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50th Anniversary - Schmertz Report

### ALL-IN-1 NOTE

DATE: 17-Feb-1994 12:28pm EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Julian Schweitzer, LA4HR ( JULIAN SCHWEITZER )

EXT.: 39233

# SUBJECT: Brainstorming

I think Dan Richie has hit the bullseye. Increasingly, our middle income borrowers are coming to us for ideas, not money. Let me give a concrete example. This year, the Province of Buenos Aires in Argentina will spend \$500 m. of its own money on social development programs. The problem is that they haven't got the technical skills to plan this expenditure and most of it will be wasted. So they approach us, basically for technical assistance.

Another example. Chile is de facto graduating from the Bank because it finds our money too expensive. Again, what Chile wants are ideas and TA.

On a slightly different note, many of our countries are changing rapidly. Our procedures have not changed much in the 10 years I have been in the Bank. It takes us as long (longer?) to process projects now as it did 10 years ago, despite the use of technology. Most TMs would agree that many Bank procedures are time consuming, frustrating and add little of value. TMs and even division chiefs are accountable, but lack the authority to make that accountability meaningful. We still produce massive documents to support our every move; some of which (e.g SARs) bear only a passing resemblance to reality etc. The result? A perception amongst our more dynamic borrowers that we are bureaucratic, traditional in approach, and unresponsive.

I'm looking forward to tomorrow's discussion.

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 17, 1994 12:43pm EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Sri-ram Aiyer, LATDR (SRI-RAM AIYER)

EXT.: 39003

SUBJECT: 50th Anniversary

- 1. Norman Hicks asked me to go to the Friday meeting as he is away. I have read the em traffic which is growing exponentially even though some of it is very interesting!
- I agree with the first point of David Ferreira that we should talk about new tool kits, products and services that will The rapidly changing developing world, the need for be needed. much more rapid technical change initially because of, and in future hopefully driven by, the increasingly open competitive environments, and the fact that there is so much heterogeneity in our borrowing countries calls for this. We should face up to what that would imply for our affiliates including IF - need it be public for much longer. Why not privatize it? We should again raise the issues of constraints posed by the Articles to whatever would be the right vision for the Bank. The issues of internal management and culture are not meant for this forum they will be an outcome of what kind of institution the Bank wants to be.
- The starting point therefore should be to identify the future role and mission of the Bank -- I believe the past merits only passing attention, mainly for lessons learned. This brings me to Miguel Schloss' em which I too found interesting, thought provoking and philosophical. I agree with him that the road ahead is likely to be far more bumpy than in the past - for our borrowers of the communications revolution and an open trading environment, increasing for accountability of public officials and for raising the quality of life (influenced inter alia by TV images of life in better parts of the world), pressures from donor country legislations based on influences of various interest groups (e.g., NGOs), etc., and hence for the Bank to be responsive if it is to be regarded as relevant. On the other hand the post-cold war world also offers a far better climate for development than ever before, leave alone the fact that there has been much economic and social progress that can be built upon. agree with Miguel's first point about the importance to our work of private flows which are rising enormously with the attendant risks (I am sending you by mail a memo pointing to the rapidity with which capital markets are growing in LAC), his second, as noted earlier and third - all of which merit discussion. But his last point sounds too much like the Family Values stuff.

Bank cannot be all things to all people. The Bank should bdemonstrate the ability to meet the needs of developing countries even in times when these needs change rapidly; to demonstrate agility in its responses; and always to be at the cutting edge of ideas in the fields it engages in. Clearly to be able to perform thus, it cannot engage in everything. Our niches may change over time and across Country typologies, but we must be selective in terms of the basic goals and the essential core activities that we would engage in to achieve these goals.

CC: Norman Hicks CC: Emilia Arriola ( NORMAN HICKS ) ( EMILIA ARRIOLA ) The World Bank/IFC/MIGA OFFICE MEMORANDUM DATE: February 17, 1994 12:55pm TO: See Distribution Below ( SARWAR LATEEF ) FROM: Sarwar Lateef, OPRIE EXT.: 31760 SUBJECT: Sri Ram's views DISTRIBUTION: ( ALEXANDER SHAKOW ) TO: Alexander Shakow ( ANDREW STEER ) TO: Andrew Steer ( ANIL MALHOTRA ) TO: Anil Malhotra ( ARMEANE CHOKSI ) TO: Armeane Choksi ( BARBARA BRUNS ) TO: Barbara Bruns ( BARBARA TRAVIS ) TO: Barbara Travis ( C.L. ROBLESS ) TO: C.L. Robless ( CATHERINE KLEYNHOFF ) TO: Catherine Kleynhoff ( CHARLOTTE JONES-CARROLL ) TO: Charlotte Jones-Carroll ( D. C. RAO ) TO: D. C. Rao ( DENNIS ANDERSON ) TO: Dennis Anderson TO: Dominique Lallement ( DOMINIQUE LALLEMENT ) ( ELKYN CHAPARRO ) TO: Elkyn Chaparro ( FARIDA KHAMBATA ) TO: Farida Khambata TO: Gautam Adhikari ( GAUTAM ADHIKARI ) ( GEOFFREY B. LAMB ) TO: Geoffrey Lamb ( GOBIND T. NANKANI ) TO: Gobind T. Nankani ( HANS WYSS @A1@PARIS ) TO: HANS WYSS ( INDER SUD ) TO: Inder Sud ( ISHRAT HUSAIN ) TO: Ishrat Husain ( JAN WIJNAND ) TO: Jan Wijnand ( JEAN-FRANCOIS RISCHARD ) TO: Jean-Francois Rischard TO: Joanne Salop ( JOANNE SALOP ) ( JOHANNES LINN ) TO: Johannes Linn ( JOHN D. CLARK ) TO: John D. Clark ( JULIAN SCHWEITZER ) TO: Julian Schweitzer ( LOUIS FORGET ) TO: Louis Forget ( MAHMOOD AYUB ) TO: Mahmood Ayub ( MAKARAND DEHEJIA ) TO: Makarand Dehejia ( MARCELO SELOWSKY ) TO: Marcelo Selowsky ( MARGARET AMARAL ) To: Margaret Amaral ( MARITTA KOCH-WESER ) To: Maritta Koch-Weser ( MARK BAIRD ) TO: Mark Baird

TO: Masood Ahmed

TO: Michael Bruno

TO: Mieko Nishimizu

TO: Miguel Schloss

TO: Myrna Alexander

( MASOOD AHMED )

( MICHAEL BRUNO )

( MIEKO NISHIMIZU )

( MYRNA ALEXANDER )

( MIGUEL SCHLOSS )

( NORMAN HICKS ) TO: Norman Hicks TO: Paul Rabe ( PAUL RABE ) ( PAULA DONOVAN ) TO: Paula Donovan ( PIERRE LANDELL-MILLS ) TO: Pierre Landell-Mills ( RACHEL WEAVING ) TO: Rachel Weaving TO: Richard Frank TO: Robert Ayres ( RICHARD FRANK ) ( ROBERT AYRES ) TO: Robert Picciotto ( ROBERT PICCIOTTO ) TO: Sarwar Lateef ( SARWAR LATEEF ) TO: Shahid Javed Burki ( SHAHID JAVED BURKI ) ( SONIA BENAVIDES PAZ ) TO: Sonia Benavides-Paz ( TARIQ HUSAIN ) TO: Tarig Husain TO: Vinod Thomas TO: Wadi Haddad ( VINOD THOMAS ) ( WADI HADDAD )

#### ALL-IN-1 NOTE DATE: 17-Feb-1994 12:52pm TO: See Distribution Below ( SARWAR LATEEF ) FROM: Sarwar Lateef, OPRIE EXT.: 31760 SUBJECT: More on Dan DISTRIBUTION: ( ALEXANDER SHAKOW ) TO: Alexander Shakow ( ANDREW STEER ) TO: Andrew Steer ( ANIL MALHOTRA ) TO: Anil Malhotra ( ARMEANE CHOKSI ) TO: Armeane Choksi TO: Barbara Bruns ( BARBARA BRUNS ) ( BARBARA TRAVIS ) TO: Barbara Travis ( C.L. ROBLESS ) TO: C.L. Robless ( CATHERINE KLEYNHOFF ) TO: Catherine Kleynhoff ( CHARLOTTE JONES-CARROLL ) TO: Charlotte Jones-Carroll ( D. C. RAO ) TO: D. C. Rao ( DENNIS ANDERSON ) TO: Dennis Anderson ( DOMINIQUE LALLEMENT ) TO: Dominique Lallement ( ELKYN CHAPARRO ) TO: Elkyn Chaparro FARIDA KHAMBATA ) TO: Farida Khambata ( GAUTAM ADHIKARI ) TO: Gautam Adhikari ( GEOFFREY B. LAMB ) TO: Geoffrey Lamb ( GOBIND T. NANKANI ) TO: Gobind T. Nankani ( HANS WYSS @A1@PARIS ) TO: HANS WYSS INDER SUD ) TO: Inder Sud ( ISHRAT HUSAIN ) TO: Ishrat Husain JAN WIJNAND ) TO: Jan Wijnand ( JEAN-FRANCOIS RISCHARD ) TO: Jean-Francois Rischard ( JOANNE SALOP ) TO: Joanne Salop ( JOHANNES LINN ) TO: Johannes Linn JOHN D. CLARK ) TO: John D. Clark ( JULIAN SCHWEITZER ) TO: Julian Schweitzer ( LOUIS FORGET ) TO: Louis Forget ( MAHMOOD AYUB ) TO: Mahmood Ayub ( MAKARAND DEHEJIA ) To: Makarand Dehejia ( MARCELO SELOWSKY ) TO: Marcelo Selowsky ( MARGARET AMARAL ) TO: Margaret Amaral ( MARITTA KOCH-WESER ) TO: Maritta Koch-Weser ( MARK BAIRD ) TO: Mark Baird ( MASOOD AHMED ) TO: Masood Ahmed ( MICHAEL BRUNO ) TO: Michael Bruno ( MIEKO NISHIMIZU ) TO: Mieko Nishimizu

TO: Miguel Schloss

TO: Norman Hicks

TO: Myrna Alexander

( MIGUEL SCHLOSS )

( NORMAN HICKS )

( MYRNA ALEXANDER )

TO: Paul Rabe ( PAUL RABE ) ( PAULA DONOVAN ) TO: Paula Donovan TO: Pierre Landell-Mills ( PIERRE LANDELL-MILLS ) ( RACHEL WEAVING ) TO: Rachel Weaving ( RICHARD FRANK ) TO: Richard Frank TO: Robert Ayres TO: Robert Picciotto ( ROBERT AYRES ) ( ROBERT PICCIOTTO ) ( SARWAR LATEEF ) TO: Sarwar Lateef TO: Shahid Javed Burki ( SHAHID JAVED BURKI ) TO: Sonia Benavides-Paz TO: Tariq Husain ( SONIA BENAVIDES PAZ ) ( TARIQ HUSAIN ) ( VINOD THOMAS ) TO: Vinod Thomas ( WADI HADDAD ) TO: Wadi Haddad CC: Daniel Ritchie ( DANIEL RITCHIE )

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 16, 1994 06:29pm

TO: See Distribution Below

FROM: Sarwar Lateef, OPRIE ( SARWAR LATEEF )

EXT.: 31760

SUBJECT: 50th Anniversary: Meetings of the brainstorming network

This is to alert you to the calendar of brainstorming sessions for the 50th anniversary. Please pencil these in, and do try to come even if it means juggling your calendar.

Friday February 18: 4:00 -6:00 p.m. Mr. Bruno to lead off a discussion on the changing external environment facing the Bank and its borrowers and the implications for the Bank. Most of you are coming to this discussion which will draw out the implications for the Bank of the changed external environment, but not try to get into what the Bank should do about it. The subsequent discussions will deal with how the Bank responds to these challenges:

Wednesday February 23: 3:00 - 5:00 p.m. Mr. Rischard will lead off on the first of two discussions on the future agenda of the Bank, focussing on the Bank and the private sector.

Tuesday March 8: 2:30 - 4:30 p.m. The second of two discussions on the future agenda of the Bank.

Thursday March 17: 2:30 -4:30 p.m. The principles that should guide the work of the Bank in the 21st century.

Thursday March 24: 2:30-4:30 p.m. Given the agenda and the principles, what should the Bank do differently? Three or four main messages on the changes needed in the Bank.

We will provide issues notes before each meeting to focus the discussions. I will also remind you of each meeting separately, since there could be changes in the time-table.

Unless you are notified otherwise, all meetings will take place in S-13-161.

#### DISTRIBUTION:

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TO: Armeane Choksi (ARMEANE CHOKSI)
TO: Barbara Bruns (BARBARA BRUNS)

TO: Barbara Travis (BARBARA TRAVIS)

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( C.L. ROBLESS )
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#### ALL-IN-1 NOTE DATE: 17-Feb-1994 12:13pm TO: See Distribution Below FROM: Sarwar Lateef, OPRIE ( SARWAR LATEEF ) EXT.: 31760 SUBJECT: For tomorrow's brainstorming Contributiion from Gautam DISTRIBUTION: TO: Alexander Shakow ( ALEXANDER SHAKOW ) TO: Andrew Steer ( ANDREW STEER ) TO: Anil Malhotra ( ANIL MALHOTRA ) TO: Armeane Choksi ( ARMEANE CHOKSI ) TO: Barbara Bruns ( BARBARA BRUNS ) ( BARBARA TRAVIS ) TO: Barbara Travis TO: C.L. Robless ( C.L. ROBLESS ) TO: Catherine Kleynhoff ( CATHERINE KLEYNHOFF ) TO: Charlotte Jones-Carroll ( CHARLOTTE JONES-CARROLL ) TO: D. C. Rao ( D. C. RAO ) TO: Dennis Anderson ( DENNIS ANDERSON ) TO: Dominique Lallement ( DOMINIQUE LALLEMENT ) TO: Elkyn Chaparro ( ELKYN CHAPARRO ) TO: Farida Khambata ( FARIDA KHAMBATA ) TO: Gautam Adhikari ( GAUTAM ADHIKARI ) TO: Geoffrey Lamb ( GEOFFREY B. LAMB ) TO: Gobind T. Nankani ( GOBIND T. NANKANI ) TO: HANS WYSS ( HANS WYSS @A1@PARIS ) TO: Inder Sud ( INDER SUD ) TO: Ishrat Husain ( ISHRAT HUSAIN ) TO: Jan Wijnand ( JAN WIJNAND ) TO: Jean-Francois Rischard ( JEAN-FRANCOIS RISCHARD ) TO: Joanne Salop ( JOANNE SALOP ) TO: Johannes Linn ( JOHANNES LINN ) TO: John D. Clark ( JOHN D. CLARK ) TO: Julian Schweitzer ( JULIAN SCHWEITZER ) TO: Louis Forget ( LOUIS FORGET ) TO: Mahmood Ayub ( MAHMOOD AYUB ) TO: Makarand Dehejia ( MAKARAND DEHEJIA ) TO: Marcelo Selowsky ( MARCELO SELOWSKY ) TO: Margaret Amaral ( MARGARET AMARAL ) TO: Maritta Koch-Weser ( MARITTA KOCH-WESER ) TO: Mark Baird ( MARK BAIRD )

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TO: Masood Ahmed

TO: Michael Bruno

TO: Mieko Nishimizu

TO: Miguel Schloss

TO: Myrna Alexander

# ALL-IN-1 NOTE

DATE: 17-Feb-1994 11:43am EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Gautam Adhikari, SASCA ( GAUTAM ADHIKARI )

EXT.: 81423

SUBJECT: Brainstorming

Sarwar

Here is the intro from my paper on a public affairs strategy for

South Asia.

Gautam

The World Bank South Asia Region

APPROACH PAPER ON PUBLIC AFFAIRS

Gautam Adhikari, SASCA

1. This paper outlines suggestions on devloping a broad public affairs strateg Bank's South Asia region. While it includes remarks on some aspects of the Bank' affairs in general, and some of the proposals may coincide with Bankwide plans f anniversary celebrations of the Bretton Woods institutions, the paper's aim is t discussion on a public affairs initiative for South sia.

# Changed Circumstances

- 2. It has become almost a cliche these days to begin a discussion with a remin we are living in an unfamiliar, post-Cold War world. However, circumstances have changed radically in recent years on a global scale and no major organization, l internationally active body such as the World Bank, can remain unaffected by tha change. The Bank, for instance, could once assume reasonably that people respect worldwide and that it enjoyed a fair amount of goodwill. But, for much of its hi Bank had to deal with relatively few types of external organizations: principall governments, other international organizations, a by and large benign press and corporations in the course of operational work. Today, the times are different. are frequently questioned and often opposed; the Bank's competence and integrity longer beyond doubt, and the press in donor as well as borrowing countries sometimes so sharp in its criticism that it borders on being hostile. The points now numerous: structural adjustment, the environment, human rights, the Bank's p secretiveness and presumed arrogance, and its alleged failure to deliver its pri which is to help reduce poverty.
- 3. Clearly, the real story is substantially different, the Bank has had a numb achievements and if it had not been there it would surely have had to be invente the criticism is ill-directed, some of it may even be motivated. However, a dist negativity is out there, and it seems to have spread beyond the handling capacit traditional, micromanagerial and reactive public relations work. The openness an the criticism affects the Bank's image and, consequently, can impair its future deliver its promise with optimum efficiency.

