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The American Network of Soviet
Students in Social Science

Студенческий гид

**Опыт советских студентов в
американских университетах**

Columbus, Ohio
U.S.A.

1991

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Введение

Этот гид написан по опыту советских студентов, поступивших на докторские (Ph.D.) и мастерские (M.A.) программы в США и впервые столкнувшихся с жизнью американских университетов. Положение студентов, получающих финансовую поддержку от университетов (fellowship, scholarship, assistantship и т.п.) существенно отличается от положения тех, кто приехал по обменным программам. Обмен происходит между организациями, которые по крайней мере формально защищают интересы студента, оговаривают условия и т.д. Самостоятельного студента принимают наравне с американцем, не предполагая, какой сложной и болезненной может быть адаптация. Мы надеемся, что эта брошюра поможет Вам избежать наиболее распространенных ошибок и неприятностей. Многие из сказанного ниже может тем не менее оказаться полезным также и участникам и организаторам обменных советско-американских программ.

Гид подготовлен Американской Сетью Советских Студентов по Общественным Наукам (American Network of Soviet Students in Social Sciences). В Соединенных Штатах с нами можно связаться по следующему телефону: 1-800-468-9079. По этому телефону Вы можете позвонить нам бесплатно из любого города США. К сожалению у нас нет возможности постоянно дежурить у телефона, но если Вы запишете свое имя и номер телефона на автоответчик, мы сможем перезвонить Вам.

Сеть существует благодаря организационной и финансовой поддержке Консорциума Университетов Среднего Запада по Международной Деятельности (Midwest Universities Consortium for International Activities, Inc. (MUCIA)) Мы хотим персонально поблагодарить президента и исполнительного директора Консорциума Уильяма Флинна (William Flinn) за интерес к проблемам советских студентов и помощь.

Гид подготовлен по опыту советских студентов, начавших программы в 1989-1990 годах. Некоторые правила и порядки с тех пор могли измениться. Все цены, ставки процента и т.п. приводятся только в качестве приблизительных ориентиров и соответствуют уровню 1990 года. Рассчитывая собственный бюджет нужно иметь в виду некоторый рост цен.

Стипендия

Как правило, стипендии и другие формы финансовой поддержки выплачиваются университетами один раз в месяц, в последний рабочий день. Часто из-за задержек с оформлением документов первая стипендия тем, кто начинает учиться с сентября выплачивается только в конце ноября. Советуем заранее сообщить в принимающий университет, что у Вас нет никакой возможности привезти с собой даже минимальную сумму конвертируемой валюты, что Вы прибываете в США без цента в

кармане. Такая ситуация может быть неожиданной для администрации университета.

Обычно сразу же по приезду университет выдает студенту заем в сумме от одной до двух тысяч долларов. По займу начисляется процент, в 1990 году средняя ставка была 7% в год. Рассрочить выплату займа можно на один-два года. Полученных денег обычно хватает на оплату авиабилета от Нью-Йорка до места учебы, первую выплату за аренду жилья, оплату медицинской страховки, другие обязательные платежи, некоторое обзаведение и питание до получения первой стипендии. (Подробнее см. соответствующие разделы).

Все выплаты университет делает в виде чеков на Ваше имя. По чеку можно получить наличные или положить деньги на счет. Советуем с первым же чеком открыть счет в одном местных банков. Операции с наличными деньгами часто связаны с дополнительными расходами по

оформлению переводов и существенными неудобствами.

Банки, счета

Американские банки предлагают два основных вида счетов: текущий (checking account) и сберегательный (saving account). Вместе с текущим счетом Вы получаете персональную чековую книжку, т.е. можете в большинстве случаев расплачиваться чеками, а не наличными деньгами. Процент по текущему счету обычно не начисляется. Сберегательный счет позволяет вкладывать чеки на Ваше имя и наличные, а получать только наличные. По сберегательному вкладу начисляется процент, средняя ставка в 1990 была около 5% в год.

За пользование счетом взимается ежемесячная плата (monthly fee). Часто плата взимается только тогда, когда баланс на счету падает ниже установленного минимального баланса (minimal balance). Во многих случаях

устанавливается также плата за операцию (transaction fee), которая берется за каждый выписанный чек, каждый вклад и каждую выплату наличных со счета сверх определенного числа бесплатных операций (number of free transactions per month).

Советуем Вам сначала открыть текущий счет. Через один-два месяца Вы сможете понять, нужен ли Вам сберегательный счет, и если да - какой именно.

Прежде чем открыть счет советуем заглянуть по крайней мере в два-три ближайших банка и посоветоваться с коллегами в университете. Условия счетов в банках различаются. Советуем обращать внимание на месячную плату, минимальный баланс, число бесплатных операций и плату за операцию. Опыт показывает, что реально поддерживать минимальный баланс 300 - 500 долларов. Если Вы решите приобрести кредитную карточку, Вы сможете поддерживать более высокий минимальный баланс.

Некоторые банки предлагают специальные льготы для новых клиентов. Об этом нужно спрашивать.

Кредитные карточки

Кредитные карточки позволяют покупать товары в течении месяца не расходуя своих денег на каждую покупку, а оплачивая один общий счет в начале следующего месяца. Большинство кредитных карточек (VISA, Master Card) предоставляют возможность оплачивать счета по частям, т.е. с рассрочкой на несколько месяцев. На невыплаченный остаток начисляется процент по высокой ставке, в 1990 году - 17-19%. American Express требует выплаты всей суммы ежемесячно. Пользование кредитными карточками VISA и Master Card стоит 20 - 25 долларов в год, American Express - 55 долларов в год. American Express предоставляет специальные льготы, связанные с путешествиями, например - получение и обмен валюты в

других странах, бесплатная страховка арендованного автомобиля, льготные авиабилеты и т.п.

Без кредитной карточки практически невозможно арендовать машину, видеокассеты и т.п. В этих случаях карточка используется как гарантия возврата арендованного.

Получить кредитную карточку для советского студента сложнее, чем для американца. Многие финансовые компании выдают карточки только постоянным жителям США. Советуем выяснить возможность получения кредитной карточки в Вашем банке вместе с открытием счета.

Авиабилеты

Обратный билет в Союз с открытой датой действителен в течении года. Продлить срок действия билета можно максимум на три месяца с разрешения представителя аэрофлота в США. Если Вы не уверены, что

собираетесь поехать домой на каникулы после первого учебного года, советуем заранее подготовить доверенность на имя кого-то из Ваших родственников на возврат билета. Билет Аэрофлота с открытой датой, купленный за рубли, можно вернуть только в СССР. Когда Ваши планы прояснятся, Вы сможете отослать билет домой и Ваш родственник сдаст его.

Внутренний билет от Нью-Йорка (или Вашингтона) до места учебы Вам должен забронировать университет. Как правило, стоимость билета студент возмещает из своей стипендии. Советуем заранее попросить университет бронировать для Вас самый дешевый билет. Стоимость билетов существенно зависит от того, за сколько времени они заказываются. Чем раньше Ваш билет будет забронирован, тем дешевле это вам обойдется. Примерная цена билета от Нью-Йорка до штатов Среднего Запада (Огайо, Индиана, Иллинойс) - 300-500 долларов, до Западного

Побережья (Сан-Франциско) -
700-800 долларов.

Другие виды транспорта

Железные дороги в США практически не используются для пассажирских перевозок. Альтернативу самолету составляет междугородный автобус. Поездка на автобусе занимает больше времени и более утомительна, но существенно дешевле. Для сравнения, забронированный за два месяца билет от Нью-Йорка до Сан-Франциско стоит 80 долларов. Поездка из Нью-Йорка на Средний Запад при тех же условиях стоит 70 долларов и занимает 13 - 18 часов. При бронировании менее чем за два месяца но более чем за неделю цена возрастает приблизительно вдвое. Вы можете попросить Ваш университет забронировать Вам билет на автобус, а не на самолет.

Дополнительная трудность, связанная с автобусом: автостанции в Нью-Йорке и Вашингтоне находятся далеко от

аэропортов. Если на самолет другой авиакомпании можно пересесть в том же аэропорту, то до автостанции нужно ехать автобусом, цена билета - до 20 долларов.

Жилье

Как правило, Вы можете выбирать между общежитиями университета и арендой жилья вне кампуса. Общежития могут быть дешевле или дороже аналогичного жилья вне университета. Часто в университетских общежитиях не предусмотрены кухни. Нужно иметь в виду, что питание в столовых обходится в два-три раза дороже.

Советуем не подписывать годовой арендный контракт (lease) прежде, чем вы сравните предлагаемые условия по крайней мере в двух-трех местах. Разорвать контракт раньше срока практически невозможно.

Ни в университетских общежитиях, ни в другом жилье постельное

белье, одеяла, подушки и посуда в арендный контракт не входят. Советуем взять с собой набор постельного белья и посуды хотя бы на первое время.

В переговорах об аренде жилья и арендном контракте часто употребляются следующие понятия:

Landlord: владелец или управляющий предлагаемого жилья;

Tenant: квартиросъемщик;

Rent: месячная (квартальная) квартплата;

Furnished unit: мебелированная квартира (комната), мебель согласно контракту должна быть предоставлена владельцем, стоимость использования мебели входит в квартплату;

Unfurnished unit: квартира без мебели, с кухонным оборудованием;

Utilities: газ, вода, электричество, отопление, в зависимости от контракта оплачиваются съемщиком или входят в арендную плату;

Deposit: сумма, как правило равная месячной квартплате, которая выплачивается при подписании контракта, хранится владельцем жилья как страховка на случай невыплаты ренты или повреждений и возвращается по окончании контракта, обычно - течении месяца;

Lease: арендный контракт, обычно включает описание жилья, продолжительность аренды, размер квартплаты (ренты), условия оплаты отопления, воды и т.п. Стандартный срок аренды - год. На срок до шести месяцев жилье дают неохотно и дороже. Нарушение контракта одной из сторон формально может быть опротестовано через суд.

Советуем внимательно прочитать контракт, прежде чем подписывать его. Ваша подпись влечет за собой серьезную правовую ответственность.

Основные типы жилья:

Room: комната, обычно меблированная. Кухня и ванная - общая для нескольких комнат.

Efficiency apartment (studio):

комната с ванной и кухней.

One/two bedroom apartment:

квартира с одной/двумя спальнями и жилой комнатой.

Плата за телефон не входит в контракт. Она включает плату за подключение (40-50 долларов), возвращаемый депозит (30 - 40 долларов), ежемесячную плату и оплату междугородных звонков.

Если при заключении арендного договора в контракте указывается, что в квартире будут постоянно жить два или более человек, с каждого из них обычно взимается дополнительная плата.

Цены на жилье различны по регионам, оба побережья дороже чем внутренние штаты. Расходы на жилье, коммунальные услуги, телефон и т.п. в штатах Среднего Запада могут составить от 300 до 600 долларов в месяц, в крупных городах на побережье - от 400 до 700 долларов.

Медицинская страховка

Медицинская помощь в США обходится очень дорого. Лечение простого перелома руки может стоить 3 - 5 тысяч долларов. Иностранные студенты как правило обязаны приобрести медицинскую страховку. Советуем приобрести ее даже если это не обязательно в Вашем университете.

Обычно медицинская страховка доступной стоимости покрывает лечение в случае травм и начавшихся заболеваний. Лечение зубов, коррекция зрения (очки, контактные линзы) и гинекология страховкой не покрываются. Советуем всякий раз обращаясь за медицинской помощью узнавать в Вашей страховой компании или у врача на сколько эта помощь покрывается Вашей страховкой.

Стоимость страховки на одного студента составляет 100 - 200 долларов в квартал, на студента с женой 300 - 400 долларов, на студента с женой и ребенком - 400 - 500 долларов в квартал.

Налоги

Согласно налоговому договору между СССР и США (Tax Treaty) советские студенты освобождаются от налогов на первые пять лет обучения. Тем не менее, университеты, не имевшие раньше советских студентов, в начале автоматически вычитают налоги из их стипендий. Если из Вашей первой стипендии вычли налоги, советуем обратиться в налоговый офис Вашего университета. Если Вам потребуется копия налогового договора, позвоните или напишите в наш координационный офис в Колумбусе, Огайо (адреса и телефоны - на последней странице) и мы перешлем Вам необходимые материалы.

Визы и право работы

Советским студентам обычно предоставляются визы F (F-1 для студента и F-2 для членов семьи) или J (соответственно J-1 и J-2). Виза F-1 дает право работы в летние месяцы с разрешения университета. Виза F-2 не дает

права работы вообще. Виза J-1 дает право работы в течение всего года с согласия университета в свободное время, виза J-2 позволяет работать в течении всего года полный рабочий день с разрешения иммиграционной службы (Immigration and Naturalization Service - INS). Разрешение INS выдается практически автоматически. Для этого нужно приехать в ближайший офис INS с необходимым набором документов. Подробную информацию можно получить в нашем офисе или в офисе по работе с иностранными студентами Вашего университета. За разрешение на работу взимается одноразовая плата - 35 долларов.

Автомобиль

Система общественного транспорта в большинстве американских городов, за исключением Нью-Йорка, Вашингтона, Сан-Франциско и немногих других, практически отсутствует. Если Вы предполагаете водить машину, советуем до отъезда получить

советские международные права. С некоторыми ограничениями они действительны в США.

При необходимости Вы можете арендовать машину. Неделя аренды обходится в 140 - 170 долларов плюс 60 - 70 долларов за страховку арендуемого автомобиля.

Обычно при аренде предлагается несколько видов страховок. Советуем обратить внимание на Loose and Damage Insurance. Оплатив ее (8-10 долларов за день аренды) Вы не несете ответственности ни за какие повреждения машины. В противном случае даже мелкий ремонт помятого крыла может обойтись в 300 - 600 долларов. В некоторых штатах ответственность за повреждение арендованного автомобиля ограничена законом. (На ппример, в штате Нью-Йорк при любом повреждении арендатор выплачивает компании не более 200 долларов.)

Для аренды машины обычно нужны

кредитная карточка и американские водительские права. Компания AVIS предоставляет машины и без кредитной карточки, по предъявлению советского паспорта, советских прав и обратного авиабилета под депозит не менее 200 долларов.

Погода

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Адреса и телефоны

в США:

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The Network of Soviet Students
in Social Sciences
MUCIA Executive Office
66 East 15th Avenue
Columbus, Ohio 43201
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614/291-9646
FAX 614/291-9717
Telex 510 101-0567 (MUCIA EXEC
UD)

Vladimir Nebyvaev
Educational Attache
Embassy of the USSR
1125 16th Street, N.W.
Washington, D.C. 20036
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FAX 202/347-5028

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Washington, D.C. 20008
202/939-8918
Information: 202/328-3225

в Москве:

Андрей Романович Марков
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Экономический факультет
Московский Государственный
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Второй корпус гуманитарных
факультетов
Ленинские Горы
Москва, 119899
939-22-95
факс 939-08-77

Гид подготовили Денис Киселев и
Ирина Ясина.

Для заметок

Для заметок



done 5/1

4/34

Costas,

Re Karen Brook
memo & Michel Petit's
covering memo, we
need to increase
coordination. I hope
she'll come to your
meeting.
Paul

SM
VA
to the
USSR

ROUTING SLIP

DATE: 5-1-91

From the Senior Vice President
Policy, Research and External Affairs

Name	Room No.	Name	Room No.
V. Rajagopalan		C. Michalopoulos	
L. Summers		G. Lamb	
P. Isenman	X	R. Liebenthal	
A. Shakow		R. Woodford	
G. Ingram		R. Voight	
K. Jay		J. Holsen	X
<input type="checkbox"/> Urgent		<input type="checkbox"/> Comment	
<input type="checkbox"/> For Action		<input type="checkbox"/> Approval/Clearance	
<input checked="" type="checkbox"/> Information		<input type="checkbox"/> Signature	

REMARKS:

RECEIVED
91 MAY -1 PM 3:55
PRDDRcc
Michalopoulos
Lamb 5/2 ✓

FROM: Wilfried P. Thalwitz Room No.:

Ext.:

The World Bank

Washington, D.C. 20433
U.S.A.

MOEEN A. QURESHI
Senior Vice President, Operations

April 29, 1991

Mr. Thalwitz:

Wilfried,

Re: Potential Bank Involvement in EC TAP for the Soviet Union

I agree that there is no need for another discussion of this subject for the time being. As we agreed, we should see what the current temperature of our shareholders is on the technical assistance issue and compare notes at the end of the week. Incidentally, we should not labor under the impression that EC is anxious to see us administer these funds. They will need to be persuaded that this is in the best interest of all concerned. I have also asked David to keep current on the emerging picture.

Moeen

(hand delivered 4/29)

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: APRIL 29, 1991

TO: Larry Summers
TO: Visvanathan Rajagopalan
TO: Alexander Shakow

(LARRY SUMMERS)
(VISVANATHAN RAJAGOPALAN)
(ALEXANDER SHAKOW)

FROM: Paul Isenman, PRDDR

(PAUL ISENMAN)

EXT.: 33957

SUBJECT: You may be interested in the attached exchange of memos and

ems on the Soviet Union. (Please don't spread them around, though; there is no sense publicizing widely this difference of views on what are more tactics than strategy.)

CC: Amnon Golan

(AMNON GOLAN)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 29-Apr-1991 01:23pm EST

TO: See Distribution Below

FROM: Wilfried Thalwitz, PRESV (WILFRIED P. THALWITZ)

EXT.: 36860

SUBJECT: Mr. D. Bock's memo of April 26 re Potential Bank Involvement
in EC Technical Assistance Program for the Soviet Union.

I was a bit surprised to see the wide distribution of David Bock's memo to you on the USSR, since it does not seem to have taken account of the PC discussion only two days earlier. Rather it seems to be dealing with some detailed aspects of the "high option", while at the PC we were talking of the "low option". In fact, we had assumed, evidently incorrectly, that the purpose of David's meeting with his committee was to inform them of the current state of play at the PC.

As agreed at the PC, let's see what signals we get from shareholders on this. As suggested by Ibrahim, we can certainly respond informally to the EC that while it is premature for us to use their funds at this point that the situation would be likely to change if our shareholders urge us to become more active. We could indicate, in this context, that if we were to move ahead, one key issue would be how to do so without reducing funding available for existing borrower countries; in this context EC funding would be quite helpful.

I understand the enthusiasm that lies behind David's memo. Like him, I think that the Bank has a great deal to contribute to economic reform in the Soviet Union, **but at the proper time.**

DISTRIBUTION:

TO: Moeen A. Qureshi	(MOEEN QURESHI)
CC: Ernest Stern	(ERNEST STERN)
CC: William Ryrie	(WILLIAM RYRIE)
CC: Ibrahim Shihata	(IBRAHIM SHIHATA)
CC: W. A. Wapenhans	(W. A. WAPENHANS)
CC: Sven Sandstrom	(SVEN SANDSTROM)
CC: Russell Cheetham	(RUSSELL CHEETHAM)
CC: Amnon Golan	(AMNON GOLAN)
CC: Rest of Distribution Suppressed	

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 29-Apr-1991 02:53pm EST

TO: See Distribution Below

FROM: David R. Bock, OPNSV (DAVID BOCK)

EXT.: 82856

SUBJECT: Potential Bank Involvement in EC TAP for the Soviet Union

Wilfried,

This must be the season for surprises as I was surprised by your note to Moeen. The intent of my memo was not to reopen the PC decision but to get clarification on how far we can safely go in discussions with the EC at this time, recognizing that we would need to be non-committal and circumspect in any event. In re-reading the memo, I realize that the reference to yet another PC discussion was a mistake. As a practical matter, all that is required is a bit of guidance from the President based on his conversations with ministers this week.

The wide distribution of the memo stems from the fact that I was writing on behalf of the group that has been drawn together to coordinate the planning of possible TA to the USSR. As Operations is not the only complex interested in this subject, I thought it best to copy my report to you and others.

David

DISTRIBUTION:

TO: Wilfried Thalwitz	(WILFRIED P. THALWITZ)
CC: Moeen A. Qureshi	(MOEEN QURESHI)
CC: Ernest Stern	(ERNEST STERN)
CC: William Ryrie	(WILLIAM RYRIE)
CC: Ibrahim Shihata	(IBRAHIM SHIHATA)
CC: W. A. Wapenhans	(W. A. WAPENHANS)
CC: Sven Sandstrom	(SVEN SANDSTROM)
CC: Russell Cheetham	(RUSSELL CHEETHAM)
CC: Rest of Distribution Suppressed	

OFFICE MEMORANDUM

DATE: April 26, 1991

TO: Mr. Moeen A. Qureshi

FROM: David R. Bock *DRB*

EXTENSION: 82858

SUBJECT: Potential Bank Involvement in EC Technical Assistance Program for the Soviet Union

STRICTLY CONFIDENTIAL

DECLASSIFIED

SEP 03 2019

WBG ARCHIVES

91 APR 29 AM 11:29

PRDDR

1. The recent PC discussion on the Soviet Union concluded that it is not appropriate at this time to reopen a dialogue with the Soviet authorities on a technical assistance program along the lines discussed last fall. The political and economic situation in the USSR is expected to remain uncertain, if not chaotic, for some time to come. Equally important, a Bank or Fund program focussed on a policy dialogue with the Union authorities continues to represent a major policy threshold for the Bank's shareholders, particularly the United States.

2. Notwithstanding these issues, however, the European Community will proceed with its own substantial technical assistance program to the Soviet Union. The scale and scope of this program presents the Bank and its shareholders with a number of difficult issues, similar to those that have concerned the G10 finance ministers in the context of Western financial assistance to central and eastern Europe. Specifically, this raises again the prospect of competition among the international institutions for influence/leadership vis a vis the countries in transformation, with the risk that the policy dialogue gets diluted and confused and that decisions on financial assistance become dominated by political considerations to the detriment of economic reform. The risk is particularly acute in the Soviet Union because of the lack of coherence in government decision-making. Fragmentation of advice/TA from the official institutions will simply reinforce the fragmentation within the Soviet Union.

3. At the same time, there are several reasons for the Bank to want to be somewhat more deeply involved in events in the Soviet Union than we have been over the past few months. First, we simply need to stay abreast of what is happening. Operationally, this is important for some of our borrowers (particularly CEE countries), and it is virtually impossible to do this without direct contact with the economic institutes and authorities in the Soviet Union. Second, the issue of Soviet membership is not going to go away; it is not a matter of whether but when and through what process. A lending relationship is likely,

and given the uniqueness of the Soviet case, we will not be able to rely all that much on knowledge and experience gained in CEE countries. We are not going to be able to deal effectively with the USSR without "living through" the current struggles and gaining a much better first-hand sense of the attitudes and politics that are shaping the transformation process. Even if a start-up of lending is 2-3 years away, we should not underestimate the time it will take us to build a knowledge base in the Soviet Union, particularly since we will have limited resources to devote to it and we are quite likely to be drawn into highly visible and complex adjustment lending right from the start.

