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THE WORLD BANK
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McNamara's Finance Committee

August 1979 to January 1980

Vol 1

The West Group
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Finance Committee Files - Finance Committee 01

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Office of the President

August 9, 1979

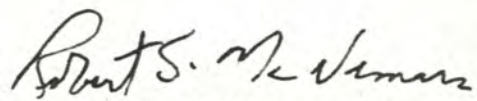
MEMORANDUM FOR THE PRESIDENT'S COUNCIL

SUBJECT: Management Committees

Mr. Kearns has informed me of the discussions with you about his memorandum of June 18, proposing a Management Committee Structure for the Bank. While his report indicates that there are differing views about this matter, there does appear to be general agreement that:

- . we need formal committees of senior officials to help think through and decide the major policy issues which lie before the Bank;
- . the committees should operate as sub-committees of the President's Council;
- . the vice chairmen of the committees should report frequently on committee activities to the President's Council to keep it fully informed;
- . key committee documents should be circulated to all PC members and discussed at the PC when appropriate;
- . to broaden participation, committee size should be kept small, but certain memberships may rotate on an annual basis.

Following these principles, I plan to form the following two committees at this time.


Robert S. McNamara

Management Committees

Personnel Committee

The Personnel Committee will deal with such issues as staff compensation and benefits, staff development, recruitment, management and manpower planning, Staff Association relationships and senior level appointments and transfers.

Regular membership will consist of the President (Chairman); Senior Vice President; VP, Administration, Organization, Personnel Management (Vice Chairman); VP, Operations; VP, Finance; and one rotating member.

Mr. Roger Chafournier will serve as the rotating member for the first year.

Finance Committee

The Finance Committee will deal with such matters as liquidity objectives, profit objectives, the lending rate, financial structure, and IDA transfers.

Regular membership will consist of the President (Chairman); Senior Vice President; VP, Finance (Vice Chairman); VP, Operations; VP and General Counsel; VP and Secretary; VP and Treasurer; and Director, Programming and Budgeting.

Operational Mode

Both committees will operate in a similar manner. They will determine their own programs of work including the issues to be considered, the approach to be taken in analyses and the meetings required to deal with general and specific issues. The vice chairmen will arrange the meeting agenda and ensure the quality and timeliness of staff support to the Committees.

FINANCE COMMITTEE MEETING

August 29, 1979

MINUTES

Present: Messrs. Qureshi, Stern, Damry, Rotberg, Scott, Vergin

The Committee discussed the following three subjects:

1. Allocation of IBRD Net Income

(i) The commitment to provide the Board a paper before the Allocation of FY80 Income discussion (presently scheduled for late July, 1980) was noted.

(ii) After lengthy discussion, the Committee concluded that the paper should focus on:

- (a) trends in prospective net income, a brief re-examination of IBRD requirements for reserves, and how much the Bank could afford to "give away";
- (b) identifying criteria against which alternative uses for Bank income could be evaluated (initial suggestions included high leverage, broad impact, catalytic effect, and preserving the Bank's full discretion to allocate its income after the close of each year);
- (c) potential uses of the funds (areas suggested included research and special projects, interest subsidies, insurance mechanisms for commercial lending, training and technical assistance, and dividends). It was noted that IDA contributions were likely to fare poorly when tested against the likely criteria; and
- (d) testing the alternatives against the identified criteria, and determining the magnitude of potential claims.

(iii) The Committee noted the importance of evaluating the likely reactions of the Bank's bondholders and auditors to the alternative uses of net income and the criteria used in determining that such income was not required to be transferred to reserves.

.../..

(iv) P&B was asked to prepare terms of reference and a work program for the study, with a view to ensuring full utilization of resources elsewhere in the Bank for ideas and input.

2. Next Steps in Obtaining Governors' Approval of the GCI

The Committee decided that the Bank should:

- (i) seek to obtain 75% approval of the GCI as soon as possible;
- (ii) establish a dialogue with U.S. authorities to clarify their timing and expectations for the U.S. vote.

3. Perspective Planning: "The Bank in the Late 1980's"

The Committee focussed on how the study should be organized and on ways of obtaining full participation by all Bank departments with relevant expertise in the study. P&B was asked to prepare an issues paper and draft work program, for review by the Committee.

