
TENNIS COURTS
STAFF ROOMS
BOARDWALK
DOCK
POOL HOUSE
SWIMMING POOL
ASPEN INSTITUTE
UNIV. OF MD.
PRESIDENT'S HOUSE
ASPEN INSTITUTE LODGES
SASSAFRAS
NANTICOKE
CORSICA
CHESTER
UNIV. OF MD.
UNIV. OF MD.
WYE INSTITUTE
Wye River
Wye East River
ASPEN MANAGER'S RESIDENCE
GENERAL OFFICES
CHESAPEAKE COLLEGE
Quarter Creek
CARMICHAEL ROAD
CHESTON LANE
PERSPECTO MAP CO., Richmond, Ill. 60071
S
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ASPEN INSTITUTE
AT
WYE PLANTATION
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BALTIMORE
WASHINGTON, D.C.
WM PRESTON LANE MEMORIAL BRIDGE
Chesapeake Bay
QUEENSTOWN
ANNAPOLIS
KENT ISLAND
DEL.
Delaware Bay
CARMICHAEL ROAD
REHOBOTH BEACH
ASPEN INSTITUTE AT WYE PLANTATION
EASTON AIRPORT
EASTON
WASHINGTON NATIONAL AIRPORT
CAMBRIDGE
CAMBRIDGE AIRPORT
VIRGINIA
Potomac River
Chesapeake Bay
SALISBURY
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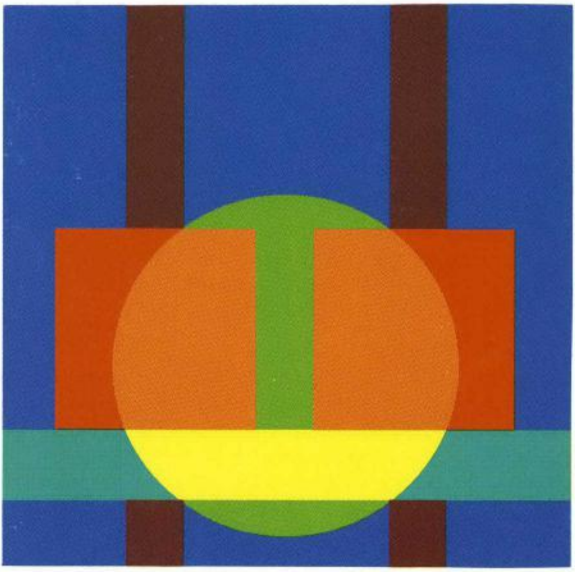

THE ASPEN INSTITUTE EXECUTIVE SEMINARS AND OTHER ACTIVITIES FOR CORPORATE LEADERS

The Aspen Institute Executive Seminars and Other Activities for Corporate Executives

Corporate executives from the United States and other countries participate in all activities of the Aspen Institute. These activities include work in three principal areas: the Executive Seminars, Corporation in Contemporary Society Seminars and other seminars for corporate executives focusing on personal values and the place of the corporation in society; Tradition and Modernization activities, and activities in the area of Governance.

The Executive Seminars

The Aspen Institute Executive Seminars provide senior corporate executives with an unparalleled opportunity to examine—jointly with representatives from other sectors of various societies—complex, fundamental human issues, to test themselves against the great ideas of the past and to respond to the challenges of the present. The seminars offer a reflective, educational experience focused on classic humanistic concepts, such as freedom, justice and equity, and on spiritual and religious values. They are rooted in the belief that to face contemporary challenges effectively it is necessary to step back and examine and profit from the wisdom of the past. Particular attention is given to relationships between the public and private sectors. Participating executives develop a fuller understanding of their own values, and of the value systems of their corporations and of other sectors of society in the United States and other nations.

Tradition and Modernization Activities

Tradition and Modernization Seminars and other activities examine major civilizations, religions, regions and nations by reviewing their history, culture and values, their present commitments to modernization, and their visions of the future. These activities stem from the view that a better grasp of one's own and of other civilizations is essential to the development of sound international relationships and policies in an increasingly interdependent world.

Governance Activities

Governance activities deal in broad terms with the governability of contemporary societies and the management of institutions, both public and private, that influence the ways in which society functions and the welfare of the individual within society. They focus on major inadequacies of present concepts and institutions in meeting the demands of the last part of the 20th century.

The three main elements of the Institute's program—the Executive Seminars, Tradition and Modernization activities and Governance activities—are interrelated and mutually reinforcing.

In each area the Institute focuses on relations between the public and private sectors, including the corporate sector, as participants seek to develop approaches to the basic issues of our time, to identify the implications of alternative approaches and to propose possible policies and actions for resolving issues.

Seminar Sites

The Aspen Institute's seminars and workshops are held at a variety of locations in the United States and abroad.

The campus at **Aspen**, **Colorado**, is where the Institute began in 1949. This 120-acre site includes meeting rooms, an auditorium, a library, an art gallery, lodgings, dining rooms and a health center. Executive Seminars and other activities are held at Aspen throughout the summer and during other seasons.

Baca, the Institute's new "pioneering" facility near Crestone in south-central Colorado, will be especially attractive to those seeking the rugged beauty and recreational challenges of the American West. At the base of the spectacular Sangre de Cristo range, the Institute's campus provides easy access to hiking, horseback riding, fishing and other athletic activities.

Historic **Wye Plantation** on the Eastern Shore of Maryland is Arthur A. Houghton, Jr.'s generous gift to the Institute. Guests are housed in newly-renovated buildings at this beautiful rural retreat, located a short distance from Washington, D.C.

Aspen Institute Berlin serves as a crossroads for interaction among North America, Western Europe and Eastern Europe. Workshops, seminars and meetings are held in a converted mansion, donated to the Institute by the City of West Berlin.

Punalu'u, on the Black Sand Beaches of the Big Island of **Hawaii**, has a gentle climate and a serene tropical setting. Participants reside in studio apartments at Sea Mountain.

An office in **Tokyo**, at International House of Japan, Inc., provides a base and meeting place for the Institute in Asia.

Fellowships

Participation in the seminars by persons from different sectors of society has been made possible by the following donors of funded fellowships:

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Korea – U. S. Economic Council
The Henry Luce Foundation, Inc.
The Joseph B. Martinson Memorial Foundation
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The Polsky Foundation
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Helena Rubinstein Foundation, Inc.
World Zionist Organization

ASPEN INSTITUTE FOR HUMANISTIC STUDIES

(Continued)

The Aspen Institute Executive Seminars and Other Activities for Corporate Executives

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Fellowships

"In the end, more than they wanted freedom, they wanted security. They wanted a comfortable life and they lost it all—security, comfort and freedom...When the Athenians finally wanted not to give to society but for society to give to them, when the freedom they wished for most was freedom from responsibility, then Athens ceased to be free."

Edward Gibbon

ASPEN INSTITUTE FOR HUMANISTIC STUDIES

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Federal Republic of Germany

Aspen Institute, The International House of Japan, Inc.
11-16 Roppongi 5-Chome
Minato-ku
Tokyo 106, Japan

Aspen Institute Pacific Center
Sea Mountain
Island of Hawaii, Hawaii 96777

July, 1982

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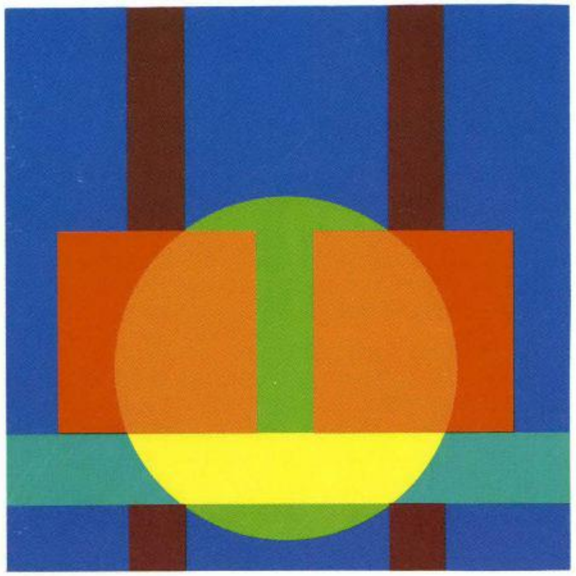


THE ASPEN INSTITUTE EXECUTIVE SEMINARS AND OTHER ACTIVITIES FOR CORPORATE LEADERS

Food, Water and Climate

Spring | **Aspen Institute at Wye**

Food, Water and Climate Annual Forum
A forum of leaders from key sectors of society will meet in spring, 1983 (and annually thereafter) at the Aspen Institute at Wye Plantation to assess progress, setbacks and trends in relation to food, water and climate. Experts will present recent developments, and participants will discuss implications of these developments for world affairs, including trade, world peace and security.

Justice and Society

July 10-23 | **Aspen Institute at Aspen**
August 7-20 | **Aspen Institute at Aspen**

Justice and Society Seminars
Two 13-day Justice and Society Seminars are scheduled in Aspen during the summer of 1983. These seminars provide opportunities for corporate counsel, practicing lawyers, judges, legal educators, public interest lawyers and others to grapple with the basic concepts of justice in our society.

Science, Technology and Humanism

August 14-20 | **Aspen Institute at Baca**

Workshop on Arms Control in Europe
A special workshop at Baca will focus on issues relating to arms control in Europe, including deployment of NATO weapons. Participants from different sectors, including business, government and the military, will review issues and discuss policy options.

August 21-27 | **Aspen Institute at Aspen**

Annual Arms Control Workshop
The Institute's annual workshop on arms control—now in its 10th year—will meet in Aspen from August 21 to 27. Experts from universities, government and the private sector, including business, will review one or more critical issues (to be selected) and consider policy options facing the U.S. public and private sectors.

Jobs and Work; Economic Governance for a New Era

Activities open to corporate executives in the important areas of jobs and work and economic governance for a new era, two major concerns of the Aspen Institute, will be announced later in the year.

APPLICATIONS AND FEES
Information on activities definitely or tentatively scheduled for 1983 can be obtained from the Institute in fall 1982 or later. Corporate executives (and others) wishing to participate in a particular Governance activity should register their interest in writing or by telephone to the New York or Washington offices of the Institute.

Fees for corporate executives vary considerably depending on the nature and length of the activity, its location and whether it is supported by grants or contributions.

Fees for a 13-day meeting may be comparable to those listed for an Executive Seminar or Tradition and Modernization Seminar of the same length: $4,000 for a single participant, $4,750 if the participant is accompanied by a non-participating spouse or companion and $6,750 if both the executive and spouse participate. Fees for shorter meetings are lower. Some Governance activities are totally funded from outside sources.

July, 1982

GOVERNANCE ACTIVITIES

Governance activities of the Aspen Institute deal, in broad terms, with the breakdown of concepts and institutions for governing societies effectively in the last part of the 20th century.

They are concerned with how institutions and the different sectors of society can work together to meet today's challenges with both fairness to the individual and social justice.

Corporate executives take part in most Institute Governance activities. Other participants include specialists in the subject under consideration, along with representatives from academia, government, labor, the media and scientific and cultural organizations in the United States and many other countries.

Governance activities range in length from brief consultative sessions to longer workshops and conferences. They are held throughout the year at the Aspen Institute's center for Governance at Wye Plantation near Washington, D.C., Aspen Institute Berlin or other locations in the United States and abroad. Most summer activities are located at the Institute's facilities in Aspen and Baca, Colorado.

1983 ACTIVITIES
Governance activities to be held in 1983 include some projects relating to broad issues of national and international governance and others on governance issues in specific areas.

Broad Issues of National and International Governance

Activities on broad governance issues already scheduled for 1983 include the ones listed below. Others are in the planning stage.

June 26-July 2 | **Aspen Institute at Baca**

International Symposium and Board of Trustees Meeting
The Aspen Institute's annual symposium on major international issues, involving Trustees, senior fellows and special guests from the United States and other countries, will meet at the Institute's new campus at

Baca near Crestone, Colorado, from June 28 to 30, just prior to the annual meeting of the Institute's international Board of Trustees. The main theme of the symposium will be the importance of the Third World.

July 3-9 (tentative) — **Aspen Institute at Baca**

Canadian-U.S. Conference

An international conference on relations between Canada and the United States, including historic relations and current issues, is planned at Baca in early July. Current and future policy options will be discussed by corporate executives, representatives from the Canadian and U.S. governments, media leaders and individuals from other sectors in the two countries.

August 13-21 — **Aspen Institute at Aspen**

U.S.-Japan Economic Relations Seminar

This eight-day seminar will provide senior U.S. government and corporate leaders with intensive, in-depth exposure to issues affecting political and economic relations between the United States and Japan. The seminar will be held at the Aspen Institute's long-established summer facility in Aspen, Colorado.

Governance in the Western Hemisphere

A series of brief meetings will review issues and recommendations from the Aspen Institute's 1982 report on Governance in the Western Hemisphere. Corporate participation is expected in these meetings, which will be held in the United States at Cambridge, Massachusetts, Chicago, Dallas, San Francisco and Washington, D.C. Meetings will also be held abroad, in Ottawa, Canada and throughout Latin America. Tentative sites include Bogota, Colombia; Caracas, Venezuela; Lima, Peru; Mexico City; São Paulo, Brazil and the Caribbean.

Governance Issues in Specific Areas

The Institute has carried out Governance activities for more than a decade in many of the specific areas listed below.

Communications and Society

July 10-16 — **Aspen Institute at Baca**
July 24-30 — **Aspen Institute at Aspen**

Communications and Society Seminars

The Institute's new series of Communications and Society Seminars builds on a 12-year record of activities investigating the ways in which communications policies, practices and technologies affect the functioning and values of society. The seminars assess the overall impact on society of technological and other changes in our information and communications systems. They involve leading figures in business, labor, government and the nonprofit sector who are not necessarily specialists in communications.