### Five Factors

4. At least five factors appear to have led to the current situation. First, t Cold War has obviously been significant for the Bank. During the war, the Soviet and portrayed the Bank as essentially a U.S. base serving the cause of world imp Today, the former Soviet Union and Eastern European nations are part of the Bank fraternity. Catering to their needs calls for additional allocation of time and

Bank's part and the development of a special skills-mix in the Bank staff. Sudde "reconstruction" part of the Bank's responsibilities, as different from sustaina or poverty-alleviation, has returned to center stage and this calls for experien in a variety of areas, including public education, institution building and poli At the same time, with the end of the Cold War, influential sections of opinion countries no longer see the Bank as a vital weapon in the fight against world po time when the development argument has moved beyond a black and white battle bet communism and capitalism. Peter Drucker, the management guru, described the Bank recently as: "One of the brilliant ideas of the 1940s. It does not work, and it That kind of view, while not dominant, has its supporters among opinion makers a parliamentarians in donor countries, particularly in the United States and Weste

- 5. Second, new concerns have gained importance in society, concerns that were not there or existed at the periphery of social issues when the Bank began its w century ago. These relate to the environment and human rights. The concerns gene expression through the press and through the activities of a growing number of n government organizations (NGOs) in Part I as well as Part II countries. Many suc not all, find the Bank a convenient target of attack and their voices are heard legislators around the world. The Narmada controversy in India was a prominent i the kind of embarrassment the Bank could be asked to live with on account of pop environmental and human rights concerns expressed, with skilled orchestration, b operating through parliaments and the press.
- 6. Third, the information explosion, which began with the advent of the microc the mid-70s, is now truly upon us. It is becoming more difficult by the day to w quiet, behind-the-scenes style of traditional bureaucracies or to withhold infor "reasons of state". In the coming age of information highways, such a style of o could become well near impossible. The Bank's recent disclosure policy on inform one outcome of this reality and, in the fairly near future, it could require the different managerial culture and a different managerial skills-mix in the Bank. vast amounts of information increasingly available on almost any subject under t seems to have occurred a corresponding decline in the sense of awe with which or people view persons in authority and important institutions. They may still comm but that respect would have to be earned and continuously justified. Thus, there when no one seriously questioned the construction of grand buildings to house ma international organizations -- such as the UN building in New York -- and when e took for granted the privileges, like first class travel, that international bur Today, the EBRD in London and the IBRD in Washington have both been pushed heavi the defensive by questions about profligacy in office construction while even th immune IMF has had to accept the indignity of business class travel for its offi In short, the coming of the information age inevitably means a heightened level accountability across the board for bureaucracies around the world.
- 7. Fourth, in our post-Cold War era, the very success of the idea of market fo generating rapid development has raised a question or two about the efficacy of Bank. Trade, not aid, is the answer, some believe, adding that the time has come out IDA-type lending altogether. Others point to success stories in East Asia an they did it on their own, without much help or guidance from the Bank. Still oth the Bank preaches market forces but deals almost exclusively through governments simply does not have an adequate understanding of either the forces that govern the functioning of the private sector. Such critics point to a number of senior who have never had an opportunity or felt any need to work in other organization in the private corporate world, in business or in government. As a result, accor critics, awareness and experience are low in the Bank about how the real world w

Rightly or wrongly, they see many senior Bank mangers as bureacratic madarins, w reve in a quasi-acaemic atmosphere, from which they hae neverstepped ot.

8. Fifh, someinternal changes have taken place. The quality of the Bank's port deteriorated in recent years. In South Asia, the slow pace of project implementa disbursement has become a serious impediment to faster growth and poverty reduct Bank is not to blame directly for such hitches but why they happen or how they s tackled are questions that require careful answers, which may not emerge satisfa the Bank's available skills or data base. Sociological, political, managerial, h cultural factors may require study and analysis. As it is, with structural adjus the Bank is now open to political criticism, against which it has to defend itse directly or indirectly through member-country governments, and, in that sense is player in the field of political economy. The Bank's concern, therefore, is how image as credible and positive as it can so that public perception of its work a does not act as a brake on optimally efficient implementation. The need to handl problem of public perception is an important reason why developing a creative, p and forward-looking public affairs initiative is quite imperative for the Bank t

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 16, 1994 05:37pm

TO: Aubrey Williams ( AUBREY WILLIAMS )

FROM: Ishrat Husain, AFRCE (ISHRAT HUSAIN)

EXT.: 34637

SUBJECT: RE: 50th Anniversary: Brainstorming on the Vision Thing

(World Develoment Implications on Bank)

Aubrey,

Thanks for sending me the Kaplan article. I have read it very carefully and it reminded me of the famous Club of Rome report of the 1970s and the continuing doomsday scenarios published every year by Lester Brown and his group. Let us look at some facts before we get so carried away by the apolyptic predictions of people like Kaplan. Yes, admittedly, there are growing problems of rapid urbanization and environmental stress, terrorism, migration, drugs, AIDS and ethnic conflicts in Somalia, Bosnia and other parts of the World. But, compared to even five years ago, the achievements and successes are by no means insignificant and should be taken into account before projecting the future.

The lingering threat of an allout nuclear war between the two supr power blocks has eceded into oblivion; a whole part of te worldpopulaion that was deprivedof basic human rights nd denie opportnities for improved living stndards hs fred itself and is struggling hard to integrate itelf into the world economy and to enjoy democracy; the century old battle o keep the black majority in South Africa suppressed is almost over; the instability and tension in the Middle East are likely to diminish as a result of the impending Israeli-Palestinian peace accord; and the prospects of a rapid economic transformation in the two most populous countries of the developing world--China and India--have never looked so bright as they are today, notwithstanding the ethnic and regional divisions in India. Twenty three countries in Africa have some democratic set up today compared to four only a few years ago. I can't recall any country under military dictatorship in Latin America today.

World population has risen from 3 billion people in 1960 to 5.3 billion by 1990. The annual absolute increment to the population has risen from 63 million people in the 1960s to some 94 million at present. How has agriculture responded to these increases? Per caput production is today about 20 percent above that of 30 years ago. Food prices have in fact declined. (Remember the predictions of the Club of Rome and Lester Brown). The long run trend in the prices of raw materials was downward

implying decreasing rather than increasing scarcity as the elasticities of substitution in consumption and production were high. The average growth rate of yield per hectare for cereals was faster than the population growth rate; the increase in area harvested was much slower. Technological advances in genetics have not yet touched even the fringes of production processes in developing world. Research on more environmental-friendly eco systems is still in its infancy.

Food availabilities are some 2,700 calories per person per day up from 2,300 calories 30 years ago. In developing countries themselves food supplies have increased from 1,950 to 2,475 calories. This happened while their population grew from 2.1 billion to 4 billion. The result of these developments has been that today only some 330 million people, or some 8.5 percent of the developing countries' population, live in countries where per caput food supplies are below 2,100 calories. Thirty years ago, these numbers were 1.7 billion or 80 percent of the total. This can also be seen by looking at the picture from the other Today, some 650 million people, or 17 percent of the total population of the developing countries, live in countries with per caput food supplies over 2,700 calories. Again, 30 years ago, these numbers were only 35 million i.e. under 2 percent of the population. The proportion of total population in developing countries chronically undernourished has fallen from 36 percent to 20 percent, despite a doubling of the population.

According to Prof. AK Sen, every country for which data is available (142 countries) has experienced an absolute decline in infant mortality during the last thirty years. None of the sixteen countries that had negative growth rates of GDP per capita actually experienced an increase in under-5 mortality rates. Over the past forty years life expectancy has improved more than during the entire previous span of human history. In 1950, life expectancy in developing countries was forty years; by 1990 it had increased to sixty-three years.

The estimates of the magnitude and depth of poverty in the developing countries are notoriously imprecise but all indications point to a reduction in the headcount index as well as poverty gap index in aggregate although regional differences still persist and the outlook for poverty in Africa remains worrisome. It is poverty, hunger and unemployment which breed crime and social disruptions. Progress in alleviating poverty will contribute although not eliminate these problems but give rise to a new set of problems created by affluence and surpluses.

There have also been qualitative changes in the lives of the majority of the population in these countries. Between 1960 and 1990, the provision of infrastructure to households in developing countries increased dramatically. The share of HHs with access to safe water doubled to more than 70 percent; per capita electricity production more than doubled and the number of telephones per hundred persons quintupled.

We also know by now that economic growth, past a minimum standard of living (after \$1,000), is associated with improvements rather than reductions in environmental performance. More economic openeness is also associated with production closer to the state of the art technology which tends to be cleaner. China has already doubled its per capita incomes in ten years with a significant reduction in incidence of poverty, and, in another ten years time, should be able to reach this threshold level and bring about environmental improvement. Even countries, such as Brazil, were able to reduce poverty when the rate of growth was rapid and, if they had pursued sensible economic policies, they would have seen improvement in the environmental field.

The idea of spitting out all these numbers and facts is not so much to minimize the severity of economic, social and other problems faced by the developing countries, or to suggest that new and unforseen problems will not emerge, or that old problems and tensions will not resurface, but to point out that the question that needs to be asked is: whether the context for the improvement and thus the resolution of these problems is better today than it was fifty years ago. Abstracting from romantic idealism or casual empiricism, I would venture to submit that it is, and the pessimists such as the Club of Rome and Kaplan will be again proved wrong in the coming fifty years. But it does not mean that the development challenges for the Bank or other similar institutions have disappeared or become less intense. The nature of the problems has changed and the response capacity of the Bank to respond to these new emerging or unforeseen problem has to be altered. But let us not become overwhelmed or overawed by the prophets of doom and gloom.