September 6, 1979

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FINANCE COMMITTEE MEETING

September 5, 1979

MINUTES

Present: Messrs. McNamara, Qureshi, Stern, Damry,
Nurick, Rotberg, Gabriel

The Committee met and discussed the following items:

1. Status of U.S. IDA Contributions

1. The Committee reviewed the status of the foreign aid bill, the problems presented by the restrictive amendments, and the strategy for reversing them.

2. Mr. Qureshi said that the postponement of the House vote on the bill had permitted a strong emotional reaction against Vietnam to develop over the recess. The result had been the reintroduction and passage of restrictive amendments with respect to both direct and indirect aid.

3. The Treasury was now prepared to make a strong and organized effort to try to ensure the removal of the restrictions in the Senate. They intended to move initially at the Sub-Committee and Committee levels and then to pursue it actively on the Senate floor by focusing on individual Senators. The Treasury discounted the impact of the Barron's article of September 3, 1979 but nevertheless felt strongly that the Bank should avoid signals on the Vietnam and other issues that were inconsistent with positions that the Treasury had taken.

4. It was agreed that the Bank staff would maintain continuing contacts with the Treasury officials and with Mr. Fried's office. Various meetings in this connection had already been organized. The Treasury would also enlist White House help and would welcome whatever assistance could be provided by the Bank and by Mr. McNamara. Specific proposals to this end would be worked out.

5. In the event that the restrictive amendments were not removed, the Treasury recognized that the Bank and IDA would be faced with a crisis. They were of the view that the Annual Meetings should be the venue for an organized effort to influence the U.S. to change its position. There would be a large delegation of congressmen attending the Annual Meetings and the international unhappiness with the U.S. action could be expected to make some impact on them.

.../...

6. The Treasury believed that in the event that the restriction was not removed, it would be vital that the Bank hold firmly to its position with respect to the rejection of these funds. This was necessary on both legal grounds and in order to maintain the credibility of all concerned in the long term.

7. The possibility of a Presidential veto was discussed but the Treasury did not appear to consider this a feasible alternative. There was also some danger that this could be counter-productive.

8. Mr. Qureshi said he would keep the Chairman and the Committee posted on further developments.

II. Status of GCI

9. Mr. Qureshi reported on his discussions with Treasury officials and said that the present intention of the U.S. Treasury was to defer Congressional authorization for the U.S. Governor's vote on the GCI until some time in 1981, i.e. after the 1980 Presidential election. On being made aware of the serious problems that this would create for the Bank, they had promised to reconsider this matter, in particular the option of seeking only the authority to vote on the GCI resolution.

10. The Treasury concurred that the Bank should actively seek a 75% vote from member countries other than the U.S. and would be prepared to assist in the process by encouraging other members to vote without waiting for U.S. action.

11. The Committee agreed that the Bank should:

- (i) emphasize to the U.S. the importance of its vote to avoid a cut in the FY80 lending program;
- (ii) seek a 75% vote before the end of Belgrade.

III. Graduation - Preparation for the Lending Criteria Paper Board Discussion

12. Given the substantial disagreement in the Board, it was agreed that the approach would need to be flexible since it was not entirely clear what position some of the E.D's would take on this issue. Pending the results of further contacts, the Chairman said that the opening statement should note that:

- (i) although its title might be overly broad, the paper had been prepared in response to the commitment given last year to review graduation policy and was narrowly focused on that;

.../...

- (ii) should the Board wish to consider the proposed lending level to a non-graduating middle-income country, particularly those with substantial access to capital markets, the management would prepare a special analysis of that country's development plans and its need for Bank assistance for review by the Board.

P & B
September 14, 1979

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FINANCE COMMITTEE MEETING

September 18, 1979

MINUTES

Present: Messrs. McNamara, Cargill, Knapp, Qureshi,
Stern, Damry, Nurick, Rotberg, Gabriel

The Committee discussed the following items:

1. Status of U.S. IDA V Appropriation

The Committee noted two problems in the House-passed legislation as particularly difficult: the indirect bans on lending to Vietnam and Cuba. Without further efforts from all, it was likely the language would survive the House-Senate Conference, with any possibility of reconsideration by Congress unlikely before mid-February. It was decided that to improve this scenario the Bank should:

(i) Concentrate on the Congress, so as to provide support for the efforts being made by the Executive Branch. Formally enlisting the aid of the Bank's Board was not deemed to be very useful at this time; and

(ii) Emphasize that:

(a) IDA would be destroyed if the U.S. restrictions remained, (citing the opinions of the Controller of the U.S., the Congressional Reference Service, nine former Secretaries of the Treasury, and the Bank's General Counsel that the Bank could not accept restricted funds);

(b) The U.S. action also blocked IDA from using other donor funds.