Education and Governance

Spring — **Aspen Institute at Wye**

Workshop on Federalism and Education

The third workshop on a new federalism relating to educational policy is planned for the Aspen Institute's center for Governance at Wye Plantation in spring 1983. The meeting will involve government officials, educators and corporate executives.

Energy and Governance

July 24-30 — **Aspen Institute at Aspen**

Annual Energy Policy Forum

Corporate executives are invited to participate in this annual forum on energy and the economy, an energy policy issues project of the Aspen Institute Committee on Energy. (The specific subject of the 1983 forum will be chosen later.)

August 21-27 — **Aspen Institute at Aspen**

Energy, Ethics and Governance Seminar

This seminar will both seek insights into the issues behind energy policy formation and apply ethical and humanistic values to energy policymaking. Subjects to be covered include the individual and society, energy and society, government and markets, and fairness in energy policy.

1983 — **Aspen Institute Berlin**

Workshop on Nuclear Power and International Security

A workshop will be held in 1983 at Aspen Institute Berlin in Berlin, Federal Republic of Germany, on closing the nuclear fuel cycle and building Alliance consensus on nuclear waste disposal. Business, government and media leaders, along with nuclear power specialists, will explore the technical, economic and safety-related aspects of direct disposal of nuclear waste as opposed to fuel recycling. (Dates for the workshop and further information will be available later in 1982 from the New York and Washington offices of the Institute.)

First 20 Years of Life

July 17-23 — **Aspen Institute at Baca**

Annual Forum: Options for Youth

The 1983 annual forum of the First 20 Years of Life project will explore options for youth—how our society can better meet youth needs in the areas of education, work and service so that youth will form a more productive part of society. Ernest L. Boyer, a special adviser to the Institute and President of the Carnegie Foundation for the Advancement of Teaching, will moderate. Participants will include corporate executives as well as representatives from education, government, journalism, the military and other sectors.

TRADITION AND MODERNIZATION SEMINARS

Tradition and Modernization Seminars to be Scheduled
A number of other Tradition and Modernization Seminars will also be held in 1983 and 1984.

Because of the value deriving from continuity in exploring regions, countries and religions over a period of several years, the Institute will once again hold seminars on at least the following subjects covered in 1982 and earlier: (1) Britain: Past, Present and Future, in the United Kingdom; (2) Buddhism/Confucianism: Past, Present and Future, in the Republic of Korea; and (3) the Nordic Countries, in either Scandinavia or the United States.

Other Tradition and Modernization Seminars planned for the next several years include 13- and eight-day meetings on the ASEAN Countries: Past, Present and Future; Europe (East and West): Past, Present and Future; France; India; Indonesia; Latin America; the Mahgreb; the Mediterranean World; Nigeria, and North America (Canada, Mexico and the United States).

As dates are set for these seminars, information will be available from Aspen Institute headquarters in New York.

Seminar Fees
Fees for corporate executives for all 13-day seminars are $4,000 for a single participant, $4,750 if the participant is accompanied by a non-participating spouse or companion, and $6,750 if both executive and spouse participate.

Fees for the eight-day seminars are $3,750 for a single participant, $4,250 if the participant is accompanied by a non-participant, and $6,000 if both participate.

Fees cover all costs of accommodations and meals, as well as seminar readings and extracurricular activities during the seminar period.

Aspen Institute fellowships and contributions from corporations and foundations in support of these seminars make possible the participation of experts from various sectors of society here and abroad.

For more than a decade the Institute has explored the world's major civilizations and religions, regions and countries through seminars and other activities organized under the broad heading "Tradition and Modernization."

Tradition and Modernization activities examine historical cultures and values to determine which have been discarded and which retained; contemporary economic, political, social, cultural and spiritual commitments, including societal and individual values; and visions of the future, including challenges ahead and plans for meeting these challenges.

These activities reflect the view that a better grasp of one's own and of other civilizations is essential to the development of sound international relationships and policies in an increasingly interdependent world. These activities seek to develop new perspectives—perspectives that can be attained only by examining in an integrated way the past, present and future of nations and peoples and their beliefs.

Regions, countries, peoples and religions covered by Tradition and Modernization Seminars in recent years have included Asia, the Arab World, the Nordic Countries, Britain, China, Japan, Korea, the United States, Indian America, Buddhism and Monotheism.

Nature of the Seminars
Seminars range in length from eight to 13 days. Discussion is based on specially prepared readings, including materials from the past and contemporary writings. Skilled moderators are drawn from ranks of specialists in the area covered by the seminar and/or persons particularly knowledgeable about culture, values and spiritual questions.

In 1982 moderators included Thornton F. Bradshaw, Vice Chairman of the Aspen Institute and Chairman and Chief Executive Officer, RCA Corporation; Alan Bullock, Aspen Institute Trustee and Senior Fellow and Fellow of the British Academy; Harry Harding, Jr., Professor of Political Science, Stanford University; Jamake Highwater, Native American author and cultural critic; Waldemar A. Nielsen, Aspen Institute Senior Fellow and consultant to the Atlantic Richfield Company; Robert Oxnam, President, The Asia Society; Hugh Patrick, Director, Economic Growth Center, Yale University; Dwight H. Perkins, Director, Institute for International Development, Harvard University; Thomas Rohlen, specialist on Japan and business consultant; Dan V. Segre, Professor of Political Science, Haifa University; Richard Sneider, former U.S. Ambassador to the Republic of Korea; Colin W. Williams, Director of the Aspen Institute's Tradition and Modernization activities and Professor, Yale Divinity School; and Tadashi Yamamoto, Executive Director, Japan Center for International Exchange.

Participants in Tradition and Modernization Seminars include, in addition to corporate executives, leaders from academia, government, labor, the media, scientific and cultural organizations, specialized groups and international organizations in the United States and many foreign countries.

1983 Seminars

Corporate executives are invited to participate in any of the following Tradition and Modernization Seminars already scheduled for 1983:

March 5-13 **Aspen Institute at Wye**

U.S.A.: Past, Present and Future

This eight-day seminar will explore the history, current critical issues and future challenges and opportunities facing the United States. Participants will be mainly corporate executives, government representatives, and media and other leaders from foreign nations. A small number of U.S. leaders and specialists on U.S. history, current events and culture participate in discussion of important values underlying U.S. domestic and foreign policies. The seminar will be held at the Aspen Institute's new center on Governance at Wye Plantation on the Eastern Shore of Maryland near Washington, D.C.

July 2-10 **Aspen Institute at Baca**

Religion in the West: Past, Present and Future

The changing role of religion in the West, from the Reformation through the Enlightenment; the present state of religion in Western society; and the prospects for religion in the future will be explored in this eight-day seminar. Participants will include members of the Aspen Institute's Board of Trustees and Senior Fellows of the Institute. The seminar will be held in the Aspen Institute's beautiful new conference facility at Baca near Crestone, an old mining town in the San Luis Valley in southern Colorado.

July 31-August 13 **Aspen Institute at Baca**

An Asian Fortnight

Three concurrent seminars will focus on the past, present and future of China, Japan and Korea. Each individual seminar will provide opportunities for intensive examination over a 13-day period of the history, current scene and probable future of one of the three countries. Joint sessions and panel discussions involving all three seminars will enable participants and experts to examine issues common to the countries of East Asia, as well as relations between this region and other world areas.

August 13-21 **Aspen Institute at Baca**

Indian America: Past, Present and Future

This eight-day seminar will explore the history and traditions of Native American nations and peoples, their current concerns and their views of the future. Special attention will be given to interactions among Indians and non-Indian Americans through case histories on land claims, water rights, energy resource development, education and health. Participants will include approximately equal numbers of Native Americans and non-Indian Americans from Canada, Latin America and the United States. Seminar sessions will be supplemented by Native American cultural, ceremonial and religious activities. The seminar will be held at the Aspen Institute at Baca in southern Colorado.

Fees for the Corporation in Contemporary Society Seminar*

The fee for an unaccompanied participant is $3,750. The fee for a couple if one person audits but does not participate is $4,250. The fee for a couple when both participate is $6,000. All fees include the cost of lodging and meals as well as readings.

*Also applies to the Special Abbreviated Executive Seminar mentioned above under Executive Seminars.

1983 Corporation in Contemporary Society Seminars

February 19–February 27	**Hawaii**
Early registration is advised.	
June 25–July 3	**Aspen**
July 16–July 24	**Aspen**
August 6–August 14	**Aspen**

The Moderators

Moderators in both the Executive Seminars and the Corporation in Contemporary Society Seminars are responsible for maintaining the intellectual quality of the discussion, keeping the group working together and promoting openness and candor. Recent moderators of the two seminars have included:

Mortimer J. Adler
Director, Institute for Philosophical Research

Lisle C. Carter, Jr.
Former President, University of the District of Columbia

Jack T. Conway
Chairman, Renewable Energy Institute

Mohammed El-Zayyat
Former Foreign Minister of Egypt

Willard Gaylin
President, The Hastings Center Institute of Society, Ethics and the Life Sciences

Bohdan Háwrylyshyn
Director, Center of Education in International Management, Geneva, Switzerland

Ivan Head
President, International Development Research Centre, Canada

Theodore M. Hesburgh
President, Notre Dame University

Robert D. Kennedy
Executive Vice President, Union Carbide Corporation

William Kieschnick
President, Atlantic Richfield Company

Archie McGill
Vice President, Business Marketing, AT&T

Bill Moyers
Correspondent, CBS News

Zygmunt Nagorski
Director, Aspen Institute Executive Seminars

Margaret Osmer
Director of Programs, Council on Foreign Relations

Gus Tyler
Assistant President, International Ladies' Garment Workers' Union

Sir Huw Wheldon
Chairman, London School of Economics

Adam Yarmolinsky
Of Counsel—Kominers, Fort, Schlefer & Boyer

The Participants

Each seminar includes distinguished participants from outside the corporate community. Recent participants in Institute workshops and seminars have included Supreme Court Justices and Federal Judges, U.S. Senators and Members of Congress, key legislative aides, cabinet and sub-cabinet officers, foreign ministers, parliamentarians and ambassadors, senior military personnel, artists, scholars and scientists, university presidents and eminent faculty, labor leaders and executives of foundations and other not-for-profit organizations.

Among recent non-business participants have been the following:

Jonathan Bingham
United States Congress

Rodrigo Botero Montoya
Former Minister of Finance, Colombia

John Brademas
President, New York University

Joan Claybrook
President, Public Citizen Inc., Washington, D.C.

John W. Gardner
Founding Chairman, Common Cause, Inc.

Mark Green
Director, Corporate Accountability Research Group

Matina Horner
President, Radcliffe College

Bobby Inmann
Former Deputy Director, CIA

Barbara Jordan
L.B. Johnson School of Public Affairs, University of Texas

Mitsugi Nakamura
President, *Asahi Evening News*, Tokyo

Victor Navasky
Editor, *The Nation*

Edward L. Rowny
Chairman, United States START Delegation

John Paul Stevens
Associate Justice United States Supreme Court

Richard von Weizsäcker
Governing Mayor of West Berlin

Theodore Watkins
Chairman, Watts Labor Community Action Committee, Los Angeles

EXECUTIVE SEMINARS

The Concept

Since the beginning of the Aspen Institute more than 30 years ago, the Executive Seminars have been the core of all activities. Each seminar session brings together senior corporate executives and leaders from other sectors of society and other parts of the world for a period of intensive reading, discussion and interaction with each other.

The purpose of the seminars is to provide corporate decision-makers with the kind of insights and analytical tools not ordinarily a part of their management development.

Participants begin with study of the intellectual foundations of various civilizations. They move on to reflections on their own values and attitudes; and, finally, they emerge with a better understanding of the world around them and the rapidly changing responsibilities of business leaders like themselves. To the best of our knowledge, there is no comparable program.

The Premise

The Executive Seminars were designed with the belief that value considerations—whether explicitly stated or unconsciously assumed—are the basis for most significant decision-making. And to be effective, a manager must be conscious of this.

The Environment

Corporate executives today work in a highly complex environment. They are subject to increasing pressures from several constituencies, including legislatures, regulatory agencies, labor, environmentalists and other public interest groups.

At the same time, the rate of change is accelerating in every sphere—economic, political, social and attitudinal. This makes the task of management more and more difficult. Business leaders, therefore, can profit from a better understanding, not only of their personal and corporate value systems, but also of the value systems of other segments of our society.

The Format

The format of the Executive Seminar, like its purpose, is distinctive. Each session has twenty to twenty-five participants, two-thirds of whom are corporate executives. The others are leaders from government, labor, law, the media, education, the arts, the sciences and the humanities. They come from the United States and abroad. Each seminar group, guided by experienced moderators, meets in discussions every weekday morning and during several afternoons.

The Issues
The seminars are about issues as fundamental as justice, freedom, equality and property; shifting relationships among individuals, corporations, other institutions and the state; tensions between power and morality and between efficiency and fairness; and the nature of leadership.

The Readings
The discussions are based on a specially prepared anthology of major writings from the past and present. The anthology includes essential statements on human experience by authors such as Plato, Aristotle, Machiavelli, Adam Smith, Albert Camus, Karl Marx, Franklin D. Roosevelt, T.S. Eliot, Martin Luther King and Milton Friedman. Through these writings the participants are challenged to relate to the perennial concerns of mankind, as well as to each other.

The Aspen Institute Context
Participants in the Executive Seminars are encouraged to share in the ideas, individuals and institutions represented at the Aspen Institute by leaders from many disciplines. Mingling with the participants in other Institute programs is encouraged by public lectures, informal roundtables and commons-room dining.

Participation by Couples
The Institute encourages participation by couples in the Executive Seminars. Alternatively, one member of a couple may participate while the other audits sessions and takes part in all extracurricular activities. In this way, corporate and other couples are able to share a significant intellectual and social experience.

Fees for the Executive Seminar
The fee for an unaccompanied participant is $4,000. The fee for a couple if one person audits but does not participate is $4,750. The fee for a couple when both participate is $6,750. All fees include the costs of lodging and meals as well as readings.