4. Third, the Bank should play a leading role in the Soviet Union. We have unique skills, and we are going to be a far more acceptable and effective interlocutor with the Soviets than any regional or bilateral institution. Again, the question is not whether we should carve out a leading role, but the nature of that role and how best to develop it over time, taking full account of the internal and external circumstances confronting the Soviet Union.

5. Other things being equal, we would probably prefer to wait at least a few months before taking any further steps, say, until after the July Summit. But the EC program will raise questions about what the Bank intends to do. Saying that we are waiting for clarity about developments in the Soviet Union and a consensus among our shareholders will lack credibility. Also, we need to decide now whether we wish to join with the EC (as an executing agent) in their technical assistance program, and if so, on what terms. Given the scale of the program (ECU 400 million to be committed by the end of the year), the EC is quite open to channeling part of these funds through the Bank. Is there a way, therefore, that we can capture part of the EC's program that: (a) helps us achieve our longer-term objectives in the Soviet Union; (b) is consistent with the low-profile approach that we prefer at this time; and, (c) does not cross the policy threshold that is such a problem for the US?

6. This question has been carefully considered by those of us who have been working on possible proposals for EC funding. We believe we have developed an approach that is workable. It seeks to break out of the present stalemate by an essential and critical shift of emphasis in Bank technical assistance from policy dialogue with the Union government to research and training that directly benefits a much wider set of institutions and groups. The heart of the approach is a joint venture with a consortium

of Soviet economic institutes through which Bank staff and consultants would conduct economic and sector work focussed on the transformation process and EDI-managed training programs related to this work. Emphasis would be on the Bank's comparative advantage in integrating the macro and sectoral issues. The proposal would include both a core program of general research/training and special studies/training programs in key areas such as financial sector development, FDI, privatization, agriculture, etc. A preliminary description of the core program is attached.

7. The US problem is whether and when to defrost their special associate status proposal. Whether the approach outlined above will finesse this problem would need to be explored, but it may be seen as a half-way house that the US can acquiesce to without either pre-empting or conflicting with a decision on special associate status that they are not quite ready to make. The Soviet authorities, on the other hand, may need a little convincing that a program that emphasizes a kind of humanitarian approach to technical assistance is the only thing that they are going to get for the time being. In this connection, it is important to note that we will need agreement from the Soviets on issues of access to information, privileges and immunities for staff, openness of the program to a broad range of participants and non-interference in its management.

8. If this approach is generally acceptable, we would need to move fairly quickly in deciding how to handle discussions with the EC, the Soviets and the Board. I would suggest that the PC take up this issue early next week.

Attachment

Cleared with & cc: Messrs. Holsen, Grais, Knight, Weigel,
McCulloch

cc: Messrs. Thalwitz, Stern, Ryrie, Shihata, Wapenhans,
Sandstrom, Cheetham, Golan
Isenman, Kavalsky, Goldberg, P. Hasan, Levy

**Proposal for World Bank
Training, Advisory and Research Group in the USSR**

1. As part of technical assistance to the Soviet Union, it would be desirable to establish a "Training, Advisory and Research Group" that could provide an "umbrella" for a number of closely related and mutually supporting activities. Such a Group would assist in building relationships between institutes and organizations concerned with economic reform, particularly by their participation in joint research and policy analysis tasks. It would be a vehicle for transmitting the "lessons of experience" from other countries that have implemented structural adjustment programs or are "marketizing" their economies. The members of such a group could also be a source of technical assistance and advice where the involvement was short-term, a quick response was essential, and the subject was one in which the group had the necessary expertise. Such a group would not in any way substitute for larger and sector-specific or problem-specific technical assistance projects.

2. The World Bank would be prepared to manage such a "Training, Advisory, and Research Group" (TARG) in Moscow. The Bank would be able to draw on its experience in many other countries and on staff members and consultants who were experts in a wide variety of areas. The training activities could be implemented by the EDI, with the TARG providing local administrative support. The suggested EDI training program for the USSR is outlined in detail in the attachment.

3. While managed by the Bank, the TARG would have a National Advisory Board made up of representatives from a range of Soviet economic research and training institutes which would help establish the desired links to both Union and republican institutions. Institutions represented on the Advisory Group might include, among others, the Institute of Market Economy (Petrakov), the Institute of Economic Policy (Gaidar), The Institute of Economics (Abalkin), the Academy of National Economy (Aganbegyan), and the Economic and Political Research Center (Yavlinsky). As the National Advisory Board's role function would be advisory, final responsibility for TARG activities would rest with the Bank. The TARG would be administratively responsible to the appropriate Operational department at headquarters.

4. The advisory and research functions would be carried out by a small group of resident Bank staff and consultants supplemented by other staff and consultants who would be detailed for short periods and specific purposes. In this way the Group could have both a group of country specialists and tap the skills of the wide range of sector and other subject matter specialists available to the Bank.

5. The scope of the TARG's research and advisory activities would cover the full range of economic management and systemic reform issues. Indeed, one of the main purposes of the Group would be to help ensure that the interrelationships between the elements in the reform program were adequately taken into account.

6. The research and advisory "faculty" would (i) carryout research, normally in collaboration with national counterparts, on issues related to economic reform and the transition to a market economy, (ii) be available as short-term advisers to Union and republican entities in response to requests from these groups, and also (iii) be available to serve as occasional lecturers in the training activities managed by EDI.

7. It is recommended that the international staff of the TARG include a Manager, an Assistant Manager for Training (seconded by EDI), an Assistant Manager for Research and Advisory Services, and an Administrative Officer. All but the latter would be substantive people who would participate in the Group's professional activities as well as fulfilling management functions. The additional international professional staff would include 5 "permanent" staff members and, in each year, an additional 5 staff-years of short-term staff and consultants. If the demand for advisory services grew rapidly, additional resources would be sought to increase the international professional staff.

8. To carryout collaborative research with Soviet scholars and institutions, provision should be made to fund each year approximately 10 researcher-years by Soviet nationals. These national researchers might be either "in residence" with the Group or come only for short visits while maintaining their normal offices and affiliations. This collaborative research budget would also be used to support participation in conferences by national researchers and for honoraria for papers.

9. It is proposed that the TARG initially be established and funded for a three year period. The desirability of continuing it beyond that time, and the appropriate level and sources of funding, would be examined after the completion of the Group's second year. Tentative estimates of a three year budget for the TARG are provided in the accompanying table. Local costs will depend heavily, of course, upon changes in prices and exchange rates which cannot be accurately predicted.

Proposed 3-Year Budget for a
"Training, Research and Advisory Group"

	[in thousands of US dollars]	
	Annually	For 3 Years
Manager, 2 Assistant Managers, and Admin. Officer	540	1620
Local Support Staff	200	600
10 SYs of international staff (@ 180 per year)	1800	5400
10 SYs of national research collaborators (@50)	500	1500
Rent, utilities and office supplies	50	150
Internal and international travel (@ 15 for 24)	360	1080
Contingencies (including for EDI)	638	1914
Sub-Total	4088	12265
EDI Program expenses	2412	7235
EDI Headquarters staff (4 HL, 2 SL)	1000	3000
Total	7500	22500

SOVIET UNION:
CURRENT POSITION AND NEAR-TERM OPTIONS FOR THE BANK

This note discusses (1) the political/economic situation in the USSR, (2) JSSE follow-up activities, (3) action by other international institutions, and (4) options for the Bank under various assumptions. Three options are discussed: the status quo; a high case, with strong Soviet commitment to reform and strong shareholder (G-7) support for quick membership; and an intermediate case, with little commitment to reform and strong shareholder support for closer Bank ties with the Soviet Union. We will see soon what the shareholder position is. The likeliest case seems to be some variant of the third option.

(1) THE POLITICAL/ECONOMIC CRISIS IN THE SOVIET UNION

The fiscal crisis and sharply declining output have not been halted by recent actions. The currency reform in March reduced broad money by only 1%, while the fiscal benefit of this month's large price increases is reduced by an estimated 85% wage and pension adjustment. Refusal of the Russian and other republics to transfer most tax revenues to the Union Treasury is leading to very large fiscal deficits, and reducing ability to meet even essential commitments (e.g. army pay) without resort to the printing press.

The Soviet government is due to announce further economic reforms today (April 22). So far the center, led by President Gorbachev, has lacked the political capacity to impose an economic program on the republics -- whether it is a "reform" program or recent attempts to return to greater administrative controls. Unless some compromise on political and economic issues can be worked out, however, the near term outlook is for continued economic deterioration, with uncertain political consequences.

(2) JSSE FOLLOW-UP ACTIVITIES

A small mission to the Soviet Union is planned for two weeks beginning about May 10, to discuss both the strategy of reform and more specific measures in areas which were examined in detail by the Bank team, including key sectoral issues such as energy and agriculture, pricing policies and enterprise reform. It will meet with Union officials and, with the approval of the Soviet authorities, with republican officials in Moscow and perhaps Kiev. This proposal awaits Moscow's confirmation. Bank and Fund have both received informal invitations from the Institute of Economics, USSR Academy of Sciences, to participate in a "retreat" to discuss the JSSE recommendations. However, the status of this proposal is

uncertain. The Institute plans to publish a Russian translation of the December "Summary and Recommendations" report, possibly this month. Prof. Aganbegyan has offered, in an April 18 letter to Mr. Conable, the staff and facilities of his Institute of National Economy for a discussion of the JSSE technical papers.

(3) ACTION BY OTHER INTERNATIONAL INSTITUTIONS

The Fund and OECD have also proposed small JSSE follow-up missions: the Fund mission, led by the chief of the new European Department division covering the USSR, Bulgaria, Romania and Albania, will go in mid-May, though the chief of mission is in Moscow this week. EBRD's economists accompanied Mr. Attali to Moscow in March.

An EC mission visited Moscow in March to discuss their proposed ecu400 million technical assistance program for calendar 1991. The EC recently decided to proceed with preparation of the program, although disbursements will not occur before approval at the May EC summit. It is probable that the EC will seek Bank participation in this program. The EC has also established a bilateral "macroeconomic group" within the framework of EC-USSR cooperation, due to meet for the first time in Moscow April 29-30.

While it makes sense for each agency to pursue discussions with the Soviets individually rather than through cumbersome joint arrangements, more will need to be done to ensure coordination and mutual information. This is already proceeding well with the Fund and, increasingly, with the EC.

(4) OPTIONS FOR THE BANK

Three scenarios are set out below, to focus discussion of the underlying choices. They are based on the current position, a "high" expansionist case, and a moderate increase. For each option, initial conditions are identified, followed by a brief discussion of possible program content, financing modalities, staffing and organizational implications, and the nature of Board decisions required.

OPTION 1: Status quo, more or less

This consists of completing agreed JSSE, doing a small amount of additional economic analysis on aspects of the Soviet economy which have a direct bearing on Bank members and Bank business, and maintaining a minor "watching brief" on Soviet developments.

Initial conditions: Continuation or worsening of Soviet political and economic reform climate; major shareholders remain unwilling to support significant Bank effort beyond JSSE.

Bank program objectives under these conditions would be to carry the JSSE dialogue somewhat further, but beyond that to do little more than maintain low-key contact with Soviet developments for the time being. This might involve:

- JSSE follow-up mission to USSR and related discussions
- Limited work on the Soviet dimension of issues of direct concern to the Bank and its members -- e.g. CMEA break-up, energy prospects and deliveries to Eastern Europe.
- Occasional Soviet visitors and professional exchanges, including minor participation in EDI seminars on a full-cost basis.
- Some effort to maintain currency of JSSE information.

Financing: Essentially none. That is, beyond JSSE these limited activities would be a minor part of ESW and research tasks, would be externally funded (in the case of visits and occasional Soviet EDI participants), or would be included in normal data collection and synthesis.

Staff and organization: Zero or virtually zero. No new organizational entities are needed, and existing staff in EMENA and PRE (primarily Socialist Economies Unit and IEC) would be involved. A small amount of specialized consultancy would be necessary from time to time.

Board involvement: Under this option presumably no specific Board discussion or decision would be required.

OPTION 2: Major Expansion

At the other extreme is a major near-term expansion in the Bank's role in the Soviet Union. It is useful to look at a high case option for two reasons: it may occur -- although the probability currently seems relatively low; and it provides an endpoint of reference for assessing what needs to be done in an intermediate or transitional phase.

In this option the Bank would be rapidly deepening its knowledge of the Soviet economy, launching a large program of analytical work, technical assistance and training, and gearing up for an early start to substantial lending.

Initial conditions: Decisive change in attitudes of major shareholders, for example G-7 agreement that Soviet membership application should be accepted and acted upon, or that the Bank should be part of a major international effort to help the Soviet economy. A tougher condition to meet will be real Soviet progress (as condition of G-7 shift?) towards stabilization and

systemic reform. (A push for membership but without progress on reform is treated as a variant of Option 3.)

Bank program: This would be geared towards membership, a strong policy dialogue and a substantial lending program. The program would focus on advice, lending and technical assistance for both systemic reform and sector priorities (as did both the JSSE and the T.A. proposal discussed earlier with the Soviets), and on ESW in support of these priorities.

Financing: The very early phase of such a program might be initiated with EC funding, G-7 trust funding or some other special arrangement. As the Soviet Union moves closer to membership, this option would require a regular budgetary allocation (except that TA and training beyond a scale comparable to that of other borrowers would still require external funding.)

Staff and Organization: This scenario implies that at some point a country department growing to normal size -- 80 to 90 staff years -- would be established in which the Soviet program would clearly be dominant. There would for a period be far more direct provision of T.A. and training than is normal. A key management issue (also relevant to external recruitment) would be to balance the need for high-quality staff for the Soviet program against the needs of other borrowers: a rush of some of the Bank's best staff could be expected, and shareholder sensitivities (on all sides) would be high.

Board involvement: Board agreement would of course be required with respect to budget and in due course membership. The most difficult aspects of Board involvement would presumably relate to capital and shareholding issues.

OPTION 3: Moderate program

This option is less a specific program than a range of actions between standing pat and a large expansion. It involves a discrete choice for the Bank because anything in this range would signal a significant change in stance, and because such a change would require a substantial commitment in terms of political support, money, staff and organization.

A program in this range could carry on for 1-3 years, or more, while the political and economic drama plays itself towards some clearer resolution. After whatever period of transition, the program could fall apart if the Soviet political situation deteriorates, or could move to membership, with or without major commitment to major policy reform.

Initial conditions: Moderate easing of shareholder unwillingness to support closer Bank relationship -- e.g. forthcoming G-7 meetings might agree to encourage renewal of some Bretton Woods

involvement, ranging from reviving special association-type proposals to a push for full, but not immediate, membership. No significant retrogression in Soviet economic or political policies, but little near-term prospect of decisive movement towards strong market-oriented reform.

Bank program: Broad objectives would be to deepen Bank knowledge of key features of the Soviet economy -- including its republican dimensions; to position the Bank to play a strong future policy and advisory role if/when reform moves ahead; and provide advice, technical assistance and training which helps the economy despite the policy constraints and which meets some of the starvation for knowledge about market-oriented reform.

The core of a program of this sort should probably be a limited set of sectoral technical assistance tasks; a modest program of collaborative research; and the establishment of a set of institutional relationships -- for training, advisory work and policy discussion -- which connect with important groups without being too closely associated with only a narrow range of the many official and quasi-official institutions. There should be a republic-level dimension to this program, possibly including Russia and the Ukraine in the first instance.

In terms of topics, the technical assistance would be broadly similar to the program sent to the Soviets last November, with two important differences stemming from lower current receptivity of Soviet government entities to systemic reform proposals. First, assistance and advice to government on systemic as against sectoral issues would be a smaller part of the program, and might need to concentrate on things with longer lead times, for example institutional and legal reform. Second, (even) greater weight than formerly should be given to educating and preparing present and potential Soviet policymakers, and influencing the climate of debate. This would include a carefully designed EDI program, and a deliberate effort to build institutional partnerships.

Financing: Initial needs might be modest (a few ESW-type tasks, some EDI activity), but could be expected to build to the \$5-10 million range annually. At a minimum, at the outset there would be a need to finance a number of staff members plus overhead, travel, and some training activities in Washington and the USSR. A budget request does not seem a desirable course until the Soviet Union is getting close to full membership. Indeed until events reach such a point it will be important to ensure that finance for a Soviet program is really additional to the Bank's budget, and is seen as such. It would therefore be necessary to use clearly additional external funding or at a minimum a transfer from net income, until the Soviet Union was on the threshold of full membership and an allocation from a commensurately increased budget became appropriate.

The feasibility of using external funding is enhanced by the apparent desire of the EC to have us carry out some of its ECU400 million 1991 commitment. For a program of the sort envisaged, the EC would need to give us a kind of "block grant" rather than contracting for specific studies. We would also have to get at least one or two other donors to participate. In any event, substantial EC financing could permit rapid scaling up or replication of Bank-devised training and T.A.

Staff and Organization: The uncertainties surrounding the Soviet program make it at this point a risky anchor for a new Country Department. Whether a new Department can be justified on the basis of other Central and Eastern European countries and is desirable (re splitting SODs) is now under study by CPB. In either case, the riskiness of the Soviet situation suggests that it is better to start with a WDR-type of task force than a permanent organizational unit; the task force could either be in a new Department or an existing one.

A second issue is that of representation in Moscow. Some presence will be necessary at an early stage for logistical and administrative reasons. Beyond that, there is broad agreement that a substantive capacity on the ground would be critical to the effectiveness of a Bank technical assistance program. A large resident mission, however, would again send too strong a signal, and would be an embarrassment if things went sour. It seems preferable to start with only a modest representative office.

Board involvement: Under this option the legal and other issues involved in assisting a non-member would recur: Board agreement on the program and commitment of Bank resources would be required. This would presumably be somewhat simpler in the event of a Soviet application for membership being in the works.

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 28-Apr-1991 12:26pm

TO: Paul Isenman

(PAUL ISENMAN)

FROM: Patricia Gallagher, PRESV

(PATRICIA GALLAGHER)

EXT.: 31018

SUBJECT: Re Bock Note on USSR

WT would like to confirm that you will follow-up with Bock on your suggestions to the memo on USSR. WT will be in D1202 at about 8:45am Monday for a short time.

CC: Prisce Daniel

(PRISCE DANIEL)

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: 28-Apr-1991 01:23pm

TO: Wilfried Thalwitz (WILFRIED P. THALWITZ)
TO: Patricia Gallagher (PATRICIA GALLAGHER)

FROM: Paul Isenman, PRDDR (PAUL ISENMAN)

EXT.: 33957

SUBJECT: How does this look? I don't have the Bock memo at home with

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Patricia can modify the memo, as appropriate, and change the header to come from you.

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The World Bank/IFC/MIGA

OFFICE MEMORANDUM

DATE: EST

TO: Moeen A. Qureshi

(MOEEN QURESHI)

FROM: Paul Isenman, PRDDR

(PAUL ISENMAN)

EXT.: 33957

SUBJECT: David Bock's Memo to you on the USSR

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As agreed at the PC, let's see what signals we get from shareholders on this. As suggested by Ibrahim, we can certainly respond informally to the EC that while it is premature for us to use their funds at this point that the situation would be likely to change if our shareholders urge us to become more active. We could indicate, in this context, that if we were to move ahead, one key issue would be how to do so without reducing funding available for existing borrower countries; in this context EC funding would be quite helpful.

I understand the enthusiasm that lies behind David's memo. Like him, I think that the Bank has a great deal to contribute to economic reform in the Soviet Union, **but at the proper time.**

CC: P.C. recipients of Bock note

(PAUL ISENMAN)

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CC: P.C. recipients of Bock note (PAUL ISENMAN)

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: 28-Apr-1991 01:23pm

TO: Wilfried Thalwitz (WILFRIED P. THALWITZ)
TO: Patricia Gallagher (PATRICIA GALLAGHER)

FROM: Paul Isenman, PRDDR (PAUL ISENMAN)

EXT.: 33957

SUBJECT: How does this look? I don't have the Bock memo at home with

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The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 28-Apr-1991 01:30pm

TO: Geoffrey B. Lamb (GEOFFREY B. LAMB)
TO: Costas Michalopoulos (COSTAS MICHALOPOULOS)

FROM: Paul Isenman, PRDDR (PAUL ISENMAN)

EXT.: 33957

SUBJECT: We had a flap on the Soviet Union on Friday.

Neither of you was at David Bock's committee meeting. I had assumed that it was to inform people of the PC discussion and was not important.

However, David used the meeting to draft a rebuttal of sorts to the PC discussion and our briefing; it focussed on an immediate action program with a big mission in Moscow. David suckered John and Peter into "clearing" it, with no reference to us or Wilfried.

Wilfried was livid when he got it. He gave John hell. I did the same, if slightly differently, with Peter (reminding him that I had called him about 10 days ago to indicate my concern about his representing himself or EDI rather than PRE).

I'll get you the offending memo first thing Monday. I have sent a suggested reply to Wilfried that he could send to Moeen. I'll forward that to you now.

Let's consider what the implications of this are for PRE. The situation may well change soon. But I remain concerned about over-enthusiasm, even if I understand it and at times am seduced by the vision of the Bank's "manifest destiny".

OFFICE MEMORANDUM

DATE: April 26, 1991
TO: Mr. Moeen A. Qureshi
FROM: David R. Bock *DRB*
EXTENSION: 82858
SUBJECT: Potential Bank Involvement in EC Technical Assistance Program for the Soviet Union

STRICTLY CONFIDENTIAL

DECLASSIFIED

SEP 03 2019

WBG ARCHIVES

1. The recent PC discussion on the Soviet Union concluded that it is not appropriate at this time to reopen a dialogue with the Soviet authorities on a technical assistance program along the lines discussed last fall. The political and economic situation in the USSR is expected to remain uncertain, if not chaotic, for some time to come. Equally important, a Bank or Fund program focussed on a policy dialogue with the Union authorities continues to represent a major policy threshold for the Bank's shareholders, particularly the United States.