2. General Capital Increase

The importance of obtaining a 75% vote before January 1, 1980 was noted, to avoid risking a cut in the FY80 lending program and erosion of support for the GCI.

3. IDA VI

Mr. Cargill reported on his European trip. It was agreed that:

(i) the objective of the Saturday meeting in Belgrade would be to seek country positions on total IDA VI size and shares, and isolate difficulties which could be addressed at the ministerial level before the Annual Meeting closed;

(ii) the objective at Dubrovnik would be to seek final agreement on the report, total IDA VI size, and country shares, (with the possible exception on the United States).

Mr. Cargill was asked to prepare a table showing LDC and uncommitted countries' shares in IDA V, and under two IDA VI scenarios.

4. Financial Complex Work Program

Mr. Qureshi was asked to prepare, and circulate for comment, a list of the financial policy issues facing the Bank, and a tentative work program for addressing them.

5. Annual Meeting Speech

Mr. McNamara circulated a draft supplement to his printed Annual Meeting Speech and requested comments by the end of this week (Friday, September 21).

September 24, 1979



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File Title Finance Committee Files - Finance Committee 01		Barcode No. 1771337		
Document Date September 1979	Document Type Annex			
Correspondents / Participants 				
Subject / Title Annex 1 - Alternative Solutions to the impasses between Bank and IMF on the Selection of a Compensation Survey Consultant (in order of acceptability) Annex 2 - The Hay Approach Brief Outline				
Exception No(s). <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input checked="" type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
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Additional Comments Declassification review of this record can be initiated upon request		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td>Withdrawn by Sherrine M. Thompson</td><td>Date Mar 20, 2013</td></tr></table>	Withdrawn by Sherrine M. Thompson	Date Mar 20, 2013
Withdrawn by Sherrine M. Thompson	Date Mar 20, 2013			

OFFICE MEMORANDUM

TO: Members of the Finance Committee
FROM: Moeen A. Qureshi *MAQ*
SUBJECT: Meeting of the Finance Committee

DATE: December 6, 1979

The Finance Committee will meet on Tuesday, December 11 at 2.00 p.m. in Mr. McNamara's Office to discuss the following:

1. Conversations of Mexican Authorities with Mr. Knapp.
2. Selected President's Work Assignments
- Financial Complex Work Program and Status Report (attachments).

Some other issues have been suggested for discussion by the Finance Committee. These issues are being examined and appropriate documentation will be prepared for consideration at the Finance Committee Meeting in January.

PVApplegarth/MAQureshi:gmb

MONTHLY REPORT ON SELECTED PRESIDENT'S WORK ASSIGNMENTS

VICE PRESIDENT, FINANCE

(As of December 1, 1979)

	<u>Individual Responsible</u>	<u>Schedule to President</u>	<u>Remarks</u>
Currency Pooling Handbook	Hattori	To be determined	
Criteria for Special IBRD Capital Increase	Applegarth	December	Comments of VP Finance being incorporated in draft.
White Paper on IBRD Capital Valuation (including MOV)	Applegarth	To be determined	Final form of paper to be determined; technical note and assistance presently being provided to G-6.
Uses of Bank Income	Applegarth	March 1980	Due to Board before Allocation of FY80 Income discussion
Currency Pooling - Treatment of Disbursed Loans - Treatment of Loans Committed and Undisbursed - Treatment of DFC's	Applegarth	February/ March 1980	Due to Board before currency pooling system begins operation
Co-Financing	Ikram	December 1979	To be distributed to ED's by January 15
Graduation Policy and Lending Criteria	Applegarth/ Robless	June 1980	
IBRD Repayment Terms	Applegarth	To be determined	Not to be done until after Governors vote on GCI
IBRD/IDA Financial Statements in SDR	Applegarth	To be determined (Timing may be affected by progress of MOV discussions. Tentatively scheduled for late fall 1980)	
IBRD Commitments in SDR	Applegarth	To be determined	
IDA Commitments in SDR	Applegarth	To be determined	IDA Deputies have requested paper before IDA 6 commitments begin issues paper being prepared
International Private Capital Flows	Ikram	June 1980	To be coordinated with DPS/WDR

STATUS OF SELECTED
PRESIDENT'S WORK ASSIGNMENTS

Currency Pooling Handbook

Mr. Hattori is preparing a short paper which describes the proposed pooling system in simple terms. This note should be available in the next ten days, and will be on the Finance Committee's January Agenda for discussion.