1983 Executive Seminars

February 6–February 19	**Hawaii**
March 6–March 19	**Aspen**

Early registration for the winter sessions is advised.

June 19–July 2	**Aspen**
July 3–July 16	**Aspen**
July 10–July 23*	**Baca**
July 17–July 30	**Aspen**
July 24–July 30 (Six Great Ideas)**	**Baca**
July 31–August 13	**Aspen**
August 7–August 20**	**Aspen**
August 14–August 27	**Aspen**
August 20–August 28 (Special Abbreviated Executive Seminar)***	**Baca**
September 11–September 24	**Aspen**
October 2–October 15	**Aspen**

*Jack T. Conway, Chairman, Renewable Energy Institute, and Adam Yarmolinsky, Of Counsel, Kominers, Fort, Schlefer & Boyer, Moderators

**Mortimer J. Adler, Moderator

***A special seven-day seminar using selected readings. The fee is the same as for the Corporation in Contemporary Society. See below.

EXECUTIVE SEMINARS STAFF
Zygmunt Nagorski, Director
Deborah Durfee Barron, Deputy Director
B.R. Kraft, Jr., Consultant
Eva Popper, Associate Director
Catherine E. McGowan, Coordinator
David W. Brennan, Registrar
James E. Malone, Manager, Information Systems

SPECIAL EXECUTIVE SEMINARS COMMITTEE
Chairman: Jerry McAfee, Former Chairman and CEO, Gulf Oil Corporation
William L. Boyan, Jr., Executive Vice President, John Hancock Mutual Life Insurance Co.
Jack G. Clarke, Senior Vice President and Director, Exxon Corporation
Jack T. Conway, Chairman, Renewable Energy Institute
Howard W. Johnson, Chairman, Massachusetts Institute of Technology
Michael J. Johnston, President, Blyth Eastman Paine Webber
Bentley Kassal, Justice, Supreme Court, State of New York
Robert D. Kennedy, Executive Vice President, Union Carbide Corporation
Peter G. Kudrave, President, Group Arcon
Martin Meyerson, President Emeritus, University of Pennsylvania
John C. Sawhill, Director, McKinsey & Company, Inc.
Paul C. Sheeline, Vice Chairman and CEO, Intercontinental Hotels Corporation
L. Stanton Williams, Chairman, PPG Industries, Inc.

ASPEN INSTITUTE EXECUTIVE SEMINARS
717 Fifth Avenue, New York, New York 10022
(212) 759-1053
Telex—710 581 5508
(ASPENINST NYK)

July, 1982

THE CORPORATION IN CONTEMPORARY SOCIETY

The Concept
The Corporation in Contemporary Society Seminar is the major new element in the Aspen Institute Executive Seminars. It provides an in-depth examination of the role of the corporation in society today.

The Premise
The Corporation in Contemporary Society Seminar is designed to highlight the major challenges and dilemmas facing today's senior corporate officers. Never before has so much been expected from the private sector, nor have so many constraints been placed upon corporations. Among the powerful and frequently conflicting demands corporations face today are the pressures to increase productivity while safeguarding the interests of workers and their families; the obligation to promote environmental concerns and equal employment opportunities while assuring higher returns to stockholders; and the mandate to help determine public policy without themselves becoming more bureaucratic.

The seminar is concerned with questions of corporate legitimacy and governance. It explores the place of the corporation in the contemporary environment and how corporations interact with other major institutions, such as government, the media, the community and the family. And it examines the relations between corporations and their various constituencies, shareholders, directors, executives, labor, consumers and the public.

The Format
The Corporation in Contemporary Society Seminar takes place over seven days, beginning on Saturday evening, with departure the following Sunday. Each session has 20 to 25 participants, two-thirds of whom are corporate executives. The others are leaders from government, labor, law, the media and the public interest sector.

The Readings
The texts are chosen to illuminate the points where corporate issues and human values meet (and sometimes clash). Among the authors are Joseph Schumpeter, Murray Weidenbaum, Peter F. Drucker, Lester C. Thurow and Daniel Yankelovich.

The Aspen Institute Executive Seminars

717 Fifth Avenue, New York, New York 10022
212 759-1053

1983 Participant Application

Name (in full) ______________________________

Preferred informal first name (if different) ______________________________

Company or Professional Affiliation ______________________________

Position ______________________________

Business Address ______________________________

City ______________ State ______________ Zip Code ______________

Home Address ______________________________

City ______________ State ______________ Zip Code ______________

Business Telephone ______________ Home Telephone ______________

Name of organization or individual to be billed ______________________________

Address ______________________________
Street City State Zip Code

For which Seminar and Date are you applying? ______________________________

Alternative possible sessions ______________________________

Will your spouse accompany you? ______________ Spouse's Name ______________

If you and your spouse are applying for places in a seminar, please attach a separate Participant Application for your spouse.

Names, ages and sexes of additional family members accompanying you ______________________________

____

1. Please enclose a copy of your resume.

2. A check for $1000 payable to the Aspen Institute must be returned with this Participant Application for consideration of acceptance in The Executive Seminars. Tuition is payable in full upon acceptance by The Aspen Institute Executive Seminars and must be received 90 days before the beginning of your Seminar to guarantee your place.

   The tuition schedule is as follows:

   Executive Seminars and all other 13-day Seminars
   $4000 – single participant
   $4750 – if accompanied by non-participating spouse
   $6750 – if accompanied by participating spouse

   The Corporation in Society and all other 8-day Seminars
   $3750 – single participant
   $4250 – if accompanied by non-participating spouse
   $6000 – if accompanied by participating spouse

3. If an enrolled participant finds it necessary to withdraw, a replacement acceptable to the Institute may be substituted. Otherwise the following cancellation policies are in effect: tuition minus 25 percent will be refunded up to thirty days before the start of the Seminar; no refund will be made within the last thirty days unless the Institute is able to enroll a substitute participant (in which case tuition minus 25 percent will be refunded.)

____
Date Signature of Participant

Mr. Humphrey E1231

EXC/SMC82-12

OFFICE MEMORANDUM

TO: Senior Management Council

DATE: November 3, 1982

FROM: William S. Humphrey

SUBJECT: Retreat at Wye Plantation - November 18-20, 1982

Following Mr. Clausen's letter on the Management Retreat at the Wye Plantation this note provides some additional information on the arrangements.

1. Driving time to the Wye Plantation is about 1-1/2 hours from the Bank Headquarters. If you arrive at the Plantation between 6:00 and 6:30 p.m. on Thursday you will have time to check in before the cocktails scheduled for 7:00 p.m. Directions to Wye are attached.

2. On arriving at the Plantation, please check-in at the Registration Desk at the Conference Center (follow the signs on the road) where you will be greeted by Aspen Institute hosts who will show you to your room.

3. Accommodation is in single rooms, each with private bath and private telephone. All rooms are within walking distance of the Conference Center (the Center has a limited supply of umbrellas, therefore you may wish to take your own.)

4. The Retreat will start with cocktails on Thursday, November 18 at 7:00 p.m. in the Conference Center Lounge. Dinner will follow at 8:00 p.m. in the Center's dining room. After dinner drinks will be available in the Lounge.

5. On Friday, November 19, breakfast will be served from 8:00 a.m. in the dining room (buffet breakfast). The morning discussion session will start at 9:00 a.m. in the Center's Conference Room and will go until about 12:30 p.m. (with breaks for coffee). Lunch will be served at 1:00 p.m. The afternoon session will run from 2:30 p.m. until about 6:00 p.m. Cocktails will be served at 7:00 p.m. in the Lounge and dinner will follow at 8:00 p.m.

6. Saturday morning's schedule will be similar to Friday's. The Retreat will end after lunch.

7. Informal dress is suggested during the day. For dinner coat and tie would be appropriate.

8. For recreation Wye Plantation includes two tennis courts and a recreational room with a pool table.

9. The telephone number at Wye Plantation (Conference Center) is: (301)827-7400 or 827-7404 (Ms. Sue Turner is coordinator).

Attachment
Directions

November 18, 1982

Mr. Humphrey:

If you should have any emergency Thursday night or Friday night from 11 p.m.-7:30 a.m. Joe Wiltbank who lives on the Aspen property can be reached at his residence at 827-7403, also I can be reached at my home at 827-6071.

Danny Wright on the Aspen staff will be making a few logistical announcements Thursday evening before you go to dinner. At that time he will announce to your participants that if they should have any emergency late at night to call you in Boardwalk #6, you in turn would contact either Joe Wiltbank or me.

Thank you.

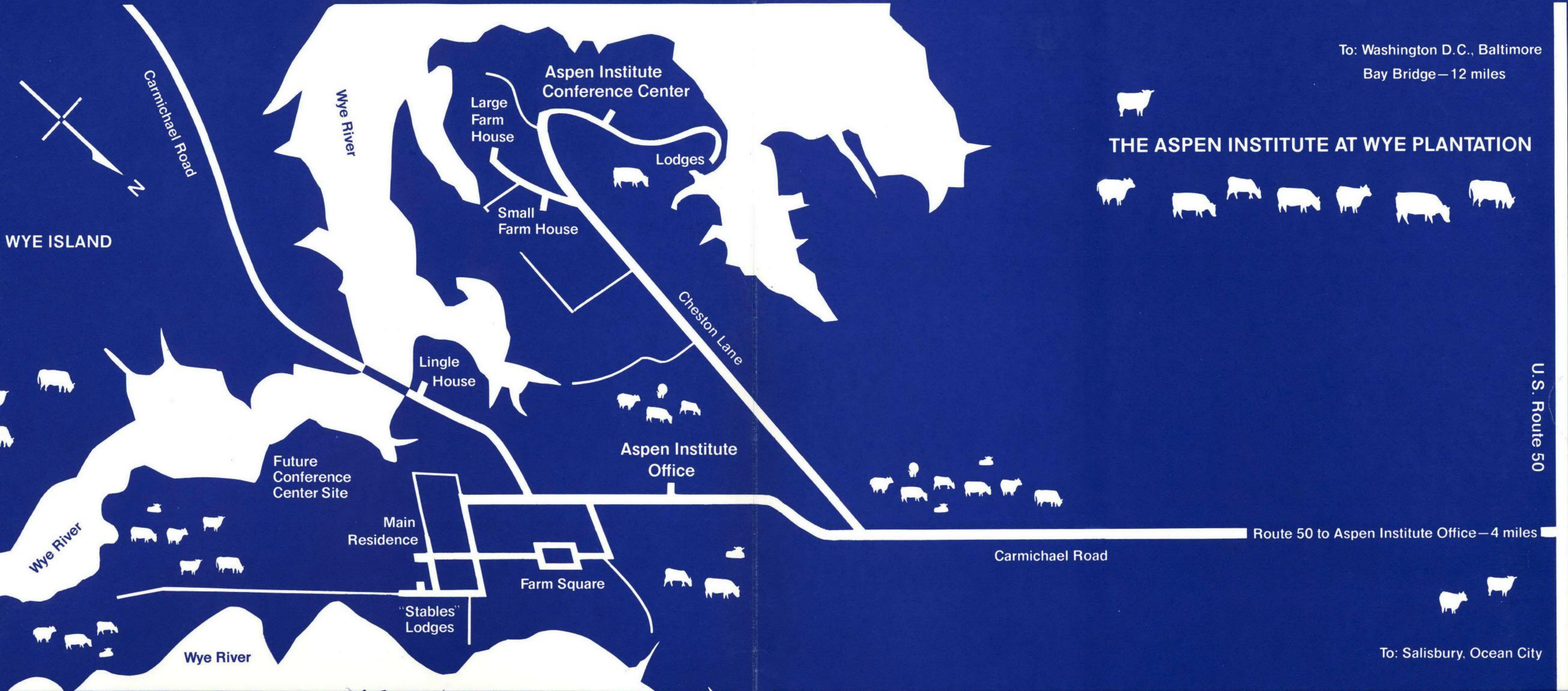
Sue Turner

Boardwalk #6

William Humphrey

Nov. 18-20, 1982 Retreat.

THE ASPEN INSTITUTE
AT WYE PLANTATION



THE ASPEN INSTITUTE FOR HUMANISTIC STUDIES

The Aspen Institute for Humanistic Studies, founded 30 years ago, is an international, nonpartisan, private organization that provides a neutral, independent forum for consideration, by able people from all sectors of society, in the United States and other countries, of viable approaches to the major issues of our time.

Among its principal activities are the Executive Seminars and related seminars for corporate and other leaders, focusing on the relevance for contemporary society of enduring ideas from the past. Its international programs explore such areas as communications; education; justice; and science, technology and humanism. A wide range of activities is directed to the critically important issues of Governance: issues relating to the ways in which societies—governments, institutions and peoples—can respond effectively to the often-conflicting pressures for social justice, fairness, efficiency and freedom.

The Aspen Institute at Wye Plantation is the Institute's new international center near Queenstown in Queen Anne's County on the Eastern Shore of Maryland. Because of its proximity to Washington, D.C., it is a logical center for the Institute's activities in the area of Governance. While the Aspen Institute at Wye is the Institute's main year-round campus, Aspen, Colorado, remains its primary summer home.

Wye Plantation and adjacent property have been given to the Institute by Arthur A. Houghton, Jr. Wye Plantation is rooted deeply in U.S. history: it was the home of William Paca, a signer of the Declaration of Independence, an early Governor of Maryland, a ratifier of the Constitution and a leader of the fight for the Bill of Rights.

The Institute's conference buildings at Wye were designed by Edward Larrabee Barnes. The setting of the campus, a wooded environment surrounded by water, is especially conducive to individual reflection and informal discussion in workshops and small conferences.