### Ishrat

cc:	Michael Bruno	( MICHAEL BRUNO )
CC:	Johannes Linn	( JOHANNES LINN )
CC:	Tariq Husain	( TARIQ HUSAIN )
CC:	Vinod Thomas	( VINOD THOMAS )
CC:	Wadi Haddad	( WADI HADDAD )
CC:	Carl Dahlman	( CARL DAHLMAN )
CC:	Alberto de Capitani	( ALBERTO DE CAPITANI
CC:	Mike Stevens	( MIKE STEVENS )
CC:	John D. Clark	( JOHN D. CLARK )
CC:	Shahid Javed Burki	( SHAHID JAVED BURKI )
CC:	Robert Ayres	( ROBERT AYRES )
CC:	Rachel Weaving	( RACHEL WEAVING )
CC:	Norman Hicks	( NORMAN HICKS )
CC:	Marcelo Selowsky	( MARCELO SELOWSKY )
cc:	Miguel Schloss	( MIGUEL SCHLOSS )

```
ALL-IN-1 NOTE
  DATE: 17-Feb-1994 09:13am
     TO: See Distribution Below
                                             ( SARWAR LATEEF )
   FROM: Sarwar Lateef, OPRIE
  EXT.: 31760
SUBJECT: Dan Ritchie
          Dan on the risk of being marginalized.
          DISTRIBUTION:
                                                ( ALEXANDER SHAKOW )
     TO: Alexander Shakow
                                                ( ANDREW STEER )
     TO: Andrew Steer
                                                ( ANIL MALHOTRA )
     TO: Anil Malhotra
                                                ( ARMEANE CHOKSI )
     TO: Armeane Choksi
     TO: Barbara Bruns
                                                ( BARBARA BRUNS )
                                                ( BARBARA TRAVIS )
     TO: Barbara Travis
                                                ( C.L. ROBLESS )
     TO: C.L. Robless
                                                ( CATHERINE KLEYNHOFF )
     TO: Catherine Kleynhoff
     TO: Charlotte Jones-Carroll
                                                ( CHARLOTTE JONES-CARROLL )
                                                ( D. C. RAO )
     TO: D. C. Rao
    TO: Dennis Anderson
TO: Dominique Lallement
                                                ( DENNIS ANDERSON )
                                               ( DOMINIQUE LALLEMENT )
                                               ( ELKYN CHAPARRO )
     TO: Elkyn Chaparro
     TO: Farida Khambata
                                               ( FARIDA KHAMBATA )
    TO: Gautam Adhikari
                                                ( GAUTAM ADHIKARI )
                                                ( GEOFFREY B. LAMB )
     TO: Geoffrey Lamb
                                                ( GOBIND T. NANKANI )
     TO: Gobind T. Nankani
                                                ( HANS WYSS @A1@PARIS )
     TO: HANS WYSS
                                                ( INDER SUD )
     TO: Inder Sud
     TO: Ishrat Husain
                                                 ISHRAT HUSAIN )
                                                ( JAN WIJNAND )
     TO: Jan Wijnand
                                                ( JEAN-FRANCOIS RISCHARD )
     TO: Jean-Francois Rischard
    TO: Joanne Salop
                                                ( JOANNE SALOP )
                                                ( JOHANNES LINN )
     TO: Johannes Linn
                                                ( JOHN D. CLARK )
     TO: John D. Clark
     TO: Julian Schweitzer
                                                ( JULIAN SCHWEITZER )
     TO: Louis Forget
                                                ( LOUIS FORGET )
     TO: Mahmood Ayub
                                                ( MAHMOOD AYUB )
                                                ( MAKARAND DEHEJIA )
     TO: Makarand Dehejia
                                                ( MARCELO SELOWSKY )
     TO: Marcelo Selowsky
                                                ( MARGARET AMARAL )
     TO: Margaret Amaral
     TO: Maritta Koch-Weser
                                                ( MARITTA KOCH-WESER )
     TO: Mark Baird
                                                ( MARK BAIRD )
                                               ( MASOOD AHMED )
     TO: Masood Ahmed
     TO: Michael Bruno
                                               ( MICHAEL BRUNO )
                                               ( MIEKO NISHIMIZU )
     TO: Mieko Nishimizu
     TO: Miguel Schloss
                                                ( MIGUEL SCHLOSS )
                                                ( MYRNA ALEXANDER )
     TO: Myrna Alexander
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TO: Norman Hicks

( NORMAN HICKS )

TO: Paul Rabe ( PAUL RABE ) TO: Paula Donovan ( PAULA DONOVAN ) TO: Pierre Landell-Mills ( PIERRE LANDELL-MILLS ) TO: Rachel Weaving TO: Richard Frank ( RACHEL WEAVING ) ( RICHARD FRANK ) ( ROBERT AYRES ) TO: Robert Ayres ( ROBERT PICCIOTTO ) TO: Robert Picciotto TO: Sarwar Lateef TO: Shahid Javed Burki ( SARWAR LATEEF ) ( SHAHID JAVED BURKI ) TO: Sonia Benavides-Paz ( SONIA BENAVIDES PAZ ) TO: Tariq Husain TO: Vinod Thomas TO: Wadi Haddad ( TARIQ HUSAIN ) ( VINOD THOMAS ) ( WADI HADDAD ) CC: Daniel Ritchie ( DANIEL RITCHIE )

## ALL-IN-1 NOTE

DATE: 17-Feb-1994 08:44am EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Daniel Ritchie, MN1DR ( DANIEL RITCHIE )

EXT.: 81312

# SUBJECT: 50th anniversary

Sarwar--I look forward to your joining the MNA Management meeting today. Monday, two people from your Young Radicals program came to see me about ideas they had regarding the future of the Bank. They were really interesting. It reminded me of the "discontinuous" thinking we were doing prior to the creation of the BIAS group. The basic question they were asking was-- if the Bank were created today, what unique role would it play?

For what it's worth, my own view is that we are in danger of becoming anachronistic in two big ways. First, offical aid is a dying business, and maybe rightfully so. A growing number of countries have access to the world capital markets for medium and longer term finance. China can get 10 year money easily, and with some help ( such as ECOs) even the lower middle income countries like Morocco could get 12-15 year money. Except in the very poorest countries, the need for a capital transfer institution like the Bank is increasingly unnecessary. ( Even in the poorest countries, one can argue that offical aid has often substituted for domestic savings, and may not have been all that productive).

Second, the concept of the soverign state is also becoming more outdated as a unit of economic account. Globalization of capital, technology, ideas and labor markets will mean much more importance to regional and global issues than to strictly national ones. In addition, our own focus is increasingly on local institutions, NGOs and the private sector. We need to move away from a principal relationship with the national government, and deal much more downward and "upward".

This suggests we need to focus much more on our role in promoting trade and DFI, and less on direct capital transfer. We also need to find ways to work more directly at the local level and with the private sector on the one hand, and with regional and global institutions on the other.

I was impressed how the EBRD seems able to develop more tailored instruments than we, because it has both its merchant banking and development banking arms under one roof. Merging the Bank and IFC is not probably a realistic goal, but we certainly have to be much more aggressive about developing new financial instruments like ECOs and other guarantees, and helping countries to the market rather than substituting for it.

Regards

Dan

#### ALL-IN-1 NOTE DATE: 17-Feb-1994 12:05pm TO: See Distribution Below ( SARWAR LATEEF ) FROM: Sarwar Lateef, OPRIE EXT.: 31760 SUBJECT: Response on Dan DISTRIBUTION: TO: Alexander Shakow ( ALEXANDER SHAKOW ) TO: Andrew Steer ( ANDREW STEER ) TO: Anil Malhotra ( ANIL MALHOTRA ) TO: Armeane Choksi ( ARMEANE CHOKSI ) TO: Barbara Bruns ( BARBARA BRUNS ) TO: Barbara Travis ( BARBARA TRAVIS ) TO: C.L. Robless ( C.L. ROBLESS ) TO: Catherine Kleynhoff ( CATHERINE KLEYNHOFF ) TO: Charlotte Jones-Carroll ( CHARLOTTE JONES-CARROLL ) TO: D. C. Rao ( D. C. RAO ) TO: Dennis Anderson ( DENNIS ANDERSON ) TO: Dominique Lallement TO: Elkyn Chaparro ( DOMINIQUE LALLEMENT ) ( ELKYN CHAPARRO ) TO: Farida Khambata ( FARIDA KHAMBATA ) TO: Gautam Adhikari ( GAUTAM ADHIKARI ) TO: Geoffrey Lamb ( GEOFFREY B. LAMB ) TO: Gobind T. Nankani ( GOBIND T. NANKANI ) TO: HANS WYSS ( HANS WYSS @A1@PARIS ) TO: Inder Sud ( INDER SUD ) TO: Ishrat Husain ( ISHRAT HUSAIN ) TO: Jan Wijnand ( JAN WIJNAND ) TO: Jean-Francois Rischard ( JEAN-FRANCOIS RISCHARD ) TO: Joanne Salop ( JOANNE SALOP ) ( JOHANNES LINN ) TO: Johannes Linn TO: John D. Clark ( JOHN D. CLARK ) ( JULIAN SCHWEITZER ) TO: Julian Schweitzer TO: Louis Forget ( LOUIS FORGET ) TO: Mahmood Ayub ( MAHMOOD AYUB ) TO: Makarand Dehejia ( MAKARAND DEHEJIA ) TO: Marcelo Selowsky ( MARCELO SELOWSKY ) TO: Margaret Amaral ( MARGARET AMARAL ) ( MARITTA KOCH-WESER ) TO: Maritta Koch-Weser TO: Mark Baird ( MARK BAIRD ) TO: Masood Ahmed ( MASOOD AHMED ) TO: Michael Bruno ( MICHAEL BRUNO ) ( MIEKO NISHIMIZU ) TO: Mieko Nishimizu TO: Miguel Schloss ( MIGUEL SCHLOSS )

TO: Myrna Alexander

TO: Norman Hicks

( MYRNA ALEXANDER )

( NORMAN HICKS )

ALL-IN-1 NOTE

DATE: 17-Feb-1994 09:20am EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Inder Sud, CFSDR (INDER SUD)

EXT.: 31190

SUBJECT: RE: Dan Ritchie

Sarwar,

I very much liked Dan's ideas. I think shifting ourselves from becoming a lender to a facilitator will take us back to our "root", or at least what our roots were supposed to be. It also gives us an opportunity to make a virtue out of necessity -- a good response to a cont6inuously declining lending program and less and less attractiveness of our standard product to the better group of borrowers. Maybe it will force us to think about a differentiated approach to our clients -- much more so than we do now.

Dan" These were very practical thoughts. You are slipping!

CC: Daniel Ritchie ( DANIEL RITCHIE )

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 17, 1994 11:01am

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Gautam Adhikari, SASCA ( GAUTAM ADHIKARI )

EXT.: 81423

SUBJECT: RE: On pessimism about development

Sarwar

I think Ishrat Husain makes an important fundamental point. It is this (and could even be the Bank's future slogan):

Development Works.

To reduce all his persuasive sums to one equation, we could point to the simple fact that approximately one billion out of the world's 5.7 billion people today can be classified as abjectly poor. Since I, too, belong to the half-full-glass school of thought, to me such a ratio means that 82 percent of humankind does not belong to the ranks of the abjectly poor, whose numbers may have increased but whose proportion has clearly declined. In other words, development works. And if we look at poverty concentrations, we see most of the current poverty in just two regions: Sub-Saharan Africa and South Asia. East Asia has more or less climbed out of the hole, or will in another decade, while a large part of Latin America does look lke it too is halfway up the ladder. Development -- and reconstruction after human-induced setbacks like war, I might add -- has worked, on the whole, in reducing poverty and increasing life expectancy worldwide.

Where I would cautiously differ with Ishrat Husain is in his firing squad treatment of all "prophets of doom and gloom". Not all of them are nay-saying junkies. First, and obviously, many of them provided that vital criticism through the decades that helped the development community, and especially the World Bank, rethink and readjust its theories and style when necessary.

Second, being "prophets" they warn about the future rather than take a Panglossian view of the present or recent past. In our case, some of these prophets are very interestingly arguing that the world may not need the Bank for much longer for two reasons: One is our very success. he more we succeed -- or the more we assist market forces to succeed around the world -- the less people or societies will need us to tell them what to do or to provide the wherewithal for doing Development. The second is a negative factor -- that we may be falling behind the times in our understanding of the seismic changes that are rattling the world and may, therefore, become out-of-date and gradually fall into disuse. We need new thinking if we are to stay in business,

new ideas of what we can or ought to do to tackle new challenges. Fortunately, judging by the volume of response your exercise on the vision thing has generated, there is some new thinking afoot and there are new areas, like governance and public affairs, which have aroused high-level interest in the Bank. (Assistance in the Occupied Territories, I understand, is charting new courses in building law and order/ judicial infrastructure).

See you tomorrow.

### Gautam

CC:	Xavier Coll	(	XAVIER COLL )
cc:	Takao Ikegami		TAKAO IKEGAMI )
	Sudhir Shetty	(	SUDHIR SHETTY )
CC:	Sonia Benavides Paz	(	SONIA BENAVIDES PAZ )
CC:	Shilpa Patel	(	SHILPA PATEL )
CC:	Shamima Khan		SHAMIMA KHAN )
	Sergio Margulis		SERGIO MARGULIS )
CC:		(	
cc:	Sanjay Pradhan	(	
CC:	Samuel Otoo	(	SAMUEL OTOO )
CC:	Robert V. Pulley	(	ROBERT V. PULLEY )
CC:	Robert Ayres	(	ROBERT AYRES )
CC:	Richard Ackermann	(	RICHARD ACKERMANN )
CC:	Paul Rabe	(	PAUL RABE )
CC:	Nemat Shafik	(	NEMAT SHAFIK )
CC:	Mohua Mukherjee	(	MOHUA MUKHERJEE )
CC:	Michele De Nevers	(	MICHELE DE NEVERS )
CC:	Meskerem Mulatu	(	MESKEREM MULATU )
CC:	Mary Sheehan		MARY SHEEHAN )
CC:		(	MARK SUNDBERG )
	Marisela Montoliu		MARISELA MONTOLIU )
	Marisa Fernandez-Palacios		MARISA FERNANDEZ-PALACIOS )
	Magdalena Manzo		MAGDALENA MANZO )
cc:	Katherine Sierra		KATHERINE SIERRA )
	KUMIKO YOSHINARI		KUMIKO YOSHINARI @SSWWB )
	Juergen Voegele		JUERGEN VOEGELE )
	Jorge M. Rebelo		JORGE M. REBELO )
	Jeeva Pillai-Essex		JEEVA PILLAI-ESSEX )
	Jamal Saghir		JAMAL SAGHIR )
	Ishac Diwan		ISHAC DIWAN )
	Indermit Gill		INDERMIT GILL )
cc:			GUNNAR ESKELAND )
	Gisu Mohadjer		GISU MOHADJER )
	Ellen Goldstein		ELLEN GOLDSTEIN )
	Deborah Wetzel		DEBORAH WETZEL )
CC:	David Wheeler		DAVID WHEELER )
	David Ferreira		DAVID FERREIRA )
	David Baughman		DAVID BAUGHMAN )
	Constantijn A. Claessens		CONSTANTIJN A. CLAESSENS )
CC:			CHRISTINA HARTLER )
CC:		(	CHEIKH KANE )
CC:	Bhuvan Bhatnagar	(	BHUVAN BHATNAGAR )

CC: Axel Van Trotsenburg ( AXEL VAN TROTSENBURG ) CC: Ashoka Mody ( ASHOKA MODY ) CC: Ariel Fiszbein ( ARIEL FISZBEIN ) CC: Antonio Estache CC: Anita George ( ANTONIO ESTACHE ) ( ANITA GEORGE ) CC: Alberto Antonini ( ALBERTO ANTONINI ) CC: Wadi Haddad ( WADI HADDAD ) CC: Vinod Thomas CC: Tariq Husain ( VINOD THOMAS ) ( TARIQ HUSAIN ) CC: Sonia Benavides-Paz ( SONIA BENAVIDES PAZ ) CC: Shahid Javed Burki CC: Sarwar Lateef ( SHAHID JAVED BURKI ) ( SARWAR LATEEF ) CC: Rest of Distribution Suppressed

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The World Bank/IFC/MIGA
OFFICE
             MEMORANDUM
  DATE:
        February 17, 1994 11:04am
    TO: Gautam Adhikari
                                               ( GAUTAM ADHIKARI )
  FROM: Tariq Husain, MNAVP
                                               ( TARIO HUSAN )
  EXT.: 33907
SUBJECT: RE: On pessimism about development
       Gautam
         Your second point is the more important one. Well stated.
         Tariq
    CC: Alexander Shakow
                                               ( ALEXANDER SHAKOW )
    CC: Andrew Steer
                                               ( ANDREW STEER )
    CC: Anil Malhotra
                                               ( ANIL MALHOTRA )
    CC: Armeane Choksi
                                               ( ARMEANE CHOKSI )
    CC: Barbara Bruns
                                               ( BARBARA BRUNS )
    CC: Barbara Travis
                                               ( BARBARA TRAVIS )
    CC: C.L. Robless
                                               ( C.L. ROBLESS )
    CC: Catherine Kleynhoff
                                               ( CATHERINE KLEYNHOFF )
    CC: Charlotte Jones-Carroll
                                               ( CHARLOTTE JONES-CARROLL )
    CC: D. C. Rao
                                               ( D. C. RAO )
    CC: Dennis Anderson
                                               ( DENNIS ANDERSON )
    CC: Dominique Lallement
                                               ( DOMINIQUE LALLEMENT )
    CC: Elkyn Chaparro
                                               ( ELKYN CHAPARRO )
    CC: Farida Khambata
                                               ( FARIDA KHAMBATA )
    CC: Geoffrey Lamb
                                               ( GEOFFREY B. LAMB )
    CC: Gobind T. Nankani
                                               ( GOBIND T. NANKANI )
    CC: HANS WYSS
                                               ( HANS WYSS @A1@PARIS )
    CC: Inder Sud
                                               ( INDER SUD )
    CC: Ishrat Husain
                                               ( ISHRAT HUSAIN )
    CC: Jan Wijnand
                                               ( JAN WIJNAND )
    CC: Jean-Francois Rischard
                                               ( JEAN-FRANCOIS RISCHARD )
    CC: Joanne Salop
                                               ( JOANNE SALOP )
    CC: Julian Schweitzer
                                               ( JULIAN SCHWEITZER )
    CC:
         Louis Forget
                                               ( LOUIS FORGET )
    CC: Mahmood Ayub
                                               ( MAHMOOD AYUB )
    CC: Marcelo Selowsky
                                               ( MARCELO SELOWSKY )
    CC: Margaret Amaral
                                               ( MARGARET AMARAL )
    CC: Maritta Koch-Weser
                                               ( MARITTA KOCH-WESER )
    CC: Mark Baird
                                               ( MARK BAIRD )
    CC:
        Masood Ahmed
                                               ( MASOOD AHMED )
    CC: Michael Bruno
                                               ( MICHAEL BRUNO )
        Mieko Nishimizu
    CC:
                                               ( MIEKO NISHIMIZU )
    CC: Miguel Schloss
                                               ( MIGUEL SCHLOSS )
    CC: Myrna Alexander
                                               ( MYRNA ALEXANDER )
    CC: Norman Hicks
                                               ( NORMAN HICKS )
```

( PAUL RABE )

( PAULA DONOVAN )

CC: Paul Rabe

CC: Paula Donovan

CC: Pierre Landell-Mills ( PIERRE LANDELL-MILLS ) CC: Rachel Weaving ( RACHEL WEAVING ) CC: Robert Ayres
CC: Robert Picciotto
CC: Sarwar Lateef ( ROBERT AYRES ) ( ROBERT PICCIOTTO ) ( SARWAR LATEEF ) CC: Shahid Javed Burki ( SHAHID JAVED BURKI ) CC: Sonia Benavides-Paz CC: Vinod Thomas CC: Wadi Haddad ( SONIA BENAVIDES PAZ ) ( VINOD THOMAS ) ( WADI HADDAD ) CC: Alberto Antonini ( ALBERTO ANTONINI ) CC: Anita George CC: Antonio Estache ( ANITA GEORGE ) ( ANTONIO ESTACHE ) CC: Ariel Fiszbein ( ARIEL FISZBEIN ) CC: Ashoka Mody
CC: Axel Van Trotsenburg
CC: Bhuvan Bhatnagar
CC: Cheikh Kane ( ASHOKA MODY ) ( AXEL VAN TROTSENBURG ) ( BHUVAN BHATNAGAR ) ( CHEIKH KANE ) CC: Rest of Distribution Suppressed

Do you have this abouty?

( PIERRE LANDELL-MILLS )

## ALL-IN-1 NOTE

DATE: 16-Feb-1994 10:25am

TO: See Distribution Below

TO: Pierre Landell-Mills

FROM: Sarwar Lateef, OPRIE ( SARWAR LATEEF )