White Paper on IBRD Capital Valuation
(including MOV)

A proposal has been prepared by a group of four shareholders (France, Germany, Japan and United Kingdom) for discussion by the G6 during the week of December 10th. There is no indication that agreement on this proposal can be reached at this time. The Bank's approach is to wait for the progress of discussions in the G6, supplying technical notes and assistance as needed. The Joint Proposal is attached and two technical notes prepared by the Bank will be distributed shortly.

Co-Financing

An outline has been prepared (see attached). Work is proceeding in accordance with this outline.

Uses of Bank Income

The Bank is committed to provide a paper to the Board before the next Allocation of Income discussion (July 1980) and to discuss the issue with the EDs in advance. Finance Committee's views on priority uses would be useful.

Lending Criteria and Graduation Policy

The approach to be taken and the timing of this paper require discussion.

JOINT PROPOSAL BY FRANCE, GERMANY, JAPAN, AND THE
UNITED KINGDOM ON THE VALUATION OF THE BANK'S CAPITAL

1. The 1944 Gold Dollar shall be replaced by the SDR as the standard of value under the Bank's Articles.
2. Members who prefer to avoid MoV obligations in relation to paid-in capital in the period following encashment shall have the option of authorising the Bank to convert the paid-in portion of capital, immediately after payment, into a mixture of currencies corresponding to the SDR basket and thereafter to hold it in that form.
3. Where the option in paragraph 2 is not exercised, the arrangements for maintaining the value of paid-in capital shall be as follows:
Settlements in favour of the Bank or in favour of members shall be made on the occasion of changes in the amount of capital of the Bank, (or in any case at intervals of 3 years if the period between such changes is longer), provided that net changes in currency exchange rates against the SDR since the preceding settlements exceed 3 per cent upwards or downwards. During the twelve months following such settlements, the Bank will make payments to members whose currencies have appreciated. In the case of members whose currencies have depreciated, if they choose not to make the appropriate maintenance of value payments within that period, the corresponding voting power of those members shall be suspended at the end of the twelve month period. Such members will continue to have the option to restore their voting power by means of maintenance of value payments at any time during a further period of 2 years. If they do not do so within that period, the proportionate number of shares and voting rights will be withdrawn from that member and offered for subscription by other members within the framework of a future selective capital increase.

4. The callable capital shall at all times be subject to call up to its full SDR value which implies adjustments to the amounts of callable capital obligations in terms of national currencies corresponding to the appreciations or depreciations against the SDR. However, this rule will be subject to the following exception:

If a Member so wishes it may opt for a ceiling on its callable capital obligation in terms of its national currency. If the currency of such a member depreciates by more than 3 per cent net since the preceding settlement it will have the right either to undertake additional callable capital obligations in terms of its national currency in accordance with its own budgetary procedures and requirements, or to accept a corresponding diminution in its shareholding and voting power. As in the case of paid-in capital, there will be an initial period of twelve months during which Members with depreciated currencies will be obliged to make this choice; and if they do not increase their callable capital obligations within this period a corresponding portion of their voting rights will be suspended but they will still have the right to restore them by undertaking the necessary callable capital obligations during a further period of 2 years.

In the case of a call within the 3-year period following the last MoV settlement, the ceiling in national currency would be the upper limit of liability.

5. This proposal is without prejudice to the question of obligations for the period since 1971.

cc: Mr. Bergsten
Mr. Joyce
Mr. Cargill

DRAFT

November 20, 1979

COFINANCING

I. DEFINITION AND SCOPE

As currently used in the Operational Manual Statement on the subject the term "Cofinancing" refers in general to any arrangement under which funds from the World Bank are associated with funds provided by other sources outside the borrowing country in the financing of a particular project.

The present paper will concentrate on areas of private cofinancing in which the World Bank may have some influence on the stability, volume, cost and effectiveness of the combined (the Bank plus the private) flows.