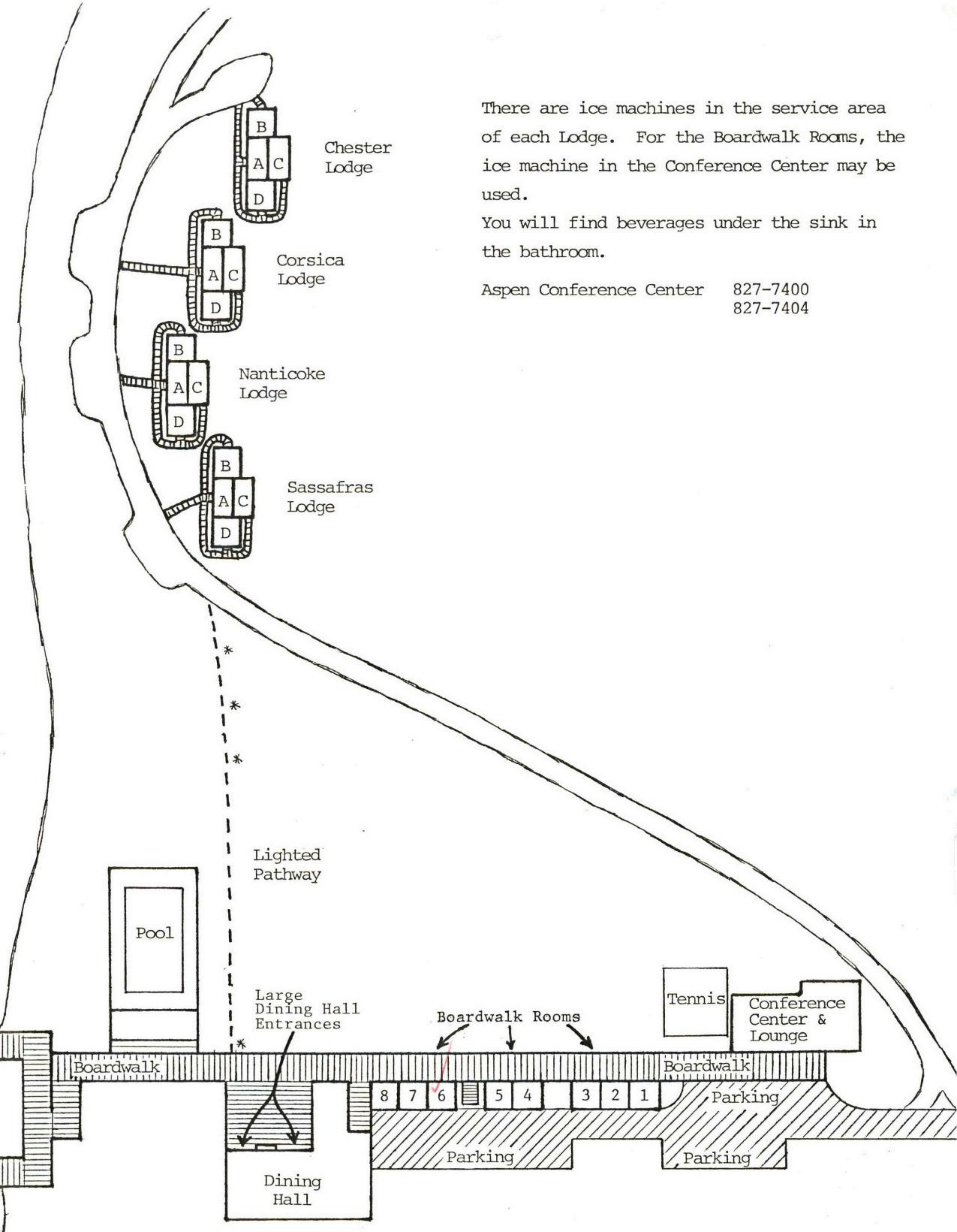
THE ASPEN INSTITUTE AT WYE PLANTATION
Box 222 Queenstown, Maryland 21658 (301) 758-2666

Designed by Needham, Harper & Steers Advertising, Inc.

There are ice machines in the service area of each Lodge. For the Boardwalk Rooms, the ice machine in the Conference Center may be used.

You will find beverages under the sink in the bathroom.

Aspen Conference Center 827-7400
827-7404



Room Assignments for:

Aspen Office: 301-827-7168
301-758-2666

Conference Center: 301-827-7400

Meeting: World Bank President's Meeting

Date: November 18-20, 1982

STABLES

No. 1
(827-7754)

No. 2
(827-7997)

No. 3
(827-8167)

No. 4
(827-8201)

No. 5
(827-8211)

No. 6
(827-8301)

No. 7
(827-8775)

No. 8
(827-8893)

BOARDWALK ROOMS

No. 1
(827-) Attila Karaosmanoglu

No. 2
(827-) Eugene Rotberg (Fri.)

No. 3
(827-) Judhvir Parmar

No. 4
(827-) Roy Southworth

No. 5
(827-) Hugh Scott

No. 6
(827-6956) William Humphrey

No. 7
(827-6955) David Hopper

No. 8
(827-6954) Martijn Paijmans

Sassafras Lodge

A (827-6267) Hans Wuttke

B (827-6268) Masaya Hattori

C (827-6269 Shahid Husain

D (827-6270) Warren Baum

Nanticoke Lodge

A (827-6275) Moeen Qureshi

B (827-6276) Roger Chaufournier

C (827-6277) Mervyn Weiner

D (827-6278) Munir Benjenk

Corsica Lodge

A (827-6262) A.W. Clausen

B (827-6263) Anne Krueger

C (827-6264) David Knox

D (827-6265) Georg Gabriel

Chester Lodge

A (827-6271) Ernest Stern

B (827-6272) Timothy Thahane

C (827-6273) Willi Wapenhans

D (827-6274) Nicolas Ardito-Barletta

FARMHOUSES

No. 1
(827-8763)

No. 2
(827-6136)

Wye Plantation

Aspen Institute's Eastern Frontier

The think tank in the mountains now brings decision-makers together at an idyllic Maryland estate.

By Douglass Cater

When Albert Schweitzer, the renowned philosopher, was invited to a celebration in Aspen, Colorado, during the summer of 1949, he made his first and only journey to America. He was under the false impression that he would be visiting a suburb of Chicago. Only after arriving in the Windy City did he learn he had a thousand more miles still to travel.

Aspen, swinging boom town of the late nineteenth century whose inhabitants feted Jenny Lind and dug great lodes of silver in the surrounding mountainside, had come on hard times. Silver was no longer worth the effort to dig, the great old Victorian houses were in decay, and the streets were heavy with mud. Only the glorious mountains rising in every direction and the air sparkling with sunshine like a dry white wine revealed Aspen's promise. Dr. Schweitzer, a Nobel laureate, had come to commemorate the 200th birthday of the

Douglass Cater, trustee and senior fellow of the Aspen Institute, also serves as vice chairman of The Observer *in London.*

M.E. Warren

Wye Plantation

great humanist Johann Wolfgang von Goethe. Before he and other celebrants departed, they had put Aspen back on the map and brought an idea into being.

Now, as the Aspen Institute for Humanistic Studies approaches its thirtieth birthday, there is no longer cause for concern about Schweitzer's ignorance of American geography. For the idea has grown into a worldwide enterprise that, many believe, can play a role in shaping the world's future. Now, a new institute frontier is being established nearer to the nation's capital. At Wye Plantation on Maryland's Eastern Shore, "governance" will provide the focus of the institute's activities—that is, the capacity of free people to continue to govern themselves.

There are three essential ingredients of the Aspen idea: first, to gather thoughtful men and women around the table, not across the table (to converse with rather than confront one another); second, to explore the great literature stretching from ancient to contemporary time not merely for artistry of language but for the power of ideas; third, to translate ideas into acts suitable to the challenge of our age.

Several people helped in the creation. Robert Hutchins, then president of the University of Chicago, initiated the proposal to commemorate Goethe and, not incidentally, to bring postwar Germany back into the world's civilized community. Walter Paepcke, president of American Container Corporation, had the vision of the mountaintop in Colorado as the ideal gathering place. Ortega y Gasset, while unable to come to the festival, sent a letter outlining a radical new design for education beyond the academy that would benefit mankind. Mortimer Adler, leading advocate of the great books as tools of awakening, played a major part in developing the curriculum. Herbert Bayer, artist and founding member of Germany's famous Bauhaus, provided the architectural design that was simple and provocative of cerebration.

Looking back, there were a few nongovernmental enterprises which made a difference in ushering America into its post-World War II role. The Aspen Institute has been one of them. Around its tables, in Colorado and elsewhere, important contacts have been made among corporate executives, labor leaders, cabinet officers, members of Congress, academicians, ethnic and other minority spokesmen, and foreign representatives. They meet and clash and often move toward subtle understanding. There are linkages established among ancient values such as justice, equality, freedom, leadership and the modern crises of industrial dispute, civil rights, fiscal policy, international conflict.

Over three decades, these Aspen encounters have involved thousands of decision-makers in American society as well as from other parts of the world. How can a measure be devised to weigh what has been the fruit of all this dialogue? It would be easy to dismiss the Aspen seminar as verbal catharsis—a method of letting off steam in a controlled environment. One wag, perverting Thorstein Veblen, described Aspen as "the leisure of the theory classes." A more meaningful assessment acknowledges America's awesome responsibility in growing up fast to assume a position of world leadership. This is not a responsibility that can be taught in traditional classrooms or communicated by the one-way flow of press and broadcasting or executed entirely by government experts. It requires widespread participation by those who make decisions in private as well as public enterprises. It means give-and-take with your idea pitted against mine. It means arousing the sense of history so we are not doomed to relive history's mistakes. It means caring about the values that have sustained mankind along the upward path.

Gaylord Freeman, a leading Chicago banker who later became vice-chairman of the institute, spoke of the born-again awakening that the Aspen seminar provides for executives well advanced in their careers: "As I look back over the past twenty-five years of my life, the single most significant experience that influenced my succeeding activities was my first two-week participation in the Aspen Institute Executive Seminar Program."

What happens at the table? Though identities must be protected, the scenario is on public view. The moderator, possibly a corporate executive, union official, or professor, opens the morning session with a trenchant summation of the reading assignment. It could be Machiavelli and the issue focused on the morality of *The Prince*. What should be the limits to vice by those in ruling positions if vice is being employed for beneficial purpose? This opens a Pandora's box of dilemmas afflicting the American conscience more particularly since the time of Vietnam, Watergate, and revelations of corporate bribery around the world. Machiavelli would countenance the Prince's lying and even killing for the greater good of the state. But John A., of U.S. Industries, Inc., has reservations. Then where would he—or Roger B., of Workers United, or Tom C., of the Department of State, or Sara D., from City University—draw the line? Hours pass, tempers rise and fall, laughter erupts, the moderator persists, and disciplined thought occurs. Though we live in an age vastly different from Machiavelli's, his ideas are lastingly relevant even when we reject them. So it is with Aristotle, Thomas Hobbes, Martin Luther King, Jr.

The Aspen readings provide a curriculum holding the seminar to a stern regimen. The environment, on the other hand, provides the leisure to permit quiet reflection. Engaged in this rigorous discourse, participants find time to explore the proposition put by Goethe two cnturies ago: "The question to ask is not whether we are perfectly agreed, but whether we are proceeding from a common basis of sentiment." What is remarkable about the Aspen idea is that it builds a common basis among many who vary quite widely in background and outlook.

A decade ago, the Aspen Institute established new frontiers. Robert O. Anderson, who succeeded Walter Paepcke as chairman of the trustees, brought on Joseph Slater to serve as president. It was a synergistic partnership. Anderson, a man close to nature, had used shrewd and intuitive wisdom to build Atlantic Richfield into one of the world's major multinational corporations. He recognized talent when he met Slater, a distinctly urban man whose career in government and philanthropy had combined the competing disciplines of thought and action. Both men found reward in institution-building, and the Aspen Institute has been the direct beneficiary.

They reached for international connections, recruiting such outstanding trustees as Alan Bullock, the Oxford historian;

Top: Around conference tables, business leaders, cabinet officers, and scholars make valuable contacts. Above: Ideas are traded in a spirit of understanding, rather than confrontation.

Marion Doenhoff, publisher of *Die Zeit* in Hamburg; Soedjatmoko, writer-statesman in Indonesia; and Saburo Okita, businessman-statesman of Japan. Institute outposts were established in West Berlin, with generous support from the West Berlin Senate, in Tokyo at International House, and in an all-weather conference facility on the big island of Hawaii.

Combined with this geographical outreach, the institute added "thought-leading-to-action" programs operating year-around. These concentrate on major areas of social concern such as communications, education, international affairs, justice, science, and technology. Unlike universities or government, the institute has avoided narrow specialization. Each program, headed by a director whose experience has combined both thought and action, seeks to consider the territory as a whole, to probe for symptoms of malady, to determine the trigger points for constructive change. Always in the foreground in planning program workshops are the linked questions: what sort of future are we building, and what happens to the human being? These are important questions, for as Henry Steele Commager argues, the present generation suffers from a failure to be mindful of posterity's claim. The sense of stewardship—of building for coming generations that inspired our founding fathers—has been neglected.

The Aspen Institute's success has been its capacity to stir this latent stewardship. Once removed from the tyranny of daily crises, participants discover a common identity in their quest to look at issues in the whole and over the long run, to weigh the alternative futures, to measure the trade-offs both good and bad, and to chart the steps that can lead somewhere.

Two years ago, the institute began to move toward the third major phase of its growth. President Slater prepared the paper on "governance" that, after careful review by the trustees, was adopted as the "overarching theme" of the institute. It posed the question: how well suited are our institutions, public and private, to serve fundamental values of society, freedom, order, justice? While not signaling a radical change in direction, governance provides the unifying purpose for a wide spectrum of the institute's activities.