2. Notwithstanding these issues, however, the European Community will proceed with its own substantial technical assistance program to the Soviet Union. The scale and scope of this program presents the Bank and its shareholders with a number of difficult issues, similar to those that have concerned the G10 finance ministers in the context of Western financial assistance to central and eastern Europe. Specifically, this raises again the prospect of competition among the international institutions for influence/leadership vis a vis the countries in transformation, with the risk that the policy dialogue gets diluted and confused and that decisions on financial assistance become dominated by political considerations to the detriment of economic reform. The risk is particularly acute in the Soviet Union because of the lack of coherence in government decision-making. Fragmentation of advice/TA from the official institutions will simply reinforce the fragmentation within the Soviet Union.

3. At the same time, there are several reasons for the Bank to want to be somewhat more deeply involved in events in the Soviet Union than we have been over the past few months. First, we simply need to stay abreast of what is happening. Operationally, this is important for some of our borrowers (particularly CEE countries), and it is virtually impossible to do this without direct contact with the economic institutes and authorities in the Soviet Union. Second, the issue of Soviet membership is not going to go away; it is not a matter of whether but when and through what process. A lending relationship is likely,

and given the uniqueness of the Soviet case, we will not be able to rely all that much on knowledge and experience gained in CEE countries. We are not going to be able to deal effectively with the USSR without "living through" the current struggles and gaining a much better first-hand sense of the attitudes and politics that are shaping the transformation process. Even if a start-up of lending is 2-3 years away, we should not underestimate the time it will take us to build a knowledge base in the Soviet Union, particularly since we will have limited resources to devote to it and we are quite likely to be drawn into highly visible and complex adjustment lending right from the start.

4. Third, the Bank should play a leading role in the Soviet Union. We have unique skills, and we are going to be a far more acceptable and effective interlocutor with the Soviets than any regional or bilateral institution. Again, the question is not whether we should carve out a leading role, but the nature of that role and how best to develop it over time, taking full account of the internal and external circumstances confronting the Soviet Union.

5. Other things being equal, we would probably prefer to wait at least a few months before taking any further steps, say, until after the July Summit. But the EC program will raise questions about what the Bank intends to do. Saying that we are waiting for clarity about developments in the Soviet Union and a consensus among our shareholders will lack credibility. Also, we need to decide now whether we wish to join with the EC (as an executing agent) in their technical assistance program, and if so, on what terms. Given the scale of the program (ECU 400 million to be committed by the end of the year), the EC is quite open to channeling part of these funds through the Bank. Is there a way, therefore, that we can capture part of the EC's program that: (a) helps us achieve our longer-term objectives in the Soviet Union; (b) is consistent with the low-profile approach that we prefer at this time; and, (c) does not cross the policy threshold that is such a problem for the US?

6. This question has been carefully considered by those of us who have been working on possible proposals for EC funding. We believe we have developed an approach that is workable. It seeks to break out of the present stalemate by an essential and critical shift of emphasis in Bank technical assistance from policy dialogue with the Union government to research and training that directly benefits a much wider set of institutions and groups. The heart of the approach is a joint venture with a consortium

of Soviet economic institutes through which Bank staff and consultants would conduct economic and sector work focussed on the transformation process and EDI-managed training programs related to this work. Emphasis would be on the Bank's comparative advantage in integrating the macro and sectoral issues. The proposal would include both a core program of general research/training and special studies/training programs in key areas such as financial sector development, FDI, privatization, agriculture, etc. A preliminary description of the core program is attached.

7. The US problem is whether and when to defrost their special associate status proposal. Whether the approach outlined above will finesse this problem would need to be explored, but it may be seen as a half-way house that the US can acquiesce to without either pre-empting or conflicting with a decision on special associate status that they are not quite ready to make. The Soviet authorities, on the other hand, may need a little convincing that a program that emphasizes a kind of humanitarian approach to technical assistance is the only thing that they are going to get for the time being. In this connection, it is important to note that we will need agreement from the Soviets on issues of access to information, privileges and immunities for staff, openness of the program to a broad range of participants and non-interference in its management.

8. If this approach is generally acceptable, we would need to move fairly quickly in deciding how to handle discussions with the EC, the Soviets and the Board. I would suggest that the PC take up this issue early next week.

Attachment

Cleared with & cc: Messrs. Holsen, Grais, Knight, Weigel, McCulloch

cc: Messrs. ✓ Thalwitz, Stern, Ryrie, Shihata, Wapenhans, Sandstrom, Cheetham, Golan Isenman, Kavalsky, Goldberg, P. Hasan, Levy

FROM CENSV
13. 1.20 81
NO. 00110 009 1

Proposal for World Bank
Training, Advisory and Research Group in the USSR

1. As part of technical assistance to the Soviet Union, it would be desirable to establish a "Training, Advisory and Research Group" that could provide an "umbrella" for a number of closely related and mutually supporting activities. Such a Group would assist in building relationships between institutes and organizations concerned with economic reform, particularly by their participation in joint research and policy analysis tasks. It would be a vehicle for transmitting the "lessons of experience" from other countries that have implemented structural adjustment programs or are "marketizing" their economies. The members of such a group could also be a source of technical assistance and advice where the involvement was short-term, a quick response was essential, and the subject was one in which the group had the necessary expertise. Such a group would not in any way substitute for larger and sector-specific or problem-specific technical assistance projects.
2. The World Bank would be prepared to manage such a "Training, Advisory, and Research Group" (TARG) in Moscow. The Bank would be able to draw on its experience in many other countries and on staff members and consultants who were experts in a wide variety of areas. The training activities could be implemented by the EDI, with the TARG providing local administrative support. The suggested EDI training program for the USSR is outlined in detail in the attachment.
3. While managed by the Bank, the TARG would have a National Advisory Board made up of representatives from a range of Soviet economic research and training institutes which would help establish the desired links to both Union and republican institutions. Institutions represented on the Advisory Group might include, among others, the Institute of Market Economy (Petrakov), the Institute of Economic Policy (Gaidar), The Institute of Economics (Abalkin), the Academy of National Economy (Aganbegyan), and the Economic and Political Research Center (Yavlinsky). As the National Advisory Board's role function would be advisory, final responsibility for TARG activities would rest with the Bank. The TARG would be administratively responsible to the appropriate Operational department at headquarters.
4. The advisory and research functions would be carried out by a small group of resident Bank staff and consultants supplemented by other staff and consultants who would be detailed for short periods and specific purposes. In this way the Group could have both a group of country specialists and tap the skills of the wide range of sector and other subject matter specialists available to the Bank.

5. The scope of the TARG's research and advisory activities would cover the full range of economic management and systemic reform issues. Indeed, one of the main purposes of the Group would be to help ensure that the interrelationships between the elements in the reform program were adequately taken into account.

6. The research and advisory "faculty" would (i) carryout research, normally in collaboration with national counterparts, on issues related to economic reform and the transition to a market economy, (ii) be available as short-term advisers to Union and republican entities in response to requests from these groups, and also (iii) be available to serve as occasional lecturers in the training activities managed by EDI.

7. It is recommended that the international staff of the TARG include a Manager, an Assistant Manager for Training (seconded by EDI), an Assistant Manager for Research and Advisory Services, and an Administrative Officer. All but the latter would be substantive people who would participate in the Group's professional activities as well as fulfilling management functions. The additional international professional staff would include 5 "permanent" staff members and, in each year, an additional 5 staff-years of short-term staff and consultants. If the demand for advisory services grew rapidly, additional resources would be sought to increase the international professional staff.

8. To carryout collaborative research with Soviet scholars and institutions, provision should be made to fund each year approximately 10 researcher-years by Soviet nationals. These national researchers might be either "in residence" with the Group or come only for short visits while maintaining their normal offices and affiliations. This collaborative research budget would also be used to support participation in conferences by national researchers and for honoraria for papers.


9. It is proposed that the TARG initially be established and funded for a three year period. The desirability of continuing it beyond that time, and the appropriate level and sources of funding, would be examined after the completion of the Group's second year. Tentative estimates of a three year budget for the TARG are provided in the accompanying table. Local costs will depend heavily, of course, upon changes in prices and exchange rates which cannot be accurately predicted.

Proposed 3-Year Budget for a
"Training, Research and Advisory Group"

	[in thousands of US dollars]	
	Annually	For 3 Years
Manager, 2 Assistant Managers, and Admin. Officer	540	1620
Local Support Staff	200	600
10 SYs of international staff (@ 180 per year)	1800	5400
10 SYs of national research collaborators (@50)	500	1500
Rent, utilities and office supplies	50	150
Internal and international travel (@ 15 for 24)	360	1080
Contingencies (including for EDI)	638	1914
Sub-Total	4088	12265
EDI Program expenses	2412	7235
EDI Headquarters staff (4 HL, 2 SL)	1000	3000
Total	7500	22500

[S1042301.DOC]

Russ, 4/25

Here's the 
PC brief on 4/26
the Soviet
Union. I
mentioned to
you. Paul

SOVIET UNION:
CURRENT POSITION AND NEAR-TERM OPTIONS FOR THE BANK

This note discusses (1) the political/economic situation in the USSR, (2) JSSE follow-up activities, (3) action by other international institutions, and (4) options for the Bank under various assumptions. Three options are discussed: the status quo; a high case, with strong Soviet commitment to reform and strong shareholder (G-7) support for quick membership; and an intermediate case, with little commitment to reform and strong shareholder support for closer Bank ties with the Soviet Union. We will see soon what the shareholder position is. The likeliest case seems to be some variant of the third option.

(1) THE POLITICAL/ECONOMIC CRISIS IN THE SOVIET UNION

The fiscal crisis and sharply declining output have not been halted by recent actions. The currency reform in March reduced broad money by only 1%, while the fiscal benefit of this month's large price increases is reduced by an estimated 85% wage and pension adjustment. Refusal of the Russian and other republics to transfer most tax revenues to the Union Treasury is leading to very large fiscal deficits, and reducing ability to meet even essential commitments (e.g. army pay) without resort to the printing press.

The Soviet government is due to announce further economic reforms today (April 22). So far the center, led by President Gorbachev, has lacked the political capacity to impose an economic program on the republics -- whether it is a "reform" program or recent attempts to return to greater administrative controls. Unless some compromise on political and economic issues can be worked out, however, the near term outlook is for continued economic deterioration, with uncertain political consequences.

(2) JSSE FOLLOW-UP ACTIVITIES

A small mission to the Soviet Union is planned for two weeks beginning about May 10, to discuss both the strategy of reform and more specific measures in areas which were examined in detail by the Bank team, including key sectoral issues such as energy and agriculture, pricing policies and enterprise reform. It will meet with Union officials and, with the approval of the Soviet authorities, with republican officials in Moscow and perhaps Kiev. This proposal awaits Moscow's confirmation. Bank and Fund have both received informal invitations from the Institute of Economics, USSR Academy of Sciences, to participate in a "retreat" to discuss the JSSE recommendations. However, the status of this proposal is

USSR

PC 4/24

USSR - Chatham Dept

1/2 E Eur. =

Kamal other 1/2

Late in quiet job because of health.

Which one takes USSR?

WT

Observe G7 + USSR

ES -- ~~negative~~. Don't go looking for statements. They won't push us.
Ibrahim -- uncertainty in USSR.
But P -- ~~negative~~.

Moscow:

Soviets want to push ahead.

Say Europeans have changed mind (of 420 m)

→ Mission to cover TA also.

Ask G-7 ministers.

Do memorandum on internal preparation.

Ernie: Don't be afraid to be late.
No functioning administration in USSR.
What is social contract under which USSR going to live?

Ibrahim: Tell EC to keep us in mind on EC.

Larry - ~~keep things~~ Don't get too involved
w/ current pol'y.

TO: Geoff Lamb

From: Peter Knight

Subject: Draft Paper on EDI Program for USSR

Geoff, the attached draft has not yet been cleared by EDI. I will fax you any changes later. Please have a look. I have added rationale and edited, enlarged in various places. I have given a copy to Amnon. I still need to clear with Isenman before going ahead.

Draft 17/04/91

POTENTIAL EDI TRAINING PROGRAM FOR THE USSR

A. Introduction and Rationale

1. Training of Soviet officials, managers, and trainers in how to operate a market economy should be a strategic priority in the international community's support for the reform process in the USSR. The cost is low in financial terms, but the returns to the application of accumulated international experience in economic policy design and implementation in a country which has been relatively isolated from the international community for three generations, and is undergoing a difficult transition process, are enormous. Training of the type carried out by EDI can provide support for the reform process which has been repeatedly requested by leading Soviet reformers and formally by the USSR authorities in a letter to the Bank. The people trained are likely to be able to apply the skills learned sooner or later, even if the organizations or governmental entities for which they currently work change in the course of the turmoil which besets the Soviet Union at this period in its history. If and when World Bank lending operations to the Soviet Union are initiated, training provided now will increase the probability that the resources applied will be effectively utilized. In the meantime, training provided may help better orient Soviet policies and investments, including those financed by bilateral and multilateral assistance to the Soviet Union by institutions other than the World Bank Group.

2. As long as Soviet training institutions request assistance, have the support of the central government, and the physical security of Bank personnel is not threatened, training poses few risks to the Bank and offers obvious benefits. Therefore training should be seen as investment in human resource development and not as an instrument of short-term policy to be offered and withdrawn in reaction to short-term economic and political considerations.

3. EDI is well-equipped to contribute to an international training effort for the Soviet Union. EDI is an integral part of the World Bank Group, operating as a department under the office of the Vice President and Chief Economist, Development Economics, in the Senior Vice Presidency for Policy, Research, and External Affairs. The majority of its professional staff have years of operational experience in the Bank. EDI played a leading role in the World Bank Group's assistance to China, having directly trained over 3,000 Chinese officials since the Bank reestablished relations with that country in 1981. This large-scale program was cofinanced by the UNDP and a variety of bilateral agencies. In 1990 EDI launched a smaller, but similar effort for Vietnam, again with UNDP support.

4. EDI's Eastern European program has been expanding rapidly over the past two years in response to strong demand from countries which have opted to undertake the difficult transition to a market economy. EDI proposes to develop a training program for the USSR and its constituent republics in line with its overall strategy for Eastern Europe (draft attached [please note that this is out

*Potential EDI Training Program for the USSR**Page 2*

for comment and will be finalized next week)). This strategy could also be applied to any of the present constituent republics which might attain the status of internationally recognized sovereign states.

B. A Strategic Framework for East Europe

5. EDI's overall strategy for Eastern Europe has both short- and longer-term components. It provides for direct training to senior government officials and managers in key areas to meet immediate training needs. But over a longer time frame, EDI's activities aim at creating the institutional capacity within each country to meet its national training needs. Conceptually, EDI's activities can be divided into three phases:

- a. Training Policy Makers, Managers, and Potential Trainers. In this first phase, EDI invites government officials and potential trainers from East European training institutions to participate in regional seminars and courses conducted by EDI. These seminars are intended to meet immediate training needs, provide input into training design, and promote local training capacity.
- b. Supervised Local Training. The second phase involves a repetition of the same seminars several times at the national level. During this phase the local partner institutions not only co-sponsor, but fully participate in the conduct of training.
- c. Independent Local Training. In the third phase involves the local training institution conducts further national seminars itself with the advice of EDI and with access to EDI training materials. EDI would continue to work closely with the counterpart institutions to create the institutional capacity within the East European countries to meet their own training needs.

6. The implementation of this strategy requires that EDI identify in each country institutions capable of sustaining a national training program with pedagogical assistance from EDI. EDI should also produce relevant training materials. These training materials are critical in reaching a wider audience cost effectively.

7. EDI's main activities in Eastern Europe have been to conduct courses and seminars designed to assist the countries of this region in the transformation of their economies. The initial program has concentrated on the urgent issues of:

- a. Macroeconomic Management, including fiscal, monetary, trade and exchange rate policies; financial sector reform; and labor market policies;
- b. Public Sector and Enterprise Reform and Management and Private Sector Development, including management of the privatization

Potential EDI Training Program for the USSR

Page 3

process, industrial restructuring, enterprise decision making, corporate governance, and enterprises transition; and

- c. Infrastructure and Environment, including transport policy, housing reform, water pollution, and infrastructure project analysis.

C. Application to the USSR

Activities to Date

8. Prior to 1991, a number of Soviets had been invited to EDI training events by partner institutions rather than by EDI. An example is the Senior Policy Seminar on Managing Inflation in Socialist Countries, organized jointly with the International Institute for Applied Systems Analysis (IIASA) in Laxenburg, Austria in March 1990. This seminar was attended by four Soviet experts who were invited by IIASA.

9. At this time EDI has been authorized, on a case-by-case basis (subject to clearance), to invite Soviet officials and trainers to regional or global seminars and courses, provided participant costs were provided by cofinanciers rather than the Bank. The first such invitations were issued for a Senior Policy Seminar on Intergovernmental Fiscal Relations and Macroeconomic Management in Large Countries held in February 1991 in New Delhi, India. Five Soviet participants (two representing the State Commission on Economic Reform, one the All-Union Ministry of Finance, one the International Institute for Applied Systems Analysis, and one the Ministry of Finance of the Russian Federated Republic) were invited, and the first four attended the seminar, the last canceling due to work pressure. Travel was paid by Soviet participants, and local expenditures were born by the Ford Foundation.

10. The State Commission on Economic Reform and the Academy of National Economy (the latter being the apex training institution of the USSR), both reporting to the Cabinet of Ministers, have now been invited to nominate three and two participants respectively to a seven week course on "The Economics of the Market" being organized in Prague in May-June 1991 by EDI in collaboration with the Centre for Economic Research and Graduate Education of Charles University and the IMF Institute. The nominations have been received, and participant costs will be financed by the Soros Foundation, Soviet Union.

The USSR Academy of National Economy as a Leading Soviet Partner Institution

11. EDI, in collaboration with World Bank members of the IMF/World Bank/OECD/EBRD team which prepared the Joint Study of the Soviet Economy (JSSE), has identified the Academy of National Economy (ANE) as the natural initial (but not necessarily exclusive) partner institution in the Soviet Union. ANE is headed by Academician (of the USSR Academy of Sciences) Abel Aganbegyan, and has a number of other well-known reform advocates in leading positions, including Pavel G. Bunich, Leonid I. Yvenko, and Egor T. Gaidar. The Academy is the leading economic training institution of the Soviet Union, established to provide long- and short-term training programs to senior and intermediate level

Potential EDI Training Program for the USSR

Page 4

politicians involved in economic decision-making as well as to top industrial and agricultural managers. ANE is organized in 12 subject-oriented training departments, three divisions of research and technical support, the Higher School of International Business, and Research Institute on Economic Systems. It has links to some 50 partner institutions in the major sectors of economic activity and in all the republics. The training and research facilities of the Academy are housed in a new complex in southern Moscow and include a variety of auditoriums with modern audio and video equipment, simultaneous translation equipment, library, computer center, hotel, and sport and recreation facilities.

12. The Academy has a high degree of independence of particular ministries, reports to the Cabinet of Ministers, and has strong links to the Commission on Economic Reform. The principle of participant cost sharing is well established.

13. During the JSSE missions, an EDI staff member participating in the study visited the Academy, and since then EDI has been in contact with its representative in the United States. A draft proposal from the Academy for a major program of collaboration and institutional development for which EDI would be the executing agency was received in January 1991. The proposal envisions a program of senior policy seminars, macroeconomic management courses, market economy oriented retraining programs for intermediate level officials from the all-union government and the republics and enterprise managers, long-term degree training programs abroad for key personnel (including staff of the Academy), and institutional development. Institutional development would include:

- extensive participation of Academy staff in the organization and conduct of EDI programs and seminars in the Soviet Union;
- internships for Academy staff members at EDI and other leading world centers for economic training and education;
- development of a library of course materials and papers on the economics of transition; creation of a system to search and translate relevant western articles, papers and reports; delivery of economic and social statistic data bases and information systems from the World Bank and development of information exchange with regional training institutions;
- creation of a Center for Interactive Training Technologies based on contemporary desk-top video and touch-screen training systems with the ability to produce a variety of training video and audio programs for broad regional distribution including remote regions (the Academy has established contacts with the US and Canadian firms which could help implement this center); and
- training programs for Academy staff in modern teaching methods and in the use of video and computers in economics.

*Potential EDI Training Program for the USSR**Page 5*

A delegation of ANE vice rectors and department heads, which was participating in a two-week special program at the Sloan School of Management at MIT, visited EDI in April 1991.

Next Steps on the Preparation of a Training Program

14. If authorized to conduct training activities in the USSR, EDI will seek to follow up on this proposal in an initial mission to explore how best to conduct the training program. But EDI would also look at other potential partner institutions to assess their potential for collaboration in the same general areas identified as having priority in Eastern Europe.

15. In view of the large size and essentially federal political structure of the Soviet Union at the present time, EDI would probably seek to operate through networks of institutions headed by apex institutions such as ANE. This approach has been successfully implemented in Africa, China, and Latin America. In view of the initial request for technical assistance received by the Bank from the Soviet Authorities in December 1990, and EDI's overall strategy for Eastern Europe, networks might be envisioned in five broad areas -- national economic management (including financial system reform), industrial and agricultural development, transportation, and privatization. In addition to training in macroeconomic management and policy formation, EDI would provide training in the techniques of project analysis, particularly for infrastructure in the agricultural and transport sectors and for industrial projects. The precise institutions to be involved and the content of the training (which could go beyond these five areas) would have to be worked out after extensive consultations with the all-union authorities and those of at least key republics.

16. Most of the training would be conducted in Russian in the Soviet Union, with translation where necessary. In the startup phase EDI would seek to identify appropriate partner institutions, and to enter into multi-year institutional development programs with an apex institution to provide suitable staff development, library development, preparation of training materials, and establishment of training standards. Key partner institutions at the all-union level should have or be willing to establish strong links with a network of similar institutions in the republics or other levels of the federation, with a view to strengthening their capacity to replicate training programs at the subnational level.

17. Because few government officials or enterprise managers are familiar with the functioning of market economies, priority should be given initially to training in the basic economics of a market system and the implications for macroeconomic management, financial system reform, and for investment decision making, as well as basic management training at the enterprise level. EDI would most likely collaborate with the IMF Institute to provide a module on financial programming for the course in market economics, as is being done at the course on the Economics of the Market in Prague.

18. An initial mission would prepare specific proposals for consideration by the Bank and potential cofinanciers, and would involve consultations with both

Potential EDI Training Program for the USSR

Page 6

bilateral and multilateral cofinancing agencies to avoid possible duplication of effort.

19. On the logistical side of a training program, three items should be prepared as early as possible:

- introductory training materials geared to contemporary Soviet problems;
- case materials in Russian for enterprise management training; and
- videotapes and other audio-visual materials for management training.