II. OBJECTIVES

1. World Bank: The paper would examine a number of arguments that have generally been adduced to support the expansion of cofinancing activities. Among the most common are the wish or need to:

- (i) secure finance for Bank projects (or complementary investments) which are too large to be accommodated in full by the Bank's own resources;
- (ii) increase the amount of resource transfer to the developing countries. In particular, the objective is

to ensure additionality of funds in situations of tight market conditions, thus providing for a more stable flow of resource transfers over time. The introduction of new borrowers to private capital markets would be part of this objective;

(iii) improve the terms of private resource transfers;

(iv) make more effective the input of Bank resources, both financial and human.

2. The Borrowers: Many of the borrowers' objectives, such as obtaining additional flows of external resources, and ensuring the stability of such transfers, would be very close to the World Bank's own objectives. Particularly important objectives would be (a) to establish diversified links with the commercial banking system so as to minimize the chances of being shut out at times of liquidity tightness, and (b) to obtain technical assistance (from the World Bank) in tailoring financial packages to project needs.

3. Co-lenders:

(a) Official:

(i) Coordinate sectoral priorities;

(ii) Enable new institutions (e.g., in OPEC countries) to initiate programs and participate in projects during the institution-building phase;

(iii) Diversify the sector lending program even with small technical and financial resources;

(iv) Make possible faster disbursement for inexperienced donors than would be possible with their own projects.

(b) Private:

- (i) Develop stronger ties and ancillary business with borrower.
- (ii) Obtain increased security, through cross-default arrangements and association with the World Bank. It should be noted that the motives of private lenders will have to be examined in light of a particularly limited experience;
- (iii) Obtain cost-free information on a wide variety of markets;
- (iv) Secure possible benefits from portfolio diversification.

III. EXPERIENCE

The paper will review the experience of the Bank to date on co-financing, with a view to extracting pointers on improving the Bank's approach and procedures for the future. Full account will be taken of the limited character of past experience, and of the fact that it was acquired at a time of highly liquid markets. This part of the paper will cover:

- (i) The size of operation, particularly in relation to total long-term capital inflows by region;
- (ii) The recipients of funds, in terms of countries and sectors. This will explore the country and sector preferences of co-lenders and of borrowers, the causes and the strength of these preferences;

- (iii) The sources of cofinancing. This will explore the record to find why certain institutions tended to repeat themselves and whether general market conditions played an important role in shaping private co-lenders' attitudes; the objectives and preoccupation of lenders; the problem of disbursement speeds, the desire for cross-default clauses;
- (iv) The general arrangements used in setting up cofinancing, i.e., the various types of agreements entered into by the contracting parties, the main provisions in the documentation covering loans, the use of the cross-default clause;
- (v) The influence of cofinancing on terms of lending; additionality and stability of funds. The historical record provides only sketchy evidence. However, LAC's experience in some cases may give pointers;
- (vi) The reasons why not more cofinancing was done. Did this result from a lack of focus by the World Bank, or was it a result of co-lender or borrower qualms? If the latter, what were they and why? In particular, did borrowers think that cofinancing would reduce IBRD lending, or did they consider (given the state of financial markets) that

the private funds would be forthcoming anyway; and that cofinancing did not ease the terms of borrowing sufficiently to compensate for its cost (conditionality, cross-default clauses, etc.). An evaluation will be made of the experience of some countries that would seemingly appear to be prime candidates for cofinancing, but which have gone in for this only in a very limited way.

- (vii) Comparison with alternative approaches: IDB's and IFC's experiences will be examined, particularly as regards administrative set-up, degree of involvement in the cofinancing process, nature of cross-default clause, country and sector distribution of lending, major sources and frequency of each source of funds and size of operations relative to the institution's own lending.

IV. ISSUES FOR THE FUTURE

The paper will address the following major issues that can already be seen to emerge:

- (i) Constraints on classical cofinancing and action to overcome them. Do the Bank's lending targets and limited number of suitable projects constitute serious constraint on the expansion of cofinancing? How can these be removed?