It also has made inevitable a geographic shift away from Colorado, which remains summer headquarters, to a locale closer to the centers of decision. By remarkable coincidence, Arthur A. Houghton, Jr., soon approached Anderson to offer as a bequest his historic estate on Maryland's Eastern Shore. Only a short drive from the nation's capital, Wye Plantation, a long, low peninsula stretching toward the Chesapeake Bay, offers sharp contrast to Aspen's mountain peaks. It has a contrasting beauty with its countless fingertips of water probing the shoreline.

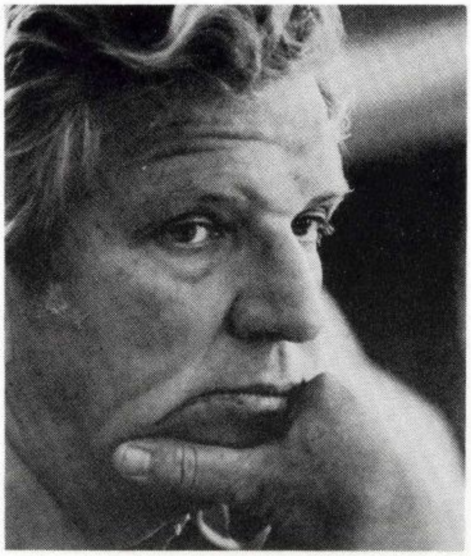
Time runs eternal in this pleasant land described in James Michener's latest novel, *Chesapeake*. Wye Plantation traces its pedigree much further back than Aspen; it was once the home of William Paca, who signed the Declaration of Independence and, as Maryland's governor, ratified the Constitution. Paca helped lead the fight for the Bill of Rights. The estate where he is buried provides a fitting site for the institute's endeavor to examine anew the fundamentals of governing, even while we observe the bicentennial of the thirteen-year span of nation-building, 1776–1789.

Already, Aspen Institute at Wye has begun its enterprises. A task force on presidential debates, cosponsored with the Twentieth Century Fund, has worked there to propose ground rules for the 1980 electoral contest. The Corporation for Public Television and the British Broadcasting Corporation leaders have convened to consider prospects and pitfalls of communications systems dependent on government assistance. A small group of the nation's top editors met to select best-writer awards for the American Society of Newspaper Editors. The Wye stables have been converted into comfortable living suites, and small farmhouses refurbished. The Wye Institute, founded by Houghton to support work on ecology and environment, shares use of its conference facilities. Wye conveys a spirit of serenity, and of historic purpose.

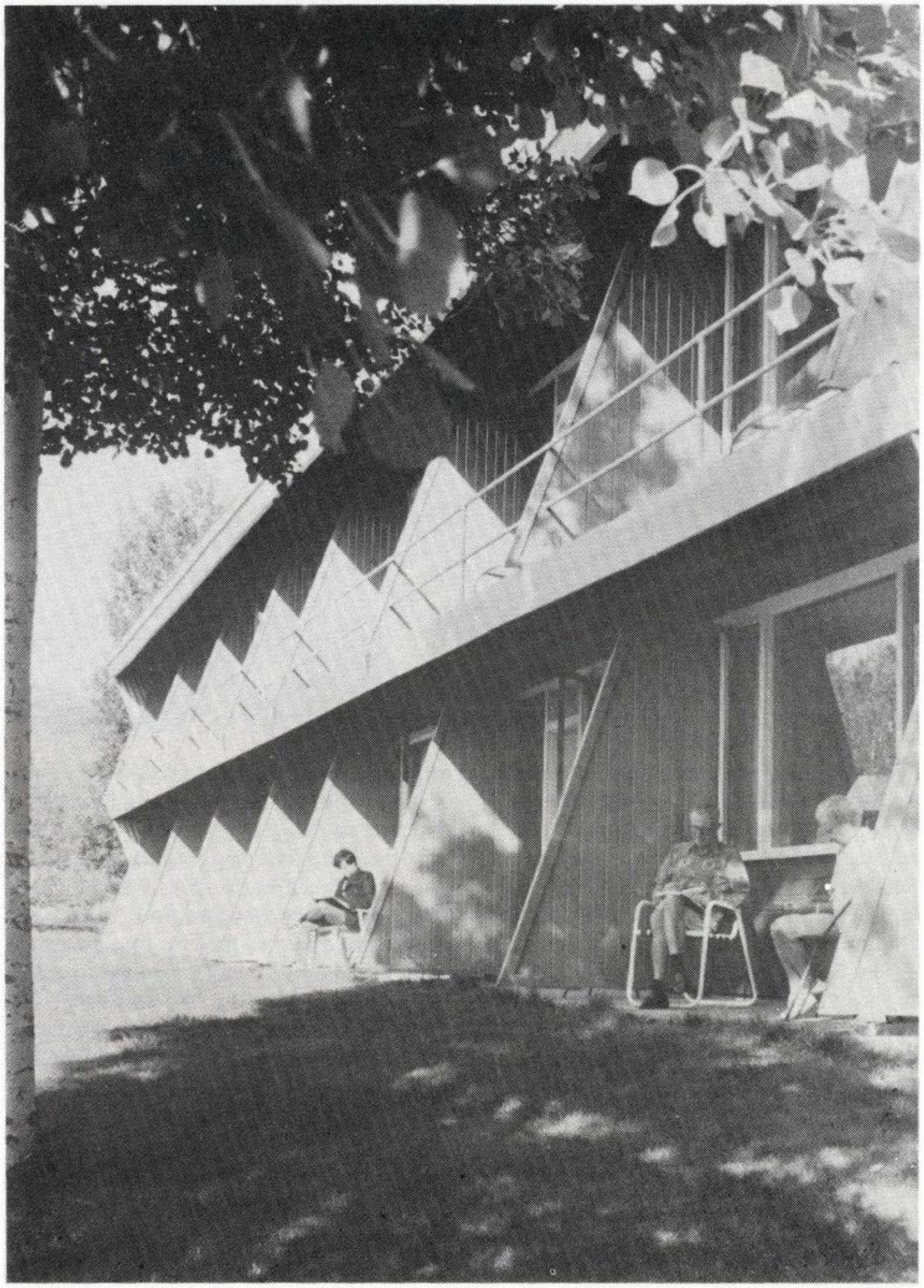
Here is a place where heads of state can gather in Houghton's splendid home and library; key members of Congress and the soon-to-be-elected parliament of Europe hold annual exchanges; executives, scientists, citizen leaders hammer out approaches to weapons control, energy policy, financing the future, which frustrate the confrontational gatherings of official government. The institute's program council provides both a scanning and planning mechanism for setting this agenda.

By autumn, additional lodgings will be complete. A master plan is being developed to provide the schema for the ideal use of Wye peninsula. Leafing through illustrative sketches, one senses that in the proper marriage of nature and architecture great prospects lie ahead. Washington, D.C., a world capital beset with the phantasmagoria of frantic events, desperately needs a nearby retreat where protagonists search for shared values. Stronger bridges of understanding have to be built between government and private enterprise if the vital pluralism of our society is to survive. Wye offers the opportunity. The Aspen Institute's frontiers are unlimited. □

REPRINTED FROM THE
JULY 1979 ISSUE OF
HORIZON
P.O. DRAWER 30
TUSCALOOSA, AL 35402



Left: Douglass Cater trustee and senior fellow of the Aspen Institute. Below: The Aspen idea provides for more than the "leisure of the theory class"; it helps awaken a sense of history so that we don't have to live with past mistakes. Few other non-governmental organizations have had such a great influence in ushering the United States into its post-World War II role as a world leader.



LUNCHEON MENUS - B

French Onion Soup

Deviled Crab Cakes - Lettuce & Tomato #1

Green Beans - Rolls

Rainbow Sherberts

*****

Cream of Crab Soup

Chef's Salad - Assorted Breads

Cheese Board with Fresh Fruit #2

Harvest Apple Cake

*****

Lasagne

Tossed Salad - Provolone Cheese Roll-Ups

Bread Sticks - Garlic Bread

Chocolate Charlotte Russe #3

*****

Shrimp Bisque

Quiche Lorraine

X Baked Tomato with Cheese Topping #4

Raw Crudities' Tray with Dip

Fresh Fruit Salad

*****

LUNCHEON MENUS - B

Cream of Broccoli Soup

Stuffed Avocado with Crab Salad - Rolls

Cole Slaw - Cheese Board - Relishes #5

Lemon Bisque

*****

Homemade Vegetable Soup

Sat

Cold Cuts - Ham - Turkey - Rare Beef - Corned Beef

Cheese Board Cole Slaw #6

Assorted Breads

Fresh Fruit

*****

Chicken Noodle Soup

Chicken Salad - Marinated Green Beans

Potato Salad - Maryland Beaten Biscuits #7

Sherbert - Cookies

*****

Oyster Stew

Turkey Ala King - Marinated Green Beans #8

Tossed Salad - Tea Biscuits

Rum Cake

*****

New England Clam Chowder

Oyster Fritters - Baked Ham #9

Cole Slaw - Maryland Corn Bread

Fresh Fruit

THE WORLD BANK

Office of the President

1) - Wye Plantation (Aspen Institute) - Available
- capacity 30
- Bk group would be only group there
- simple billing system.

2). Belmont (Smithsonian) - Not available
- near B-W airport

3) Sheraton Inn - Gettysburg, Pa. Available
- can accomodate several hundreds
- Bk would be only one small group

4) Annapolis Hilton. Not Available

5) Martingham Not Available
Eastern shore - Md.

bcc: Mr. Humphrey

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

September 17, 1982

Mr. Clausen:
Mr. Qureshi:
Mr. Stern:

re: Wye

Attached please find the last revision of the Senior Management Seminar's draft program.

If you agree with this version, I will approach Mrs. Krueger and Mr. Wuttke and thereafter pass it on to Humphrey for further handling.

If you have any further suggestions, could I please have these in the course of next week, as the three levels of presentations have to dovetail. I suggest that all speakers meet to exchange views on their contributions. Please let me know if you have any problems with that.

Martijn Paijmans

9/17/82 to W Humphrey

REVISED 9/16/82

SUGGESTIONS ON STRUCTURE AND CONTENT

OF 1982 SENIOR MANAGEMENT SEMINAR

This is not the last version of the program yet but it gives you sufficient input to work on arrangements

A. Structure

(1) Last year's arrangements were ideal.

(2) The "social flavor" last year was just right, neither too tightly structured nor too loose.

(3) A circle of comfortable chairs, no table.

(4) No sub-groups necessary or desirable; everyone gets to know each other better in one group.

(5) No outside speakers, again because this is a forum for the VPs to learn from each other and become more of a team.

(6) Avoid lengthy advance handouts.

(7) Bill Humphrey should take minutes for distribution (without clearance) to the participants for use in follow-up action.

B. Content

Thursday Evening

7:00 pm Reception

8:00 pm Dinner and welcome

-- Mr. Clausen

Friday Morning

Looking Back

9:00 am "The Bank's Performance Over the Past 12 Months"

-- Where have we erred?

-- Where have we been successful?

-- Where can we strengthen our performance?

(a) The President's View

-- Mr. Clausen

(b) Informal Discussion

-- All participants

10:30 am Coffee Break

Looking Ahead - I

11:00 am "Prospects for Growth in the World Economy"

(a) Introduction by Anne Kreuger

(b) Informal discussion

12:30 pm Luncheon

Friday Afternoon

Looking Ahead - II

2:30 pm "Prospects for Growth in the World Bank and IFC"

(a) What kinds of growth in the activities of the Bank and Corporation are necessary to enable the institutions' to discharge their tasks?

(b) What kinds of growth are feasible, politically and economically, with the financial resources available to us?

-- Presentations by Ernie Stern, Moeen Qureshi and Hans Wuttke

4:00 pm Coffee Break

4:30 pm Discussion of the three presentations on "Prospects for Growth in the Bank and IFC"

6:00 pm Break

7:00 pm Reception

8:00 pm Dinner

Saturday Morning

Looking Ahead - III

9:30 am "Major Issues and Choices Facing Bank Managers During the Next 12-24 Months"

-- In light of anticipated prospects for financing and growth.

(a) To start on a practical note, four VPs who will both have to operate within the constraints anticipated and exploit available opportunities would introduce this topic: Messrs. Paijmans, Rotberg, Barletta and Husain. (Before the Conference, Messrs. Stern, Qureshi and Wuttke would brief them on the main points of their Friday afternoon presentations.)

(b) Discussion

11:00 am Coffee Break

11:30 am Summing Up and Expectations

-- Mr. Clausen

12:30 pm Luncheon and Departure

Personnel Management Department
September 16, 1982

Aspen Institute for Humanistic Studies

Aspen Institute — Wye Plantation
P.O. Box 222
Queenstown, Maryland 21658
301 758-2666

October 13, 1981

Mr. John Waterston
World Bank
Room I3-167
1818 H Street
Washington, D. C. 20433

Dear Mr. Waterston:

Per our conversation today I am enclosing photographs of the facility, an information sheet stating our rates and accommodations; and some brochures that I hope will be helpful.

Please feel free to telephone if you need additional information or when your ready to schedule a visit to Aspen at Wye.

Very truly yours,

Sue Turner

Sue Turner
Head Conference Coordinator

Enclosures

Aspen Institute for Humanistic Studies

Sue Turner

October 26, 1981

Mr. Waterston:

Per our telecom the attached contract deposit has been waived by Aspen. If World Bank should cancel all deposits will be due.

Please sign contract and return.

Sue

Sue Turner

P.O. Box 222 Wye Plantation Queenstown, MD 21658

FORM NO. 75
(9–78)

THE WORLD BANK

ROUTING SLIP	DATE: November 3, 1981

NAME	ROOM NO.
Mr. Lafourcade	E-1227

	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	CLEARANCE		PER OUR CONVERSATION
	COMMENT		PER YOUR REQUEST
	FOR ACTION		PREPARE REPLY
	INFORMATION		RECOMMENDATION
	INITIAL		SIGNATURE
	NOTE AND FILE		**URGENT**

REMARKS:

This is for your information only, we have taken all necessary actions.