Translation of key training materials into Russian is already underway with support from the Soros Foundation, Soviet Union as part of a broader program of translations into major East European languages financed by the Soros Foundations. A project to prepare print and video training materials on stabilization and on privatization for Eastern Europe (including the Soviet Union) is also under way, but requires additional funding to develop Russian language versions.

Rough Preliminary Cost Estimates

20. A very rough estimate of the costs of a five-network program can be provided here, but would have to be further refined once the scope and timing of the desired program was determined. Cash costs are exclusive of salaries. Additional staff requirements would be 4 Higher Level and two support staff. The cost of these positions should be added, since EDI will not divert resources from other regions to serve the needs of a new country.

Initial Appraisal Mission: Five staff members and consultants for three weeks	US\$ 60,000
Five networks @300,000 per network per year for three years	3,000,000
Preparation of training materials (\$150,000 per network)	750,000
Establishment of multimedia center at AEN	275,000
Technical assistance in educational television. (contacts initially with TV Ontario, Canada), AEN	150,000
Institutional development (AEN) including internships and fellowships in leading world training centers and library development	1,500,000
Total three year cost	5,735,000

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91 APR 23 PM 12:42
PRDDR

PRESIDENT'S COUNCIL MEETING

WEDNESDAY, APRIL 24, 1991

9:30 a.m.

AGENDA

- * 1. Executive Directors' Colloquium on Policy Directions
(Memo from Mr. Picciotto dated April 3, 1991)
- ** 2. Soviet Union: Current Position and Near-term Options
for the Bank

-
- * Document already distributed
 - ** Document attached

4/22/91

THE WORLD BANK/IFC

ROUTING SLIP		DATE: 4/22/91	
NAME		ROOM NO.	
P. Isenman			
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:			
<p style="text-align: center;">SOVIET UNION:</p> <p>CURRENT POSITION AND NEAR-TERM OPTIONS FOR THE BANK</p>			
FROM: G. Lamb		ROOM NO.:	EXTENSION:

SOVIET UNION:
CURRENT POSITION AND NEAR-TERM OPTIONS FOR THE BANK

This note discusses (1) the political/economic situation in the USSR, (2) JSSE follow-up activities, (3) action by other international institutions, and (4) options for the Bank under various assumptions. Three options are discussed: the status quo; a high case, with strong Soviet commitment to reform and strong shareholder (G-7) support for quick membership; and an intermediate case, with little commitment to reform and strong shareholder support for closer Bank ties with the Soviet Union. We will see soon what the shareholder position is. The likeliest case seems to be some variant of the third option.

(1) THE POLITICAL/ECONOMIC CRISIS IN THE SOVIET UNION

The fiscal crisis and sharply declining output have not been halted by recent actions. The currency reform in March reduced broad money by only 1%, while the fiscal benefit of this month's large price increases is reduced by an estimated 85% wage and pension adjustment. Refusal of the Russian and other republics to transfer most tax revenues to the Union Treasury is leading to very large fiscal deficits, and reducing ability to meet even essential commitments (e.g. army pay) without resort to the printing press.

The Soviet government is due to announce further economic reforms today (April 22). So far the center, led by President Gorbachev, has lacked the political capacity to impose an economic program on the republics -- whether it is a "reform" program or recent attempts to return to greater administrative controls. Unless some compromise on political and economic issues can be worked out, however, the near term outlook is for continued economic deterioration, with uncertain political consequences.

(2) JSSE FOLLOW-UP ACTIVITIES

A small mission to the Soviet Union is planned for two weeks beginning about May 10, to discuss both the strategy of reform and more specific measures in areas which were examined in detail by the Bank team, including key sectoral issues such as energy and agriculture, pricing policies and enterprise reform. It will meet with Union officials and, with the approval of the Soviet authorities, with republican officials in Moscow and perhaps Kiev. This proposal awaits Moscow's confirmation. Bank and Fund have both received informal invitations from the Institute of Economics, USSR Academy of Sciences, to participate in a "retreat" to discuss the JSSE recommendations. However, the status of this proposal is

uncertain. The Institute plans to publish a Russian translation of the December "Summary and Recommendations" report, possibly this month. Prof. Aganbegyan has offered, in an April 18 letter to Mr. Conable, the staff and facilities of his Institute of National Economy for a discussion of the JSSE technical papers.

(3) ACTION BY OTHER INTERNATIONAL INSTITUTIONS

The Fund and OECD have also proposed small JSSE follow-up missions: the Fund mission, led by the chief of the new European Department division covering the USSR, Bulgaria, Romania and Albania, will go in mid-May, though the chief of mission is in Moscow this week. EBRD's economists accompanied Mr. Attali to Moscow in March.

An EC mission visited Moscow in March to discuss their proposed ecu400 million technical assistance program for calendar 1991. The EC recently decided to proceed with preparation of the program, although disbursements will not occur before approval at the May EC summit. It is probable that the EC will seek Bank participation in this program. The EC has also established a bilateral "macroeconomic group" within the framework of EC-USSR cooperation, due to meet for the first time in Moscow April 29-30.

While it makes sense for each agency to pursue discussions with the Soviets individually rather than through cumbersome joint arrangements, more will need to be done to ensure coordination and mutual information. This is already proceeding well with the Fund and, increasingly, with the EC.

(4) OPTIONS FOR THE BANK

Three scenarios are set out below, to focus discussion of the underlying choices. They are based on the current position, a "high" expansionist case, and a moderate increase. For each option, initial conditions are identified, followed by a brief discussion of possible program content, financing modalities, staffing and organizational implications, and the nature of Board decisions required.

OPTION 1: Status quo, more or less

This consists of completing agreed JSSE, doing a small amount of additional economic analysis on aspects of the Soviet economy which have a direct bearing on Bank members and Bank business, and maintaining a minor "watching brief" on Soviet developments.

Initial conditions: Continuation or worsening of Soviet political and economic reform climate; major shareholders remain unwilling to support significant Bank effort beyond JSSE.

Bank program objectives under these conditions would be to carry the JSSE dialogue somewhat further, but beyond that to do little more than maintain low-key contact with Soviet developments for the time being. This might involve:

- JSSE follow-up mission to USSR and related discussions
- Limited work on the Soviet dimension of issues of direct concern to the Bank and its members -- e.g. CMEA break-up, energy prospects and deliveries to Eastern Europe.
- Occasional Soviet visitors and professional exchanges, including minor participation in EDI seminars on a full-cost basis.
- Some effort to maintain currency of JSSE information.

Financing: Essentially none. That is, beyond JSSE these limited activities would be a minor part of ESW and research tasks, would be externally funded (in the case of visits and occasional Soviet EDI participants), or would be included in normal data collection and synthesis.

Staff and organization: Zero or virtually zero. No new organizational entities are needed, and existing staff in EMENA and PRE (primarily Socialist Economies Unit and IEC) would be involved. A small amount of specialized consultancy would be necessary from time to time.

Board involvement: Under this option presumably no specific Board discussion or decision would be required.

OPTION 2: Major Expansion

At the other extreme is a major near-term expansion in the Bank's role in the Soviet Union. It is useful to look at a high case option for two reasons: it may occur -- although the probability currently seems relatively low; and it provides an endpoint of reference for assessing what needs to be done in an intermediate or transitional phase.

In this option the Bank would be rapidly deepening its knowledge of the Soviet economy, launching a large program of analytical work, technical assistance and training, and gearing up for an early start to substantial lending.

Initial conditions: Decisive change in attitudes of major shareholders, for example G-7 agreement that Soviet membership application should be accepted and acted upon, or that the Bank should be part of a major international effort to help the Soviet economy. A tougher condition to meet will be real Soviet progress (as condition of G-7 shift?) towards stabilization and

systemic reform. (A push for membership but without progress on reform is treated as a variant of Option 3.)

Bank program: This would be geared towards membership, a strong policy dialogue and a substantial lending program. The program would focus on advice, lending and technical assistance for both systemic reform and sector priorities (as did both the JSSE and the T.A. proposal discussed earlier with the Soviets), and on ESW in support of these priorities.

Financing: The very early phase of such a program might be initiated with EC funding, G-7 trust funding or some other special arrangement. As the Soviet Union moves closer to membership, this option would require a regular budgetary allocation (except that TA and training beyond a scale comparable to that of other borrowers would still require external funding.)

Staff and Organization: This scenario implies that at some point a country department growing to normal size -- 80 to 90 staff years -- would be established in which the Soviet program would clearly be dominant. There would for a period be far more direct provision of T.A. and training than is normal. A key management issue (also relevant to external recruitment) would be to balance the need for high-quality staff for the Soviet program against the needs of other borrowers: a rush of some of the Bank's best staff could be expected, and shareholder sensitivities (on all sides) would be high.

Board involvement: Board agreement would of course be required with respect to budget and in due course membership. The most difficult aspects of Board involvement would presumably relate to capital and shareholding issues.

OPTION 3: Moderate program

This option is less a specific program than a range of actions between standing pat and a large expansion. It involves a discrete choice for the Bank because anything in this range would signal a significant change in stance, and because such a change would require a substantial commitment in terms of political support, money, staff and organization.

A program in this range could carry on for 1-3 years, or more, while the political and economic drama plays itself towards some clearer resolution. After whatever period of transition, the program could fall apart if the Soviet political situation deteriorates, or could move to membership, with or without major commitment to major policy reform.

Initial conditions: Moderate easing of shareholder unwillingness to support closer Bank relationship -- e.g. forthcoming G-7 meetings might agree to encourage renewal of some Bretton Woods

involvement, ranging from reviving special association-type proposals to a push for full, but not immediate, membership. No significant retrogression in Soviet economic or political policies, but little near-term prospect of decisive movement towards strong market-oriented reform.

Bank program: Broad objectives would be to deepen Bank knowledge of key features of the Soviet economy -- including its republican dimensions; to position the Bank to play a strong future policy and advisory role if/when reform moves ahead; and provide advice, technical assistance and training which helps the economy despite the policy constraints and which meets some of the starvation for knowledge about market-oriented reform.

The core of a program of this sort should probably be a limited set of sectoral technical assistance tasks; a modest program of collaborative research; and the establishment of a set of institutional relationships -- for training, advisory work and policy discussion -- which connect with important groups without being too closely associated with only a narrow range of the many official and quasi-official institutions. There should be a republic-level dimension to this program, possibly including Russia and the Ukraine in the first instance.

In terms of topics, the technical assistance would be broadly similar to the program sent to the Soviets last November, with two important differences stemming from lower current receptivity of Soviet government entities to systemic reform proposals. First, assistance and advice to government on systemic as against sectoral issues would be a smaller part of the program, and might need to concentrate on things with longer lead times, for example institutional and legal reform. Second, (even) greater weight than formerly should be given to educating and preparing present and potential Soviet policymakers, and influencing the climate of debate. This would include a carefully designed EDI program, and a deliberate effort to build institutional partnerships.

Financing: Initial needs might be modest (a few ESW-type tasks, some EDI activity), but could be expected to build to the \$5-10 million range annually. At a minimum, at the outset there would be a need to finance a number of staff members plus overhead, travel, and some training activities in Washington and the USSR. A budget request does not seem a desirable course until the Soviet Union is getting close to full membership. Indeed until events reach such a point it will be important to ensure that finance for a Soviet program is really additional to the Bank's budget, and is seen as such. It would therefore be necessary to use clearly additional external funding or at a minimum a transfer from net income, until the Soviet Union was on the threshold of full membership and an allocation from a commensurately increased budget became appropriate.

The feasibility of using external funding is enhanced by the apparent desire of the EC to have us carry out some of its ECU400 million 1991 commitment. For a program of the sort envisaged, the EC would need to give us a kind of "block grant" rather than contracting for specific studies. We would also have to get at least one or two other donors to participate. In any event, substantial EC financing could permit rapid scaling up or replication of Bank-devised training and T.A.

Staff and Organization: The uncertainties surrounding the Soviet program make it at this point a risky anchor for a new Country Department. Whether a new Department can be justified on the basis of other Central and Eastern European countries and is desirable (re splitting SODs) is now under study by CPB. In either case, the riskiness of the Soviet situation suggests that it is better to start with a WDR-type of task force than a permanent organizational unit; the task force could either be in a new Department or an existing one.

A second issue is that of representation in Moscow. Some presence will be necessary at an early stage for logistical and administrative reasons. Beyond that, there is broad agreement that a substantive capacity on the ground would be critical to the effectiveness of a Bank technical assistance program. A large resident mission, however, would again send too strong a signal, and would be an embarrassment if things went sour. It seems preferable to start with only a modest representative office.

Board involvement: Under this option the legal and other issues involved in assisting a non-member would recur: Board agreement on the program and commitment of Bank resources would be required. This would presumably be somewhat simpler in the event of a Soviet application for membership being in the works.

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

P
File
USSR

DATE: 23-Apr-1991 11:06am

TO: John A. Holsen

(JOHN A. HOLSEN)

FROM: Paul Isenman, PRDDR

(PAUL ISENMAN)

EXT.: 33957

SUBJECT: RE: Ink Refills and the PC

I cannot tell a lie. You should be about as upset with me as with Wilfried. I'm quite concerned about the diversion of resources unless we have funding/staff. However, I certainly hope we will be getting in to Option 3 quite soon. (I can see one problem: we forgot to deal with the situation under Option 1 of the offer from EC to do some sub-contracting. What should we do no this?

CC: Geoffrey B. Lamb

(GEOFFREY B. LAMB)

OFFICE MEMORANDUM

DATE: April 18, 1991

TO: Messrs. W. Thalwitz, SVPRE; V. Rajagopalan, VPPRS; P. Isenman, PRSDR

FROM: Michel J. Petit, AGRDR

M. Petit

EXTENSION: 30340

SUBJECT: Technical Assistance Program for Soviet Agriculture

RECEIVED
91 APR 30 PM 5:13
PRDDR

The attached constitutes, I believe, a good example of PRE support to Operations done in good collaborative spirit. I also thought you would be interested by the content: possible item in a technical assistance package to the Soviet Union.

Attachment

MJP:fsc

CC Michelopoulos
Helen
Lomb. ✓
4/30

OFFICE MEMORANDUM

DATE: April 25, 1991

TO: Rory O'Sullivan, Division Chief, EM4AG

FROM: Karen Brooks, Economist, AGRAP

EXTENSION: 30420

SUBJECT: Technical Assistance Program for Soviet Agriculture

1. My rendering of our conversation today follows. I have included numbers when they appeared on your scratch sheet. I contribute this for your editing, additions, deletions, and consideration of amounts. If you need additional discussion, call me at home tonight 301-366-5589 or early tomorrow morning at work.

Technical Assistance in Agriculture for the USSR

2. Agricultural crises recur with numbing regularity every spring and fall in the Soviet Union. They will continue to do so until a functioning market economy makes crisis an occasional weather related event, rather than a semi-annual phase of the agricultural year. The crises of fall of 1990 and the current one in spring of 1991 mirror the shift in Soviet economic distress from disruption of distribution to a decline in output. In fall of 1990 the Soviet harvest was good, but inept price control and disruption of trade prevented more than usual from reaching consumers. In spring of 1991 farms are not receiving spare parts, fuel, fertilizer, and agricultural chemicals. Planting is delayed throughout much of the country, raising the likelihood that a poor harvest in 1991 will compound the worsening distribution.

3. Technical assistance in agriculture is a critical component of an effective international response to the current Soviet distress; it is inconceivable that a viable economy can be built with a wrecked agriculture at its core. Ordinarily technical assistance would be offered to aid in implementing a program of sectoral adjustment or reform. The Soviet Union lacks such a program, yet the need for technical assistance remains acute. The challenge to design of technical assistance under these circumstances is to offer aid that would support such an integrated program if it existed. The assistance in that way gives shape to a program, in perhaps the same way that complex organisms lacking internal skeletons carry an external carapace.

4. We propose a limited program of technical assistance with three elements:

- (a) Attention to immediate sectoral needs
- (b) Supporting the transition to a market economy
- (c) Laying a foundation for longer run growth in productivity

5. In each of these areas we have chosen activities according to two criteria:

- i) Signalling areas that the international community feels are of highest priority; and
- ii) Choosing those in which international expertise and resources can make the most difference.

Immediate Needs**Agricultural Inputs**

6. Two immediate needs are critical. The flow of agricultural inputs has been interrupted, and it is unrealistic to expect that much can be done to assist spring planting in this year. The winter wheat harvest will be the next crisis point. An assessment of the availability of fuel and spare parts in the geographically concentrated winter wheat areas begun now could make a difference by July. Monitoring of the availability of agricultural chemicals and fertilizer throughout the summer would indicate where and when imports are necessary either to break bottlenecks in domestic production, or simply to bypass domestic suppliers.

7. **Technical Assistance Activity:** Monitoring supply and distribution of agricultural inputs. Purchase inputs on domestic and foreign markets when necessary. Draft program for privatization of agricultural input supply. *3 person years.*

Reviving Rural Trade and Incentives to Work

8. A second immediate need is to integrate rural people into the exchange economy. The availability of consumer goods in the countryside was never good, but rural people have been the first cut out as the distribution system deteriorates. Improved availability of consumer goods and building materials for homes and farm structures are a precondition for progress in land reform and farm restructuring. Rural people now have poor incentives for anything except a retreat into subsistence agriculture on their household plots.

9. An effort to reawaken incentives for economic initiative in the countryside should begin with the Consumer Cooperative that is the traditional retail outlet in rural areas. An attempt should be made to restructure the Cooperative into a genuine cooperative, and to channel highly sought after consumer goods of domestic and foreign make to members through these outlets. Resale should be permitted. The trade should be primarily through catalogue orders, but some inventory should be shipped to the stores. The Consumer Cooperative should be used only if it can be thoroughly restructured and renamed to function as a genuine cooperative.

10. **Technical Assistance Activity:** Assessment of the potential for the Consumer Cooperative to be meaningfully restructured. Restructuring the Consumer Cooperative at the union and republic levels. Production of a catalogue and development of catalogue merchandising. *Four person years plus expenditures for the catalogue and limited purchase of imported consumer goods.*

The Transition to the Market**Price Liberalization and Privatization of Retail Trade in Food**

The IMF/IBRD/OECD/EBRD joint mission to the USSR in September/October 1990 outlined an agricultural strategy for the transition that stressed the primacy of price liberalization, rather than an administered increase of retail food prices. The Soviet government proceeded in April, 1991, with an administered increase in food prices divorced from any movement to expand the scope for market directed activities.

11. The administered price increase cannot now be abandoned in favor of liberalization. The damage can be contained, however, and forward movement toward a transition initiated if the proportion of food that moves at controlled state prices is gradually reduced. This can be accomplished by quickly privatizing many retail food outlets, and releasing the newly private stores from state price control. The privatization of retail trade in food can thus be the vehicle for de facto liberalization of food prices. This process is little more than moving the collective farm markets out of the kiosks and booths that have confined them in the past, and allowing private trade in food to take place in real stores, preferably with refrigerators and cash registers. Experience in East/Central Europe has shown that privatization of small stores can move very quickly.

12. Private stores will need access to wholesale trade. The privatization should thus extend to several wholesalers. These wholesalers will distribute products purchased locally, plus concessional imports targeted to promote privatization and price liberalization. The combination of privatization of retail outlets, privatization of some wholesaling capacity, and restructuring of the consumer cooperative (traditionally also a purchaser of food from rural households), plus the strength of international technical assistance and commodity aid to assure its initial success will have a substantial demonstration effect on the entire distribution system. This element of the program is very important, since it creates a vehicle through which food aid can be distributed effectively, and it is likely that food aid will be needed in the future. Additional food aid can be distributed through programs of humanitarian assistance.

13. **Technical Assistance Activity:** Assistance in privatization of retail food outlets. Assistance in privatization of some wholesale trade. Oversight of distribution of food aid through private wholesalers and retail stores. Protection of the exemption of private trade in food from price controls. *Six people part time plus three people in residence for three years.*

The Food Safety Net

14. As more food moves at free prices, it will be increasingly important to have in place a safety net to assure access to food for people who may be at risk. The strategy of gradual price liberalization through expansion of private food retailing provides a safety net of sorts in the remnants of the state distribution system. People who cannot afford private prices can line up at state stores. People who can afford better will increasingly self-select out of this natural safety net.

15. An explicit safety net with targeting should be constructed over the next year. Foreign experience in identifying vulnerable households and delivering assistance will be helpful in designing the safety net. Concessional food imports can provide some of the safety net's in kind assistance, and the remainder will be in monetary assistance.

16. **Technical Assistance Activity:** Special consultant on design and implementation of food assistance programs. *Three people years.*

Assistance to the Agricultural Credit Bank

17. The Agricultural Bank has restructured itself as a commercial bank, but is still weak in its portfolio and lending practices and procedures. Technical assistance in evaluating its portfolio and in training bank employees to assess credit risk and serve the emerging private sector will be very valuable.

18. **Technical Assistance Activity:** Advise the Agricultural Credit Bank in its continued restructuring and train bank managers and employees in modern banking practices. \$1.5 million. *How many people?*

Agricultural Investment Planning

The continued agricultural crisis and the dominance of the state and collective farm chairmen in the current political debate regarding agricultural issues makes a substantial additional allocation of investment to agriculture likely in this year. Unless new voices are heard in the process of allocating this investment, it is likely that it will yield as low a return as have past massive investments. It is thus important that technical assistance in evaluating agricultural investment be undertaken now and continue through the transition. This should be a substantial effort, as the resources at stake are very large.

19. **Technical Assistance Activity:** Assistance in planning agricultural investment. *Twenty-four people regionally dispersed for two years each. \$8.1 million.*

Laying the Foundation for Future Productivity Growth

20. The activity includes the development of human capital and agricultural physical infrastructure.

Rebuilding the Agricultural Economics Profession

21. Technical assistance will be needed indefinitely unless the domestic agricultural economics profession is rebuilt to serve the policy community, the private sector, and the academic institutions. In other agricultural disciplines technical training may lag world standards, but it nonetheless exists. A domestic agricultural economics profession that can serve a market economy and democratic policy process simply does not exist, and must be created. A variety of training activities will be needed including workshops to channel promising younger scholars into graduate programs abroad and seminars for more mature people.

22. **Technical Assistance Activity:** Workshops, training, curriculum review, and development of teaching materials. \$2 million.

Research and Extension to Serve a Market Economy

23. The Soviet Union has a large cadre of agricultural scientists employed in research institutes under the Lenin All-Union Academy of Agricultural Sciences and its affiliate organizations at the republic level. This research activity will be reorganized and reoriented with the introduction of the market economy. Technical assistance in assessing the current strengths of the research effort and how it might best be redirected will be important.