- (ii) Exploring new modes, new sources and new uses of cofinancing. Local currency counterpart financing: need for it, possible amounts; is it subject to constraint of lending target and related costs; program loan packages. The buy-back proposal: construction period financing by commercial banks, at floating rates, with firm "buy-back" commitment by IBRD loan resale techniques: Possibility of increasing traditional portfolio sales (little practiced in recent times); the "pass-through" proposal (offering of certificates similar to a closed-end mutual fund); the "loan pool" approach (sales from a pool made up of loans to suitable countries and projects). Development of new sources (other than commercial banks): insurance companies, OPEC investors;
- (iii) What actions should the Bank take internally in order to help expand cofinancing activities? This would cover, inter alia: (a) administrative arrangements, how should the Bank expand the trained staff required to deal with such issues (e.g., should there be an expanded central unit to deal with issues of cofinancing?) and how can it have earlier and better identification of projects suitable for cofinancing; (b) a review of the

legal adequacy of present loan documentation, with particular reference to its adequacy in distinguishing between Bank response to technical defaults and to non-payment; (c) should managers set regional or country targets for cofinancing activities and/or limit Bank lending to particular sectors in such a way as to impel the borrower to secure cofinancing?

The final, most important related set of issues to be discussed is that of the implications, for the borrower and for the Bank, of the implicit or explicit obligation assumed by the Bank towards the co-lender with regard to the continued uninterrupted service of his loans. This obligation can be embodied in more or less strictly worded cross-default and cross-acceleration clauses. For the borrower, the implication is that the terms offered by lenders who do not benefit from such guarantees may tend to deteriorate. For the Bank, the question is how such obligations may affect its preferred creditor status, and ultimately its creditworthiness. The discussion will include, but not be limited to, a discussion of the Bank's and of creditors' attitudes and preferences concerning the scope and wording of the cross-default clause.

CONCLUSION

Need and benefits of extended cofinancing scope for action. Recommendations to borrowers. Proposed steps by the Bank.

Kikram/JBaneth:ba

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FINANCE COMMITTEE MEETING

December 11, 1979

MINUTES

Present: Members: Messrs. McNamara, Qureshi, Stern, Damry, Gabriel
Others: Messrs. Applegarth, Koch-Weser

The Committee discussed the following items:

1. Selected President's Work Assignments

The Committee reviewed the list and schedule of work assignments. The program as revised is attached.

2. Maintenance of Value

Mr. McNamara noted that the core problem was the open-ended liability on callable capital, and that an acceptable solution might lie in varying the number of shares held by the U.S. within a fixed liability limit.

3. Conversations of Mexican Authorities with Mr. Knapp

The Committee discussed the Mexican concerns, the extent to which they might be shared by other Group of 77 members, and how the Bank might be responsive to them. Mr. Stern said that a Task Force on non-concessional flows had been established in the Development Committee in response to a Mexican proposal, and that Mexico was considering chairing the task force. He also stated that there was no general agreement on some of the ideas put forward by Mexico and that some of the Mexican proposals had been opposed by other members of the Development Committee. There was also a difference of views amongst members with respect to the Mexican desire to convene more frequent meetings of the Deputies.

The Committee agreed that:

(1) The Bank should meet with the Mexicans to discuss their concerns.

(2) The extent to which the Bank could support any Mexican capital flows proposal would depend on the results of the Bank's international capital flows study, but the Bank would share its data and final capital flows paper with the Development Committee.

(3) The Bank should oppose any proposal to establish a group within the Development Committee to review the future of the Bank in the 1980's.

(4) The Bank should take into account proposals relating to the capital requirements for the middle income countries such as those advanced by Mexico in its study of capital flows; these issues could be expected to surface during the review of the Development Committee's operations in the Fall, 1980.

4. China

The Committee agreed that the Bank should focus in early 1980 on the implications of admitting China. Mr. Qureshi indicated that a preliminary paper would be prepared for review by the Committee in the near future.

5. General Capital Increase

Mr. McNamara noted that the British vote had been received and the Japanese so informed. Mr. Qureshi indicated that the votes needed, except for that of Japan, were expected to be received within about a week. Together with Mr. Damry, he would follow up on the vote by Belgium and Libya. Steps were also being taken to persuade Israel and South Africa to vote affirmatively.