FROM:	ROOM NO.:	EXTENSION:
R. Tadvalkar, PAB	D-1337	75529

FORM NO. 1524
(7-80)

THE WORLD BANK
BUDGET TRANSFER REQUEST
(Submit in triplicate to PAB)

LOG NO.: *(For PAB use only)*

TO:	DATE:
Programming & Budgeting Division, PAB, Room D-1345	11/2/81

XXXXXXXXX BY: *(Name and Signature)*	DEPARTMENT:	ROOM NO.:
APPROVED Heinz Vergin	PAB	D-1331

POSITIONS

FROM			TO		
Dept. & Div.	Position No.	Title	Dept. & Div.	Position No.	Title

AMOUNTS

EXPENSE CATEGORY	CODE	FROM		TO	
		Amount	Dept. & Div.	Amount	Dept. & Div.
1. Regular Salaries	AA				
2. Temporary	AF				
3. Overtime	AG				
4. Staff Travel	CA				
5. Consultants Travel	CB				
6. Consultant Fees	EA				
7. Contractual Services	EB			6,000	103-99
8. Communications	HC				
9. Contingency	VA	6,000	960-30		

STAFFYEARS

BUDGET CATEGORY	FROM		TO	
	Amount	Dept. & Div.	Amount	Dept. & Div.
1. Professional Staffyear				
2. Consultant Staffyear				
3. Assistant Staffyear				
4. Secr./Clerical Staffyear				

WORK PROGRAM CATEGORY	FROM	TO
Lending		
Supervision		
Country & Econ. Sector		
Other Output		
Support to other units		
MAA		
Overhead		

REMARKS:

This is for the funding of Senior Management Retreat 12/10 - 12/12.

Commitment Number 20135.

cc: Mr. Lafourcade

WHITE - PAB; YELLOW - Requestor; PINK - Program Coordinator; GOLDENROD - Originator's Files

Aspen Institute for Humanistic Studies

Aspen Institute — Wye Plantation
P.O. Box 222
Queenstown, Maryland 21658
301 758-2666

Schedule of Conferences and Meetings (as of 11/4/81)

November 1, 1981-December 31, 1982

Date	Events	No. Attendees	Person in Charge
Nov 1-7	AEP- AT & T	36	Zygmunt Nagorski
Nov 9-11	James W. Rouse and Company	14	Carol Egwall
Nov 12-14	Aspen Institute/American Council on Education	31	Leonard Haynes
Nov 16-17	Aspen Institute/Foundation Center: New Information Technologies and the Non Profit Sector	35	Michael Rice Thomas Buckman
Nov 17	Queen Anne's Day Steering Committee*	16	Jim Nelson
Nov 25-30	Wye Institute	25	Jim Nelson
Dec 3-4	First 20 Years of Life- Children and the Media	25	Jessie Emmet
Dec 4	Aspen Institute Trustee Meeting*		Steve Strickland
Dec 4-6	Aspen Institute Senior Fellows Meeting		Jane Jacqz
Dec 7-9	Association Governing Board	15	Florence Wood
Dec 10-12	World Bank President's Meeting	20	Olivier Lafourcade
1982			
Jan 14-17	Western Hemisphere		Steve Strickland
Feb 5-7	Norman Foundation	30	Judy Austermiller
Feb 9-10	Georgetown University	14	Donald Freeze

Mar 19	Lecture at Talbot County Library "Greeks and the Western Civilization"		Mortimer Adler
Mar 24-26	Carnegie Corporation Board of Trustees Meeting	35	Helen Noah
Apr 14-17	University of Maryland/ Marketing Science Institute	45	Paul Bloom
Apr 29-May 2	Child Development Society	30	Jeanne Barnett
May 6-9	Queen Anne's Day-1982		Arthur Houghton
May 13-15	World Bank-South Asia Regional Management Meeting	32	Richard Abbott
May 26-27	Independent College Fund of Md.	60	Mike Barr
July 20	Wye Institute*		Jim Nelson
Oct 10-16	Energy, Ethics and Governance		Dana Orwick/ Andy Wight

*Day Conference

Roy

THE WORLD BANK

Office of the President

Wye Retreat arrangements

Sit in a circle

21

Tables

Oceans

Program.
Thursday evening social

Meals
Menus.
Precisely how many people

Close with lunch Sat

Nov 22nd

Fine

Dates SMC

THE WORLD BANK

Office of the President

March 11, 1982

TO: Senior Management Council Members

FROM: Olivier Lafourcade OL

SUBJECT: Senior Management Retreat

This note is to inform you that the 1982 Senior Management retreat has been rescheduled from September 30-October 2 to November 18-20. The retreat will take place at the Wye Plantation. As in last December's case, the retreat will begin on Thursday evening and will end on Saturday after lunch.

SMC - Retreat

Thursday	7.00 pm	— Reception
	8.00 pm	— Dinner
Friday	9.00 am	— Start
	10.30 am	— Coffee Break
	11.00 am	— Resume
	12.30	— Lunch
	2.30	— Resume
	4.00	— Coffee Break
	4.30	— Resume
	6.00	— Break
	7.00	— Drinks
	8.00	— Dinner
Saturday	9.00	— Start
	11.00	— Coffee
	11.30	— Resume
	12.30	— Lunch

Last year ideal. Social Framework.
No sub groups. No outside speakers
No lengthy presentation. Minutes to all participants.
a circle of comfortable chairs with occasional tables

[illegible] 301-758-[illegible]
301-827-7105

Conference Center 301-827-7404

Room Assignments for

Meeting: ______

Date: ______

Stables No. 1 (827-7754) ______

Stables No. 2 (827-7997) ______

Stables No. 3 (827-8167) ______

Stables No. 4 (827-8201) ______

Stables No. 5 (827-8211) ______

Stables No. 6 (827-8301) ______

Stables No. 7 (827-8775) ______

Stables No. 8 (827-8893) ______

Pres. House (827-8395) ______

Farmhouse #1 (827-8763)
~~HUMPHREY~~
~~LATOURCADE~~

Farmhouse #2 (827-6136) ______

Chester Lodge
2T A (827-6271) WUTTKE
B (827-6272) HATTORI
1D C (827-6273) HUSAIN
D (827-6274) BAUM

Corsica Lodge
A (827-6262) QURESHI
B (827-6263) CHAUFOURNIER
C (827-6264) WEINER
D (827-6265) BENJENK

Nanticoke Lodge
A (827-6275) CLAUSEN
B (827-6276) ~~[illegible]~~ KRUEGER
C (827-6277) KNOX
D (827-6278) GABRIEL

Sassafras Lodge
A (827-6267) STERN
B (827-6268) THAHANE
C (827-6269) WAPENHANS
D (827-6270) ARDITO - BARLETTA

BOARDWALK Rooms
#1 PAIJMANS
2 HOPFER
3. ~~[illegible]~~ SCOTT
~~1 6~~ 4 HUMPHREY
5 SOUTHWORTH ROTBERG

File

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

Office of the President

October 28, 1982

Dear Sue:

Roy and I enjoyed meeting you last Thursday. You certainly managed to arrange a glorious day for our visit.

I enclose the list of participants you asked for. Please note that I omitted Mr. Rotberg from the room assignment list I gave you. Could you please allocate him one of the board walk rooms. I will telephone immediately if there are any changes.

Looking forward to seeing you again next month.

Yours sincerely,

Bill.

William S. Humphrey

Enclosure

Ms. Sue Turner
Aspen Institute at Wye Plantation
P.O. Box 222
Queenstown, Md. 21658

cc. M. Southworth

Telephoned Nov 5
to add Paiman +
Karaosmanoglu

World Bank Seminar, Wye Plantation - November 18-20, 1982

Participants:

A.W. Clausen, President
Moeen A Qureshi, Senior Vice President, Finance
Ernest Stern, Senior Vice President, Operations
Nicolas Ardito-Barletta, Vice President, Latin America and the Caribbean Regional Office
Warren C. Baum, Vice President, Central Projects Staff
Munir P. Benjenk, Vice President, External Relations
Roger Chaufournier, Vice President, Europe, Middle East and North Africa Regional Office
K. Georg Gabriel, Vice President, Programming and Budgeting
Masaya Hattori, Vice President and Controller
W. David Hopper, Vice President, South Asia Regional Office
S. Shahid Husain, Vice President, East Asia and Pacific Regional Office
A. David Knox, Vice President, Western Africa Regional Office
Anne Krueger, Vice President, Economics and Research
Martijn J. Paijmans, Vice President, Administration, Organization and Personnel Management
Eugene Rotberg, Vice President and Treasurer
Hugh Scott, Acting General Counsel
Timothy T. Thahane, Vice President and Secretary
Willi A. Wapenhans, Vice President, Eastern Africa Regional Office
Mervyn L. Weiner, Director-General, Operations Evaluation
Hans A. Wuttke, Executive Vice President, International Finance Corporation
William S. Humphrey, Secretary to the Senior Management Council
Roy Southworth, Assistant to the President

Nov. 10, 1982

Aspen Institute for Humanistic Studies

Aspen Institute at Wye Plantation
P.O. Box 222
Queenstown, Maryland 21658
301 758-2666

September 20, 1982

Mr. Bill Humphrey
World Bank
1818 H Street
Washington, D. C. 20433

Dear Mr. Humphrey:

Enclosed are menus you requested for your conference November 18-20, 1982. Please call me at your convenience with your selection.

Sincerely,

Sue Turner

Sue Turner

Car arrangements

	✓	Ardito Barletta	no	w/ Chaufournier
	✓	Baum	no	w/ Weiner
×	✓	Benjenk	own	alone
×	✓	Chaufournier	own	w/ Barletta
	✓	Chenery	no	w/ Wapenhans
	✓	Clausen	no	w/ Paijmans
×	✓	Gabriel	own	w/ Thahane
		Golsong	own or w/ DL	
	✓	Hattori	No	
	✓	Hopper	own	alone
	✓	Husain	own	
×	✓	Knox	own	alone
×	✓	Paijmans	own	w/ Stern + Clausen
×	✓	Qureshi	own	w/ Wuttke
	✓	Stern	no	w/ Paijmans
	✓	Thahane	No	w/ Gabriel
	✓	Wapenhans	own	w/ Chenery
×	✓	Weiner	own	w/ Baum
	✓	Wuttke	No	w/ Qureshi
×	✓	Lafourcade	own	

REVISED 9/16/82

SUGGESTIONS ON STRUCTURE AND CONTENT

OF 1982 SENIOR MANAGEMENT SEMINAR

Content

Thursday Evening

7:00 pm   Reception

8:00 pm   Dinner and welcome

--Mr. Clausen

Friday Morning

Looking Back

9:00 am   "The Bank's Performance Over the Past 12 Months"

-- Where have we erred?

-- Where have we been successful?

-- Where can we strengthen our performance?

(a) The President's View

-- Mr. Clausen

(b) Informal Discussion

-- All participants

10:30 am   Coffee Break

Looking Ahead - I

11:00 am   "Prospects for Growth in the World Economy"

(a) Introduction by Anne Kreuger

(b) Informal discussion

12:30 pm   Luncheon

taking account of the impact on our borrowing countries of a ~~possible failure~~ continued stagnation of the OECD countries

Friday Afternoon

Looking Ahead - II

2:30 pm "Prospects for Growth in the World Bank and IFC"

(a) What kinds of growth in the activities of the Bank and Corporation are necessary to enable the institutions to discharge their tasks,

(b) What kinds of growth are feasible, politically and economically, with the financial resources available to us?

-- Presentations by Ernie Stern, Moeen Qureshi and Hans Wuttke

4:00 pm Coffee Break

4:30 pm Discussion of the three presentations on "Prospects for Growth in the Bank and IFC"

6:00 pm Break

7:00 pm Reception

8:00 pm Dinner

Saturday Morning

Looking Ahead - III

9:30 am "Major Issues and Choices Facing Bank Managers During the Next 12-24 Months"

-- In light of anticipated prospects for financing and growth,

while at the same time exploiting available opportunities

(a) To start on a practical note, four VPs who will have to operate within the constraints anticipated would introduce this topic: Messrs. Barletta, Husain, Paijmans, and Rotberg.

and of ~~increased problems, creditworthiness~~ many borrowing countries becoming less creditworthy.

(b) Discussion

11:00 am Coffee Break

11:30 am Summing Up and Expectations

-- Mr. Clausen

12:30 pm Luncheon and Departure

Personnel Management Department
September 16, 1982

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Meena
WM
9/21

TO: Mr. William S. Humphrey

DATE: September 20, 1982

FROM: W. A. Wapenhans WW

SUBJECT: Senior Management Retreat

I refer to your memorandum of September 15, 1982. Presently, plans have been laid so as to ensure participation in the Wye Plantation Retreat.

WAWapenhans:rsvh

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

A. W. CLAUSEN
President

November 3, 1982

Dear Attila:

This is a follow-up on our telephone conversation this morning. In your new role as Vice President, East Asia and Pacific Regional Office, I am pleased to invite you to become a member of the Senior Management Council and to participate in our retreat at Wye Plantation November 18-20.

Our discussions will begin with a review of what has happened over the past 12 months with a look at where we have been successful and where we could have done better. Next, we will explore the future and the likely resource picture we'll be facing in the next few years. In light of emerging creditworthiness problems in some developing countries, the issues we will encounter in reconciling our resource constraints with the needs of our borrowers also will be discussed. The emphasis will be on a candid and free exchange of views with the hope that we can come up with some fresh approaches to the problems facing us in the period ahead.

The retreat will start with cocktails on Thursday, November 18, at 7:00 p.m. followed by dinner at 8:00. It will conclude with a lunch on Saturday, November 20. Further details on the arrangements will be given to you shortly.