EXT.: 31760

SUBJECT: Mr. Picciotto on Friday's session

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DISTRIBUTION:
TO: Alexander Shakow
                                           ( ALEXANDER SHAKOW )
TO: Andrew Steer
                                             ANDREW STEER )
TO: Anil Malhotra
                                           ( ANIL MALHOTRA )
TO: Armeane Choksi
                                           ( ARMEANE CHOKSI )
TO: Barbara Bruns
                                           ( BARBARA BRUNS )
                                             BARBARA TRAVIS )
TO: Barbara Travis
TO: C.L. Robless
                                           ( C.L. ROBLESS )
TO: Catherine Kleynhoff
                                           ( CATHERINE KLEYNHOFF )
TO: Charlotte Jones-Carroll
                                             CHARLOTTE JONES-CARROLL )
TO: D. C. Rao
                                             D. C. RAO )
TO: Dennis Anderson
                                           ( DENNIS ANDERSON )
TO: Dominique Lallement
                                           ( DOMINIQUE LALLEMENT )
TO: Elkyn Chaparro
TO: Farida Khambata
                                             ELKYN CHAPARRO )
                                           ( FARIDA KHAMBATA )
TO: Gautam Adhikari
                                           ( GAUTAM ADHIKARI )
TO: Geoffrey Lamb
                                             GEOFFREY B. LAMB )
TO: Gobind T. Nankani
                                             GOBIND T. NANKANI )
TO: HANS WYSS
                                           ( HANS WYSS @A1@PARIS ·)
TO: Inder Sud
                                           ( INDER SUD )
TO: Ishrat Husain
                                           ( ISHRAT HUSAIN )
TO: Jan Wijnand
                                           ( JAN WIJNAND )
                                           ( JEAN-FRANCOIS RISCHARD )
TO: Jean-Francois Rischard
TO: Joanne Salop
                                             JOANNE SALOP )
TO: Julian Schweitzer
                                             JULIAN SCHWEITZER )
TO: Louis Forget
                                             LOUIS FORGET )
TO: Mahmood Ayub
                                           ( MAHMOOD AYUB )
TO: Marcelo Selowsky
                                           ( MARCELO SELOWSKY )
TO: Margaret Amaral
                                           ( MARGARET AMARAL )
TO: Maritta Koch-Weser
                                           ( MARITTA KOCH-WESER )
TO: Mark Baird
                                             MARK BAIRD )
TO: Masood Ahmed
                                             MASOOD AHMED )
                                           ( MICHAEL BRUNO )
TO: Michael Bruno
TO: Mieko Nishimizu
                                           ( MIEKO NISHIMIZU )
TO: Miguel Schloss
                                           ( MIGUEL SCHLOSS )
TO: Myrna Alexander
                                           ( MYRNA ALEXANDER )
TO: Norman Hicks
                                           ( NORMAN HICKS )
TO: Paul Rabe
                                           ( PAUL RABE )
TO: Paula Donovan
                                           ( PAULA DONOVAN )
```

TO: Rachel Weaving (RACHEL WEAVING)
TO: Robert Ayres (ROBERT AYRES)
TO: Robert Picciotto (ROBERT PICCIOTTO)
TO: Sarwar Lateef (SARWAR LATEEF)
TO: Shahid Javed Burki (SHAHID JAVED BURKI)
TO: Sonia Benavides-Paz (SONIA BENAVIDES PAZ)
TO: Tariq Husain (TARIQ HUSAIN)
TO: Vinod Thomas (VINOD THOMAS)
TO: Wadi Haddad (WADI HADDAD)

## ALL-IN-1 NOTE

DATE: 11-Feb-1994 12:11pm EST

TO: See Distribution Below

FROM: Robert Picciotto, DGO ( ROBERT PICCIOTTO )

EXT.: 84569

SUBJECT: FYI

## DISTRIBUTION:

TO: S. Shahid Husain (S. SHAHID HUSAIN)
TO: Stephen Eccles (STEPHEN ECCLES)
TO: Armeane Choksi (ARMEANE CHOKSI)
TO: Ismail Serageldin (ISMAIL SERAGELDIN)
TO: Jean-Francois Rischard (JEAN-FRANCOIS RISCHARD)

#### ALL-IN-1 NOTE

DATE: 11-Feb-1994 12:04pm EST

TO: SARWAR LATEEF

FROM: Robert Picciotto, DGO (ROBERT PICCIOTTO)

EXT.: 84569

SUBJECT: Event -> 18-Feb-1994 04:00pm SARWAR LATEEF

In response to your meeting on 18-Feb-1994 at 04:00pm:

NO

I will be on mission (if the planes get off the ground tomorrow).

The brainstorming session you are planning is timely. The recent discussion of the planning directions paper by the Board should figure in your deliberations. The good news: a growing consensus that the institution needs a strategic view. The bad news: pressures to downsize the Bank are rising and under the strain of retrenchment, it is entirely possible that the current consensus on development priorities will unravel.

Already, centrifugal tendencies which had been muted under the banner of equitable and sustainable development are pitting the advocates of poverty reduction and environmental protection against those of private sector development -- the 50th will bring these issues to the surface with the Bretton Woods Commission pulling one way and the most vocal NGO advocacy groups the other. It is hight time for the Bank to make clear where precisely it stands and where it wishes to go.

It would be very destructive to abandon the rich commonality of purpose which has characterized the policy directions of the institution in recent years. Development is a big tent under which there is ample room for market and non market approaches — one strengthening the other. Mr Preston's focus on implementation of the existing agenda is the right focus.

Reading Clarke/Daly or listening to Tony Churchill, one pictures Moses as an economist coming down the mountain with his tablets and pressing his followers to set priorities among the ten commandments.

The basic fallacy which needs to be set aside is that we must choose among the fundamental policy emphases which are the soul of the World Bank just because the growth of administrative expenditures has been outstripping the growth of our financial assets.

This fallacy rests on three false assumptions:

- (i) the Bank must choose between growth and environmental protection; poverty reduction and growth or government and the private sector;
- (ii) the Bank's business practices have reached full congruence with its goals and are optimally efficient;
- (iii) the Bank is condemned to have a stagnant source of funding for its administrative expenditures -- the "spread" on a constant or declining level of lending.

In fact, even if lending does not recover soon (and given the capital requirements of developing countries it is hard to justify a perennial stagnation in Bank lending unless our instrument mix is considered sacrosanct and optimum -- another myth) there is a high and immediate demand for growth in non lending services to meet the emerging needs of the international system.

The Bank is global, professional and information rich :

- (i) its development agenda is one of its major corporate assets precisely because it is synergistic and puts the Bank in a position to mediate between interest groups;
- (ii) there is enormous potential to become more cost effective by building strategic alliances with other development agencies and NGOs and reengineering business processes;
- (iii) unbundling of services combined with pricing and professional trust fund management offer promising prospects.

This is the kind of vision the network needs to elucidate and disseminate. And this is the foundation on which our budget and organizational planners must build on. In short, the network should lift the existential angst which is spreading and help those responsible for constructing a strategic framework to get on with their work. This is urgently needed to help channel the creativity and idealism of the staff towards the great challenges of development of the next fifty years.

DATE: February 15, 1994 05:21pm

TO: Johannes Linn ( JOHANNES LINN )

FROM: Miguel Schloss, PBDCP ( MIGUEL SCHLOSS )

EXT.: 30118

SUBJECT: 50th Anniversary: The Vision Thing

Further to our chat yesterday on the street, I very much agree with you that financial/budgetary constraints need to be factored into our thinking. In this connection you might be interested in my reaction on some of the earlier write-ups, including point "third" of the EM below.

CC: Michael Bruno ( MICHAEL BRUNO )

DATE: January 18, 1994 09:59am EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Miguel Schloss, PBDCP (MIGUEL SCHLOSS)

EXT.: 30118

SUBJECT: RE: 50th Anniversary (The Vision Thing)

Upon my return from leave, I read with interest the various EMs on the above. While I agree with much of what has been said, I have some comments concerning four areas.

First, I think that it would be a mistake to see the 50th Anniversary work as a public relations effort to disseminate our vision of the world and what we are, irrespective of our record. There are serious critics outside (and for that matter inside) the Bank that do not share our unpologetic views about what we are doing. We cannot ignore the growing criticisms, the outcome of the Wapenhans report, Narmada assessment, MCRP which point to some problematic areas regarding how effectively we are handling our business, and the relevance of our approaches in the current conditions. There are important questions also being raised about the value of our nonlending work and its impact on the efficiency of the Bank. In the light of this and in the absence of a good market test we should avoid asserting that all what we do is useful, important and effective. Nothing will defeat the purpose more decisively than a statement of vision that takes Olympian detached leave from the criticisms. Such statement, even if prepared with scrupulous care, is bound to be considered little more than platitudes. Instead, we should engage our most serious critics, emphasize lessons learned, and draw from this the implications for the Bank's vision and mandate for the next decade or so.

Second, while acknowledging the complexity of the development business, we must guard ourselves against the notion that our project or policy interventions must do everything. Up to a point, such complexity is a measure of our ignorance and the source of disappointments. In fact, in far too many instances, in our penchant to be comprehensive, we have made our interventions so institution—and resource—intensive that they become devilishly difficult to implement, finance and sustain in a resource constrained international environment, particularly for the less developed clients. If anything, we must seek ways to simplify, divide issues into their component parts, attack only those that achieve maximum (not full) impact. Obviously, this applies as much to what we do as to the statement of vision. Some of the issues I read have the imprints of complexity we have to find ways of avoiding.

Third, the same is true for ourselves. The fact that development is multifaceted shouldn't lead us to conclude that we must do everything ourselves. To those who criticize us for adding dimensions to our work, we can of course respond that we cannot wish away key issues for development. We may, however, have to consider whether we may have simply added such concerns to respond to outside pressures, each at a time, without properly integrating them for maximum impact. Just as in engineering no structure has a capacity for infinite growth, the same logic applies to organizations. Beyond a certain point, adding on to our agenda without concurrently shedding activities becomes counterproductive. We must define and build on our comparative (not absolute) advantage, and seek proactively the strengthening of other multi- and bilateral institutions. We should help define what kind of "strategic alliances" we want to form with regional banks, NGOs, other multilateral institutions (IMF, EIB, etc.). We don't do nearly enough in this area as we should. As long as we don't define a vision for ourselves that involves a proper and effective role for other institutions, we cannot be convincing, and I thus don't see any place for thinking about additional resources. After all, we live in a world that is increasingly trying to do more with less, and we cannot realistically be the exception to such trend.

Finally, while the sense of our discussion is that we need to define a sharp and convincing statement of vision, we have to undertake (subsequently and perhaps in a different context) some form of planning to review its various (including budgetary) implications. We cannot allow ourselves to end up with a well crafted statement, without ensuring that our actions are to be as good as our word. If I hear our critics correctly, many seem to be troubled by the apparent divergence between the rhetoric in our statements from the real in our actions. Failure to explicitly think through the follow up and take all necessary provisions for action, where it counts, may render the exercise somewhat hollow.

In sum, I concur with the gist of much of what has been said so far. A statement of vision of where we are headed is clearly in order. The above qualifications are aimed at helping the statement to command the necessary credibility and ensure its viability.

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CC: Alexander Shakow
                                          ( ALEXANDER SHAKOW )
                                          ( ANDREW STEER )
CC:
    Andrew Steer
                                          ( ANIL MALHOTRA )
CC: Anil Malhotra
                                          ( CHARLOTTE JONES-CARROLL )
CC: Charlotte Jones-Carroll
                                          ( D. C. RAO )
CC: D. C. Rao
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CC: Debra C. McKenzie
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                                          ( ELKYN CHAPARRO @A1@SENGAL )
CC:
    ELKYN CHAPARRO
                                            GEOFFREY B. LAMB )
CC: Geoffrey Lamb
                                          ( HANS WYSS @A1@PARIS )
CC: HANS WYSS
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                                          ( MARIANNE HAUG )
CC: Marianne Haug
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                                           ( CAIO KOCH-WESER )
CC: Jochen Kraske
                                           ( JOCHEN KRASKE )
                                          ( JOHANNES LINN )
CC: Johannes Linn
CC: Matthew McHugh
                                          ( MATTHEW MCHUGH )
CC: Oey Astra Meesook
CC: Gobind T. Nankani
                                          ( OEY ASTRA MEESOOK )
                                          ( GOBIND T. NANKANI )
                                          ( PHYLLIS POMERANTZ )
CC: Phyllis Pomerantz
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Correspondents / Participants To: See Distribution Below					
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Subject / Title					
A contribution from the younger crov	vd! Any views? [re: attachment " Fiftiet	h Anniversary; To	: Sarwar Lateef; From: David Ferreira, LEGMN]		
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Shiri Alon

May 25, 2017

#### ALL-IN-1 NOTE

DATE: 15-Feb-1994 04:51pm

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Geoffrey Lamb, EMTPM (GEOFFREY B. LAMB)

EXT.: 32936

SUBJECT: RE: A contribution from the younger crowd! Any views?

Sarwar --

Creat.

Re the points made --

- 1. New products, specifically guarantees. Er, sure. But thinking and work in the Bank on guarantees -- inc. operations in prospect -- are way ahead of this, and have been for some time. Mr. Ferreira's note I think misses the crucial point of using the guarantee instrument to catalyse additional private project investment flows, not substitute for them or crowd them out (which is the implication of changing the Articles restrictions etc). His points about indemnities, non-members, etc. are a bit marginal to the central issue, which is to segment and assign different types of risk in a way which encourages efficient (in the strict sense) behavior from the various actors -- including Governments, which is where the Bank's role is distinctive.
- Be like a private corporation, not a civil service. This is a pseudo-response to a real problem -- the Bank's growing bureaucratic sclerosis. All the questions asked here (presumably intended to be rhetorical and open-and-shut) have quite complicated answers -- and these complications (e.g. on performance pay) actually apply to most large modern organizations, both public and private. Also, the Bank is a public sector organization, whatever the wishful thinking of staff who feel that this isn't real hip. This entails multiple objectives, different political stakeholders, special kinds of accountability, and the other stuff we all know about and are often frustrated by. You might imagine private corporations largely escape these tiresome constraints -- until you watch them when they really get nailed by big "corporate-citizenship" or liability problems: then they rapidly create screening of middle-management decisions, compliance vice-presidents, external affairs czars, etc. etc -- just like us! The sharp end of public sector reform these days, from British market-testing approaches to the reinventing government stuff, is how you manage change in bureaucracies so as to combine public accountability with market-driven flexibility, including to some extent in employment as well as other aspects of business processes. I hope this is some of the territory that Shahid Husain will be getting into -sounds like it.
- 3. Fire senior managers who screw up, rather than appoint a committee. Aw, come on. Another straw man: who could disagree?

[Actually this rests on a peculiar misapprehension. Firing the top guy responsible is a classic political/bureaucratic solution (quite a good one), at least as much as a "managerial" one. The Cabinet Minister accepts political responsibility for a screw-up and walks the plank, while his Permanent Secretary remains in place for a decent interval, and then finds himself quietly reassigned to the key policy role of superintendent of vehicle licencing...] Again, this is a bt of a glib response to a real problem: no-one -- not staff, not shareholders, not interest groups, probably not senior management -- feels comfortable with corporate governance and accountability in the Bank. But absent a lot of other changes in the way the place runs, how many feel comfortable (e.g. recently) about it when heads do roll? I.e., you have to do a lot of things together to change corporate culture and behavior effectively, not look for the pseudo-tough magic bullet.

Maybe you circulated the contribution to make us feel better about being old and dumb, rather than "younger, brighter"....?

Ciao.

#### Geoff

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CC: Wadi Haddad
                                          ( WADI HADDAD )
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                                            VINOD THOMAS )
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                                          ( TARIQ HUSAIN )
CC: Sonia Benavides-Paz
                                          ( SONIA BENAVIDES PAZ )
CC: Shahid Javed Burki
                                          ( SHAHID JAVED BURKI )
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                                          ( SARWAR LATEEF )
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The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 11, 1994 03:12pm

TO: Michael Bruno ( MICHAEL BRUNO )
TO: Johannes Linn ( JOHANNES LINN )

FROM: Miguel Schloss, PBDCP ( MIGUEL SCHLOSS )

EXT.: 30118

SUBJECT: 50th Anniversary: Brainstorming on the Vision Thing

(World Develoment Implications on Bank)

As I am going to be out of town towards the end next week, I am afraid I will be unable to attend the above-mentioned meeting. For whatever it may be worth, I am appending my latest EM on the subject.

CC: Tariq Husain ( TARIQ HUSAIN ) CC: Vinod Thomas ( VINOD THOMAS ) ( WADI HADDAD ) CC: Wadi Haddad ( CARL DAHLMAN ) CC: Carl Dahlman CC: Alberto de Capitani ( ALBERTO DE CAPITANI ) CC: Mike Stevens ( MIKE STEVENS ) CC: John D. Clark CC: Aubrey Williams ( JOHN D. CLARK ) ( AUBREY WILLIAMS ) CC: Shahid Javed Burki ( SHAHID JAVED BURKI ) CC: Robert Ayres ( ROBERT AYRES ) CC: Rachel Weaving CC: Norman Hicks ( RACHEL WEAVING ) ( NORMAN HICKS ) ( MARCELO SELOWSKY ) CC: Marcelo Selowsky CC: Ishrat Husain ( ISHRAT HUSAIN )

DISTRIBUTION:

TO: Jan Wijnand

DATE: February 1, 1994 12:14pm EST

TO: See Distribution Below

FROM: Sarwar Lateef, OPRIE ( SARWAR LATEEF )

EXT.: 31760

SUBJECT: Some very thoughtful comments from Miguel

#### TO: Alexander Shakow ( ALEXANDER SHAKOW ) TO: Andrew Steer ( ANDREW STEER ) TO: Anil Malhotra ( ANIL MALHOTRA ) TO: Armeane Choksi ( ARMEANE CHOKSI ) ( BARBARA BRUNS ) TO: Barbara Bruns ( C.L. ROBLESS ) ( CATHERINE KLEYNHOFF ) TO: C.L. Robless TO: Catherine Kleynhoff TO: Charlotte Jones-Carroll ( CHARLOTTE JONES-CARROLL ) TO: D. C. Rao ( D. C. RAO ) TO: Dominique Lallement ( DOMINIQUE LALLEMENT ) TO: ELKYN CHAPARRO ( ELKYN CHAPARRO @A1@SENGAL ) TO: Gautam Adhikari ( GAUTAM ADHIKARI ) TO: Geoffrey Lamb ( GEOFFREY B. LAMB ) TO: HANS WYSS ( HANS WYSS @A1@PARIS ) TO: Inder Sud ( INDER SUD )

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( JOANNE SALOP )

TO: Joanne Salop ( JULIAN SCHWEITZER ) TO: Julian Schweitzer
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TO: Masood Ahmed ( MASOOD AHMED ) TO: Mieko Nishimizu ( MIEKO NISHIMIZU ) TO: Miguel Schloss ( MIGUEL SCHLOSS ) TO: Myrna Alexander TO: Paul Rabe ( MYRNA ALEXANDER ) ( PAUL RABE )

TO: Paula Donovan ( PAULA DONOVAN )

TO: Pierre Landell-Mills
TO: Rachel Weaving ( PIERRE LANDELL-MILLS ) ( RACHEL WEAVING ) TO: Robert Ayres ( ROBERT AYRES ) TO: Robert Picciotto ( ROBERT PICCIOTTO ) ( SONIA BENAVIDES PAZ ) TO: Sonia Benavides-Paz

DATE: February 1, 1994 11:46am EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Miguel Schloss, PBDCP ( MIGUEL SCHLOSS )

EXT.: 30118

SUBJECT: RE: Reaching the younger crowd

I thought that age was a mental, not a chronological issue, and that the crowd that is dealing with "the vision thing" is very young indeed! That being said, I will be sending to you separately a list responding to your specific request.

We have been chasing each other for the last few days, because I was interested in finding out where you are in the exercise. In the absence of anything better, here are a few thoughts for your youthful brainstorming session.

I wonder whether we are inadvertently repeating today's consensus as our "vision" for tomorrow. While poverty, the environment, governance and the like are important in the development equation, we should ask ourselves whether these are, in fact, the underlying forces with which we must contend over the next ten or twenty years (I have no plans for retiring before then!).

If I were to articulate what's ahead, I suppose that an old Chinese proverb would prove very handy: "It is difficult to forecast -- particularly towards the future". We are faced with compelling forces that have not yet been fully understood. With the transition from agricultural and industrial societies based on heavy inputs of labor and capital to a more technological and integrated world, in which information and innovation are the critical resources, a greater shift of attention needs to focus on problems of accelerated social change: instability, diversity, disequilibrium. Yet much of the economic literature centers on stability, order, and precious little on the process of transition itself.

A sober look at the future suggests that we may still face a rather bumpy road ahead; important geopolitical changes, not only in Eastern Europe and the former Soviet Union, but also in Western Europe and its increasing unification, Japan, the Middle East, and the redefinition of nations in Africa, the Balkans; intense and growing competitiveness for products, services and countries; important bankruptcies, forced mergers followed by significant shakeouts, etc.

It is disappointing that the development literature