Attachment

January 3, 1980

MONTHLY REPORT ON SELECTED PRESIDENT'S WORK ASSIGNMENTS

VICE PRESIDENT, FINANCE

(As of January 1, 1980)

	<u>Individual Responsible</u>	<u>Schedule to President</u>	<u>Remarks</u>
1. Currency Pooling - Summary Description of Proposed System	Hattori	December 1979	Finance Committee review scheduled for January.
2. Criteria for Special IBRD Capital Increase	Applegarth	January ^{1/}	Comments of Finance Com- mittee being incorporated in draft.
3. White Paper on IBRD Capital Valuation (including MOV)	Applegarth	Not later than September 1981; preferably by November 1980	Final form of paper to be determined; two technical notes have been given to G-6, and assistance continues to be provided.
4. Uses of Bank Income	Applegarth	April 1980	Due to Board before Allocation of FY80 Income discussion.
5. Currency Pooling (a) Treatment of Disbursed Loans (b) Treatment of Loans Committed & Undisbursed (c) Treatment of DFC's	Applegarth	February/ March 1980	Due to Board before currency pooling system begins operation.
6. Co-Financing	Ikram	January 1980	
7. Graduation Policy and Lending Criteria	Applegarth/ Robless	To be determined ^{2/}	Deferred indefinitely
8. IBRD Repayment Terms	Applegarth	December 1980 ^{2/}	Not to be done until after Governors vote on GCI
9. IBRD/IDA Financial Statements in SDR	Applegarth	Issues paper within 90 days	Timing may be affected by progress of MOV discussions.
10. Commitments in SDR (a) IBRD (b) IDA	Applegarth	May 1980	IDA Deputies have requested paper on IDA before IDA6 commitments begin. Issues paper being prepared.
11. International Capital Flows	Ikram	May 1, 1980	To be coordinated with DPS/WDR.
12. Anticipatory Program Lending - Additionality	Applegarth	June 1980	
13. Planning for Future IBRD Capital Needs (Next GCI, and/or revision of articles)	Applegarth	Fall 1980	
14. PRC	Applegarth	To be determined	Issues paper being prepared for senior management review.
15. Allocation of FY80 Income	Applegarth	July 1980	

^{1/} Revised paper.

^{2/} Timing of these papers is to be considered at the January Finance Committee meeting.



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Correspondents / Participants To: Robert S. McNamara From: Martijn J. W. M. Paijmans				
Subject / Title Joint Selections by Bank and Fund Consultants to carry out the 1980 Compensation Survey				
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Additional Comments Declassification review of this record can be initiated upon request		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td>Withdrawn by Sherrine M. Thompson</td><td>Date Mar 20, 2013</td></tr></table>	Withdrawn by Sherrine M. Thompson	Date Mar 20, 2013
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FINANCE COMMITTEE MEETING

January 8, 1980

MINUTES

Present: Members: Messrs. McNamara, Cargill, Qureshi, Stern,
Damry, Nurick, Rotberg, Gabriel

Others: Messrs. Applegarth, Koch-Weser,
Akant (for discussion of IBRD Borrowing
costs)

1. Cost of IBRD Borrowings

Mr. Hittmair's memorandum of December 27 was discussed. Mr. McNamara requested that the Treasurer's Department develop a computer program showing the effective costs of borrowings for each borrowing and by fiscal year. The program should also permit sensitivity tests of future exchange rate movements. Treasurer's should prepare such a report every six months, starting July 1, 1980. Mr. Gabriel noted that aggregating borrowings costs over the five years since FY75 obscured the high exchange losses on borrowings made in the period's earlier years, and that current market interest rate differentials would be a better estimate of future exchange rate movements than the paper's assumption that rates would remain constant in the future.

2. Financial Complex Work Program

The program was amended as attached. Mr. McNamara requested that Mr. Hattori prepare the equivalent of Table I in SDR's by the next Finance Committee meeting. Mr. McNamara also asked for a brief note on the impact of changing repayment terms, particularly grace periods.

3. Effective Costs of Industrial Project Loans

The Committee considered Mr. Rischard's paper of October 11. Mr. Qureshi noted that in comparing Bank and IFC costs, the paper had failed to consider other charges by IFC. Moreover, the paper's thesis relied extensively on the continuation of past exchange rate trends into the future. Mr. McNamara noted that if IBRD borrowing decisions were correct and systems costs were minimized, IBRD loans could not be more expensive than IFC loans. Mr. Stern requested, and the committee agreed, that a study of the appropriate guarantee fee be made.