Sincerely,

Tom

Mr. Attila Karaosmanoglu
Director
Country Programs Department II
Europe, Middle East and
North Africa Regional Office
C-702

BC: W. Humphrey

RECORD

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

EXC/SMC82-12

OFFICE MEMORANDUM

TO: Senior Management Council

DATE: November 3, 1982

FROM: William S. Humphrey WSH

SUBJECT: Retreat at Wye Plantation - November 18-20, 1982

Following Mr. Clausen's letter on the Management Retreat at the Wye Plantation this note provides some additional information on the arrangements.

1. Driving time to the Wye Plantation is about 1-1/2 hours from the Bank Headquarters. If you arrive at the Plantation between 6:00 and 6:30 p.m. on Thursday you will have time to check in before the cocktails scheduled for 7:00 p.m. Directions to Wye are attached.

2. On arriving at the Plantation, please check-in at the Registration Desk at the Conference Center (follow the signs on the road) where you will be greeted by Aspen Institute hosts who will show you to your room.

3. Accommodation is in single rooms, each with private bath and private telephone. All rooms are within walking distance of the Conference Center (the Center has a limited supply of umbrellas, therefore you may wish to take your own.)

4. The Retreat will start with cocktails on Thursday, November 18 at 7:00 p.m. in the Conference Center Lounge. Dinner will follow at 8:00 p.m. in the Center's dining room. After dinner drinks will be available in the Lounge.

5. On Friday, November 19, breakfast will be served from 8:00 a.m. in the dining room (buffet breakfast). The morning discussion session will start at 9:00 a.m. in the Center's Conference Room and will go until about 12:30 p.m. (with breaks for coffee). Lunch will be served at 1:00 p.m. The afternoon session will run from 2:30 p.m. until about 6:00 p.m. Cocktails will be served at 7:00 p.m. in the Lounge and dinner will follow at 8:00 p.m.

6. Saturday morning's schedule will be similar to Friday's. The Retreat will end after lunch.

7. Informal dress is suggested during the day. For dinner coat and tie would be appropriate.

8. For recreation Wye Plantation includes two tennis courts and a recreational room with a pool table.

9. The telephone number at Wye Plantation (Conference Center) is: (301)827-7400 or 827-7404 (Ms. Sue Turner is coordinator).

Attachment
Directions

Directions

The Wye Plantation is approximately 65 miles from Bank Headquarters.

-- Take Route 50 East from Washington.

-- Cross the Chesapeake Bay Bridge, continue on Route 50.

-- 3 miles beyond the intersection of Route 50 and Route 301, turn right on Carmichael Road whose intersection with Route 50 is between the signs indicating mile 49 and mile 50.

-- Follow the signs indicating Aspen Institute and Wye Plantation. At the intersection of Carmichael Road and Cheston Lane, about 3-1/2 miles from intersection with Route 50, take a right on Cheston Lane and follow signs indicating Conference Center and Registration. Distance from Route 50 to Conference Center is about 5 miles.

Friday Afternoon

Looking Ahead - II

2.30 pm "Prospects for Growth in the World Bank and IFC"

(a) What kinds of growth in the activities of the Bank and Corporation are necessary to enable the institutions to discharge their tasks taking account of the impact on our borrowing countries of possible continued stagnation of the OECD countries;

(b) What kinds of growth are feasible, politically and economically, with the financial resources available to us?

-- Presentations by Ernie Stern, Moeen Qureshi and Hans Wuttke.

4:00 pm	Coffee Break
4:30 pm	Discussion of the three presentations on "Prospects for Growth in the Bank and IFC."
6:00 pm	~~Break~~
7:00 pm	Cocktails
8:00 pm	~~Dinner~~

Saturday Morning

Looking Ahead - III

9:30 am "Major Issues and Choices Facing Bank Managers During the Next 12-24 Months"

-- In light of anticipated prospects for financing and growth and emerging creditworthiness problems in developing countries.

(a) To start on a practical note, four VPs will introduce this topic taking account of both the constraints in the international environment and the available opportunities for the Bank to assist its members: Messrs. Ardito-Barletta, Husain, Paijmans and Rotberg.

(b) Discussion

11:00 am	Coffee Break
11:30 am	Summing up and Expectations -- Mr. Clausen
~~12:30 pm~~	~~Break for Lunch~~

October 27, 1982
Office of the President

November 3, 1982

Dear Jud:

As you know, we are attempting to strengthen the links between the managements of The World Bank and International Finance Corporation. One forum for reaching this objective is the Senior Management Council which, to date, has included Hans Wuttke as IFC's sole representative.

With the recent creation of a senior management core group in the Corporation, I am pleased to invite you to become a member of this Council and to participate in our retreat at the Wye Plantation November 18-20.

Our discussions will begin with a review of what has happened over the past 12 months with a look at where we have been successful and where we could have done better. Next, we will explore the future and the likely resource picture we'll be facing in the next few years. In light of emerging creditworthiness problems in some developing countries, the issues we will encounter in reconciling our resource constraints with the needs of our borrowers also will be discussed. The emphasis will be on a candid and free exchange of views with the hope that we can come up with some fresh approaches to the problems facing us in the period ahead.

The retreat will start with cocktails on Thursday, November 18, at 7:00 p.m. followed by dinner at 8:00. It will conclude with lunch on Saturday, November 20. Further details on the arrangements will be given to you shortly.

Sincerely,

Tom

A. W. Clausen

Mr. Judhvir Parmar
Vice President
International Finance Corporation
I 12-106

bcc: Mr. Wuttke, Mr. Humphrey
JWaterston/AWC:MH

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

Office of the President

November 15, 1982

Dear Sue:

For your information I enclose a copy of my memorandum to the Senior Management Council giving general directions to aid the participants in the Retreat.

Yours sincerely,

William S. Humphrey

Enclosure

Ms. Sue Turner
Aspen Institute at Wye Plantation
P.O. Box 222
Queenstown, Md. 21658

OFFICE MEMORANDUM

TO: Senior Management Council

DATE: November 3, 1982

FROM: William S. Humphrey

SUBJECT: Retreat at Wye Plantation - November 18-20, 1982

Following Mr. Clausen's letter on the Management Retreat at the Wye Plantation this note provides some additional information on the arrangements.

1. Driving time to the Wye Plantation is about 1-1/2 hours from the Bank Headquarters. If you arrive at the Plantation between 6:00 and 6:30 p.m. on Thursday you will have time to check in before the cocktails scheduled for 7:00 p.m. Directions to Wye are attached.

2. On arriving at the Plantation, please check-in at the Registration Desk at the Conference Center (follow the signs on the road) where you will be greeted by Aspen Institute hosts who will show you to your room.

3. Accommodation is in single rooms, each with private bath and private telephone. All rooms are within walking distance of the Conference Center (the Center has a limited supply of umbrellas, therefore you may wish to take your own.)

4. The Retreat will start with cocktails on Thursday, November 18 at 7:00 p.m. in the Conference Center Lounge. Dinner will follow at 8:00 p.m. in the Center's dining room. After dinner drinks will be available in the Lounge.

5. On Friday, November 19, breakfast will be served from 8:00 a.m. in the dining room (buffet breakfast). The morning discussion session will start at 9:00 a.m. in the Center's Conference Room and will go until about 12:30 p.m. (with breaks for coffee). Lunch will be served at 1:00 p.m. The afternoon session will run from 2:30 p.m. until about 6:00 p.m. Cocktails will be served at 7:00 p.m. in the Lounge and dinner will follow at 8:00 p.m.

6. Saturday morning's schedule will be similar to Friday's. The Retreat will end after lunch.

7. Informal dress is suggested during the day. For dinner coat and tie would be appropriate.

8. For recreation Wye Plantation includes two tennis courts and a recreational room with a pool table.

9. The telephone number at Wye Plantation (Conference Center) is: (301)827-7400 or 827-7404 (Ms. Sue Turner is coordinator).

Attachment
Directions

SUGGESTIONS ON STRUCTURE AND CONTENT OF 1982 SENIOR MANAGEMENT SEMINAR

Thursday Evening

7:00 pm	Cocktails
8:00 pm	Dinner and Welcome -- Mr. Clausen

Friday Morning

Looking Back

9:00 am — "The Bank's Performance Over the Past 12 Months"

-- Where have we been successful?
-- Where have we been less successful?
-- Where can we strengthen our performance?

(a) The President's View
    -- Mr. Clausen
(b) Informal Discussion
    --All participants

10:30 am — Coffee Break

Looking Ahead - I

11:00 am — "Prospects for Growth in the World Economy"

(a) Introduction by Anne Krueger
(b) Informal Discussion

12:30 pm — Break for Lunch

File
EXC/MC82-11

November 2, 1982

Dear ,

I am looking forward to our retreat at the Wye Plantation November 18-20. Its purpose is to exchange views on the major issues confronting us in a relaxed, informal setting away from the pressures of the office. I think all of us found the experience at Wye last year very valuable and I anticipate an even better retreat this year.

Our discussions will begin with a review of what has happened over the past 12 months with a look at where we have been successful and where we could have done better. Next, we will explore the future and the likely resource picture we'll be facing in the next few years. In light of emerging creditworthiness problems in some developing countries, the issues we will encounter in reconciling our resource constraints with the needs of our borrowers also will be discussed. The emphasis will be on a candid and free exchange of views with the hope that we can come up with some fresh approaches to the problems facing us in the period ahead.

The retreat will start with cocktails on Thursday, November 18, at 7:00 p.m. followed by dinner at 8:00. It will conclude with lunch on Saturday, November 20. Further details on the arrangements will be given to you shortly.

Sincerely,

(Sent to all participants of the Retreat) EXC/SMC82-11

1982 SENIOR MANAGEMENT SEMINAR

Friday Morning

Looking Back

"The Bank's Performance Over the Past 12 Months"

-- Where have we been successful?
-- Where have we been less successful?
-- Where can we strengthen our performance?

(a) The President's View
    -- Mr. Clausen
(b) Informal Discussion
    --All participants

Looking Ahead - I

"Prospects for Growth in the World Economy"

(a) Introduction by Anne Krueger
(b) Informal Discussion

Friday Afternoon

Looking Ahead - II

"Prospects for Growth in the World Bank and IFC"

(a) What kinds of growth in the activities of the Bank and Corporation are necessary to enable the institutions to discharge their tasks taking account of the impact on our borrowing countries of possible continued stagnation of the OECD countries;

(b) What kinds of growth are feasible, politically and economically, with the financial resources available to us?

-- Presentations by Ernie Stern, Moeen Qureshi and Hans Wuttke.

Discussion of the three presentations on "Prospect for Growth in the Bank and IFC."

Saturday Morning

Looking Ahead - III

"Major Issues and Choices Facing Bank Managers During the Next 12-24 Months"
-- In light of anticipated prospects for financing and growth and emerging creditworthiness problems in developing countries.

(a) To start on a practical note, four VPs will introduce this topic taking account of both the constraints in the international environment and the available opportunities for the Bank to assist its members: Messrs. Ardito-Barletta, Husain, Paijmans and Rotberg.
(b) Discussion

Summing up and Expectations
-- Mr. Clausen

November 15, 1982
Office of the President

WORLD BANK / INTERNATIONAL FINANCE CORPORATION EXC/SMC82-9

OFFICE MEMORANDUM

TO: Senior Management Council DATE: September 15, 1982

FROM: William S. Humphrey WSH.

SUBJECT: Senior Management Retreat and Dates of Future SMC Meetings

1. This is to confirm Mr. Lafourcade's note of March 11, 1982 that the Senior Management Retreat will take place at the Wye Plantation on November 18-20. As last year the Retreat will begin with dinner on Thursday evening and will end Saturday afternoon with lunch. Please let me know by Friday September 24 if you are unable to attend (Extn. 78231).

2. The dates of future SMC meetings are as follows; you will see that with some exceptions they fall on the last Friday of the month.

1982 –	Friday	September	24
	Thursday	November	4
	Thursday-Saturday	November	18-20 (Senior Management Retreat)
	Friday	December	17
1983	Friday	January	28
	Friday	February	25
	Friday	March	25
	Friday	April	29
	Friday	May	27
	Friday	June	24

DINNER MENUS - B

Eastern Shore Dinner

Crab Cakes - Fried Clams - Barbecue Chicken

Macaroni & Cheese - Green Beans

Tossed Salad - Rolls #1

Ice Cream with Mint Sauce

*****

Broiled Stuffed Rockfish

Baked Potato - Broccoli with Hollandaise

4hrs + Tossed Salad - Homemade Bread #2

Key Lime Pie

*****

Roast Duck with Orange Sauce

Wild Rice - Early June Peas w/pearl onions

Tossed Salad - Homemade Bread #3

Pots de Creme

*****

Beef Bourguignon

Oven Brown Potatoes - Tossed Salad

French Green Beans - Rolls #4

Black Forrest Cake

*****

DINNER MENUS - B

New York Strip Steak
Stuffed Bake Potato - Asparagus
Tossed Salad - Breads #5
Chocolate Charlotte Russe

*****

Stuffed Chicken Breast w/Wine Sauce
Potatoes au Gratin - Tossed Salad
Green Beans Almondine - Breads #6
Pecan Pie

*****

Crab Imperial
Parsley-Buttered Potatoes - Tossed Salad
Broccoli - Rolls #7
Cheese Cake with Cherry Sauce

*****

Cornish Hens w/Stuffing
Wild Rice - Asparagus w/Sauce
Tossed Salad - Rolls #8
Rum Cake

*****

DINNER MENUS - B

Roast Leg of Lamb w/Mint Jelly

Oven Brown Potatoes - Green Peas

Tossed Salad - Rolls #9

Carrot Cake

*****

Beef Wellington

Parsley-Potatoes - Baked Tomato w/cheese

Cauliflour-Broccoli Mix - Rolls #10

Cream Puffs w/chocolate sauce

*****

Rare Roast Beef

X Baked Potato - Green Beans

Tossed Salad - Rolls #11

Chocolate Mousse

*****

Aspen Office 301-758-2066
301-827-7168

Conference Center 301-827-7404

Room Assignments for

Meeting:

Date:

Stables No. 1 (827-7754)

Stables No. 2 (827-7997)

Stables No. 3 (827-8167)

Stables No. 4 (827-8201)

Stables No. 5 (827-8211)

Stables No. 6 (827-8301)

Stables No. 7 (827-8775)

Stables No. 8 (827-8893)

Pres. House (827-8395)

Farmhouse #1 (827-8763)

Lafourcade

Farmhouse #2 (827-6136)

Chester Lodge
2T A (827-6271) Wuttke
B (827-6272) Hattori
1D C (827-6273) Husain
D (827-6274) Baum

Corsica Lodge
A (827-6262) Qureshi
B (827-6263) Chaufournier
C (827-6264) Wiener
D (827-6265) Benjenk

Nanticoke Lodge
A (827-6275) Clausen
B (827-6276) Chenery
C (827-6277) Knox
D (827-6278) Gabriel

Sassafras Lodge
A (827-6267) Stern
B (827-6268) Thalenc
C (827-6269) Wapenhans
D (827-6270) Barletta

BOARDWALK Rooms

#1 Paijmans
2 Hopper
3 Golsong

Aspen Institute for Humanistic Studies

Aspen Institute — Wye Plantation
P.O. Box 222
Queenstown, Maryland 21658
301 758-2666

March 9, 1982

Mr. Olivier Lafourcade
Personal Assistant to the President
The World Bank
1818 H Street
Washington, D. C. 20433

Dear Mr. Lafourcade:

We are pleased to reserve the following dates for your conference at the Aspen Institute at Wye Plantation.