24. Many of scientists will be redundant under a more streamlined research program, and they comprise the most likely pool of specialists from which the core of the new extension service can be chosen. Those moving from research to extension will need additional training. Technical assistance in establishing the extension service and training

those who will redeploy to its service will be valuable and will take time. It should therefore start now.

25. **Technical Assistance Activity:** Assessment of the organization of agricultural research and development of a plan for its future priorities and organization. Assistance in setting up an agricultural extension service and training researchers who will work in it. \$2.5 million.

Environmental Assessment and Protection

26. Anecdotal evidence of environmental degradation of agriculture's resource base abounds, but there is little concrete empirical analysis of the extent and severity of the problems. Joint research in identifying the problems and remedies will be valuable. Assessment of standards for use and handling of agricultural chemicals will be an important component of this.

27. **Technical Assistance Activity:** Assessment of soil and water quality problems as they relate to agricultural production and food safety. Evaluation of procedures and handling of agricultural chemicals. \$2 million.

cc: Petit, LeMoigne (AGRDR); Barghouti (AGRPS); Feder (AGRAP)

OFFICE MEMORANDUM

DATE: April 26, 1991

TO: Mr. Rory O'Sullivan, Division Chief, EM4AG

FROM: Karen Brooks, Economist, AGRAP *KB*

EXTENSION: 30420

SUBJECT: **Soviet Technical Assistance:**
Addition to Section: "The Transition to the Market"

Property Rights in Land

1. The Soviet Union lags behind Eastern Europe in privatization of agricultural land, but significant activity on a small scale is already underway. A number of republics (RSFSR, Latvia, Lithuania, Estonia, Armenia) have passed laws legalizing private ownership of land, although restrictions on sale are included. The emergence of a critical mass of private producers is hampered by several factors:

- (a) Lack of a mechanism to transfer land into private hands unless collective and state farm chairmen voluntarily offer it;
- (b) Continued dominance of the state sector in marketing of inputs and output;
- (c) Unsuitability of the inherited capital stock for small scale production, and poor ability of the domestic implements industry under current circumstances to retool for production of new smaller models.

2. Private producers will operate in the near future under a considerable handicap, and technical assistance to support the early innovators is important. A number of specific kinds of assistance will be important:

- (a) Protection of property rights: In the longer run a system of land information, title registration, and cadastral surveying will be necessary, and its foundations should be laid now.
- (b) Marketing: Where geographically feasible, private producers should be linked to the restructured consumer cooperative, the privatized wholesalers, and the privatized retail outlets.
- (c) Use AKKOR and other organizations representing private farmers to disseminate information on production, marketing, and financial planning for the private sector.

Technical Assistance Activity: Assistance to Soviet scientists setting up a land information system and designing the new land cadastre. Creation of extension programs for private farmers. Amount?

ACADEMY OF NATIONAL ECONOMY
USSR COUNCIL OF MINISTERS

USSR, 117571 Moscow, Vernadsky Prospekt, 82
Tel: (095) 4348407, Telex 411626 KARTA SU, Fax: (095) 4202266

Barber B. Conable
President
The World Bank
Washington, D.C., USA
Fax: (202) 477 6391

055P

April 18, 1991

Dear Mr. Conable,

The Summary and Recommendation of the Joint Study of the Soviet Economy by the IMF, IBRD, OECD and EBRD is widely discussed now among Soviet officials and economists. We are looking forward to a lively discussion on the technical background papers with the participants to the Joint Study Project and to the beginning of a technical assistance program that would be mutually beneficial to the Soviet Union, its constituent republics and the World Bank.

Our relationship with the European Community is going forward, including a substantial technical assistance program of more than \$500 million. Since the members of the European Community are also members of the World Bank, I see the need to expand our contacts with the World Bank.

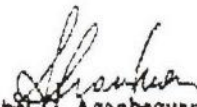
I would like to offer the Bank the use of my Academy's facilities and staff for a discussion of the technical papers from the Joint Study and the recommendations on the technical assistance that they contain.

I'll be in the United States towards the end of April and could specially come to Washington to meet with you and key members of your management and staff on May 7.

I think that the economic reforms underway in the Soviet Union are of concern to the entire world and, thus perhaps, very relevant to the World Bank. Moreover, the World Bank has experience that enable it to provide technical assistance that would be superior to that of other donors.

I look forward to meeting you and to discussing the Joint Study's background papers and the vast technical assistance needs of the Soviet Union with the experts from the World Bank.

Respectfully,


Academician Abel G. Aganbegyan
Rector

c.c. Mr. Denis Kiseiyov
MUCIA
Columbus, Ohio, Fax: (614) 291 9717

Mr. Karl William Viehe
Attorney at Law
Tighe, Curhan, Viehe & Rogala
Washington, D.C., Fax: (202) 393 0363

TOTAL P.03

Development News—Daily Summary

Griff/John 4/18
Did Grabb
really give this
supp
4/17



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Wednesday, April 17, 1991

CHAMORRO SEEKS AID. Nicaraguan President Violeta Chamorro, addressing a joint session of the U.S. Congress, urged Washington yesterday to extend financial aid throughout the decade to rebuild her country's ravaged economy, Agence France-Presse reports. Managua is seeking grants and bridge loans to cover \$360 million in back payments owed to the World Bank and the Inter-American Development Bank, the report says, adding that Mrs. Chamorro also wants the United States to speed up the disbursement of aid funds appropriated by Congress. The Washington Times (p.A1) reports President Chamorro's attempts to secure \$360 million "to pay overdue interest to the World Bank and the IADB." The Washington Post carries a story on page A14.

WEST LAYS DOWN LAW AT EBRD. Western nations have served notice they intend to stamp their authority on the operations of the newly created European Bank for Reconstruction and Development as it seeks to translate the vision of a new economic order into reality, Reuters reports. Frenchman Jacques Attali, EBRD president, has spoken repeatedly of his dream that the bank can help reunite Europe. But some of his shareholders, above all the United States, have made clear during the past two days of debate at the bank's inaugural meeting that their directors are determined to have a major say in how the bank is run. The Financial Times (p.2) carries a story on this topic. Reuters and the Journal of Commerce (p.3A) report that, according to Attali, Eastern European countries could get up to \$123 million in financial aid from Western agencies and private firms over the next decade. Associated Press-Dow Jones reports that Czechoslovakian Finance Minister Vaclav Klaus expects limited assistance this year from the EBRD. "My expectation is that the bank in 1991 will just be able to launch a few demonstration projects which will not do much to forward the transformation process in Eastern Europe," he said. Another Reuters story says the Soviet Union yesterday called for an end to the borrowing limit imposed on that country by the EBRD. The Wall Street Journal (p.A14) and the Journal of Commerce (p.8A) carry editorials on the EBRD.

SOVIET DEVELOPMENT BANK PROPOSED. The chairman of the Soviet central bank, Gosbank, yesterday pushed a plan for a Soviet "Development and Project Finance Bank" modeled on other regional development banks, the Journal of Commerce (p.3A) reports. Such a bank would be "a sound channel of attracting long-term capital to the country for implementation of projects of high efficiency and profitability, primarily in export- and import-substituting industries," said Victor V. Geraschenko in an address to the EBRD. He said the plan already has the support of, among others, European Commission President Jacques Delors, World Bank President Barber Conable, and Bank of England Governor Robin Leigh-Pemberton.

GATT CRITICIZES EC IMPORTS CURBS. Sharp criticism of European Community trade deals with exporting countries has come from the GATT, the Financial Times (p.14) reports. In its first review of EC trade policy, the GATT is also critical of the frequent use by the Community of anti-dumping action against

foreigners accused of selling their products too cheaply on EC markets, as well as the widespread subsidies paid to farmers and manufacturers. Agence France-Presse reports that the GATT said the EC should strive toward "closer adherence to the fundamental principles" of world trade, in particular by lifting external barriers.

JAPAN BELIEVES POLISH DEBT PLAN CAN BE REVAMPED. Despite warnings that they may restrict new loans to Poland and Egypt unless a proposed debt-reduction plan is revised, Japanese officials believe creditor nations can revamp the arrangement in a way that would avoid a confrontation, the Wall Street Journal (p.A10) reports. Publicly, however, they are augmenting that hope by saying that a sweeping debt forgiveness could force Japan to take a harder line toward debtor nations, the story says. "If debt reduction is done, we can't support new money," a senior finance ministry official said this week. "That's a general policy."

KUWAIT WEIGHING OPTIONS TO FINANCE REBUILDING. Kuwait is weighing options available to raise funds to rebuild the country after the Gulf war and has not yet decided what course it will follow, banking sources said, according to a story in the Journal of Commerce (p.2A). Sources suggested that despite claims Kuwait would not sell its assets, the emirate might resort to that at some stage, with a view toward buying them back later at suitable prices or when funds are more readily available. Meanwhile, a story in the Wall Street Journal (p.A2) says that firefighters in Kuwait have cut almost in half estimates on how long it will take them to put out the oil-well fires in the country. Initial estimates of at least 18 months have been cut to 10 months.

EGYPTIANS FACED WITH AUSTERITY PACKAGE. News of an austerity package, including a 10 percent sales tax, dampened Egyptian celebrations for the end of the Moslem fasting month of Ramadan yesterday, the Financial Times (p.4) reports. The announcement, timed to coincide with the most euphoric day of the Islamic calendar and the forthcoming May Day bonus for government workers, also heralded sharp increases in petrol prices and electricity charges to comply with the demands of the IMF, the story says. A story from Reuters says Egypt yesterday began unveiling tough belt-tightening reforms that were sure to infuriate the public but were deemed necessary for an IMF accord that would sharply reduce the country's \$35 billion foreign debt.

BULGARIA RULES OUT DEBT FORGIVENESS. Bulgaria yesterday ruled out any Western forgiveness of its debt, saying this could slow down its economic reforms, the Financial Times (p.2) reports. Finance Minister Ivan Kostov said Bulgarian officials were meeting the Paris Club this week to discuss arrangements to postpone or reschedule the country's debt.

MIXED OUTLOOK FOR CENTRAL AMERICA. A two-page round-up in the Christian Science Monitor (pp.10-11) looks into the economic prospects for Central American nations, saying that the six-nation region sees signs of recovery, but the economic outlook is mixed. Marko Voljc, LA2C2, is quoted as saying: "I'm a little more sanguine about the '90s. The elements for improvement and greater pragmatism are in place in every country in the region."

CHANGES IN WEST AFRICA. A story in the Washington Post (p.A18) says West Africa is at the cross roads of change.

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The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 15-Apr-1991 12:09pm

TO: Paul Isenman (PAUL ISENMAN)
TO: Geoffrey B. Lamb (GEOFFREY B. LAMB)

FROM: John A. Holsen, PADSS (JOHN A. HOLSEN)

EXT.: 33719

SUBJECT: Thoughts for the Note on the Soviet Union, Etc.

(1) What is happening in the Soviet Union?

We don't know much beyond what appears in the newspapers and what little additional information and analysis has been obtained from various Sovietologists. The economy continues to deteriorate (largely because of the growing "barterization" of the economy). Central government measures have not been effective. The earlier currency reform reduced broad money by only about 1%. The increases in food prices (reductions in food subsidies) earlier this month should help the fiscal situation, but we don't know by how much because the degree of compensation (through wage and pension adjustments, etc.) is not clear. In any event, the refusal of the Russian Federation (and other republics) to transfer more than a small portion of tax collections to the Union Treasury is leading to very large fiscal deficits. In effect, at the moment the only way to pay the KGB and the armed forces is to resort to printing press money. Clearly a very dangerous situation.

No coherent economic program can be designed and implemented except on the basis of cooperation between the center and the republics. The center, led by President Gorbachev, does not have the political legitimacy to impose an economic program on the republics -- whether it is a "reform" program or an attempt to return to greater administrative controls. There seems to be a stand-off between the center and the republics. Mr. Yeltsin seems to be an opportunist with populist instincts rather than the potential leader of a reform program; however, some serious reformers are trying to work with him as advisers. (It should be noted that the republics are basically concerned about political reform; with the exception of some individuals in the Russian Federation, they really haven't shown much interest in economic reform except in the sense of taking control over the resources and capital plant located within their geographic boundaries.)

Unless some compromise on political and economic issues can be worked out, the near term outlook is for continued economic deterioration. Then events may move along any one three broad

lines. (1) The Chilean scenario, in which Gorbachev is replaced by a strong ruler who is accepted partly because people are tired of the present disorder; (2) the Polish scenario, where the continued disorder finally leads the people to accept a fairly radical economic reform program; and (3) the continued political and economic disintegration scenario.

(2) What kind of follow-up to JSSE is underway?

After discussions with the Soviet Embassy, we have proposed a small mission that would visit the Soviet Union for 10 days to two weeks beginning about May 10. The purpose would be to discuss both the broad strategy of the reform and more specific measures in the areas of systemic reform which were examined in detail by the Bank team, especially pricing policies and enterprise reform. We would hope to meet with Union officials, with economists in some of the relevant institutes, and also with a few republican officials in Moscow and perhaps Kiev. In addition to discussing the Joint Study, this mission would use the visit to update our understanding of recent developments in the Soviet Union. This proposal was made through the Embassy here, and was forwarded to Moscow on Tuesday, April 9. We have not yet had a reply.

(3) What are other IOs doing?

The Fund and the OECD have also proposed small technical missions, but have not yet received definite invitations. The Fund hopes to go before the end of April; the OECD would like to go the first week in May. A joint mission seems neither practical (other commitments of staff most concerned) nor desirable (too big and formal), but we are coordinating with the Fund and OECD to minimize duplication. EBRD economists visited the USSR last month when they accompanied Mr. Atali for his meeting with President Gorbachev, PM Pavlov, and other officials. An EC mission also visited Moscow last month to discuss their proposed ECU 400 million technical assistance program.

The Bank and the Fund have both received informal invitations from the Deputy Director of the Institute of Economics, USSR Academy Sciences, to participate in a "retreat" to discuss the JSSE recommendations which the Institute expected to organize. However, we have not heard any more about this idea since it was proposed over a month ago. The Institute also told us that they would be publishing a Russian translation of the December "Summary and Recommendations" report sometime in April.

(4) What are the options for the Bank at this stage?

(a) The proposed small mission in May to discuss the JSSE report should help maintain our dialogue with appropriate individuals in the Union Government, the two largest republics (Russian Federation and Ukraine), and in the various official think tanks. We should offer, should the Soviet authorities wish

it, to send other individual experts to discuss particular aspects of the study done by the Bank (e.g., legal framework, agriculture, manufacturing industry and housing).

(b) We should be prepared to move ahead with a technical assistance program, along the lines previously discussed, just as soon as we have a positive signal from the relevant Board members. We may get this signal after the forthcoming meeting of the G-7.

(c) Although the Soviets have told us that "membership in the Bretton Woods organizations is on our agenda," we are unaware of any recent specific steps in this direction. (Prime Minister Pavlov's January 31 letter to Mr. Conable, however, did go beyond technical assistance and talked also of "new horizons of our cooperation, including in the areas of investment and finance.") The Soviet Union does not wish to apply for membership unless and until it has reason to believe that the application will be welcomed by the U.S. and other leading members. The Bank should assume that such a welcome and a formal application for membership will be forthcoming in the relatively near future. (Even though a substantial period might pass before questions regarding the capital subscription and other aspects of membership could be resolved, the act of application would let us undertake preparatory work without the need to go to the Board for specific authorization to do work on the USSR.) At this time the Bank should identify a small team of individuals who might expect to form the nucleus of the team that would work on the USSR if and when the technical assistance program moves ahead or there is an application for membership.

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 15-Apr-1991 12:13pm

TO: Paul Isenman

(PAUL ISENMAN)

TO: Geoffrey B. Lamb

(GEOFFREY B. LAMB)

FROM: John A. Holsen, PADSS

(JOHN A. HOLSEN)

EXT.: 33719

SUBJECT: Thalwitz-Lamy Meeting

I think the Bank has a real request from the EC to help spend their ECU 400 million. So does the Fund. Tom Wolf and I were told this by senior EC people at recent meetings in both Paris and New York. Given the way the conversation between Thalwitz and Lamy went, there was no reason for the latter to say anything about Bank involvement as an executing agent.

We should not suggest to Bock that he has no real request!

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 15-Apr-1991 08:57am

TO: See Distribution Below

FROM: Sven Sandstrom, EXC

(SVEN SANDSTROM)

EXT.: 81138

SUBJECT: Soviet Union

Wilfried,

Mr Conable would like quickly to review (1) what is happening in the Soviet Union, (2) the status of our follow-up to JSSE, (3) what other international agencies are doing, and (4) what our options are for any further Bank activity at this stage.

Apparently the EC, OECD and EBRD are quite active. The EC may request that the Bank acts as executing agency for part of its ECU 400 million program for the Soviet Union. And there may be a change in the relationship between the Soviet Union and Japan. But at the same time the internal situation in the Soviet Union is becoming even more unsettled.

Mr Conable would like to do this review before the Interim and Development Committee meetings at the end of the month, when he and PC members are likely to be asked about the Soviet Union and the Bank's posture. Could you, please, in close consultation with OPN and FIN, prepare for Mr Conable and the PC a very brief note for discussion by the PC next Wednesday the 24th. It would be helpful if the note could be available by the end of this week.

Sven

DISTRIBUTION:

TO: Wilfried Thalwitz
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(WILFRIED P. THALWITZ)
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Ticker
1/23/91
Thalwitz
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Gorbachev meeting with Yeltsin raises hopes for coalition

By John Lloyd in Moscow

SOVIET President Mikhail Gorbachev yesterday met Mr Boris Yeltsin, the Russian leader, for the first time since Mr Yeltsin announced his intention to run for the presidency of Russia - and at the end of two weeks in which both men have been urged to discuss forming a coalition government.

The meeting came on the eve of what promises to be the most severe test Mr Gorbachev has yet faced from within his Communist party.

A plenum of the ruling Central Committee gathers in Moscow this afternoon angry and despondent over Mr Gorbachev's handling of the economy. This mood may prompt calls for his resignation from his party post as general secretary.

Yesterday's meeting at Novoye Ogarevo on the outskirts of Moscow, was held under the framework of the Federation Council and brought together leaders of the nine Soviet republics which are prepared to discuss a union treaty.

Mr Yeltsin has in the past routinely delegated attendance at meetings of the Federation Council to his senior deputy, Mr Ruslan Khasbulatov.

His attendance, and the location of the meeting on neutral territory away from the Kremlin, suggests that an effort will be made to rebuild a bridge between the two most powerful figures in the rapidly declining country.

An aide to the president said the subject of round-table talks as a prelude to a coalition government would be mooted

James Baker, US secretary of state, is to make an unscheduled visit to the Soviet Union to seek closer co-ordination in his efforts to revive the stalled Middle East peace process.

Washington is looking to Moscow to help it build momentum for the peace effort. A US plan envisages Soviet co-sponsorship of a regional peace conference as an opening to direct talks between Israel and the Arabs. Page 16

between the two leaders - both of whom have in the past month professed themselves willing to make the compromises necessary for forming a coalition.

Deputies in the Supreme Soviet yesterday endorsed the anti-crisis programme introduced on Monday by Mr Valentin Pavlov, the prime minister.

Their vote, by an overwhelming 323 to 13, followed a speech by Mr Pavlov in which he called for a "state of emergency" covering banks, tax collection transport and power supply, and revealed that a presidential decree had been prepared to index incomes to a basket of commodities.

However, most economists - including those working on the programme - believe it will fail unless agreement is reached between the main political forces, and crucially the leaderships of the republics, on its shape and implementation.

At the same time as Mr Pav-

lov prepares to act as the cutting edge of the government, the distance between Mr Gorbachev and the hardliners who have been his reluctant allies appeared to widen.

Mr Vitaly Ingnatenko, the presidential press spokesman, said that the call by the hard-line Soyuz faction for a special congress of people's deputies to review Mr Gorbachev's performance was "untimely and hardly instrumental to progress" - and noted that the group was split over the issue.

Mr Nikolai Shishlin, a senior member of staff of the Central Committee, said: "I think that some radical, hardline elements will try to condemn the president and general secretary - but I believe that the majority of the plenum will be reasonable enough not to push him. They have in any case no right to push him out - he was elected by the party congress and can only be dismissed by it."

Mr Igor Lopatin, a leader of the Interfront movement which organises the disaffected, largely Russian minorities in the republics, told the Postfactum news agency that Mr Gorbachev was "pushing away the patriotically minded forces of the country" by keeping as his advisers such liberal figures as Mr Alexander Yakovlev, the former Politburo member and Mr Vadim Bakatin, the former interior minister.

Workers in Minsk, the capital of Belorussia, downed tools once more yesterday and demonstrated in the city centre after the breakdown of talks

Continued on Page 16



Chancellor Helmut Kohl (right) wi

Kohl calls for government

By David Goodhart in Bonn

CHANCELLOR Helmut Kohl yesterday pledged his support for Berlin as Germany's future seat of government.

Mr Kohl said a move to Berlin, already the official capital, would need 10 to 15 years to complete and that Bonn should retain a number of important ministries, including defence.

The chancellor's surprise decision will certainly boost Berlin's chances of again becoming the seat of government. But Bonn, before his announcement, was thought to be favoured by a slim majority of Bundestag members and by most of the west German Länder (states).

It was decided yesterday that

Beazer unveils plan to float off UK companies, sell half shares

By Andrew Taylor, Construction Correspondent, in London

BEAZER, the heavily borrowed construction and building materials group, yesterday announced plans to float off its British businesses and then sell up to half the shares in the new company for as much as

new company solely to existing shareholders or to make them available also to new investors.

The UK businesses, which have an estimated net asset value of about £400m, generated £72.7m out of total group

a controlling interest in its former UK operations.

Beazer's last annual accounts, for the year to June 30 1990, showed net debts of £880.5m mostly in the US. This compared with shareholders'



a bone of contention between member states. The main problem is the economic discipline required for the monetary union. Britain's pariah status is that it should not be in the current monetary union. It should not commit itself to any particular monetary policy. It may be near a

Under the plan, which has already been attacked by international bankers, any foreign bank engaged in activities other than simple banking would have to close its current American branches and agencies involved in securities and underwriting operations and conduct all of its US banking business through a US subsidiary bank. This would also

But Mr Greenspan urged Congress to "avoid only partial solutions by separating into component parts the comprehensive proposals for reform such as those suggested by the Treasury".

He also underlined the Fed's opposition to removing its present supervisory authority over bank holding companies and limiting it to (mainly smaller) state chartered banks.