4. Board Budget Committee

The Committee discussed Joint Audit Committee interest in establishing a Board Budget Committee. Mr. McNamara noted that it was not in the interest of the developing countries to have a small committee of the Board overly influential on Budget decisions; and that the LDC's paid the cost of Bank staff and technical assistance. Mr. McNamara suggested as alternatives having seminars on the budget for the Board, lengthening the time between distribution of the budget

paper and the Board discussion up to eight weeks, and reviewing individual issues of Board concern after the overall budget has been approved. Mr. McNamara emphasized that making decisions on manpower allocation, staff size, economic and sector work, and similar issues were a managerial responsibility, and Mr. Qureshi noted that several Directors shared this view. Mr. Qureshi and Mr. Damry were asked to consult further with the Directors on the subject, and discuss their findings at the February Finance Committee meeting.

5. Role of the Board

Mr. McNamara asked committee members to consider, for discussion at the next Finance Committee meeting, the issues involved in increasing Board participation in the early stages of policy formulation in the Bank. The mechanisms might include such things as informal meetings and seminars at which management discussed issues it was considering and its preliminary thinking regarding these. Mr. Qureshi noted Board members had responded favorably to recent meetings on financial policy issues.

MONTHLY REPORT ON SELECTED PRESIDENT'S WORK ASSIGNMENTS

VICE PRESIDENT, FINANCE

(As of February 1, 1980)

	<u>Individual Responsible</u>	<u>Schedule to President</u>	<u>Remarks</u>
1. Currency Pooling - Summary Description of Proposed System	Hattori	January 28, 1980	Finance Committee review scheduled for January.
2. Criteria for Special IBRD Capital Increase	Applegarth	February 1/	Comments of Finance Committee being incorporated in draft.
3. White Paper on IBRD Capital Valuation (including MOV)	Applegarth	Not later than May 1981; first draft by November 1980.	Final form of paper to be determined; two technical notes have been given to G-6, and assistance continues to be provided.
4. Uses of Bank Income	Applegarth	April 1980	Due to Board before Allocation of FY80 Income discussion.
5. Currency Pooling (a) Treatment of Disbursed Loans (b) Treatment of Loans Committed and Undisbursed (c) Treatment of DFC's	Applegarth	February/March 1980	Due to Board before currency pooling system begins operation.
6. Co-Financing	Ikram	January 28, 1980	
7. Graduation Policy and Lending Criteria	Applegarth/ Robless	-	Deferred indefinitely
8. IBRD Repayment Terms	Applegarth	Short issues paper to be prepared by February 1980	
9. IBRD/IDA Financial Statements in SDR	Hattori/ Applegarth	Issues paper by April 1, 1980	Controller's Department preparing Table I in SDR terms for February Finance Committee meeting.
10. Commitments in SDR (a) IBRD (b) IDA	Applegarth	May 1980	IDA Deputies have requested paper on IDA before IDA6 commitments begin. Issues paper being prepared.
11. International Capital Flows	Ikram	May 1, 1980	To be coordinated with DPS/WDR.
12. Anticipatory Program Lending - Additionality	Applegarth	-	Date to be determined after reviewing Program Lending Policy paper being prepared by PPR.
13. Planning for Future IBRD Capital Needs (Next GCI, and/or revision of articles)	Applegarth	Fall 1980	
14. PRC	Applegarth	February 15, 1980	Issues paper being prepared for senior management review.
15. Allocation of FY80 Income	Applegarth	July 1980	
16. Determination of Formula for Establishment of Industrial Project Guarantee Fee to cover Exchange Rate Risk and Interest Rate equalization difference	Applegarth	To be determined	

1/ Revised paper.

FINANCE COMMITTEE MEETING

December 19, 1979

MINUTES

Present: Members: Messrs. McNamara, Cargill, Qureshi, Stern,
Damry, Nurick, Rotberg, Gabriel

Others: Messrs. Applegarth, Koch-Weser

The Committee discussed the following items:

1. Criteria for Selective Capital Increases

The Committee reviewed the draft Board paper and suggested the paper be revised to take account of the following:

- (a) the paper should make recommendations regarding increases for those countries which had expressed interest in an increase;
- (b) consideration should be given to loosening the technical criteria which limited the increases;
- (c) in evaluating support for development the Bank should recognize only support to the Bank Group, rather than, for example, bilateral aid flows.

2. Tax Reimbursement

The Committee reviewed the status of discussions with the Board regarding management's tax reimbursement system proposals.

3. Financial Complex Work Program

Mr. McNamara noted the commitment to provide the IDA Deputies, before IDA6 commitments begin, a paper on making IDA commitments in SDR's.

January 3, 1980