expounds so little on these problems, and that much of the attention, despite the wrenching problems faced so far, has tended to concentrate on conditions of equilibrium. If there is anything to be learned from developments of the last ten years, it is that reality, instead of being orderly, stable, and equilibrated is bubbling with change, and that much of economic progress has to do with the process of continuous adjustment. As things stand, it seems inevitable that we must contribute through our research effort to the process of reconceptualization of economic thinking — not so different from the changes that have occurred in physics and other sciences when they were forced to confront the painful limitations of a deterministic and orderly view of the world.

Chief among the forces that have been driving us towards "globalization" are the convergence of various forms of communication, new technologies that have brought about increasing competition for traditional raw materials, etc. (see Picciotto's most recent EM). These developments are, among other things, increasingly overriding the barriers of distance, the importance of availability of raw materials, the management capability among factors of production, and thus the importance of labor costs as a factor of international competitiveness. All this may well alter profoundly what and how we produce, what we trade, how we educate -- to mention a few illustrations of how pervasive these changes have become.

Technological changes have thus brought societies face to face, quite literally at point blank range. A secluded existence is no longer an option, except at an intolerable price of economic austerity and even viability. Increasingly then, a country's comparative advantage lies in its ability to effectively use new technology and its absorption into the productive process, in the relative efficiency with which it is applied, and in the integration of productive sectors into cross-country marketing and production networks. Without action in these areas, countries will be unable to generate the surpluses for sustained investments for social development.

No amount of foreign financial and technical assistance can overcome such hindrance. Without foreign exchange to pay or to be paid for goods and services sold across national boundaries, enterprises are cut off from customers, suppliers and financiers for investment and trade transactions. Foreign exchange from bior multilateral organizations and technical assistance, as presently conceived, is no substitute or shortcut for resources of talent that can be mobilized for solving financial, market access, technical and other problems so vital in today's competitive world trade situation.

What does all this mean for the Bank. First, and foremost, private financing flows are an increasingly important part of development, and indeed a major factor explaining the different performance among countries. In a world of shifting risks,

increasing competition for scarce funds in an integrated pool of resources, helping mobilize them more widely should rank much higher in the Bank's development agenda.

Second, the Bank Group could help devise policies, instruments, support mechanisms and organizational arrangements to bring together key players in financing, transfer of know-how, market access, etc. on a much larger scale than available at present. We are so accustomed to the straightforward means of debt and equity financing of the past that we often fail to sense the boldness of the assumptions on which they are based. A world where investors stake resources at risk and lenders provide funds at fixed (or more recently variable) rates represents a fairly stable environment in which essentially there are only two parties to be brought into the investment process. However, with the decline of the number of enterprises with privileged access to capital markets, and with the rapid increase of new players, it is becoming increasingly important to foster "strategic alliances" and new instrumentation that can reconcile the different constraints and interests within which each major stakeholder operates.

Third, beyond the mobilization effort per se, there are other implications from a changed role for the Bank. The most obvious that come to mind are: a greater role of productive sectors in university education and research; an enhanced effort for training in the management of technology; the development of a view of the interface among science, business and government; the creation and facilitation of mechanisms to transfer technical knowledge to end users; the facilitation and support of the development of entrepreneurial skills, to mention a few.

Last but not least, on a somewhat more philosophical vein, I suspect that an inescapable, though much hidden, implication is that we may be creating a spiritual vacuum. How will this be filled? After all, technology is only a long Greek name for a bag of tools. But all tools are not of the material or organizational kind. Time and again in history (Reform Time and again in history (Reform Movement in Central Europe, Christianization of the Greco-Roman World, the spread of Islam or Communism to mention some) we have seen that there are spiritual and ideological tools as well, and that these are the most potent, with wide ramifications on motivation and development. Our somewhat mechanistic approach to development may just not fully do the trick in filling disillusioned minds and disappointed people who may be ready to rise above the barren cultural claims. Is there anything we can say in this respect, speculative as it may be? Could it be that with no further challenge from Fascism, Nazism and Communism, the power of pragmatism and materialism, which we seem to support, may create an ideological void that needs filling?

DATE: February 13, 1994 03:30pm

( MIGUEL SCHLOSS ) TO: Miguel Schloss

( AUBREY WILLIAMS ) FROM: Aubrey Williams, OPRIE

EXT.: 31768

SUBJECT: RE: 50th Anniversary: Brainstorming on the Vision Thing (World Develoment Implications on Bank)

Miguel,

You took my breath away upon reading your excellent commentary on the Bank's search for vision! Your observations are really appropriate.

If I'm not mistaken, the Bank's last institutional effort to set out a vision was back in 1988 (output of the former Strategic Planning Department). Our assumptions then rested on a continuing bipolar world, albeit with a friendlier Soviet Union and a more assertive Japan. Only a few dissident Bank visionaries (like David Beckmann) foresaw rapid change and the dramatic effects (positive and negative) of democracy and nationalism.

I think we're in for a lot of destabilization, new elements of stratification at the national and international levels, and accelerated questioning of the role and utility of multilateral development institutions.

A propos the darker side of your "vision," have you read the article by Kaplan in the Feb. 1994 issue of "Atlantic Monthly?" Robert Kaplan is a journalist. Although there is a doomsday quality to his writing, is it possible that he sees things we technocrats prefer not to see? The article is entitled: "The Coming Anarchy: How Scarcity, crime, overpopulation, tribalism, and disease are rapidly destroying the social fabric of our planet." If you like, I can send you a photocopy of the article. I recommend it.

cc:	Ishrat Husain	( ISHRAT HUSAIN )
cc:	Marcelo Selowsky	( MARCELO SELOWSKY )
cc:	Norman Hicks	( NORMAN HICKS )
cc:	Rachel Weaving	( RACHEL WEAVING )
cc:	Robert Ayres	( ROBERT AYRES )
cc:	Shahid Javed Burki	( SHAHID JAVED BURKI )
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cc:	Mike Stevens	( MIKE STEVENS )

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CC: Johannes Linn (JOHANNES LINN)
CC: Michael Bruno (MICHAEL BRUNO)

ALL-IN-1 NOTE DATE: 14-Feb-1994 01:10pm TO: Sarwar Lateef ( SARWAR LATEEF ) FROM: Ishrat Husain, AFRCE ( ISHRAT HUSAIN ) EXT.: 34637 RE: Event -> 18-Feb-1994 04:00pm SARWAR LATEEF SUBJECT: I will attend the meeting on February 18. CC: Johannes Linn ( JOHANNES LINN ) CC: Alexander Shakow ( ALEXANDER SHAKOW ) CC: Andrew Steer ( ANDREW STEER ) CC: Anil Malhotra ( ANIL MALHOTRA ) ( ARMEANE CHOKSI ) CC: Armeane Choksi ( BARBARA BRUNS ) CC: Barbara Bruns CC: Barbara Travis ( BARBARA TRAVIS ) CC: C.L. Robless ( C.L. ROBLESS ) CC: Catherine Klevnhoff ( CATHERINE KLEYNHOFF ) CC: Charlotte Jones-Carroll ( CHARLOTTE JONES-CARROLL ) ( D. C. RAO ) CC: D. C. Rao CC: Dennis Anderson ( DENNIS ANDERSON ) CC: Dominique Lallement ( DOMINIQUE LALLEMENT ) CC: Elkyn Chaparro ( ELKYN CHAPARRO ) CC: Gautam Adhikari ( GAUTAM ADHIKARI ) CC: Geoffrey Lamb ( GEOFFREY B. LAMB ) CC: Gobind T. Nankani ( GOBIND T. NANKANI ) CC: HANS WYSS ( HANS WYSS @A1@PARIS ) CC: Inder Sud ( INDER SUD ) CC: Ishrat Husain ( ISHRAT HUSAIN ) CC: Jan Wijnand ( JAN WIJNAND ) CC: Jean-Francois Rischard ( JEAN-FRANCOIS RISCHARD ) CC: Joanne Salop ( JOANNE SALOP ) CC: Julian Schweitzer ( JULIAN SCHWEITZER ) CC: Louis Forget ( LOUIS FORGET ) CC: Mahmood Ayub ( MAHMOOD AYUB ) CC: Marcelo Selowsky ( MARCELO SELOWSKY ) CC: Margaret Amaral ( MARGARET AMARAL ) CC: Maritta Koch-Weser ( MARITTA KOCH-WESER ) CC: Mark Baird ( MARK BAIRD ) CC: Masood Ahmed ( MASOOD AHMED ) CC: Michael Bruno ( MICHAEL BRUNO ) CC: Mieko Nishimizu ( MIEKO NISHIMIZU ) CC: Miguel Schloss ( MIGUEL SCHLOSS ) CC: Myrna Alexander ( MYRNA ALEXANDER ) CC: Norman Hicks ( NORMAN HICKS ) CC: Paul Rabe ( PAUL RABE ) CC: Paula Donovan ( PAULA DONOVAN ) CC: Pierre Landell-Mills ( PIERRE LANDELL-MILLS )

( RACHEL WEAVING )

CC:

Rachel Weaving

CC: Robert Ayres
CC: Robert Picciotto
CC: Shahid Javed Burki
CC: Sonia Benavides-Paz
CC: Tariq Husain
CC: Vinod Thomas
CC: Wadi Haddad
CC: Carl Dahlman
CC: Alberto de Capitani
CC: Mike Stevens
CC: Uri Dadush
CC: Aubrey Williams
CC: John D. Clark
CC: Sonia Benavides Paz

( ROBERT AYRES )
( ROBERT PICCIOTTO )
( SHAHID JAVED BURKI )
( SONIA BENAVIDES PAZ )
( TARIQ HUSAIN )
( VINOD THOMAS )
( WADI HADDAD )
( CARL DAHLMAN )
( ALBERTO DE CAPITANI )
( MIKE STEVENS )
( URI DADUSH )
( AUBREY WILLIAMS )
( JOHN D. CLARK )
( SONIA BENAVIDES PAZ )

ALL-IN-1 NOTE

DATE: 14-Feb-1994 09:10am

TO: Masood Ahmed ( MASOOD AHMED )
TO: Mark Baird ( MARK BAIRD )

FROM: Kate Oram, DECVP ( KATE ORAM )

EXT.: 31107

SUBJECT: 50th: brainstorming session

Please see Sarwar's em confirming Feb. 18 at 4.00 pm when MB has agreed to talk to the group on "How has the World Changed in the

last 50 years and what does it mean for the Bank"? MB's presentation will be about 10 minutes and the entire

brainstroming session approximately two hours. Once I hear where

the meeting will be I'll let you know. Kate.

CC: Paulo Vieira Da Cunha ( PAULO VIEIRA DA CUNHA )

DATE: February 10, 1994 06:42pm

TO: Kate Oram ( KATE ORAM )

FROM: Sarwar Lateef, OPRIE ( SARWAR LATEEF )

EXT.: 31760

SUBJECT: Friday the 18th 4.p.m.

50th network: brainstorming session

Kate: 4:00 p.m. on the 18th is fine. You will see that I am

sending out a notice of the meeting. Many thanks.

CC: Sonia Benavides Paz ( SONIA BENAVIDES PAZ )
CC: Sonia Benavides-Paz ( SONIA BENAVIDES PAZ )

CC: Institutional ISC Files ( INSTITUTIONAL ISC FILES )

DATE: February 10, 1994 06:42pm

TO: Kate Oram ( KATE ORAM )

FROM: Sarwar Lateef, OPRIE ( SARWAR LATEEF )

EXT.: 31760

SUBJECT: Friday the 18th 4.p.m.

50th network: brainstorming session

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sending out a notice of the meeting. Many thanks.

CC: Sonia Benavides Paz ( SONIA BENAVIDES PAZ )
CC: Sonia Benavides-Paz ( SONIA BENAVIDES PAZ )

CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)

#### ALL-IN-1 NOTE

DATE: 07-Feb-1994 10:06am

TO: See Distribution Below

FROM: Sarwar Lateef, OPRIE ( SARWAR LATEEF )

EXT: 31760

SUBJECT: Vision: the Bank's focus.

Any reactions?

#### DISTRIBUTION:

TO: Akira Iida TO: Alexander Shakow TO: Armeane Choksi TO: Caio Koch-Weser TO: David M. Goldberg TO: Gloria Davis TO: Ismail Serageldin TO: James W. Adams TO: Jannik Lindback TO: Jean-Francois Rischard TO: Jochen Kraske TO: Johannes Linn TO: KEN CHOI TO: Marcelo Selowsky TO: Marianne Haug TO: Matthew McHugh TO: Michael Bruno TO: Oey Astra Meesook TO: Paula Donovan TO: Phyllis Pomerantz TO: S. Shahid Husain TO: Shahid Javed Burki TO: Timothy Cullen TO: Andrew Steer TO: Anil Malhotra TO: Barbara Bruns TO: C.L. Robless TO: Catherine Kleynhoff TO: Charlotte Jones-Carroll TO: D. C. Rao TO: Dominique Lallement TO: Elkyn Chaparro TO: Gautam Adhikari TO: Geoffrey Lamb TO: Gobind T. Nankani TO: HANS WYSS

TO: Inder Sud

TO: Ishrat Husain

( AKIRA IIDA ) ( ALEXANDER SHAKOW ) ( ARMEANE CHOKSI ) ( CAIO KOCH-WESER ) ( DAVID M. GOLDBERG ) ( GLORIA DAVIS ) ISMAIL SERAGELDIN ) ( JAMES W. ADAMS ) ( JANNIK LINDBAEK ) ( JEAN-FRANCOIS RISCHARD ) ( JOCHEN KRASKE ) ( JOHANNES LINN ) ( KEN CHOI @A1@EDSEL ) ( MARCELO SELOWSKY ) ( MARIANNE HAUG ) ( MATTHEW MCHUGH ) ( MICHAEL BRUNO ) ( OEY ASTRA MEESOOK ) ( PAULA DONOVAN ) ( PHYLLIS POMERANTZ ) ( S. SHAHID HUSAIN ) ( SHAHID JAVED BURKI ) TIMOTHY CULLEN ) ( ANDREW STEER ) ( ANIL MALHOTRA ) ( BARBARA BRUNS ) ( C.L. ROBLESS ) ( CATHERINE KLEYNHOFF ) ( CHARLOTTE JONES-CARROLL ) ( D. C. RAO ) ( DOMINIQUE LALLEMENT ) ( ELKYN CHAPARRO ) ( GAUTAM ADHIKARI ) ( GEOFFREY B. LAMB ) ( GOBIND T. NANKANI ) ( HANS WYSS @A1@PARIS ) ( INDER SUD )

( ISHRAT HUSAIN )

TO: Jan Wijnand ( JAN WIJNAND ) ( JOANNE SALOP ) TO: Joanne Salop TO: ulian Schweitzer
TO: Louis Forget
TO: Mahmood Ayub ( JULIAN SCHWEITZER ) ( LOUIS FORGET ) ( MAHMOOD AYUB ) TO: Margaret Amaral ( MARGARET AMARAL ) TO: Maritta Koch-Weser TO: Mark Baird ( MARITTA KOCH-WESER ) ( MARK BAIRD ) ( MASOOD AHMED ) TO: Masood Ahmed ( MIEKO NISHIMIZU ) TO: Mieko Nishimizu TO: Miguel Schloss TO: Myrna Alexander ( MIGUEL SCHLOSS ) ( MYRNA ALEXANDER ) ( NORMAN HICKS ) TO: Norman Hicks ( PAUL RABE ) TO: Paul Rabe TO: Paula Donovan TO: Pierre Landell-Mills ( PAULA DONOVAN ) ( PIERRE LANDELL-MILLS ) ( RACHEL WEAVING ) To: Rachel Weaving TO: Rest of Distribution Suppressed

#### ALL-IN-1 NOTE

DATE: 07-Feb-1994 09:39am EST

TO: Sarwar Lateef ( SARWAR LATEEF )
TO: Robert Ayres ( ROBERT AYRES )

FROM: Robert Goodland, ENVDR ( ROBERT GOODLAND )

EXT.: 33203

SUBJECT: Bank's 50th Vision

### 50TH ANNIVARSARY VISIONING -- Some informal suggestions --

John D. Clark and Robert Goodland

We expect that there will be many ideas thrown into the several 50th anniversary visioning hoppers in the Bank, and here are a few mre. Is anyoe acting as a central depository for such visioning? We welcome a dialog, so please forward this informal note to anyone you feel may be interested.

We sympathize with the view that the Bank is spreading itself too thin, and that having many priorities means having none. Therefore we suggest re-focussing the Bank onto fewer priorities, nmely just two, poverty alleviation and environmental sustainability.

#### 1.0 POVERTY ALLEVIATION (PA)

Although Bank rhetoric on this goal is becoming more reasonable -- that poverty alleviation is the main yardstick by which we should be judged -- we still spend inordinately more time and investments on non-poverty related work. Suggestion: make poverty alleviation THE central overriding focus of our work and of our investments, say 40% or is this too ambitious?

There is much truth that we take on new topics and rarely drop any. Wapenhans asserted that we are spread too thin and that TMs are overworked. Should we therefore focus on fewer countries by lowering the IBRD graduation to less than the current US\$3,000? cutoff? Halving the graduation cutoff to \$1500 would exclude "well on the way" countries such as Argentina, Chile, Turkey, & Malaysia. It would include Thailand, Congo, Colombia, and Paraguay. Or should we graduate all countries that are richer than IDA and IDA blend countries? Could we encourage IFC, Bilaterals, the private sector and the Regional Development

Banks to take up needy cases above our new cutoff line? Or continue only PA, advice and technical assistance for countries above the cutoff line? Presumably we should not focus only on IDA-countries, as they are by definition not yet credit-worthy.

Alternatively, should we phase out of those sectors less related to poverty alleviation? eg Industry etc? So that we can focus on direct poverty alleviation, labor intensive job creation, training, Grameen-type loans possibly thru intermediaries (as we did via Industrial Development Finance corporations), primary education especially of girls, health, nutrition, social security, empowerment of women, family planning, equity, tax reform, land tenure, food production?

Non-poverty related work should be restricted to those countries which have clear and realistic poverty reduction strategies, and to those investments which are components of that strategy. For example, infrastructure could be sited where poor people live. Or a combination of fewer countries and fewer sectors?

1.2 EQUITY: There are two ways to alleviate poverty. The first is the now conventional acceleration of economic development. The second is not yet promoted by the Bank as much as the first, namely ensuring a more equitable distribution of assets, income, opportunities and justice. These issues are coming to the fore increasingly in national politics and in development circles (eg: UNICEF's State of the Worlds Children report; UNDP's Human Development Report). The Bank needs to sharpen its concern for issues of equity in general, including gender/equity, adjustment/equity, agrarian reform, vulnerable groups.

#### 2.0 ENVIRONMENTAL SUSTAINABILITY (ES)

This should become the Bank's secondary goal. As poverty alleviation greatly helps, and is a necessary condition for, any approach to environmental sustainability, these two goals would be mutually reinforcing. Because the rationale for all ES is equity, and improving the human lot (more on this on request), we are convinced that ES should become our second goal after PA. The two main elements of ES are population stability and renewable energy, so this suggests from which sectors we could withdraw leave up to regional development banks and others.

Now that the green revolution is running out of steam (few promising technologies coming out of research stations,

decreasing promise for expansion of ag area, smaller gains from fertilizer etc), much more gains on the food-per capita equation are likely to come from family planning, rather than from farmers. Incidentally now rice buffer stocks have been consumed, the international (Chicago Exchange) rice price doubled over the last three months, thus vastly increasing the risk to the poor. If mainly Asian farmers cannot replenish rice tocks (ie: exceed current demand and per capita growth) in the upcoming harvest, we are in for major jumps in rice price and for big long-run hunger risks.

Suggestion: make P & ES are two overiding goals ad phase out of most everything else unrelated to these two, while encouraging egional banks, bilaterals and private sector to enter where we phase out.

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

These two new goals -- PA & ES -- for the visionary Bank need some enabling conditions:

#### a. Northern Overconsumption (NO)

This contributes to Southern poverty and prevents environmental sustainability. The only two goals of the new Bank -- PA and ES -- cannot be reached unless NO is reduced. Agreed, the bank has little leverage over the North, but the Montreal Convention (for ozone reduction) shows that the Bank can indeed influence the North. The Bank's recent leadership on a hitherto taboo excessive armaments expenditures shows that influencing the North is not impossible.

Publishing score cards or environmental rankings such as the US Toxic Wastes Inventory, identifying who is damaging what and how -- can alone exert massive positive influence. The Bank could link with the new UN Commission on Environmental Sustainability, and produce such indicators jointly. In any approach to ES, the North has to act first and take the lead. It seems less likely that the South will take our twin new goals -- PA & ES -- seriously unless the North shows some leadership. LDC's rely on natural resources to a much greater extent than OECD nations. That is why LDCs need PA and ES more than OECD nations do. But the North must take the lead.

#### b. Sovereignty

National governments were the only interlocutors extant in 1945, and the Cold War which colored all the lifetime of the Bank

helped national govts, so it is understandable that our charter mandates lending only to them. Now the world has fundamentally changed. Governments are weakening; governance is slipping. Some people find national approaches less attractive than they once were, now preferring globalism, regionalism or other arrangements Into this space have entered TNCs and Civil Society (such as NGOs, affected people etc). The Bank has failed to recognize this fundamental shift. We need to define the stakeholders and act accordingly. Stakeholders include our owners (via EDs and Governors), borrowing government, new borrowers such as Grameen-type PA Banks, NGOs (see Bank's new paper on improving Bank/NGO relations).

#### c. Co-Responsibility

In 1945, up to the late 60s?, we waited for Bankable projects to be offered to us to appraise. Under such a traditional passive lender / spontaneous active loan-seeker, it made sense for the borrower to bear the cost of failed projects. The bank is the preferred creditor so we have less incentive to ensure quality that Wapenhas shows has slipped too far. passive lender / active borrower relationship has ceased. Now we squeeze the projects that we want to see out of the potential borrowers. We even go as far as to create bankable project preparation agencies in the borrowing governments to ensure we have a reliable pipeline of such projects. This means the traditional lender/borrower relationship has changed since 1945 over the last 20-30 years (essentially since Pres McNamara we understand) to a new relationship of co-responsibility partnerships -- especially for failed loans. We have to accept some of the risk of failed projects. Grameen bank accept the responsibility in such cases for lending where repayment fails. Wapenhans noted lack of ownership and this is a symptom of us squeezing the loans we want, not necessarily lending for what the people of country want or need. In addition, the Bank needs better internal governance and improved accountability inside, both institutional as well as individual accountability. accountability means we cannot learn from out mistakes and are likely to repeat them.

LDCs commonly pay 50% more for imports from industrial countries than paid for the same imports by industrial importers. The Bank should help LDCs get the same or similar price for similar imports now enjoyed by richer importers. Although unsure how this can be achieved, it is a massive way to help LDCs that we at present ignore. Possibly we could assist by means of regional collaboration or by international procurement arrangements to secure the best price for our clients?

Encourage Part 1 members to adjust the international economy in favor of developing countries. At the least we should scrutinize adjustments to saee if they are more likely to help or harm Part 2 members. Points of entry might include Group of Seven, GATT, UNSO & SNA, regulation of speculative money markets thru banks?, dialog with our Governors at Annual Meeting times. Personally we know little about this issue except to recognize its opportunity. We lend \$24b/ear, whereas world trade is \$4t, and money markets exchange in 6 hours what we have cumulatively lent over 50 years.

#### e. Skills Mix:

Because other visioning groups and the Bank itself are already focusing on this important topic, we reftain from adding much at this stage. However, participation, poverty, sustainability etc cannot merely be bolted on to existing Bank procedures. These new needs demand fundamental adjustments in skills mix, resource allocation and incentives, as fortunately are being discussed already.

We look forward to your comments, corrections and additions

John and Robert

EMs to: John D. Clark, Robert Goodland

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CC: Mohamed T. El-Ashry ( MOHAMED T. EL-ASHRY )
CC: Jan Wijnand ( JAN WIJNAND )
CC: Aubrey Williams ( AUBREY WILLIAMS )
CC: Gloria Davis ( GLORIA DAVIS )
CC: Pierre Landell-Mills ( PIERRE LANDELL-MILLS )
CC: Andrew Steer ( ANDREW STEER )
CC: Tom Merrick ( TOM MERRICK )
```