Background, Page 9; Editorial Comment, Page 14

But the debate between supporters of Bonn and Berlin, which divides all the main parties, is now likely to sharpen. Berlin is supported by a majority of east Germans, and rather more Social Democrats than Christian Democrats. It also tends to have the support of politicians old enough to have been active during West Berlin's years of isolation during the 1940s and 1950s.

Mr Gorbachev and his government could take some small

The official news agency Tass, said that more pits began loading coal in the Donbass area, in the Ukraine - while enterprises in Kursk in Central Russia, Severouralsk in the Urals and Baku in Azerbaijan all voted to return to work after their demands had been wholly or partly met.

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fo-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

SOVIET UNION:
CURRENT POSITION AND NEAR-TERM OPTIONS FOR THE BANK

This note discusses (1) the political/economic situation in the USSR, (2) JSSE follow-up activities, (3) action by other international institutions, and (4) options for the Bank under various assumptions. Three options are discussed: the status quo; a high case, with strong Soviet commitment to reform and strong shareholder (G-7) support for quick membership; and an intermediate case, with little commitment to reform and strong shareholder support for closer Bank ties with the Soviet Union. We will see soon what the shareholder position is. The likeliest case seems to be some variant of the third option.

(1) THE POLITICAL/ECONOMIC CRISIS IN THE SOVIET UNION

The fiscal crisis and sharply declining output have not been halted by recent actions. The currency reform in March reduced broad money by only 1%, while the fiscal benefit of this month's large price increases is reduced by an estimated 85% wage and pension adjustment. Refusal of the Russian and other republics to transfer most tax revenues to the Union Treasury is leading to very large fiscal deficits, and reducing ability to meet even essential commitments (e.g. army pay) without resort to the printing press.

The Soviet government is due to announce further economic reforms today (April 22). So far the center, led by President Gorbachev, has lacked the political capacity to impose an economic program on the republics -- whether it is a "reform" program or recent attempts to return to greater administrative controls. Unless some compromise on political and economic issues can be worked out, however, the near term outlook is for continued economic deterioration, with uncertain political consequences.

(2) JSSE FOLLOW-UP ACTIVITIES

A small mission to the Soviet Union is planned for two weeks beginning about May 10, to discuss both the strategy of reform and more specific measures in areas which were examined in detail by the Bank team, including key sectoral issues such as energy and agriculture, pricing policies and enterprise reform. It will meet with Union officials and, with the approval of the Soviet authorities, with republican officials in Moscow and perhaps Kiev. This proposal awaits Moscow's confirmation. Bank and Fund have both received informal invitations from the Institute of Economics, USSR Academy of Sciences, to participate in a "retreat" to discuss the JSSE recommendations. However, the status of this proposal is

uncertain. The Institute plans to publish a Russian translation of the December "Summary and Recommendations" report, possibly this month. Prof. Aganbegyan has offered, in an April 18 letter to Mr. Conable, the staff and facilities of his Institute of National Economy for a discussion of the JSSE technical papers.

(3) ACTION BY OTHER INTERNATIONAL INSTITUTIONS

The Fund and OECD have also proposed small JSSE follow-up missions: the Fund mission, led by the chief of the new European Department division covering the USSR, Bulgaria, Romania and Albania, will go in mid-May, though the chief of mission is in Moscow this week. EBRD's economists accompanied Mr. Attali to Moscow in March.

An EC mission visited Moscow in March to discuss their proposed ecu400 million technical assistance program for calendar 1991. The EC recently decided to proceed with preparation of the program, although disbursements will not occur before approval at the May EC summit. It is probable that the EC will seek Bank participation in this program. The EC has also established a bilateral "macroeconomic group" within the framework of EC-USSR cooperation, due to meet for the first time in Moscow April 29-30.

While it makes sense for each agency to pursue discussions with the Soviets individually rather than through cumbersome joint arrangements, more will need to be done to ensure coordination and mutual information. This is already proceeding well with the Fund and, increasingly, with the EC.

(4) OPTIONS FOR THE BANK

Three scenarios are set out below, to focus discussion of the underlying choices. They are based on the current position, a "high" expansionist case, and a moderate increase. For each option, initial conditions are identified, followed by a brief discussion of possible program content, financing modalities, staffing and organizational implications, and the nature of Board decisions required.

OPTION 1: Status quo, more or less

This consists of completing agreed JSSE, doing a small amount of additional economic analysis on aspects of the Soviet economy which have a direct bearing on Bank members and Bank business, and maintaining a minor "watching brief" on Soviet developments.

Initial conditions: Continuation or worsening of Soviet political and economic reform climate; major shareholders remain unwilling to support significant Bank effort beyond JSSE.

Bank program objectives under these conditions would be to carry the JSSE dialogue somewhat further, but beyond that to do little more than maintain low-key contact with Soviet developments for the time being. This might involve:

- JSSE follow-up mission to USSR and related discussions
- Limited work on the Soviet dimension of issues of direct concern to the Bank and its members -- e.g. CMEA break-up, energy prospects and deliveries to Eastern Europe.
- Occasional Soviet visitors and professional exchanges, including minor participation in EDI seminars on a full-cost basis.
- Some effort to maintain currency of JSSE information.

Financing: Essentially none. That is, beyond JSSE these limited activities would be a minor part of ESW and research tasks, would be externally funded (in the case of visits and occasional Soviet EDI participants), or would be included in normal data collection and synthesis.

Staff and organization: Zero or virtually zero. No new organizational entities are needed, and existing staff in EMENA and PRE (primarily Socialist Economies Unit and IEC) would be involved. A small amount of specialized consultancy would be necessary from time to time.

Board involvement: Under this option presumably no specific Board discussion or decision would be required.

OPTION 2: Major Expansion

At the other extreme is a major near-term expansion in the Bank's role in the Soviet Union. It is useful to look at a high case option for two reasons: it may occur -- although the probability currently seems relatively low; and it provides an endpoint of reference for assessing what needs to be done in an intermediate or transitional phase.

In this option the Bank would be rapidly deepening its knowledge of the Soviet economy, launching a large program of analytical work, technical assistance and training, and gearing up for an early start to substantial lending.

Initial conditions: Decisive change in attitudes of major shareholders, for example G-7 agreement that Soviet membership application should be accepted and acted upon, or that the Bank should be part of a major international effort to help the Soviet economy. A tougher condition to meet will be real Soviet progress (as condition of G-7 shift?) towards stabilization and

systemic reform. (A push for membership but without progress on reform is treated as a variant of Option 3.)

Bank program: This would be geared towards membership, a strong policy dialogue and a substantial lending program. The program would focus on advice, lending and technical assistance for both systemic reform and sector priorities (as did both the JSSE and the T.A. proposal discussed earlier with the Soviets), and on ESW in support of these priorities.

Financing: The very early phase of such a program might be initiated with EC funding, G-7 trust funding or some other special arrangement. As the Soviet Union moves closer to membership, this option would require a regular budgetary allocation (except that TA and training beyond a scale comparable to that of other borrowers would still require external funding.)

Staff and Organization: This scenario implies that at some point a country department growing to normal size -- 80 to 90 staff years -- would be established in which the Soviet program would clearly be dominant. There would for a period be far more direct provision of T.A. and training than is normal. A key management issue (also relevant to external recruitment) would be to balance the need for high-quality staff for the Soviet program against the needs of other borrowers: a rush of some of the Bank's best staff could be expected, and shareholder sensitivities (on all sides) would be high.

Board involvement: Board agreement would of course be required with respect to budget and in due course membership. The most difficult aspects of Board involvement would presumably relate to capital and shareholding issues.

OPTION 3: Moderate program

This option is less a specific program than a range of actions between standing pat and a large expansion. It involves a discrete choice for the Bank because anything in this range would signal a significant change in stance, and because such a change would require a substantial commitment in terms of political support, money, staff and organization.

A program in this range could carry on for 1-3 years, or more, while the political and economic drama plays itself towards some clearer resolution. After whatever period of transition, the program could fall apart if the Soviet political situation deteriorates, or could move to membership, with or without major commitment to major policy reform.

Initial conditions: Moderate easing of shareholder unwillingness to support closer Bank relationship -- e.g. forthcoming G-7 meetings might agree to encourage renewal of some Bretton Woods

involvement, ranging from reviving special association-type proposals to a push for full, but not immediate, membership. No significant retrogression in Soviet economic or political policies, but little near-term prospect of decisive movement towards strong market-oriented reform.

Bank program: Broad objectives would be to deepen Bank knowledge of key features of the Soviet economy -- including its republican dimensions; to position the Bank to play a strong future policy and advisory role if/when reform moves ahead; and provide advice, technical assistance and training which helps the economy despite the policy constraints and which meets some of the starvation for knowledge about market-oriented reform.

The core of a program of this sort should probably be a limited set of sectoral technical assistance tasks; a modest program of collaborative research; and the establishment of a set of institutional relationships -- for training, advisory work and policy discussion -- which connect with important groups without being too closely associated with only a narrow range of the many official and quasi-official institutions. There should be a republic-level dimension to this program, possibly including Russia and the Ukraine in the first instance.

In terms of topics, the technical assistance would be broadly similar to the program sent to the Soviets last November, with two important differences stemming from lower current receptivity of Soviet government entities to systemic reform proposals. First, assistance and advice to government on systemic as against sectoral issues would be a smaller part of the program, and might need to concentrate on things with longer lead times, for example institutional and legal reform. Second, (even) greater weight than formerly should be given to educating and preparing present and potential Soviet policymakers, and influencing the climate of debate. This would include a carefully designed EDI program, and a deliberate effort to build institutional partnerships.

Financing: Initial needs might be modest (a few ESW-type tasks, some EDI activity), but could be expected to build to the \$5-10 million range annually. At a minimum, at the outset there would be a need to finance a number of staff members plus overhead, travel, and some training activities in Washington and the USSR. A budget request does not seem a desirable course until the Soviet Union is getting close to full membership. Indeed until events reach such a point it will be important to ensure that finance for a Soviet program is really additional to the Bank's budget, and is seen as such. It would therefore be necessary to use clearly additional external funding or at a minimum a transfer from net income, until the Soviet Union was on the threshold of full membership and an allocation from a commensurately increased budget became appropriate.

The feasibility of using external funding is enhanced by the apparent desire of the EC to have us carry out some of its ECU400 million 1991 commitment. For a program of the sort envisaged, the EC would need to give us a kind of "block grant" rather than contracting for specific studies. We would also have to get at least one or two other donors to participate. In any event, substantial EC financing could permit rapid scaling up or replication of Bank-devised training and T.A.

Staff and Organization: The uncertainties surrounding the Soviet program make it at this point a risky anchor for a new Country Department. Whether a new Department can be justified on the basis of other Central and Eastern European countries and is desirable (re splitting SODs) is now under study by CPB. In either case, the riskiness of the Soviet situation suggests that it is better to start with a WDR-type of task force than a permanent organizational unit; the task force could either be in a new Department or an existing one.

A second issue is that of representation in Moscow. Some presence will be necessary at an early stage for logistical and administrative reasons. Beyond that, there is broad agreement that a substantive capacity on the ground would be critical to the effectiveness of a Bank technical assistance program. A large resident mission, however, would again send too strong a signal, and would be an embarrassment if things went sour. It seems preferable to start with only a modest representative office.

Board involvement: Under this option the legal and other issues involved in assisting a non-member would recur: Board agreement on the program and commitment of Bank resources would be required. This would presumably be somewhat simpler in the event of a Soviet application for membership being in the works.

CC: PI & meeting file (S. Mansoor)

Ticker

~~W. P. Thalwitz~~
Thalwitz

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 15-Apr-1991 08:57am

TO: See Distribution Below

FROM: Sven Sandstrom, EXC

(SVEN SANDSTROM)

EXT.: 81138

SUBJECT: Soviet Union

Wilfried,

Mr Conable would like quickly to review (1) what is happening in the Soviet Union, (2) the status of our follow-up to JSSE, (3) what other international agencies are doing, and (4) what our options are for any further Bank activity at this stage.

Apparently the EC, OECD and EBRD are quite active. The EC may request that the Bank acts as executing agency for part of its ECU 400 million program for the Soviet Union. And there may be a change in the relationship between the Soviet Union and Japan. But at the same time the internal situation in the Soviet Union is becoming even more unsettled.

Mr Conable would like to do this review before the Interim and Development Committee meetings at the end of the month, when he and PC members are likely to be asked about the Soviet Union and the Bank's posture. Could you, please, in close consultation with OPN and FIN, prepare for Mr Conable and the PC a very brief note for discussion by the PC next Wednesday the 24th. It would be helpful if the note could be available by the end of this week.

Sven

DISTRIBUTION:

TO: Wilfried Thalwitz
CC: Moeen A. Qureshi
CC: Ernest Stern
CC: Ibrahim Shihata
CC: David R. Bock
CC: Paul Isenman
CC: John A. Holsen

(WILFRIED P. THALWITZ)
(MOEEN QURESHI)
(ERNEST STERN)
(IBRAHIM SHIHATA)
(DAVID BOCK)
(PAUL ISENMAN)
(JOHN A. HOLSEN)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 15-Apr-1991 06:58pm

TO: Paul Isenman

(PAUL ISENMAN)

FROM: Sven Sandstrom, EXC

(SVEN SANDSTROM)

EXT.: 81138

SUBJECT: RE: Soviet Union

Paul,

Nothing was attached, but I assume the missing attachment simply said that Geoff would do the work. Thanks.

BTW, the Soviets seem to be on an external blitz (Gorbachev working on Japan, Pavlov on Israel) and Geraschenko, who is attending the EBRD inauguration in London, has conveyed the message to Mr Conable that they intend to have a delegation here at the time of the Interim and Development committee meetings and would like to attend these meetings in some capacity to be worked out (observer / special guest / etc). One rumor has it that they intend to meet with major shareholders here and then immediately apply for membership. We'll see.

Sven

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 16-Apr-1991 10:25am

TO: Paul Isenman
TO: Geoffrey B. Lamb

(PAUL ISENMAN)
(GEOFFREY B. LAMB)

FROM: John A. Holsen, PADSS

(JOHN A. HOLSEN)

EXT.: 33719

SUBJECT: USSR

See Fred's comments on my quick thoughts of yesterday. I basically agree with them. My note of yesterday would obviously need to be spelled out in more detail at some points if it is to be a first rough draft of the paper for the PC.

The Chilean scenario should not be misread as leading to economic liberalization; it is the heavy hand that would be restored. It is likely to be the end of both glasnost and perestroika for a period. Over the longer-run, however, one would expect the forces leading to political and economic reform to reassert themselves. This is perhaps the most likely alternative, but scenario #3 is a close competitor. The "good" alternative, #2, unfortunately seems less probable.

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 16-Apr-1991 09:27am EST

TO: John A. Holsen

(JOHN A. HOLSEN)

FROM: Fred Levy, EAS

(FRED LEVY)

EXT.: 81947

SUBJECT: RE: USSR

Sorry I couldn't get back to you yesterday. Hope the following are still relevant:

-In the first para., I think the reference to barterization is too short-hand. I would prefer to say: "The economy continues to deteriorate as state production orders are underfilled, goods are diverted away from the state stores, trade barriers are imposed between republics and between cities, and hoarding and barter increase."

-Reference to a Chilean scenario connotes (to me) a combination of authoritarianism and economic liberalization. It is also possible, of course, that a new strong ruler would try to move backward a la Brezhnev.

-In the section on other IOs, you might mention that they have all assigned staff to full-time monitoring of the USSR.

-In the last section, you might mention that even if the political situation does not permit immediate formal activities in the USSR, just being there and mingling with opinion makers, press, universities, etc. is important for introducing the vocabulary and analytical framework on which eventual dialogue would have to be based.

CC: Alan Gelb

(ALAN GELB)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 10-Apr-1991 12:27pm

TO: See Distribution Below

FROM: David R. Bock, OPNSV

(DAVID BOCK)

EXT.: 82856

SUBJECT: USSR - European Commission

I spoke yesterday to Jean-Louis Cadieux, Deputy Director General of DG1, who is responsible for the administration of the technical assistance program to the Soviet Union. Cadieux had recently visited Moscow, along with a number of technical experts, to discuss the broad outlines of the Commission's ECU 400 million program for 1991. They have started to identify specific operations in the five priority areas agreed at the Rome Summit, and the primary objective of the Moscow visit was to identify/design a coordination unit on the Soviet side.

Coordination arrangements will be formalized through an exchange of letters between Delors and Pavlov. The coordination unit will probably be located in the Prime Minister's Office although this is still somewhat uncertain. The Foreign Ministry has heretofore had the responsibility for liaison with DG1, as well as with the IFIs, so a shift of the coordination responsibility to the Prime Minister's Office entails some degree of bureaucratic bloodletting.

A decision to proceed with commitment of the 1991 program will be taken by the Council only at the end of May.

Mr. Cadieux would welcome an "exchange of views" with the Bank in 3-4 weeks. The Commission would be very interested in using the Bank as executing agent for some portion of this technical assistance fund. We should accordingly begin developing our own list of good ideas. Senior management will also need to take an early decision whether it is appropriate for the Bank to take on such a role.

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(PAPER MAIL)
(MOEEN QURESHI)
(W. A. WAPENHANS)
(PAUL ISENMAN)
(BASIL KAVALSKY)
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(DAVID M. GOLDBERG)
(JOHN A. HOLSEN)

mtg files for mtg

CC: Rest of Distribution Suppressed

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 10-Apr-1991 03:13pm

TO: See Distribution Below

FROM: David R. Bock, OPNSV

(DAVID BOCK)

EXT.: 82856

SUBJECT: USSR - Meeting on April 16

Re my conversation with the EC, could we meet on Tuesday at 4:00 PM (Conference Room D1254) to discuss priorities and approach to EC funding for technical assistance to the Soviet Union. Senior management will need to take an early decision whether it is appropriate for the Bank to take on such a role.

Please confirm with my office if you could attend.

DISTRIBUTION:

TO: Paul Isenman
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TO: Fred Levy
TO: David M. Goldberg
TO: John A. Holsen
TO: Parvez Hasan
TO: Peter Knight
TO: Dale R. Weigel
TO: Rest of Distribution Suppressed

(PAUL ISENMAN)
(BASIL KAVALSKY)
(FRED LEVY)
(DAVID M. GOLDBERG)
(JOHN A. HOLSEN)
(PARVEZ HASAN)
(PETER KNIGHT)
(DALE R. WEIGEL)

Griff
done 4/11
Action

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 15-Apr-1991 09:27pm

TO: Paul Isenman

(PAUL ISENMAN)

FROM: John A. Holsen, PADSS

(JOHN A. HOLSEN)

EXT.: 33719

SUBJECT: USSR at 18:13 April 15

#1: Patricia asked me if BBC should meet with Aganbegyan. I replied to her with a one page memo about Aganbegyan and concluded that the answer was "Yes." BBC's office said, since I had given them a lengthy briefing last fall (the last time Aganbegyan had been planning to come), they did not need an additional briefing now. Not having at hand what I sent them last fall, I revised my one page memo to Patricia to be a briefing note for Wilfried to send to BBC's office. You missed getting in the loop because, (i) Patricia was anxious for something in a hurry and (ii) when I walk by your office to bring you up to date, you seem to be on the phone. [By the way, Sven Sandstrom called me at noon on Friday and asked me to come over to talk to Conable before his 1:00 o'clock luncheon with Mr. Camdessus. Sven's E-Mail of early today was, I suspect, partly a result of my briefing and BBC's subsequent conversation with the Fund MD.]

#2: I am confused by your second paragraph on TA to USSR. Of course we should respond positively to the EC's request. But I don't see this as a mutually exclusive alternative to some technical assistance that we manage ourselves. In either case we will have to go to the Board for approval. One question is, does Wilfried really believe (from the meeting with Lamy) that we aren't wanted? The more fundamental question is whether someone should go to the U.S. at a high level and make the case for TA from Bretton Woods. As I wrote you and Wilfried some time ago, we are in danger of being left behind -- Bretton Woods behind the EC and the Bank behind the Fun

CC: Geoffrey B. Lamb

(GEOFFREY B. LAMB)

OFFICE MEMORANDUM

DATE: April 9, 1991

TO: Distribution

FROM: Alan Gelb, Chief, CECSE

EXTENSION: 37667

SUBJECT: Seminar on Privatization in the Soviet Union

RECEIVED

91 APR 10 PM 4:56

PRDDR

1. Dr. Sergei Shatalov will present a seminar on the privatization process in the Soviet Union on Thursday, April 18, at 10 a.m. in room N-11-073.

2. We hope to receive a preliminary draft copy of his paper before the seminar. Please call extension 37188 to request it.

Hope you all can come.

Distribution

Koch-Weser (TREV)
Bock (OPNSV)
Hasan, Dhar (EMNVP)
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Linn, Plesch (CECDR); CEC Division Chiefs; Nellis, Lee (CECPS);
CECSE staff
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Pfeffermann, Weigel (CEIDR)
Gustafson, Berney (CEMDR)
Levy (EAS)
Renaud (INURD)
Knudsen, Brooks (AGRAP)

cgsa

attending?
Phyllis
Ray
W. H. Ray

Phyllis ✓ *4/12*
pl request

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 04-Apr-1991 03:18pm

TO: Paul Isenman

(PAUL ISENMAN)

FROM: John A. Holsen, PADSS

(JOHN A. HOLSEN)

EXT.: 33719

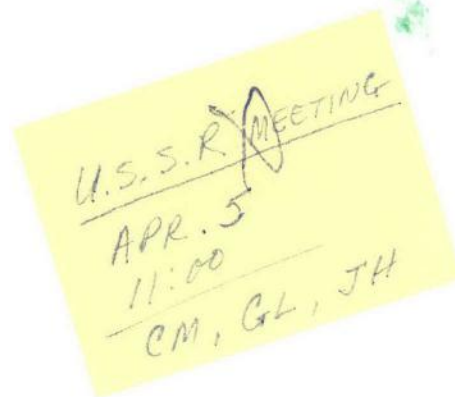
SUBJECT: JSSE

Item #2 on the attached E-Mail to Larry Summers is relevant to our meeting on the USSR which, I believe, is set for 11:00 am tomorrow. I have not heard from L.S. since sending this E-Mail on Monday.

I will be going to the Soviet Embassy later this afternoon to meet with the Economic Minister. But, I have been told that what he wants is a personal explanation of some of the policy recommendations in the Joint Study (rather than any discussion of "next steps" by any of the parties involved).