Arrival: November 18, 1982	Last Meal: Lunch
First Meal: Dinner	Departure: November 20, 1982
No. of Persons: 20	No. of Person Days: 40

You will be billed for the minimum number of person days shown unless we are notified by November 4, 1982 that your conference will have less than the number of participants indicated.

Please be advised of our deposit requirement schedule:

10% ($440) of estimated total revenue ($4,400) within 10 Days of this date to confirm space.

20% ($880) due on or before September 18, 1982

20% ($880) due on or before October 18, 1982

Payment of these deposits represent 50% of the estimated total billing. The deposits apply to the dates shown.

Institutional policy or time requirements may render it impossible or impractical for you to make deposit payments as per the above schedule. In recognition of this we will waive the cash deposit procedure in lieu of your understanding and acceptance that the waiver does not constitute release from obligation. In the event of cancellation of space booked without deposit payments, you will be billed for the estimated amounts which would have become due as per the schedule.

Upon receipt of your acceptance we will confirm your dates in writing. If the above is satisfactory please sign and return to us.

Yours very truly,

Sue Turner

Sue Turner, Head Conference Coordinator

Accepted by: O. Lafourcade Date: 03/15/82

Corporate Headquarters: 717 Fifth Avenue, New York, NY 10022

Aspen Institute for Humanistic Studies

Sue Turner

October 26, 1981

Mr. Waterston:

Per our telecom the attached contract deposit has been waived by Aspen. If World Bank should cancel all deposits will be due.

Please sign contract and return.

Sue Turner

P.O. Box 222 Wye Plantation Queenstown, MD 21658

Aspen Institute for Humanistic Studies

Aspen Institute — Wye Plantation
P.O. Box 222
Queenstown, Maryland 21658
301 758-2666

October 26, 1981

Mr. John Waterston
World Bank
Room I 3-167
1818 H Street
Washington, D. C. 20433

Dear Mr. Waterston:

We are pleased to reserve the following dates for your conference at the Aspen Institute at Wye Plantation.

Arrival: December 10, 1981 Last Meal: Lunch

First Meal: Dinner Departure: December 12, 1981

Please be advised of our deposit requirement schedule:

10% ($500) of estimated total revenue ($5,000) within 10 days of this date to confirm space.

20% ($1,000) due on or before November 10, 1981

Payment of these deposits represent 30% of the estimated total billing. The deposits apply to the dates shown.

Cancellation of conference will result in forfeiture of all deposits paid as of the date of cancellation. Space will be cancelled automatically unless deposits are received by the dates indicated. It is difficult to resell the space. However, should we be able to resell the dates originally reserved for you we will credit any amount received against the amount of your forfeiture.

Upon receipt of your initial deposit we will confirm your dates in writing. If the above is satisfactory please sign and return to us.

Yours very truly,

Sue Turner

Sue Turner
Head Conference Coordinator

Accepted by: O. Lafourcade Date: 10/30/81

Olivier Lafourcade
Personal Assistant to the President

Corporate Headquarters: 717 Fifth Avenue, New York, NY 10022

World Bank Seminar, Wye Plantation, December 10-12, 1981

Participants:

A. W. Clausen, President, World Bank Group
Moeen A. Qureshi, Senior Vice President, Finance
Ernest Stern, Senior Vice President, Operations
Nicolas Ardito Barletta, Vice President, Latin America and the Caribbean Regional Office
Warren C. Baum, Vice President, Central Projects Staff
Munir P. Benjenk, Vice President, External Relations
Roger Chaufournier, Vice President, Europe, Middle East and North Africa Regional Office
Hollis B. Chenery, Vice President, Development Policy Staff
K. Georg Gabriel, Vice President, Programming and Budgeting
Heribert Golsong, Vice President and General Counsel
Masaya Hattori, Vice President and Controller
W. David Hopper, Vice President, South Asia Regional Office
S. Shahid Husain, Vice President, East Asia and Pacific Regional Office
A. David Knox, Vice President, Western Africa Regional Office
Martijn J.W.M. Paijmans, Vice President, Administration, Organization and Personnel Management
Timothy T. Thahane, Vice President and Secretary
Willi A. Wapenhans, Vice President, Eastern Africa Regional Office
Mervyn L. Weiner, Director-General, Operations Evaluation
Hans A. Wuttke, Executive Vice President, International Finance Corporation
Olivier Lafourcade, Personal Assistant to the President

TO: Participants to the Management Retreat December 3, 1981

FROM: Olivier Lafourcade

Following on Mr. Clausen's invitation to attend a Management Retreat at the Wye Plantation in Queenstown, Maryland, December 10-12, this note is intended to give some additional information on the arrangements made for the retreat.

1. Driving time to the Wye Plantation is about 1½ hours from Bank Headquarters. You should plan to arrive at the Plantation at about 6:00 p.m., in order to have time to check in and settle in your room before the reception scheduled for 7:00 p.m. Please follow the directions presented separately.

2. Upon arrival at the Plantation, please proceed to the Registration Desk at the Conference Center (follow the signs on the road) where you will be greeted by Aspen Institute hosts who will give you an information kit on the Center and show you to your room.

3. Accommodation at the Plantation will be in single rooms, each with private bath and private telephone. All rooms are within walking distance of the Conference Center (the Center has a limited supply of umbrellas, wherefore you may wish to take your own).

4. As indicated in Mr. Clausen's letter, the Retreat will start with a reception on Thursday, December 10, at 7:00 p.m. in the Conference Center Lounge. Dinner will follow at 8:00 p.m. in the Center's dining room. After dinner drinks will be available in the Lounge.

5. On Friday, December 11, breakfast will be served as of 8:00 a.m. in the dining room (buffet breakfast). The morning discussion session will start at 9:00 a.m. in the Center's Conference Room and will go until 12:30 p.m. (with breaks for coffee). Lunch will be served at 1:00 p.m. The afternoon session will run from 2:30 p.m. until 5:30 p.m. Cocktails will be served at 7:00 p.m. in the Lounge and dinner will follow at 8:00 p.m.

6. Saturday morning's schedule will be similar to that of Friday. The Retreat will end after lunch on Saturday.

7. Informal dress will be de rigueur during the day. Coat and tie will be expected for dinner.

8. Recreational facilities at the Wye Plantation include two tennis courts and a recreational room (pool table). Only one TV set is located in the Center's Lounge. The Washington Post (10 copies) will be available on Friday and Saturday.

9. Telephone number at Wye Plantation (Conference Center) is: (301) 827-7400 or 827-7404 (Ms. Sue Turner is coordinator).

Discussion:

10. As mentioned in Mr. Clausen's letter, there will be no formal agenda for the discussion. The three broad areas for discussion will be distributed as follows:

Friday morning: How to make The World Bank an even more effective institution than it presently is.

Friday afternoon: How to improve the quality of management-employee relations.

Saturday morning: i) What are the emerging issues coming over the horizon which will require longer-range attention?

ii) Summary and conclusions.

Directions

The Wye Plantation is approximately 65 miles from Bank Headquarters.

-- Take Route 50 East from Washington. Easiest way from the Bank is to take New York Avenue all the way until Route 50 is indicated.

-- Cross the Chesapeake Bay Bridge, continue on Route 50.

-- After intersection of Route 50 and Route 301, count 3 miles on Route 50 until intersection with Carmichael Road. Watch out, since Carmichael Road is poorly indicated (it's a small semi-private road). The intersection with Route 50 is between the signs indicating mile 49 and mile 50.

-- Take a right from Route 50 on Carmichael Road. Follow the signs indicating Aspen Institute and/or Wye Plantation. At the intersection of Carmichael Road and Cheston Lane, about 3½ miles from intersection with Route 50, take a right on Cheston Lane and follow signs indicating Conference Center and/or Registration. Distance from Route 50 to Conference Center is about 5 miles.

THE WORLD BANK

Office of the President

March 11, 1982

TO: Senior Management Council Members

FROM: Olivier Lafourcade OL

SUBJECT: Senior Management Retreat

This note is to inform you that the 1982 Senior Management retreat has been rescheduled from September 30-October 2 to November 18-20. The retreat will take place at the Wye Plantation. As in last December's case, the retreat will begin on Thursday evening and will end on Saturday after lunch.

Aspen Institute for Humanistic Studies

Aspen Institute — Wye Plantation
P.O. Box 222
Queenstown, Maryland 21658
301 758-2666

March 9, 1982

Mr. Olivier Lafourcade
Personal Assistant to the President
The World Bank
1818 H Street
Washington, D. C. 20433

Dear Mr. Lafourcade:

We are pleased to reserve the following dates for your conference at the Aspen Institute at Wye Plantation.

Arrival: November 18, 1982
First Meal: Dinner
No. of Persons: 20

Last Meal: Lunch
Departure: November 20, 1982
No. of Person Days: 40

You will be billed for the minimum number of person days shown unless we are notified by November 4, 1982 that your conference will have less than the number of participants indicated.

Please be advised of our deposit requirement schedule:

10% ($440) of estimated total revenue ($4,400) within 10 Days of this date to confirm space.

20% ($880) due on or before September 18, 1982

20% ($880) due on or before October 18, 1982

Payment of these deposits represent 50% of the estimated total billing. The deposits apply to the dates shown.

Institutional policy or time requirements may render it impossible or impractical for you to make deposit payments as per the above schedule. In recognition of this we will waive the cash deposit procedure in lieu of your understanding and acceptance that the waiver does not constitute release from obligation. In the event of cancellation of space booked without deposit payments, you will be billed for the estimated amounts which would have become due as per the schedule.

Upon receipt of your acceptance we will confirm your dates in writing. If the above is satisfactory please sign and return to us.

Yours very truly,

Sue Turner

Sue Turner, Head Conference Coordinator

Accepted by: [signature] Date: 03/15/82

REVISED 9/16/82

SUGGESTIONS ON STRUCTURE AND CONTENT

OF 1982 SENIOR MANAGEMENT SEMINAR

Content

Thursday Evening

7:00 pm Reception

8:00 pm Dinner and welcome

--Mr. Clausen

Friday Morning

Looking Back

9:00 am "The Bank's Performance Over the Past 12 Months"

-- Where have we erred?

-- Where have we been successful?

-- Where can we strengthen our performance?

(a) The President's View

-- Mr. Clausen

(b) Informal Discussion

-- All participants

10:30 am Coffee Break

Looking Ahead - I

11:00 am "Prospects for Growth in the World Economy"

(a) Introduction by Anne Kr~~eu~~ueger

(b) Informal discussion

12:30 pm Luncheon

Friday Afternoon

Looking Ahead - II

2.30 pm "Prospects for Growth in the World Bank and IFC"

(a) What kinds of growth in the activities of the Bank and Corporations are necessary to enable the institutions to discharge their tasks taking account of the impact on our borrowing countries of possible continued stagnation of the OECD countries;

(b) What kinds of growth are feasible, politically and economically, with the financial resources available to us?

-- Presentations by Ernie Stern, Moeen Qureshi and Hans Wuttke

4:00 pm Coffee Break

4:30 pm Discussion of the three presentations on "Prospects for Growth in the Bank and IFC"

6:00 pm Break

7:00 pm Reception

8:00 pm Dinner

Saturday Morning

Looking Ahead - III

9:30 am "Major Issues and Choices Facing Bank Managers During the Next 12-24 Months"

-- In light of anticipated prospects for financing and growth and emerging creditworthiness problems in developing countries.

(a) To start on a practical note, four VPs ~~who will have opportunities to~~ will introduce this topic taking account of both the constraints in the international environment and the available opportunities for the Bank to assist its members: Messrs. Ardito-Barletta, Husain, Paijmans and Rotberg.

(b) Discussion

11:00 am Coffee Break

11:30 am Summing Up and Expectations

-- Mr. Clausen

12:30 pm Luncheon and Departure

Personnel Management Department
September 16, 1982

File.

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

Office of the President

December 2, 1982

Dear Sue:

I should like to thank you for everything you and your colleagues did to make our stay at Wye Plantation both pleasant and enjoyable. The arrangements were just what we needed and food excellent. All in all the surroundings contributed importantly to the success of our meeting.

With kind regards,

Yours sincerely,

Bill

William S. Humphrey

Ms. Sue Turner
Aspen Institute at Wye Plantation
P.O. Box 222
Queenstown, Md. 21658