DATE: February 1, 1994 12:14pm EST

TO: See Distribution Below

FROM: Sarwar Lateef, OPRIE ( SARWAR LATEEF )

EXT.: 31760

SUBJECT: Some very thoughtful comments from Miguel

#### DISTRIBUTION: ( ALEXANDER SHAKOW ) TO: Alexander Shakow ( ANDREW STEER ) TO: Andrew Steer TO: Anil Malhotra ( ANIL MALHOTRA ) ( ARMEANE CHOKSI ) TO: Armeane Choksi ( BARBARA BRUNS ) TO: Barbara Bruns TO: C.L. Robless ( C.L. ROBLESS ) ( CATHERINE KLEYNHOFF ) TO: Catherine Kleynhoff ( CHARLOTTE JONES-CARROLL ) TO: Charlotte Jones-Carroll TO: D. C. Rao TO: Dominique Lallement ( D. C. RAO ) ( DOMINIQUE LALLEMENT ) ( ELKYN CHAPARRO @A1@SENGAL ) TO: ELKYN CHAPARRO TO: Gautam Adhikari TO: Geoffrey Lamb ( GAUTAM ADHIKARI ) ( GEOFFREY B. LAMB ) ( HANS WYSS @A1@PARIS ) TO: HANS WYSS ( INDER SUD ) TO: Inder Sud TO: Jan Wijnand ( JAN WIJNAND ) ( JOANNE SALOP ) TO: Joanne Salop ( JULIAN SCHWEITZER ) TO: Julian Schweitzer TO: Louis Forget TO: Margaret Amaral ( LOUIS FORGET ) ( MARGARET AMARAL ) TO: Maritta Koch-Weser ( MARITTA KOCH-WESER ) ( MARK BAIRD ) To: Mark Baird ( MASOOD AHMED ) TO: Masood Ahmed ( MIEKO NISHIMIZU ) TO: Mieko Nishimizu ( MIGUEL SCHLOSS ) TO: Miguel Schloss ( MYRNA ALEXANDER ) To: Myrna Alexander ( PAUL RABE ) TO: Paul Rabe ( PAULA DONOVAN ) TO: Paula Donovan ( PIERRE LANDELL-MILLS ) TO: Pierre Landell-Mills TO: Rachel Weaving TO: Robert Ayres ( RACHEL WEAVING ) ( ROBERT AYRES ) ( ROBERT PICCIOTTO ) TO: Robert Picciotto ( SONIA BENAVIDES PAZ ) TO: Sonia Benavides-Paz

DATE: February 11, 1994 03:12pm

TO: Michael Bruno ( MICHAEL BRUNO )
TO: Johannes Linn ( JOHANNES LINN )

FROM: Miguel Schloss, PBDCP ( MIGUEL SCHLOSS )

EXT.: 30118

SUBJECT: 50th Anniversary: Brainstorming on the Vision Thing (World Development Implications on Bank)

As I am going to be out of town towards the end next week, I am afraid I will be unable to attend the above-mentioned meeting. For whatever it may be worth, I am appending my latest EM on the subject.

( TARIQ HUSAIN ) CC: Tarig Husain ( VINOD THOMAS ) CC: Vinod Thomas ( WADI HADDAD ) CC: Wadi Haddad ( CARL DAHLMAN ) CC: Carl Dahlman ( ALBERTO DE CAPITANI ) CC: Alberto de Capitani CC: Mike Stevens ( MIKE STEVENS ) CC: John D. Clark ( JOHN D. CLARK ) ( AUBREY WILLIAMS ) CC: Aubrey Williams CC: Shahid Javed Burki CC: Robert Ayres CC: Rachel Weaving ( SHAHID JAVED BURKI ) ( ROBERT AYRES ) ( RACHEL WEAVING ) ( NORMAN HICKS )

CC: Norman Hicks (NORMAN HICKS)
CC: Marcelo Selowsky (MARCELO SELOWSKY)
CC: Ishrat Husain (ISHRAT HUSAIN)

DATE: February 1, 1994 11:46am EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Miguel Schloss, PBDCP ( MIGUEL SCHLOSS )

EXT.: 30118

SUBJECT: RE: Reaching the younger crowd

I thought that age was a mental, not a chronological issue, and that the crowd that is dealing with "the vision thing" is very young indeed! That being said, I will be sending to you separately a list responding to your specific request.

We have been chasing each other for the last few days, because I was interested in finding out where you are in the exercise. In the absence of anything better, here are a few thoughts for your youthful brainstorming session.

I wonder whether we are inadvertently repeating today's consensus as our "vision" for tomorrow. While poverty, the environment, governance and the like are important in the development equation, we should ask ourselves whether these are, in fact, the underlying forces with which we must contend over the next ten or twenty years (I have no plans for retiring before then!).

If I were to articulate what's ahead, I suppose that an old Chinese proverb would prove very handy: "It is difficult to forecast -- particularly towards the future". We are faced with compelling forces that have not yet been fully understood. With the transition from agricultural and industrial societies based on heavy inputs of labor and capital to a more technological and integrated world, in which information and innovation are the critical resources, a greater shift of attention needs to focus on problems of accelerated social change: instability, diversity, disequilibrium. Yet much of the economic literature centers on stability, order, and precious little on the process of transition itself.

A sober look at the future suggests that we may still face a rather bumpy road ahead; important geopolitical changes, not only in Eastern Europe and the former Soviet Union, but also in Western Europe and its increasing unification, Japan, the Middle East, and the redefinition of nations in Africa, the Balkans; intense and growing competitiveness for products, services and countries; important bankruptcies, forced mergers followed by significant shakeouts, etc.

expounds so little on these problems, and that much of the attention, despite the wrenching problems faced so far, has tended to concentrate on conditions of equilibrium. If there is anything to be learned from developments of the last ten years, it is that reality, instead of being orderly, stable, and equilibrated is bubbling with change, and that much of economic progress has to do with the process of continuous adjustment. As things stand, it seems inevitable that we must contribute through our research effort to the process of reconceptualization of economic thinking -- not so different from the changes that have occurred in physics and other sciences when they were forced to confront the painful limitations of a deterministic and orderly view of the world.

Chief among the forces that have been driving us towards "globalization" are the convergence of various forms of communication, new technologies that have brought about increasing competition for traditional raw materials, etc. (see Picciotto's most recent EM). These developments are, among other things, increasingly overriding the barriers of distance, the importance of availability of raw materials, the management capability among factors of production, and thus the importance of labor costs as a factor of international competitiveness. All this may well alter profoundly what and how we produce, what we trade, how we educate — to mention a few illustrations of how pervasive these changes have become.

Technological changes have thus brought societies face to face, quite literally at point blank range. A secluded existence is no longer an option, except at an intolerable price of economic austerity and even viability. Increasingly then, a country's comparative advantage lies in its ability to effectively use new technology and its absorption into the productive process, in the relative efficiency with which it is applied, and in the integration of productive sectors into cross-country marketing and production networks. Without action in these areas, countries will be unable to generate the surpluses for sustained investments for social development.

No amount of foreign financial and technical assistance can overcome such hindrance. Without foreign exchange to pay or to be paid for goods and services sold across national boundaries, enterprises are cut off from customers, suppliers and financiers for investment and trade transactions. Foreign exchange from bior multilateral organizations and technical assistance, as presently conceived, is no substitute or shortcut for resources of talent that can be mobilized for solving financial, market access, technical and other problems so vital in today's competitive world trade situation.

What does all this mean for the Bank. First, and foremost, private financing flows are an increasingly important part of development, and indeed a major factor explaining the different performance among countries. In a world of shifting risks,

increasing competition for scarce funds in an integrated pool of resources, helping mobilize them more widely should rank much higher in the Bank's development agenda.

Second, the Bank Group could help devise policies, instruments, support mechanisms and organizational arrangements to bring together key players in financing, transfer of know-how, mrket access, etc. on a much larger scale than available at present. We are so accustomed to the straightforward means of debt and equity financing of the past that we often fail to sense the boldness of the assumptions on which they are based. A world where investors stake resources at risk and lenders provide funds at fixed (or more recently variable) rates represents a fairly stable environment in which essentially there are only two parties to be brought into the investment process. However, with the decline of the number of enterprises with privileged access to capital markets, and with the rapid increase of new players, it is becoming increasingly important to foster "strategic alliances" and new instrumentation that can reconcile the different constraints and interests within which each major stakeholder operates.

Third, beyond the mobilization effort per se, there are other implications from a changed role for the Bank. The most obvious that come to mind are: a greater role of productive sectors in university education and research; an enhanced effort for training in the management of technology; the development of a view of the interface among science, business and government; the creation and facilitation of mechanisms to transfer technical knowledge to end users; the facilitation and support of the development of entrepreneurial skills, to mention a few.

Last but not least, on a somewhat more philosophical vein, I suspect that an inescapable, though much hidden, implication is that we may be creating a spiritual vacuum. How will this be filled? After all, technology is only a long Greek name for a bag of tools. But all tools are not of the material or organizational kind. Time and again in history (Reform Movement in Central Europe, Christianization of the Greco-Roman World, the spread of Islam or Communism to mention some) we have seen that there are spiritual and ideological tools as well, and that these are the most potent, with wide ramifications on motivation and development. Our somewhat mechanistic approach to development may just not fully do the trick in filling disillusioned minds and disappointed people who may be ready to rise above the barren cultural claims. Is there anything we can say in this respect, speculative as it may be? Could it be that with no further challenge from Fascism, Nazism and Communism, the power of pragmatism and materialism, which we seem to support, may create an ideological void that needs filling?

#### February 17, 1994

#### DEC Senior Managers

#### Treasury Department Notes

For your information, attached is a paper from Armeane Choksi on "50 Years Is Enough".

Michael Bruno

Attachment

cc: Paulo V. Da Cunha

THE WORLD BANK/IFC/M.I.G.A. ( M. BOUR)

ROUTING SLIP	DATE	: F	ebruary 9, 1994	10	
NAME			ROOM NO.		
Messrs. Bruno, Burki, Husain, Jaycox, Kaji, Kashiwaya, Kock-Weser, Linn, Picciotto, Rischard, Serageldin, Shihata, Thahane, Thalwitz, Wood, Ms. Einhorn					
cc: Messrs. Preston, Karaosmar Sandstrom, Stern, McHugh, Shakow	noglu,				
URGENT		PER	YOUR REQUEST		
FOR COMMENT		PER	R OUR CONVERSATION		
FOR ACTION		SEE	EE MY EMAIL		
FOR APPROVAL/CLEARANCE		FOR	OR INFORMATION		
FOR SIGNATURE		LET	ET'S DISCUSS		
NOTE AND CIRCULATE		NOT	NOTE AND RETURN		
RE:					
Apropos our luncheon discussion t	oday.				
Attachment					
FROM:	ROOM		EXTENSION:		
Armeane M. Choksi		131	31811		

MHennesey
to: Louellen Stedman

Department
of the Treasury
Departmental

Offices

room:\_\_\_\_\_ date:\_2/4/94

Assistant Secretary for International Affairs

Attached are notes Obey handed to the Secretary during their meeting.