CC: Geoffrey B. Lamb
CC: Costas Michalopoulos

(GEOFFREY B. LAMB)
(COSTAS MICHALOPOULOS)



The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 01-Apr-1991 02:30pm EST

TO: Larry Summers (LARRY SUMMERS)

FROM: John A. Holsen, PADSS (JOHN A. HOLSEN)

EXT.: 33719

SUBJECT: #1 SAL Lecture at AU #2 JSSE Follow-Up

#1: You asked, as we passed in the lobby, if I had any comments on your lecture at the American University conference on "Structural Adjustment." I really have only one -- and it is a point brought up by one of the participants during the question period. I suspect that it is more a matter of tone than of disagreement, but the issue is sufficiently important to mention it again. As I listened to you, you seemed to be saying that (i) these are the lessons we have learned about policy reform during the adjustment process and (ii) having learned the lessons, we can now attach the appropriate conditionality to our loans and thus ensure their effectiveness. My problem is not with the lessons, but with the workings of "conditionality."

As a general rule, one never gets a country to do something it really doesn't want to do, or gets a country to refrain from doing something it really wants to do. Attempts to "buy performance" generally fail. We have to convince "the authorities" -- or an effective majority of them -- that our advice makes good sense. (In addition, our money can broaden the set of feasible options and thus make possible additional and better policy choices.)

It is an unfortunate fact of life that Finance Ministers, in their desire for a quick injection of foreign exchange, will sometimes sign agreements including conditions with which they do not agree. But, in such cases, we usually find that the conditions are not effectively implemented or that their implementation is not sustained. (I have found one exception: something that can be implemented with a stroke of a pen, and the effectiveness of which is quickly apparent, may be sustained even though the authorities were originally doubtful. This has sometimes happened with nominal devaluations -- especially where there is a quick export "supply response," perhaps because exports are shifted from illegal t24HK24H;1mKNew ALL-IN-1 mail for PAU

In the RAL I report we outlined three prerequisites for effective adjustment lending. They were (i) that the government have a serious program with both short run macro and longer run structural components, (ii) that the government really "own" the program, i.e., understand it and fully support it, and (iii) that

the program be realistic (tight enough to be consistent with the financing available and not so tight as to make it politically and socially unsustainable). It is hard to overemphasize the second prerequisite, the importance of "owning" the program. This means not only that we must "sell" the program to the authorities, but also that we adapt our own initial proposals in the light of the situation in the particular country. Sometimes, unfortunately, both the Bank and the national authorities are in too big a hurry to do these things.

#2: Regarding the JSSE follow-up, I understand Mr. Conable has approved the idea of several of us going to the USSR to discuss the recommendations of the report. I had originally thought of this as (i) the principal authors of the "background papers" (now chapters in the Main Report) drafted by the Bank, to discuss them with concerned Soviet specialist in the particular areas, plus (ii) discussing the overall approach (the "comprehensive program") at the policy level. According to what Wilfried told me, Mr. Conable said that "Holsen and one or two others" might go. (However, there was some doubt about Mr. Stern's view; in the interest of consensus in the PC, Wilfried told me you would talk to Mr. Stern.) The proposed follow-up mission is substantially smaller group than what I originally had in mind. With a reduced team, the appropriate "others" would be Fred Levy and Alan Gelb. But, compared to the original plan, we would do less with the detailed background papers and focus more on the need for a "modified big bang" comprehensive program. Also, we should meet with a reasonable number of the Republics as well as with the Union authorities. Given the present circumstances, both points seem appropriate.

I have three questions to discuss with you. What can you tell me about your discussions with Mr. Stern? Do you think that my proposal -- economic reform policy discussions with the Union and some Republics -- makes sense? Would you care to join us? (I assume we will go in May -- but I must be back by the 26th when one of my daughters gets married.)

[I am certainly not optimistic about what is likely to take place in the short-term. But we should be talking at all possible levels. Instead, the relation between the Bank and the USSR seems to be that each is waiting for the other to speak first. Maybe this will change after the Interim Committee's meeting. But there is no reason to wait for the Interim Committee to talk about the normal follow-up on the Joint Study!]

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 04-Mar-1991 02:23pm EST

TO: See Distribution Below

FROM: David R. Bock, OPNSV

(DAVID BOCK)

EXT.: 82856

SUBJECT: USSR Technical Assistance

I thought it might be useful to get together to take stock and discuss next steps (really!). My sense is that we will be in a holding pattern for a while yet, but some contacts will continue. Also, we could see a rapid reversal depending on what really happened during the Gulf War and how the referendum on a Union Treaty comes out.

Could we meet on Wednesday (March 6) at 4:30 PM in Conference Room A11-061 to discuss next steps. Please confirm your attendance with Mercy (extension 82856).

DISTRIBUTION:

TO: Paul Isenman
TO: Basil Kavalsky
TO: Fred Levy
TO: David M. Goldberg
TO: John A. Holsen
TO: Parvez Hasan
TO: Peter Knight
TO: Dale R. Weigel
TO: William McCulloch
CC: Sven Sandstrom

(PAUL ISENMAN)
(BASIL KAVALSKY)
(FRED LEVY)
(DAVID M. GOLDBERG)
(JOHN A. HOLSEN)
(PARVEZ HASAN)
(PETER KNIGHT)
(DALE R. WEIGEL)
(WILLIAM MCCULLOCH)
(SVEN SANDSTROM)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 01-Apr-1991 05:55pm

TO: See Distribution Below

FROM: David R. Bock, OPNSV

(DAVID BOCK)

EXT.: 82856

SUBJECT: Next Steps by IMF re USSR Technical Assistance

I understand that the Fund staff have asked for the Managing Director's approval to send a small mission to a conference in Moscow at the end of this month. This mission will also make contact with government officials and seek to update Fund knowledge of current macroeconomic conditions in the Soviet Union. Also, Fund staff have drafted a paper for their Board on the Associate Status issue. This paper discusses such subjects as attendance by Soviet representatives at Fund Board meetings, distribution of Fund documents to the Soviet authorities, privileges and immunities, termination of Special Associate status, areas of potential technical assistance, cooperation with the World Bank and budgetary implications. Many of these are covered in our own memorandum. However, it strikes me that we have not gone into "secretary" type issues as much as the Fund has.

There are no plans at present to send this memorandum to the Board. This will await some stronger signal from the shareholder(s) that they wish to proceed with Special Associate status for the USSR.

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(WILFRIED P. THALWITZ)
(IBRAHIM SHIHATA)
(TIMOTHY THAHANE)
(W. A. WAPENHANS)
(SVEN SANDSTROM)

involved. It was implicit rather than explicit that we ought to try to help -- when things are going well for reform and when they are going poorly, perhaps especially when they are going poorly.

DISTRIBUTION:

TO: Wilfried Thalwitz	(WILFRIED P. THALWITZ)
CC: Larry Summers	(LARRY SUMMERS)
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CC: David R. Bock	(DAVID BOCK)
CC: Alan Gelb	(ALAN GELB)
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CC: Rest of Distribution Suppressed	

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 01-Apr-1991 02:40pm

TO: Paul Isenman

(PAUL ISENMAN)

FROM: John A. Holsen, PADSS

(JOHN A. HOLSEN)

EXT.: 33719

SUBJECT: JSSE and Other Things

Part #2 is on the JSSE follow-up.

Part #1 is a reaction to LS's presentation at American University. (He said to me afterwards, "Tell me what is wrong with what I said," and silence might be misunderstood.) Larry's presentation was in sharp contrast to Stan's the night before. Stan had insisted that there were no such things as a "Bank/Fund program," that it had to be the country's program, etc.

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 01-Apr-1991 02:30pm EST

TO: Larry Summers

(LARRY SUMMERS)

FROM: John A. Holsen, PADSS

(JOHN A. HOLSEN)

EXT.: 33719

SUBJECT: #1 SAL Lecture at AU #2 JSSE Follow-Up

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The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: 28-Mar-1991 05:36pm

TO: Paul Isenman

(PAUL ISENMAN)

FROM: Costas Michalopoulos, PRDDR

(COSTAS MICHALOPOULOS)

EXT.: 32738

SUBJECT: USSR

I attended one of David's "update" meetings with the usual group which included Geoff, John, Peter and Wafik. There was a mood of impatience developing, as nothing had been heard from the Russians about going to the USSR to discuss the JSEE. It was thought that an Alphonse and Gaston situation existed. In the meantime Conable made some kind of statement which was interpreted by outsiders as a signal to move, but Wilfried talking to Conable denies this (I got this second hand from John). Moreover, the EC apparently is moving ahead with a 400 million technical assistance program for which David thought that it would be a good idea for the Bank to become an executing agency(?). John said that he sent a note to Wilfried making a number of proposals of how to move forward (which he did not show to me) and Larry is talking to Ernie, about what I do not know. Several said it would be useful for the Bank to engage more actively providing TA- David thought we should do it on a small scale. I was mostly quiet, except that I observed that our providing TA would be used by the Gorbachev group which is more conservative and less willing to reform, in its power struggle against the Yeltsin group which is in my mind and according to what I hear from couple of recent visitors, more liberal on the economic front. I also understand that Conable met with Brady, Snowcroft and Preston recently. Could they avoid talking about the USSR? All in all, I think, it might be useful to touch base with Wilfried, find out what John has proposed, if I have not found out until then, and let us confer.

Reprint
stuff from
John H
(1")

The Wcrld Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 01-Apr-1991 02:40pm

TO: Paul Isenman

(PAUL ISENMAN)

FROM: John A. Holsen, PADSS

(JOHN A. HOLSEN)

EXT.: 33719

SUBJECT: JSSE and Other Things

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Part #1 is a reaction to LS's presentation at American University. (He said to me afterwards, "Tell me what is wrong with what I said," and silence might be misunderstood.) Larry's presentation was in sharp contrast to Stan's the night before. Stan had insisted that there were no such things as a "Bank/Fund program," that it had to be the country's program, etc.

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 01-Apr-1991 02:30pm EST

TO: Larry Summers (LARRY SUMMERS)

FROM: John A. Holsen, PADSS (JOHN A. HOLSEN)

EXT.: 33719

SUBJECT: #1 SAL Lecture at AU #2 JSSE Follow-Up

#1: You asked, as we passed in the lobby, if I had any comments on your lecture at the American University conference on "Structural Adjustment." I really have only one -- and it is a point brought up by one of the participants during the question period. I suspect that it is more a matter of tone than of disagreement, but the issue is sufficiently important to mention it again. As I listened to you, you seemed to be saying that (i) these are the lessons we have learned about policy reform during the adjustment process and (ii) having learned the lessons, we can now attach the appropriate conditionality to our loans and thus ensure their effectiveness. My problem is not with the lessons, but with the workings of "conditionality."

As a general rule, one never gets a country to do something it really doesn't want to do, or gets a country to refrain from doing something it really wants to do. Attempts to "buy performance" generally fail. We have to convince "the authorities" -- or an effective majority of them -- that our advice makes good sense. (In addition, our money can broaden the set of feasible options and thus make possible additional and better policy choices.)

It is an unfortunate fact of life that Finance Ministers, in their desire for a quick injection of foreign exchange, will sometimes sign agreements including conditions with which they do not agree. But, in such cases, we usually find that the conditions are not effectively implemented or that their implementation is not sustained. (I have found one exception: something that can be implemented with a stroke of a pen, and the effectiveness of which is quickly apparent, may be sustained even though the authorities were originally doubtful. This has sometimes happened with nominal devaluations -- especially where there is a quick export "supply response," perhaps because exports are shifted from illegal to official channels.)

In the RAL I report we outlined three prerequisites for effective adjustment lending. They were (i) that the government have a serious program with both short run macro and longer run structural components, (ii) that the government really "own" the program, i.e., understand it and fully support it, and (iii) that

the program be realistic (tight enough to be consistent with the financing available and not so tight as to make it politically and socially unsustainable). It is hard to overemphasize the second prerequisite, the importance of "owning" the program. This means not only that we must "sell" the program to the authorities, but also that we adapt our own initial proposals in the light of the situation in the particular country. Sometimes, unfortunately, both the Bank and the national authorities are in too big a hurry to do these things.

#2: Regarding the JSSE follow-up, I understand Mr. Conable has approved the idea of several of us going to the USSR to discuss the recommendations of the report. I had originally thought of this as (i) the principal authors of the "background papers" (now chapters in the Main Report) drafted by the Bank, to discuss them with concerned Soviet specialist in the particular areas, plus (ii) discussing the overall approach (the "comprehensive program") at the policy level. According to what Wilfried told me, Mr. Conable said that "Holsen and one or two others" might go. (However, there was some doubt about Mr. Stern's view; in the interest of consensus in the PC, Wilfried told me you would talk to Mr. Stern.) The proposed follow-up mission is substantially smaller group than what I originally had in mind. With a reduced team, the appropriate "others" would be Fred Levy and Alan Gelb. But, compared to the original plan, we would do less with the detailed background papers and focus more on the need for a "modified big bang" comprehensive program. Also, we should meet with a reasonable number of the Republics as well as with the Union authorities. Given the present circumstances, both points seem appropriate.

I have three questions to discuss with you. What can you tell me about your discussions with Mr. Stern? Do you think that my proposal -- economic reform policy discussions with the Union and some Republics -- makes sense? Would you care to join us? (I assume we will go in May -- but I must be back by the 26th when one of my daughters gets married.)

[I am certainly not optimistic about what is likely to take place in the short-term. But we should be talking at all possible levels. Instead, the relation between the Bank and the USSR seems to be that each is waiting for the other to speak first. Maybe this will change after the Interim Committee's meeting. But there is no reason to wait for the Interim Committee to talk about the normal follow-up on the Joint Study!]

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: 27-Mar-1991 11:13pm

TO: See Distribution Below

FROM: John A. Holsen, PADSS

(JOHN A. HOLSEN)

EXT.: 33719

SUBJECT: Council of Foreign Relations Meeting on the USSR

1. Yesterday I participated in a "workshop" on "Market Reform in the Soviet Union" that was organized by the Council on Foreign Relations. In addition to Fred Levy from the Bank and Tom Wolf from the Fund, participants included Barbara Griffiths from the USSR country desk in the U.S. State Department and Jorge de Macedo from the European Commission. Richard Cooper chaired the workshop. In addition to several affiliated with the Council, participants included John Williamson for the IIE, John Hardt of the Congressional Research Service, and a number of university and think-tank Sovietologists. Background materials distributed for the workshop consisted of the JSSE "Summary and Recommendations," the shorter IIASA/Yale report, and parts of the EC report dealing with republican and devolution issues.

2. A few of us had specific assignments -- John Hardt opened with an analysis of the current situation and I provided a summary of the economic reform program recommended by JSSE. Jeff Sachs had been scheduled to talk on the "role of the West," but at the last minute he had to drop out (because, we were told, he was needed to rescue Yugoslavia); there was no one else there really prepared to defend the specifics of Sachs' thesis that the West should encourage and underwrite Soviet economic reform by offering, right now, a carrot of \$30 - \$35 billion annually. (Sachs has previously said that JSSE failed badly by taking such a cautious approach in its recommendations on economic assistance.)

3. Most of the day was discussion, and most of it went over familiar territory, but it may be interesting to summarize some of the questions asked and answers suggested. There was no real dissent from the view that the present problems of the Soviet economy resulted in large measure from the inconsistencies introduced by partial reform. (I explained that this was one reason why JSSE stressed the need for comprehensive reform involving both improved macroeconomic management and the nearly simultaneous initiation of systemic changes in a number of areas.) Richard Cooper and a number of others around the table noted that they had started out as "gradualists," but that circumstances had convinced them that a more radical approach was required. Many kind words were said about JSSE, both in public

and privately.

4. Jack Snyder (Columbia University) outlined three possible courses of action to overcome the current economic difficulties -- all of which looked unworkable. One was gradual reform, but the internal contradictions of partial reform seemed to make this course impossible. Another was the "big bang" or shock approach, but this was not viable because it would lead to sharp output declines and the pauperization of the population. The third was to restore centralized administrative management of the economy, but the center no longer had the necessary political legitimacy. (It was argued that neither the army nor the party were reliable supporters of the center; the army has its own ethnic tensions and the party was full of "local communists;" some even had doubts about the KGB.)

5. A few argued for a fourth alternative based upon independent republics. I had earlier noted my concern that the republics were far more interested in political change than in economic reform; that they wanted a devolution of economic power from Moscow to republican level authorities, but not to enterprise managers guided by the market; that there was a real danger of autarkic policies; and that failure to maintain an "all Union market" or "common economic space" would be costly. But some clearly felt that, relatively speaking, this should not be a serious worry. What might come apart now could be put together again later on. It was pointed out that the Republics had shown their willingness to negotiate bilateral trade agreement with one another (but this is far from integration and, I think, reinforces my concerns). There did seem to be agreement, however, that Yeltsin was an opportunist with strong political ambitions rather than a democratic or economic reformer. Another republican leader was characterized as a "feudal lord."

6. Richard Cooper argued that the Soviet Union, unlike Eastern Europe, did not know where it wanted to go. The country could easily slip into chaos. Then one of two things could happen -- (i) the public would be relieved at the arrival of a strong man who, with selective use of brutal force, would restore order (the Chile solution) or (ii) the public would be so fed up with chaos that they would be willing to gamble on real economic reform (the Polish solution).

7. I argued that the JSSE policy package did not really fit into Snyder's three way classification. It was "comprehensive," but it was a very much "modified big bang" rather than pure shock therapy. Cushions and safety nets for enterprises and households could make it socially and politically feasible while still avoiding the problems of gradual/partial reform.

8. I had no good answer, however, to the doubts raised by others regarding whether or not the center had the political strength and legitimacy to implement a JSSE-type economic reform program (or, for that matter implement anything else). It seems

unlikely that anything serious can be done without some kind of understanding between the Union and the Republics on the interrelated economic and political issues. (Someone commented that it was a mistake to have glasnost before perestroika.)

9. The State Department desk officer said there was a standoff between the republics and the center; neither was able to advance their concept of political and economic reform. She added that the outlook for the winter wheat crop (which is the main one) was poor and warned that serious BOP problems could be in the offering.

10. Jorge de Macedo, speaking for the EC, strongly endorsed the analysis of JSSE but said a third dimension must be added to the macro management and systemic reform stressed by the four IOs. This was devolution or decentralization, an area where the EC had much to offer. He also reported on the recent discussions in Moscow of the ECU 400 million TA program which he expects to be formally approved. (Privately he repeated what Tom Wolf and I were told in Paris; the funds must be committed within a year and the EC would like the Bank and Fund to help them spend the money.) There was general agreement on the need for TA. Barbara Griffiths said the U.S. recognized the desirability of TA at all levels; it should be done -- but there were "political realities" and that one could not ignore events in the Baltics.

11. There were some words of relative optimism towards the end of the discussion. There was wide agreement that a move to a market oriented economy was desirable; the debate was over just what kind of market economy and how best to get there. John Williamson asked if we were confident that the present reform efforts would not succeed. De Macedo said perhaps one could get Union and Republican support for a rudimentary market economy; the USSR had changed radically in the last few years. Padma Desai (Ms. Bagwati) said all was not bleak, that the promised price increases next week were an important stabilization measure, one which the government did not dare to take last spring. Regarding the Baltics, she noted that it had taken India a long time to get rid of colonial domination. Gorbachev was, she emphasized, a progressive force.

12. One political scientists present spoke up late in the day. He felt that the economists' remedies were "disembodied" from the real world of politics. "The West must confront the political issue and make a political choice. The choice is stark. One goes with Gorbachev and the Union (including the Baltics) or one goes with the Republics." Another non-economist argued (somewhat Sachslike) that what was needed was a bold and dramatic gesture such as a new Marshall Plan.

13. Among the economists there was broad consensus on the diagnosis and also on the medicines that would be most helpful. There was also a lot of uncertainty about what would happen in the short run because of the complex political factors also

involved. It was implicit rather than explicit that we ought to try to help -- when things are going well for reform and when they are going poorly, perhaps especially when they are going poorly.

DISTRIBUTION:

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The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 04-Mar-1991 02:23pm EST

TO: See Distribution Below

FROM: David R. Bock, OPNSV

(DAVID BOCK)

EXT.: 82856

SUBJECT: USSR Technical Assistance

I thought it might be useful to get together to take stock and discuss next steps (really!). My sense is that we will be in a holding pattern for a while yet, but some contacts will continue. Also, we could see a rapid reversal depending on what really happened during the Gulf War and how the referendum on a Union Treaty comes out.

Could we meet on Wednesday (March 6) at 4:30 PM in Conference Room A11-061 to discuss next steps. Please confirm your attendance with Mercy (extension 82856).

DISTRIBUTION:

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The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

CC
Graf A ✓
Cortez
4/3/91

DATE: 02-Apr-1991 12:02pm

TO: See Distribution Below

FROM: Olivier Lafourcade, EXTEU

(OLIVIER LAFOURCADE AT A1 AT PAR

EXT.: 3010

SUBJECT: NATO Conference in Brussels

1. On March 20. 21 and 22, I attended a conference at NATO headquarters in Brussels on the theme: "The Soviet Economy under Gorbachev's Conduct". The conference was organized by the Economics Directorate of NATO. It is part of a system whereby a seminar ("Colloquium") is organized on an annual basis in Brussels, and touches alternatively issues of economic development in the Soviet Union and in other Eastern European countries. This year's Conference was attended by about 250 people. The participants came from a wide variety of origins; a strong minority (perhaps a fourth of total attendance) were from academic and research institutions, mostly from western Europe (and a few from the US). The rest was unevenly divided among representatives of private companies, national administrations (including a few from the military/ministry of defense establishment), private sector, bankers, parliamentarians, international organizations (OECD, EEC), the NATO parliamentary assembly, diplomats, journalists and others. For the first time ever in the history of this conference and of NATO, a few representatives of the Soviet Union also participated in the conference. Most of these were members of the Academy of Science of the USSR, and several addressed the conference. A number of participants had attended the Conference on the USSR organized by the French Association of Financial Economy and the daily Le Monde in Paris the previous friday (this included Mr. Thomas Wolf, Division Chief at the IMF in charge of the USSR).

2. The General Secretary of NATO, Dr. Manfred Worner gave the opening address to the conference which was chaired by Mr. Daniel George, Director of the Economic Directorate. The Conference was organized in 6 sessions, each session being addressed by two or three keynote speakers, followed by a period of questions and answers. The themes of the sessions were:

- a. Recent Economic Developments and Reforms in the USSR
- b. Soviet Sectoral Issues
- c. Regionalization of Soviet Economic Policies
- d. Developments in Selected Regions
- e. USSR External Economic Relations
- f. Central and East European Economic Reforms in a Wider Perspective: Prospects and Constraints

3. Because of time constraints, I could not attend the last session. I did gather most of the papers which were tabled for discussion, and these are being sent to John Holsen separately, along with a list of those who attended the meeting.