Jeffrey R. Shafer

room 3430 phone 622-0060

#### POLITICAL FLOOR ATTACKS ON THE IFIS

World Bank survives Kasich Amendment to zero fund in FY94 by two votes (210-216, four of the votes against were delegates)

#### Conservatives arque:

--World Bank headquarters building is example of Bank mismanagement and prolificacy

cost increases of 69% above original budget (\$186 million to \$314 million)

over \$20 million unauthorized expenditures specifically disapproved by Bank President

- . people responsible for mismanagement, cost overruns, and unauthorized expenditures only transferred to new jobs at same pay rather than fired
- --IMF Golf Course--why should highly paid international bureaucrats have a private golf course in Bethesda, Md?
- --World Bank is bloated, high paid, bureaucracy more concerned with perks than with quality of loans
  - . 37.5 percent project failure rate (Wapenhans Report)
  - . more interested in new lending, than loan quality
  - Bank report says; "insufficient management attention regarding the overall performance of the portfolio"
- --IDA lends for 40 years with 10 years grace, no interest, .75% annual administrative charge, where can my small businessmen, homeowners, or farmers get loans like that?
- --World Bank loans to Iran approved despite US objections
- --World Bank lends to environmentally destructive projects
- -- There are no graduates from the World Bank lending programs
- --World Bank has plenty of funds on hand to continue lending and has no need for more funds

## Environmental, Religious and Other Private Volunteer Organizations arque

- -- "50 Years is Enough", lets decapitalize the institutions. They claim that the Bank has:
  - . failed to implement the recommendations of its own reports (Wapenhans and the Morse Commission),
  - . made inadequate efforts at making itself more transparent and accountable,
  - . been unwilling to move off the adjustment model
  - . has proven unreformable
  - projects and policies have had disastrous economic, social and environmental impacts
  - operations are marked by arrogance, mismanagement, waste and secrecy;
  - . stand on democracy is hypocritical given their own undemocratic nature
  - are bloated bureaucracies, full of overpaid staff who have little grounding in reality."

#### Other Problem New Washington Headquarters Buildings

- International Finance Corporation Headquarters Building construction—what is the justification? How fancy will it be? Will it be cheaper than current arrangements or will it simply lower costs by avoiding paying DC real estate costs through ownership?
- . International Monetary Fund Headquarters Building construction--what is the justification? cost? How fancy will it be?

#### MEMORANDUM

To:

Participants in the "50 Years Is Enough" Campaign

From:

Ross Hammond (The Development GAP) & Mimi Kleiner (Environmental Defense Fund)

Date:

28 December 1993

1) The next meeting of the entire Campaign will be at Environmental Defense Fund, 1875 Connecticut Ave., N.W., Suite 1016, on Thursday, January 13, from 3:00-5:00.

2) The Campaign met on 17 December at The Development GAP and established four Action Groups in order to enhance and build upon the ongoing work of participating NGOs. The Action Groups, dates and locations of the first meetings, initial contact people, and initial list of participants, are listed below. A campaign roster and address list is also attached at the end of this memo. The four Action Groups are:

#### STRUCTURAL ADJUSTMENT/ECONOMIC JUSTICE

Initial Contact: Doug Hellinger, The Development GAP (tel. 202-898-1566)

Date and Time of First Meeting: Friday, 7 January, 2-4:00pm Location: The Development GAP, 927 15th St., NW, Fourth Floor

Participants:

Central America Working Group

The Development GAP

Friends of the Earth, U.S.

Global Exchange

Greenpeace U.S.

Joint Ministry in Africa Office/Disciples of Christ and the United Church of Christ

Institute for Food and Development Policy

Maryknoll Fathers and Brothers Justice and Peace Office

Missionary Society of St. Columban Campaign on Debt and Development

United Church of Christ Board for World Ministries

United Methodist Church, General Board of Church & Society

Washington Office on Africa

Preliminary issues: impact of SAPs on equity, poverty, workers, small producers, sustainable agriculture and the environment; gender issues; alternatives.

#### ENVIRONMENT

Initial contact: Bruce Rich, Environmental Defense Fund (tel. 202-387-3500)

Date and Time of First Meeting: Friday, 7 January, 12-2:00pm.

Location: Environmental Defense Fund, 1875 Connecticut Ave., NW Suite 1016

Participants:

Committee on Agricultural Sustainability for Developing Countries

Environmental Defense Fund

Environmental and Energy Study Institute

Friends of the Earth, U.S.

Greenpeace U.S.

International Rivers Network

World Hunger Year

World Sustainable Agriculture Association

Preliminary issues: resettlement, energy, forestry, water, sustainable agriculture, adjustment, gender, alternatives.

#### MULTILATERAL DEBT

Initial Contact: Inji Islam, Environmental and Energy Study Institute (tel. 202-628-1400)

Date and Time of First Meeting: Monday, 10 January, 3-5:00pm Location: Friends of the Earth-U.S., 1025 Vermont Ave., Suite 300

Participants:

Environmental Defense Fund

Environmental and Energy Study Institute

Friends of the Earth, U.S.

Global Exchange

Joint Ministry in Africa Office/Disciples of Christ and the United Church of Christ

Missionary Society of St. Columban Campaign on Debt and Development

United Church of Christ Board for World Ministries

United Methodist Church, General Board of Church and Society

Preliminary issues: write-offs, mechanisms, relation to adjustment, environment, poverty and gender.

#### BRETTON WOODS RESTRUCTURING & ALTERNATIVES

Initial Contact: Cam Duncan, Greenpeace U.S. (tel. 202-319-2458) Date and Time of First Meeting: Wednesday, 5 January, 3-5:00pm Location: The Development GAP, 927 15th St., NW, Fourth Floor

Participants:

Center for Development of International Law

The Development GAP

Environmental Defense Fund

Environmental and Energy Study Institute

Friends of the Earth, U.S.

Global Exchange

Greenpeace U.S.

International Rivers Network

Institute for Policy Studies

National Wildlife Federation

#### JOB DESCRIPTION

#### CAMPAIGN COORDINATOR

The "50 Years Is Enough" Campaign, a coalition of environment and development NGOs, is seeking an experienced person to be the Coordinator for an 18 month (and possibly longer) campaign on the World Bank and International Monetary Fund. The individual should have a strong background in public campaigning, a familiarity with the issues, the ability to coordinate and synthesize the work of numerous organizations, leadership capabilities, media experience, and the ability to think strategically. The Coordinator will oversee an assistant, and, funds permitting, a field organizer. Working out of the offices of either The Development GAP or Friends of the Earth, the Coordinator's responsibilities will be as follows:

- 1) oversee the work of the four "Action Groups" (organized along thematic lines and composed of members from participating organizations) and ensure that their work is consistent in terms of message and style;
- 2) ensure proper communication among the Action Groups and among participating organizations;
- 3) ensure that the personnel and resources of the participating NGOs are used in the most efficient and effective manner;
- 4) supervise the work of an assistant and perhaps a field organizer;
- 5) direct and coordinate a high-profile media campaign with the assistance of a media-advisory group and a media consultant;
- 6) coordinate public outreach, Congressional- and Administration-related campaign activities in conjunction with advisory groups;
- 7) coordinate and/or oversee Washington-based events;
- 8) ensure that international partners are informed and consulted about the direction of the U.S. Campaign and coordinate international activities with them;
- 9) serve as a spokesperson for the Campaign; and
- 10) convene and chair meetings of the steering committee.

Salary: commensurate with experience.

Please send resumes to: Marijke Torfs, Friends of the Earth, 1025 Vermont Ave., NW Suite 300, Washington, DC 20005.

"50 YEARS IS ENOUGH" ROSTER AS OF 28 DECEMBER 1993
(Please note that the categories are for internal use. Please send changes to Mimi Kleiner at Environmental Defense Fund)

#### Original Organizations (6)

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Steve Schwartzman/ Ken Walsh
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Organizations in General Agreement w/ Internal Campaign Document and will be Involved in Campaign (18)

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# "50 YEARS IS ENOUGH" DRAFT U.S. NGO CAMPAIGN DOCUMENT FOR THE 50TH ANNIVERSARY OF THE BRETTON WOODS INSTITUTIONS

This paper was drafted for the purpose of helping to define and refine a U.S. NGO campaign on the occasion of the 50th anniversary of the Bretton Woods Institutions (BWIs). It draws upon discussions among The Development GAP, Environmental Defense Fund, Friends of the Earth-U.S., Global Exchange, International Rivers Network and Oxfam America. These groups have already committed themselves to taking significant action over the next 18 months.

#### RATIONALE

For the past ten years, a growing coalition of environment and development NGOs have worked to reform the operations and policies of the World Bank and International Monetary Fund. Despite successes in stopping or modifying some damaging projects, recent developments — including the Bank's failure to implement the recommendations of its own reports (e.g., Wapenhans and the Morse Commission), the Bank's totally inadequate efforts at making itself more transparent and accountable; and the unwillingness of the international financial institutions (IFIs) to move off of the adjustment model — have shown NGOs the limits of the current reform campaign and point to the need for a stronger, more hard-hitting campaign.

The 50th anniversary of the founding of the IMF and the World Bank in 1994 provides NGOs with an unparalleled opportunity to raise the profile of the international campaign on the BWIs. The media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative pieces, retrospectives, etc. Furthermore, the BWIs themselves will be celebrating the "successes" of their operations. This will provide NGOs with additional "hooks" with which to press their demands, their operations. This will provide NGOs with additional "hooks" with which to press their demands. Within the U.S. context, there is also a strong sentiment in both the public and the Congress to "overhaul" foreign aid that can be constructively tapped.

U.S. NGOs must be persistent and clear in their message: that the BWIs have so far proven unreformable; that their projects and policies have had disastrous economic, social and environmental impacts; that their operations are marked by arrogance, mismanagement, waste and secrecy; and that their stand on democracy is hypocritical given their own undemocratic nature. Furthermore, the Bank their stand or democracy is hypocritical given their own undemocratic nature. Furthermore, the Bank and Fund are bloated bureaucracies, full of overpaid staff who have little grounding in reality. This is what taxpayer money is supporting.

#### GOALS

The main goals of the U.S. NGO campaign are: 1) to disempower these institutions so that they can no longer wreak havoc on the people and the environment in the South; and 2) to force a public exploration of possibilities of creating new structures, or modifying existing ones, that could deliver more relevant and appropriate assistance.

Demands will include the following: 1) disclosure of all pertinent information about all World Bank activities and projects, including policy papers on sectoral and structural adjustment lending; 2) the establishment of mechanisms for affected citizens to influence the development of World Bank

programs and to appeal the institutions' decisions and actions; 3) the removal of IDA from World Bank management; 4) a halt to additional recapitalizations of the IBRD; 5) the exploration of alternative funding mechanisms to the World Bank that can support participatory, sustainable development; 6) a partial write-off of multilateral debt without adjustment conditionality, utilizing the reserves of the IFIs; 7) a reduction in the US Treasury's role in setting policy towards the IFIs: 8) requiring that the IMF be accountable for the social and environmental impact of its programs and that the nature of its interventions in the countries of the South be significantly narrowed.

#### STRATEGY

The U.S. NGO campaign on the 50th anniversary of the BWIs should have three inter-related tactics which would constitute an effective overall strategy: 1) a highly visible and aggressive media campaign; 2) extensive public education and mobilization; and 3) political pressure.

#### Media Campaign

We need a highly professional media campaign to highlight the disastrous record of the BWIs and what alternatives/demands NGOs are proposing. The purposes of the media campaign are threefold: 1) to immediately put the BWIs on the defensive; 2) to educate and mobilize the public; and 3) to create an atmosphere in the U.S. Congress and Administration that is conducive to far-reaching reform efforts. We already know that the Bank has hired a high-powered P.R. firm to pre-empt NGO criticisms. This is another reason why the critiques and demands should be far-reaching so that they cannot be met by the Bank and Fund by simply setting up additional, marginally important offices or by issuing another glossy report. It is important that within the media campaign we draw as much as possible on the knowledge and perspectives of our Southern partners. In addition, we need to take advantage of scheduled events, both here and abroad, upon which we can "piggyback," as well as create our own media opportunities.

There are a number of ideas that have been brought up on ways to attract the attention of the media. While bearing in mind that the 50th anniversary itself will be a draw for the media, as will the fact that NGOs have announced a hard-hitting campaign, some of these ideas are as follows: fact sheets; op-ed pieces; investigative articles; cultivation of beat reporters; briefings for editorial boards; briefing booklets for reporters; weekly faxes to the press; an NGO "truth squad"; an IFI report card; full-page ads; video footage; radio and TV talk shows; and, pre-emptive strikes on Bank/Fund events and reports, as well as those of their cheerleaders.

#### PUBLIC EDUCATION

An informed and activated public will be important in pressuring Congress and the Administration to really turn up the heat on the BWIs. Much of the material that is produced for the media (e.g., fact sheets) can be used for public education. Participating NGOs need to tap into their own networks, as well as reach out to grassroots groups in the United States, including local environmental groups, students and labor unions. Our work with the media will accomplish some of this, although there are other steps that must be taken: the mobilization of participating NGO membership; an organizing/campaign packet; speaking tours (including Bruce Rich's promo. tour); a reader on the Bank; BankCheck; portable displays; piggybacking on existing cultural events.

#### PUBLIC POLICY STRATEGY

#### Congress

We need to identify intervention points over the next year when BWI issues will come before the U.S. Congress. When they do, we need to identify the key Congresspeople in the relevant committees and educate them, their staffs and their constituents through the provision of materials, speaking tours, advertisements, op-eds, letter writing, etc. Participating NGOs will reach out to their existing memberships through coordinated Action Alerts over the next year requesting their membership take certain actions. We also need to make sure that our viewpoint is heard at every Congressional hearing or briefing on IFI-related issues. A more concerted effort requires getting information to key Congressional staff on IFI-related issues. This will involve putting together a mailing list of key staff and ensuring that they receive a regular flow of information, including briefing papers, newspaper clippings, etc.

#### Clinton Administration

There are two very different views on the nature and direction of foreign assistance emerging within the Clinton Administration. The Treasury continues to pursue Reagan-Bush policies, and it and its alles appear to be winning the day with the NSC, as reflected in its upcoming Policy Review Documents on a broad range of international issues, including relations with the South. At the same time, a participatory bottom-up approach to aid and development is being pursued by the new leadership at AID, which could lead to a direct challenge to the policy framework of the IFIs. We need to work where we have access and influence at each of these entities, as well as at State, EPA, elsewhere in the White House, and anywhere else in the Administration, to enlist its support in pushing for far-reaching changes regarding the IFIs.

## Minutes from US NGO meeting on the 50th Anniversary of the Bretton Woods Institutions at the Environmental Defense Fund (EDF), 23 September 1993.

#### Introduction

Doug Hellinger (The Development GAP) gave a brief introduction, noting that campaigns on the 50th anniversary of the Bretton Woods Institutions (BWIs) are already being planned in some countries and regions and that international groups were asking what U.S. NGOs were going to do. The organizers called this meeting in order to: 1) find out what U.S. groups were planning for next year; 2) find out which groups want to join a U.S. campaign; and 3), draw up a basic campaign strategy to present to international NGOs on Sunday, 26th September.

Following a presentation of the draft campaign document (see attached) there was a period of discussion and clarification on the paper.

#### Discussion

Barbara Bramble (National Wildlife Federation) cautioned that the campaign should not jeopardize the deal which environmental organizations have made with Rep. Barney Frank, i.e., that NGOs will test the Bank's new information policy and appeals mechanism over the next year. She also cautioned that NGOs should not expect 1994 to "do" it for the BWIs. She also insisted that any materials produced for the media must be factually correct and should be free of back-biting. Both she and Jim Barnes (Friends of the Earth) agreed that the campaign could assist in publicizing this test. Friends of the Earth will develop a list of all the documents which NGOs can request, and send it out to organizations around the world encouraging them to test the sincerity of the Bank.

Jo-Marie Griesgraber (Center of Concern) noted a tension in the document between encouraging Congress to exercise more influence on the BWIs but seeking a reduction in the Administration's role. It was agreed that further discussion was necessary on the deleted demand #7, which pertained to role of the Administration. A short discussion on the roles of the State department and Treasury followed.

Cam Duncan (Greenpeace) asked when the demand to remove IDA from Bank management had been discussed in the NGO community and if anyone had thoughts on how this could happen. He also noted that Greenpeace would have like to be involved in the drafting of the original document. Doug Hellinger stated that it had not been widely discussed, but that The Development GAP and Church World Service/Lutheran World Relief had raised this in Congressional.

And the second second

upcoming U.N. conferences to raise IFI issues.

Mark Harrison asked what the campaign will ask individual Americans to do.

Ross Hammond (The Development GAP) suggested letter writing, petitions, etc.

Bruce said that for the public, the campaign should have three broad goals: 1)

making people aware of the BWIs: 2) revealing the problems: and. 3) illustrating that the situation is serious enough for action.