4. As could be expected, the quality of the papers and presentations was somewhat uneven. Antonio Costa of the EEC Commission in Brussels made a very good presentation on the topic: "Status of Soviet Economic Reforms: Western assessment". The presentation of Mr. Gerard Wild of the CEPRII in Paris on the topic "Regional Issues: a Western Viewpoint" was also interesting and led to a lively debate. The session on the USSR External Economic Relations was particularly interesting with the viewpoint of a private banker (from Dresdner bank on the subject of Soviet Financial Policies towards the West) and a very good contribution by a Dr. Vladimir Zouev, a young Director for Studies at the Institute of World Economy and International Relations in Moscow, on the subject of the Soviet Economic Policies and Attitudes towards International Organizations. Several other contributions were very disappointing, e.g. on the regional and sectoral issues. By and large, the presentations, the discussion and the debate were all somewhat academic, and lacked in operational relevance.

5. Recurrent themes in the discussion were: (a) the lost opportunities of perestroika over the last months, with the recognition that the democratization process has led to a deterioration of the economy, contrary to popular expectations; (b) is the Soviet Union on the verge of economic disintegration?; (c) is the separation of parts of the Union (e.g. the Baltic Republics) a feasible or desirable proposition from an economic and political standpoint? (some were asking the question differently: "can it be prevented?"). The general tone of the discussion was a largely pessimistic one, most participants agreeing on the high degree of uncertainty and unpredictability of the present situation. I particularly enjoyed Antonio Costa's contribution to the debate on whether Gorbachev was turning out to be more a new Jaruzelski or a new Kerenski. Costa's view is that Gorbachev is more like Christopher Columbus: "He did not know where he wanted to go, he did not know where he was, his adventure was all financed by foreigners, and it did not make a difference since America was always there and would have been discovered anyway".

6. An interesting feature of the conference was the great diversity of background and interests of the participants. There was a decided bias on the academic/intellectual side because of the presence of large numbers of university scholars, but the presence of politicians, private bankers, businessmen, members of national and international bureaucracies, and others made it possible to have interesting exchanges among participants who were looking at problems of the USSR from very different angles. In fact, another notable feature was the degree of direct

personal involvement and connection with the USSR which most participants seemed to have. In addition, it was interesting to note that the information which participants had (especially the statistical information) did not seem either very recent nor very reliable (i.e. many participants complained about the lack of reliable data). In this connection, most participants knew of the recently completed study of the Soviet Economy, but only a handful had had access to part of the information (e.g. Mr. Peter Schwanse of OECD who had participated in the study).

7. I deliberately kept a fairly low profile during the conference, largely because of my ignorance of the specifics of the economic situation of the USSR. I intervened only during the discussion of the issue of the relationships of the USSR with international organizations, to remind the participants that the Study on the USSR has just been issued in full. I also made the point that if and when the USSR joins the Bank, it will be very important to initiate a campaign of information and education about the Bank within the Soviet Union, in order to minimize the risks of excessive expectations, and those of basic misunderstandings on the role and function of the Bank, which may have considerable detrimental effects in the medium term (witness some cases elsewhere in the world). I did have ample opportunity to discuss with many participants, most of whom were less than familiar with the Bank in general, and with its involvement in Eastern and Central Europe in particular.

8. In conclusion, I believe that it was useful for me to attend this conference where I met a number of people from circles where the Bank has not had too many contacts in the past. In fact, in discussing with Mr. George, the Director of NATO's Directorate of Economics, we agreed that we could try to develop some further contacts, since it is clear that his department is not terribly knowledgeable about the Bank, and we could usefully trade some information and share in some of our respective analyses. For instance, NATO does have access to some information on defense expenditures of ex-Warsaw Pact countries which, although it could not be publicized, could be made available to us, in a confidential manner. In addition, through NATO, we could have access with, and maintain/develop contacts with a variety of potentially interesting interlocutors. Finally, it is clear that Central and Eastern European countries are trying their best to develop their own links with NATO countries, and with the Alliance itself (President Vaclav Havel of Czechoslovakia was making a formal visit to NATO headquarters during the Conference -- a historic first which received considerable media attention in the western european press). We could certainly benefit from maintaining contacts with representatives of these countries in the fora which the NATO secretariat occasionally invites us to participate in.

9. In the course of one of my forthcoming visits to Brussels, I will be following on some of the initial contacts made in this conference, particularly with Mr. George. I can already suggest

that we could offer to participate in next year's colloquium whose subject matter will focus on Eastern and Central European countries. I believe that the new recruit for the position of International Relations Adviser for European Institutions could usefully spend some (limited) amount of time in maintaining the liaison with NATO's secretariat. This can easily be done at little extra cost, given the location in Brussels.

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March 14, 1991

Ms. Kathleen Walsh
Executive Director
World Trade Association
Columbus Area Chamber of Commerce
37 N. High Street
P.O. Box 1527
Columbus, OH 43216

Dear Kathy:

Many thanks for agreeing to schedule a luncheon for Thursday, June 6, to hear John A. Holsen of the World Bank speak on economic reform in the Soviet Union. The June 6 luncheon dovetails quite nicely with the seminar Mr. Holsen will be addressing at Ohio State University that same afternoon at 3:30 p.m.

Mr. Holsen is an effective and dynamic speaker who has a great deal of interesting information to pass along to your audience. A copy of his biographical data is attached.

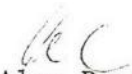
If Carol Garner can mobilize her World Affairs Council group to join the Chamber people for the luncheon, this would be a plus both for Mr. Holsen and the Bank and for business leaders and internationality-oriented people in the Columbus area.

One of the things I'd like to coordinate with you is press coverage of Mr. Holsen's speaking engagement. I'm certain we can do something with WOSU radio and the Columbus Dispatch. I'd appreciate your suggestions and ideas along this line. Of course, there's still a great deal of time before the June 6 luncheon, but, please, let's keep in touch on this, and as the date draws near, we can dovetail our efforts.

Again, Kathy, many thanks for your outstanding cooperation.

Best regards.

Sincerely,


Alan Drattell
Senior Publication Information Officer
Information and Public Affairs

attachment

Biographical Data for John A. Holsen

Present position (1990 to date) at the World Bank, Washington, DC:
Special Adviser, Office of the Senior Vice President--Policy,
Research & External Affairs
Team Leader, World Bank team for Joint [IMF/Bank/OECD/EBRD]
Study of Soviet Economy

Other professional activities include:
Professorial Lecturer, School of Advanced International
Studies of the Johns Hopkins University
Scientific Advisory Council, Center for World Food Studies,
Free University, Amsterdam
Editorial Board, World Bank Economic Review

Previous positions at World Bank include (1966-1990):
Principal Adviser, Office of Vice President--Development
Economics
Director, Country Economics Department
Chief Economist, South Asia Regional Office
Chief Economist, Latin America and Caribbean Regional Office
Senior Economist, Latin America and Caribbean Regional Office
Country Economist, Brazil

Previous positions with U.S. Government include:
ECA/MSA/ICA ("Marshall Plan") International Trade and
Development Economist (1951-53)
USAID Assistant Program Officer, Madrid, Spain (1958-1964)
USAID Economic Adviser, Santiago, Chile (1964-66)

Education: Undergraduate and graduate degrees from the University
of Chicago.

Publications: Articles in American Economic Review, Finance and
Development, World Development. Contributions to World Bank
publications.

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 17-Mar-1991 12:42pm

TO: Paul Isenman

(PAUL ISENMAN)

FROM: John A. Holsen, PADSS

(JOHN A. HOLSEN)

EXT.: 33719

SUBJECT: JSSE Follow-Up, Etc.

On David Bock's comment on the Fund having received a request for follow-up discussion, I double checked with Tom Wolf (who was with me in Paris) and Tom assures me that the Fund has not received any such proposal other than that made during the Obminsky visit for a TV spectacular.

The Soviets, by the way, look at this proposal as still awaiting our reply; neither the Bank or the Fund have formally responded. I have informally suggested to Krivorotov and Verzhbitskiy (respectively, counselor and third secretary at the USSR Embassy in Washington) that (i) the TV spectacular might best be done by academics rather than by international civil servants, (ii) the latter could write somewhat "popularized" versions of parts of JSSE for publication in newspapers and magazines, and (iii) after the Soviets have had time to read the "Main Report," we would still like some technical level discussions of this material. (Leontief chaired the session at which I spoke last Friday. He remains very active. And a Russian speaking, Nobel Prize winner would be ideal. From his comments in Paris, he seems broadly to share the JSSE position.)

Shouldn't we raise with Wilfried the need to formally reply to the Obminsky suggestion?

In addition to the Obminsky proposal, both Tom Wolf and I are expecting an invitation from Boris Milner of the Institute of Economics, Academy of Science, that a few of us soon visit the academy for a week for some follow-up discussions that would be organized by Abalkin and Milner. But this would not really substitute for the technical level discussions with participation by a larger number of the principal contributors to the report and involving Soviet officials concerned with the various specific topics taken up in the report as well as with senior policy makers concerned with "reform" in general. I have told Milner that the Academy should also invite Alan Gelb, but the invitation probably would not extend beyond the two of us plus one or two from the Fund, and the meetings would be basically with people associated with the Academy.

Attali was in Moscow last week. I will fax my EBRD counterpart,

Fitoussi (who accompanied Attali), on Monday to see if anything relevant to follow-up discussions took place in their meetings -- but my suspicion is that Attali is inclined to go it alone, and does not want to be too closely associated with the Fund and the Bank (because of our reputations regarding conditionality).

CC: Costas Michalopoulos
CC: Keith Jay
CC: Prisce Daniel

(COSTAS MICHALOPOULOS)
(KEITH JAY)
(PRISCE DANIEL)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 17-Mar-1991 03:12pm

TO: John A. Holsen

(JOHN A. HOLSEN)

FROM: Paul Isenman, PRDDR

(PAUL ISENMAN)

EXT.: 33957

SUBJECT: RE: JSSE Follow-Up, Etc.

Shouldn't I forward your em to DAvid Bock and to Wilfried (o/r)? What you say sounds reasonable to me. It would be nice if the JSSE results could get broad circulation, without necessarily passing through an "official" condensation or popularization.

Have you read the Social Economies paper (to be discussed by the PREC at 11 on Monday. If you are back and have read it, you should come.) It's very cautious view -- that we're not sure about a lot and that this militates for faster rather than slower action -- seems inconsistent not only with what Operations is doing now in some countries but with the JSSE. (While the reform situation is more desperate in the USSR, the same general points seem to me to apply.)

CC: Prisce Daniel

(PRISCE DANIEL)

CC: Keith Jay

(KEITH JAY)

CC: Costas Michalopoulos

(COSTAS MICHALOPOULOS)

The World Bank / IFC / MIGA

OFFICE MEMORANDUM

Date: 8 March 1991

Mr. Choi
(Brenda)

To: Mr. Suk Hong Choi, SEC

From: Paul Isenman, Acting Senior Vice President, PRE

Subject: Distribution of "A Study of the Soviet Economy"

1. You will recall that the "Summary and Recommendations" report of the Joint Study of the Soviet Economy was distributed last December. The background papers that were prepared as part of that study have now been edited, collected and published in three volumes under the title A Study of the Soviet Economy.

2. This 3-volume report is approved for distribution to the Board and Senior Management. We have arranged for 700 copies to be sent to the Printshop; they are awaiting your instructions regarding distribution.

3. The study will be made available to the public through the bookstores of the Bank, Fund and OECD. The price will be \$100.

cc: Mr. W. Thalwitz (o/r), SVPRE
Mr. I. Radan, GSDPR

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Maureen
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Car to check
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P *Ches*

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: 01-Mar-1991 08:37am

TO: Paul Isenman

FROM: Johannes Linn, CECDR

EXT.: 37458

SUBJECT: International congress in Leningrad

The International Institute of Public Finance is organizing its annual Congress in Leningrad this summer. I have been invited to attend and feel strongly inclined to attend. I also discovered from the program that other Bank staff will be attending (including one CEC staff member). The Bank papers do not appear to relate in any way specifically to the USSR.

Query: do we need to seek formal clearance for this from Wilfried/Ernie or other powers that be?

Thanks.

CC: Penny Chokechaitanasin
CC: Alexander Shakow
CC: Larry Summers

(PENNY CHOKECHAITANASIN)
(ALEXANDER SHAKOW)
(LARRY SUMMERS)

OFFICE MEMORANDUM

DATE: February 20, 1991

TO: Mr. Ernest Stern, FINSV

FROM: Johannes *JL* F. Linn, Acting DECVP

EXTENSION: 37458

SUBJECT: DEC Activities Involving USSR Officials and Institutions

RECEIVED
91 FEB 22 AM 11:31
PRDDR

5A

Mr. Thalwitz asked me to send you the attached memorandum. He endorses the three proposals highlighted on page 2. Please let me know if you see any problems.

Thank you very much.

Attachment.

cc: Messrs. Thalwitz (PRESV); Summers (o/r) (DECVP);
Ingram, Isenman (o/r) (PRDDR).

JFLinn:pc

OFFICE MEMORANDUM

DATE: January 18, 1991

TO: Mr. Wilfried Thalwitz

FROM: Lawrence H. Summers *LS*

EXTENSION: 33774

SUBJECT: DEC Activities Involving USSR Officials and Institutions

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2. DECVP's Statistical Adviser (Ramesh Chander) plans to attend the meeting of the Statistical Commission, to be held in New York in early February. If approved, he will meet with the USSR delegation and discuss possible future exchanges.

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4. CECMG is seeking Research Committee funding for a research project on the effect of national policies on long-run growth, and plans to include the USSR as one of its case studies. This is likely to involve interviews with Soviet officials and institutions, but will not involve any contractual arrangements. Your approval for the inclusion of the USSR case study is requested.

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5. EDICD would like approval to invite participants/observers from the USSR to a seminar on "Enterprise in Transition: Enterprise Decision-Making in Eastern Europe", to be held in Warsaw in late February.

6. EDIEM is planning a course on Market Economics to be held in Prague in May/June 1991, and would like approval to invite five or six Soviet participants: two from the Academy of National Economy and the rest from central government economic agencies. Funding for the Soviet participation would be provided by UNDP.

B. Other Activities Involving the USSRIEC

7. The USSR joined the UN's International Comparison Program (ICP) in 1990, which means that, since the Bank supports this program, the USSR is now an indirect beneficiary of Bank support. In October 1990, John O'Connor, of IECSE, attended the first meeting between the Austrians and the Soviets to discuss the ICP's Group II exercise, which links the countries of Eastern Europe to the world via Austria. The Bank will continue to participate in all such meetings, which will include Soviet participation.

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cc: DEC Senior Managers
Mr. Isenman


Mr. Ingram
(50)

February 22, 1991

Mr. Thalwitz

Wilfried:

I just received the attached note from Ernie, and have not yet had a chance to fully absorb it. There are clearly some items which we will need to reconsider. I will brief you next week after I have had a chance to discuss this with the relevant managers.


Johannes Linn
(6:45 p.m.)

cc: Messrs. Lamb, Isenman (o/r)

FEB 22 1991

ERNEST STERN
Senior Vice President
Finance

February 22, 1991

Mr. Linn

Johannes -

DEC Activities Involving USSR Officials and Institutions

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While, it is desirable to have information on the USSR included in such a study, it would not be a calamity if it were not in the first round. Nor, do I understand how the USSR could misinterpret not being invited; it is more likely they would get the correct message. Certainly, I do not believe that delaying an invitation for 2-3 months will do any substantive damage to the work schedule.

Item 4

My reaction is much the same. Surely, if the project is as broad as described, much work can get started without the USSR case study. If the situation changes, the USSR can always be added. I, certainly, would not favor its inclusion now nor a series of interviews in the Soviet Union. Moreover, such interviews on a topic of this scale are unlikely to be one-shot affairs. In addition, my impression is that there is a good deal of material available at Institutes of Soviet Studies, which is likely to be more systematically compiled than anything a set of interviews could yield.

Item 5

No objection.

Item 6

No objection. Would the host government be willing to extend the invitation?

Item 7

No problem.

Item 8

- (a) No problem.
- (b) I would favor this at present if it involves follow-up visits to the USSR.
- (c) This would not seem to involve any further work in the USSR. The CMEA reform can be reviewed from the perspective of the other members and, in any event, I would not think it desirable to be providing much public advice on this sensitive subject which would put us in the middle of very political negotiations.
- (d) Since Mr. Conable has cleared this, there is nothing further to be said about its propriety. However, let me note my skepticism that the current privatization processes in the USSR have even any remote relevance to privatization efforts elsewhere, or to the eventual framework which may emerge in the USSR.

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Previously discussed. No objection.

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Clearly, March is not a suitable time for an EDI seminar in Moscow. Nor, if advance planning is needed, does May look likely.

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~~Mr. Isenman (o/r)~~

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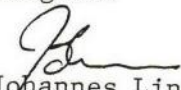
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cc

Melthalpauls
This paper was
copied to the above.

FEB 22 1991

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February 22, 1991

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OFFICE MEMORANDUM

FEB 21 1991

DATE: February 20, 1991

TO: Mr. Ernest Stern, FINSV

FROM: Johannes F. Linn, Acting DECVF

EXTENSION: 37458

cc: DMT
Mr. Isenman
Mr. Jay
Mr. Lamb
Mr. Liebenthal
Mr. Michalopoulos
Mr. Woodford

SUBJECT: DEC Activities Involving USSR Officials and Institutions

Mr. Thalwitz asked me to send you the attached memorandum. He endorses the three proposals highlighted on page 2. Please let me know if you see any problems.

Thank you very much.

Attachment.

cc: Messrs. Thalwitz (PRESV); Summers (o/r)(DECVF);
Ingram, Isenman (o/r)(PRDDR).

JFLinn:pc

OFFICE MEMORANDUM

DATE: January 18, 1991

TO: Mr. Wilfried Thalwitz

FROM: Lawrence H. Summers *LS*

EXTENSION: 33774

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cc: DEC Senior Managers
Mr. Isenman

-----Facsimile Transmittal from-----

THE WORLD BANK

Office of the Senior Vice President -- Policy, Research & External Affairs


-----Telefax 1 (202) 477-0959-----

Date: 15 February 1991

To: Ms. T. Ter-Minassian, IMF
International Monetary Fund [Faxphone 623-6211]

Mr. J.P. Tuveri, OECD
OECD, Paris [Faxphone 011-331-4524-9177]

Mr. J-P. Fitoussi, EBRD
OFCE, Paris [Faxphone 011-331-4556-0615]

From: John A. Holsen, World Bank 

Subject: Discussion of the JSSE Report in the Soviet Union

1. You may be interested in the attached memorandum. We would be interested in knowing about any similar discussions you may have had.

2. I would also be interested in your views on the desirability and feasibility of the mentioned "technical level discussions of the analysis and conclusions" that are about to be published. Assuming the 3-volume report is distributed in February, it might be read in the USSR in March, and some follow-up discussions might be appropriate in April. (I would see such discussions as the completion of the Joint Study, not the initiation of a new activity.)

3. I would also be interested to hear about what distribution has been made by the EBRD of the Russian language translation of the "Summary and Recommendations" volume. Should not some effort be made to get copies to people who were helpful to our various missions? Are copies available which the other participating organizations could distribute?

4. Please note that my office affiliation and fax number have changed. My phone number, however, is unchanged (202-473-3719); my office has changed from S 9-039 to S 12-055. Warm regards!


cc: P. Isenman

This transmission consists of 3 pages including this page.
[S1021502.DOC]

OFFICE MEMORANDUM

Date: 15 February 1991

To: Wilfried P. Thalwitz

From: John A. Holsen, DECVF 

Subject: Discussions with Soviet Official on JSSE/Economic Reform

1. Today I had lunch with Viktor F. Krivorotov, who is an official ("Counselor" rank) at the Soviet Embassy in Washington. I believe he is an economist by profession, and is particularly interested in issues of economic reform and the possibilities for technical assistance from the World Bank.

2. As you know, I had an inquiry this morning from U.S. News and World Report asking my reaction to a Soviet statement that, I was told, had been very critical of the JSSE report. I responded that I could not comment because I knew of no such statement -- but, at lunch today, I did ask Krivorotov whether he was aware of any recent comments on the report from the Soviet Union. He told me that he was not. Indeed, as far as he had seen, there had been no mention of the report in the Soviet press or by senior government officials. Krivorotov told me he thought that the JSSE report was being ignored because it didn't support the position of any senior officials and also because the economic reformers had been leaving the government. He said he would let me know if he encountered anything about the report in the Soviet press or in the speeches of government officials.

3. More generally, he emphasized the present concern with political rather than economic issues, and said that -- despite what was a widespread general commitment to the idea of going to a market economy -- nothing much could be done until some progress had been made in resolving the political issues.

4. He stressed the limited understanding of economic reform issues in the Soviet Union, the need for a program of public education, and the desirability of participation by staff from the international organizations in efforts such as the proposed television program. I told him that I thought it would be difficult for international civil servants to participate in such a TV program. He then said that an alternative might be to get private individuals like Jeffrey Sachs and Stanley Fischer to go to Moscow to discuss the JSSE report on the TV show (and that he would make this proposal to the Soros Foundation people). We agreed that discussion of the report in the USSR should be

encouraged as part of the necessary public education campaign. He did not know the extent to which the EBRD's Russian translation of the report had been circulated in the Soviet Union.

5. He believed that the movement from "left" to "right" of the last few months might be reversed at any time; one should not take any particular set of events as "final" in such a fluid situation. Krivorotov expressed his hope that the Bank (and other IOs) would understand the complex situation in the USSR and would be willing to stay involved in the process -- particularly with respect to technical assistance. (I explained the need for Board agreement to any new initiative involving assistance of any sort to the USSR and, therefore, of the necessity of support from members of the Board.) Some technical level discussions of the analysis and conclusions of the soon-to-be-published "Main Report" seemed to him like a good way of at least "keeping the door open" pending further developments.

cc: Messrs. W. Thalwitz, L. Summers, D. Bock, Paul Isenman,
A. Shakow, P. Hasan, F. Levy, A. Gelb, W. McCulloch
Mr. S. Fischer (MIT)
Mr. Fitoussi (EBRD/OFCE)
Ms. Ter-Minassian (IMF)
Mr. Tuveri, OECD