Charles Sykes (CARE) offered 3 points: 1) the first goal of the campaign (that of disempowering the institutions) is not attainable, and so he questioned committing energy and resources to the campaign; 2) that the campaign must develop positive analogues to each of the demands; and, 3) a "charter review committee" must be formed to review the Bank's charter line by line. He stated that without recognizing and acting on these, the campaign will be heavily criticized.

Sarah Burns (World Resources Institute) expressed concern that unless NGOs have something to offer in place of the institutions as they stand today, the campaign will just fuel the movement to cut foreign aid. Others expressed similar concerns. Jim Barnes mentioned an "illustrative list" of alternatives funding mechanisms to the Bank which he used while lobbying this year, as well as the care he takes in working with conservatives on the Hill. He received good feedback on these alternatives, including some from the Congressional Black Caucus. A letter to Senator Leahy mentions some of these, and is available from Jim. Ross responded that groups will have to be prepared to take heat, but must have good answers when attacked.

Doug Hellinger said that the core of the campaign could be descriptive of the institutions and should project the following themes: 1) as far as they have shown, the BWIs are not reformable; 2) the social and environmental impacts of the BWIs are far-reaching and negative; and, 3) the BWIs are characterized by secrecy, arrogance and waste. Larry Williams took issue with Doug's first point and rephrased it as such, "the BWIs are not responsive to reform initiatives". If the campaign says the BWIs are not reformable, in his mind, groups should launch a campaign to dismantle them. He doesn't believe we can do that. He floated the following theme for consideration, that an effort to decapitalize the BWIs would give them less power to hurt people now, and force them to make fundamental change. Bruce Rich suggested adopting the idea that if the BWIs are reformable, they are only so if deprived of their money and toys.

At this point, <u>Doug</u> introduced the next phase of the meeting, by asking which groups felt comfortable enough with the rationale, intent, goals, demands and arguments discussed to participate in a major, hard-hitting, high-profile media campaign.

the Bank.

Paul Lostritto said that the Maryknoll Justice and Peace Office is on board with everything being discussed.

Jo Marie Griesgraber said that she would have to speak with others at the Center of Concern before the Center could formally affiliate itself with the campaign. Currently, she can contribute to the campaign by mobilizing a grassroots network of about 500 to write letters on the BWIs. Her participation will also be moderated by the time and resources she spends on another (academic) effort on the BWIs.

Amie Weinberg of the Student Environmental Action Coalition (SEAC) said that SEAC is philosophically interested in the campaign and may incorporate Bretton Woods issues into its education and action work starting in December or soon thereafter. SEAC, however, has no money to contribute to the campaign and will also be devoting some of its time to other UN conferences.

Mark Harrison said that the United Methodist Board of Church and Society is interested and he will approach his board about participation in the campaign. Following this, he could help the campaign gain access to "pockets of money" in the church.

Pamela Sparr said that the Women's Division of the United Methodist Church will do a mass educational effort on the BWIs. Their involvement and ability to make financial contributions to the campaign will depend on the extent to which a feminist analysis is included.

Karan Capoor from the International Climate Action Network said that while his network is not an MDB network it is very interested in the energy and transport divisions of the World Bank. He said his network will discuss and possibly provide support to the campaign.

Charles Svkes from CARE said that he felt comfortable enough with the document to participate in the further evolution of the campaign.

James Arena de Rosa said that as one of the early core members Oxfam America is prepared to put the following into the campaign: 1) staff time of their Global Initiatives person in Boston; 2) advocacy resources for media work (including financial resources if a media coordinator is hired, but not for a media (consultant); 3) time and resources of the coming Oxfam office in Washington; and, 4) arrangements/funding to bring Southern partners to the U.S. for meetings and speaking engagements.

Mariike Torfs said that Friends of the Earth will dedicate staff time,

## In attendance at EDF, 9/23/93 (Please check your contact information and send corrections to Mimi)

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Washington, DC 20017

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## Barbara Bramble National Wildlife Federation

1400 16th Street, NW Washington, DC 20036

tel: 202-797-6600 fax: 202-797-6646

James Arena-DeRosa OXFAM America 26 West Street Boston, MA 02111 tel: 617-728-2475 fax: 617-728-2596

Carolyn Carr - Sierra Club 342 Payne Road Auburn, AL 36830 tel: 205-887-5993 econet: Sierra:Carolyn.Carr

Larry Williams/Mamatha Gowda Sierra Club 408 C Street, NE Washington, DC 20002 tel: 202-547-1141 fax: 202-547-6009

Amie Weinberg Student Environmental Action Coalition (SEAC) 815 16th Street, NW Washington, DC 20006 tel: 202-783-3993 202-686-4839 (voice mail)

fax: 202-783-3591

Owen Lammers
International Rivers Network
1847 Berkely Way
Berkely, CA 94703
tel: 510-848-1155
fax: 510-848-1008

David Hunter/Chris Wold
Center for International Environmental Law
1621-Connecticut-Ave., N.W.
Washington, D.C. 20009-1076
tel: 202-332-4840
fax: 202-332-4865

John Cavanagh
Institute for Policy Studies/PDF
1601 Connecticut Ave. NW, Suite 500
Washington, DC 20009
tel: 202-234-9382
fax: 202-387-7915

John Gershman - Food First 398 60th Street Oakland, CA 94618 tel: 510-654-4400 fax: 510-654-4551 email: foodfirst

Eric Mathias, Africa Office United Church Board for World Ministries 475 Riverside Drive, 16th Floor New York, NY 10115 tel: 212-870-2834 fax: 212-932-1236

Carol Richardson Witness for Peace 2201 P Street, N.W. #109 Washington, D.C. 20037 tel: 202-797-1160 fax: 202-797-1164 Thea Lee/Jerry Levinson
Economic Policy Institute
1730 Rhode Island Ave., NW, Suite 200
Washington, D.C. 20036
tel: 202-775-8810

tel: 202-775-8810 fax: 202-775-0819

Paul Nelson/Carol Capps CWS/LWR 110 Maryland Ave., NE, Suite-108—— Washington, D.C. 20002 tel: 202-543-6336 fax: 202-543-1297

Jane F. McAlevey
Highlander Center
1959 Highlander Way
New Market, TN 37820
tel: 615-933-3443
fax: 615-933-3424
email: econet-jmacalevey

S. Jacob Scherr - NRDC 1350 New York Ave., N.W. Washington, D.C. 20005 tel: 202-783-7800 fax: 202-783-5917

Bob Stark - PACCA 1506 19th St., NW, Suite 2 Washington. D.C. 20036 tel: 202-332-6333 fax: 202-387-7915

Mark Ritchie
Institute for Agriculture and Trade Policy
1313 5th St., SE, Suite 303
Minneapolis, MN 55414
tel: 612-379-5980
fax: 612-379-5982

#### 50 Years Events Calendar

A Compendium of Information and Resources around the 50th Anniversary of Bretton Woods especially for NGOs

Next summer will mark the 50th anniversary of the Bretton Woods Conference that led to the creation of the World Bank and the International Monetary Fund. Over the next 12 months, the Bank Information Center will maintain a calendar of activities that are being planned by NGOs, Bank officials and others to focus attention on the institutions. Please contact the organizations directly for more information about their specific activities. The 50 Years Events Calendar will be updated periodically and distributed to interested NGOs. If you are planning events, books or other related activities around the MDBs: 50 Years Anniversary, please send your information to Martha Hall at the Bank Information Center, 2025 I Street, NW, Suite 522, Washington, DC 20006 USA fax 202-466-\$189 or Econet e-mail bicusa@igc.apc.org.

Activities and points of view published in this Calendar are quoted directly from organizations submitting information. The Bank Information Center has not attempted to edit these submissions.

#### APC Public Conferences and E-Mail

Check APC public conferences below for the Alternative Forum Manifesto (available in English and Spanish), as well as other discussions, documents, and debates regarding the 50 Years Anniversary. The IGC and American University are offering educational and training programs on NGO computing in Washington, DC. Contact Clark Forden at 202-829-2278 or Howard Frederick at the School for International Service at 202-885-1635 or send messages to proutwdc@igc.apc.org.

act.wb94 coc.brettonwds econ.saps econ.saps.uk energy.mdbs env.letters rainfor.worldb worldbank.bus

AEDEÑAT Campomanes 13 E-28013 Madrid, Spain Tel. 34-1-559-0334 fax 34-1-571-7108

Spanish NGO hosting The Alternative Forum: Other Voices of the Planes (Sept. 26-Oct. 1) in Madrid and participating in the 50 Years is Enough (Spanish translation - Cinquentos Años Bastan) Campaign. Preliminary meetings in Madrid (Feb. 12-13); Campaign Manifesto available mid-February; four upcoming actions; Plenary Sessions - including an extraordinary session, a debate between NGOs and representatives from the WB and IMF (Oct. 2). Possible international hearing on 50 Years of Policies of the IMF, WB, GATT in October. An international photo exhibit is planned to coincide with the Alternative Forum.

A SEED Europe
P.O. Box 92066
1090 AB Amsterdam, the Netherlands
tel. 31-20-668-2236
fax 31-20-665-0166

email: ASEEDEUR@antenna.nl
Coordinating a newsletter, calendar of activities, and information packs on
IMF/WB for European youth campaign, a joint undertaking of A SEED,
Third World First, Youth for Environment in Europe, and Youth for
Development Cooperation (see TWF, YEE and YDC). The youth campaign
consists of spreading information on WB policies; organizing national and
regional meetings (May); actions (July & Sept); and the Madrid meeting and
Alternative Forum. Possible German students meeting (Feb. 4-6) in Hanover
(Bernd Schneidertel. 49-51107625061 email:asta.unih@oln.comlink.apc.org).

Asociación Kunas Unidos por Napguana Contact: Marcial Arias Via España, Edif. Dominó 2º piso. Oficina 31, Apartado Postal 536 Panamá 1, Panamá tel. 507-69-6525 fax 506-69-3514

Coordinating a series of indigenous peoples events in Panama and throughout the Americas that coincide with the 50th Anniversary activities.

Bank Information Center
Contact: Martha Hall
2025 I Street, NW, Suite 522
Washington, DC 20006 USA
tel. 202 466-8191
fax 202 466-8189
e-mail bicusa@igc.apc.org
Maintains the 50 Years Events Calendar.

Bern Declaration
Contact: Peter Bosshard
Quellenstrasse 25, Postfach
8031 Zurich, Switzerland
tel. 41 12 716 434
fax 41 12 725 060

Participants in the European 50 Years is Enough Campaign, coordinating activities with EUROSTEP's working group on the BWIs; organizing a conference with WEED (Germany) and Southern NGOs in late June 1994.

The Bretton Woods Committee Contact: Abbie Sutherland 1990 M Street, NW, Suite 450 Washington, DC 20036 USA tel. 202-331-1616 fax 202-785-9423

Planning July 21-22 conference to discuss the findings of a study of the future of BWIs.

Bretton Woods II: : A First Step Contact: Joseph Potvin P.O. Box 715, Station B Ottawa, Ontario, Canada K1P 5P8 tel. 613-741-3178 fax 613-749-2087

As of mid-January, this workshop is a currently being proposed for June 24 as one of several post-symposium workshops associated with the First International Symposium on Ecosystem Health and Medicine, June 19-24 in Ottawa, Canada. The discussion marks the 50th Anniversary of the BWIs, but "this is not a retrospective. It is a forward-looking assembly attuned to the new perceptions that come with the advances in ecosystem sciences, health sciences, and seminal work in the economics of sustainability."

FIPMA

Contact: Jose M. Borrero

Apdo. Acreo 2741

Cali, Colombia

tel. 57-23-803-761

fax 57-23-821-723

email: fipma@geo2.geonet.de

Participants in the International Month of Action in July; organizing (with a CELA and ECOLEGIO) a regional Conference on Ecological Debt to be held at the University of Valle in Cali on July 7-9. The conference will be a follow up of the Global Consultation on the Ecological Debt conducted since 1991 by FIPMA and NOVIB.

Friends of the Earth-USA
Contact: Marijke Torfa/Im Barnes
1025 Vermont Avenue, NW, Suite 300
Washington, DC 20005 USA
tel. 202-783-7400
fax 202-783-0444

e-mail: foedc@igc.apc.org

Part of the U.S. NGO 50 Years is Enough Campaign. Publishing The Time of Troubles: Russian Aid in a Post-UNCED World, in early February. Updating and expanding a revised edition of Bankrolling Successes, which re-examines earlier case studies of development projects (sponsored by a wide variety of development institutions) which had aspects of environmental sustainability success. Will be available for distribution at the Alternative Forum in Madrid.

Friends of the Earth-England, Wales and Northern Ireland Contact: Andrew Dilworth

2628 Underwood Street

London N17JQ, England

tel. 44-71-490-2665

fax 44-71-490-0881

Releasing a new report on structural adjustment this year.

FUNAM - Fundación para la Defensa del Ambiente

Contact: Rual Montenegro

Casilia de Correo 83

Correo Central, 5000

Cordoba, Argentina

tel. 54-51-69-02-82

fax 54-51-52-02-60

Holding press conferences under the slogan, "World Bank: 50 years of loans or 50 years of corruption?" focusing on social, environmental, economic, access to information policy and road to sustainable mechanisms for financing; national campaign in Argentina to strengthen NGO role as watchdogs of BWIs; international campaign to clarify NGO/Bretton Woods relationships.

Global Exchange

Contact: Kevin Danaher 2017 Mission Street, #303

San Francisco, CA 94110 USA

tel. 415-255-7296

fax 415-255-7698

e-mail: globalexch@igc.org

Organizing a "reader" on WB, possibly IMF, entitled 50 Years is Enough: The Case Against the World Bank, available in June; mini-primer for students and other interested parties available in March; organizing training workshops on international financial issues.

GLOBE - Global Legislators' Organization for a Balanced Environment

Contact: Patrick Ramage 409 Third Street, SW, Suite 204 Washington, DC 20024 USA

tel. 202-863-0153

fax 202-479-9447

ECONET e-mail: globe

GLOBE consists of parliamentarians from EC, Japan, Russia and the USA. Washington Conference (Feb. 28-March 1). Discussions will focus on Trade and Environment, especially GATT; general reform of the IFIs to reflect environmental goals, debt, GEF; Export of Toxic and Hazardous Wastes.

Greenpeace

Contact: Cam Duncan

1436 U Street, NW

Washington, DC 20009 USA

tel. 202-462-1177

fax 202-462-4507

e-mail: terrauade@igc.org

January newsletter highlights BWI issues. Coordinators for the U.S. NGO's 50 Years is Enough Campaign's Action Group on 'Bretton Woods

Restructuring and Alternatives."

Heati DUHA (Friends of the Earth, Czech Republic)

Contact: Jakub Patocka

Jakubaka nam. 7

602 00 Broo

Czech Republic

tel. 42-54-221-0438

fax 42-54-221-0347

email: patocka.jakub@ecn.gn.apc.org

National meeting on the BWIs; a special issue of the Hnuti DUHA Magazine

this year covers the BWIs. Also organizing some direct actions.

TRASE

Mario Clara Couto Soares/Candido Grzybowski

Rua Vicente de Souza 29

Botafogo 22251

Rio de Janeiro, Brazil

phone: 55 21 286 0348

fax: 55 21 286 0541

Participating in the Latin American NGOs 50 Years is Enough Campaign and planning an action in July. "Democratic Alternatives to Bretton Woods Policies and Conceptions" is one of IBASE's main work areas in 1994 and IBASE will participate in the International Symposium, IMF and World Bank in the 21st Canary, in Wuppertal in June, organized by WEED.

**INGI Secretarist** 

Contact: Lise Jordan and Peter van Tuijl

P.O. Box 11609

2502 AP, The Hague, The Netherlands

tel. 31 70 342 1621

fax 31 70 361 4461

Dialogue paper, Democratizing Global Power Relations: Steps towards a political foundation for a global NGO campaign to reshape the Bretton Woods Institutions.\* Questions, comments should be faxed to Lisa Jordan.

Institute for Agriculture and Trade Policy (IATP)

Contact: Kristin Dawkins

1313 Fifth Street, SE, Suite 303

Minneapolis, MN 55414-1546 tel. 612-379-5980

Gx 612-379-5982

ECONET email: iatp@igc.apc.org

Planning the Conference of Founders of the Bretton Woods System for

October 15-17 at Bretton Woods in New Hampshire.

Institute for Food and Development Policy (Food First)

Contact: John Greshman

398 60th Street

Oakland, CA 94618 USA

tel. 510-654-4400

fax 510-654-4551

e-mail: foodling@igc.apc.org

Participants in the U.S. NOG's 50 Years is Ecough Campaign. Publishing Dark Victory: The US Structural Adjustment and Global Powerty, by Walden Bello, et al., available in February. The book examines the impact of structural adjustment on the South as well as similar policies in the U.S. in the

1980s, with case studies.

Third World First (TWF) Contact: 217 Crowiey Road Oxford OX4 1XG, UK tel. 44-865-245-678 fax 44-865-200-179

Part of the European youth groups organizing around the BWIs 50 Years.

Organizing a gathering/conference on IMB and WB with the Scottish Green

Student Network on February 5-6 in Edinburgh, UK (Contact Mark Smith, tel. 44-31-447-5170).

Third World Network Contact: Roberto Bissio Miguel del Correo 1461 Montevideo, Urugusy tel. 598-2-496-192 fax 598-2-419-222

NGO coordinating umbrells group in Latin America; hosts "chasque" node of the APC network; campaigns around public access to information and MDEs; publishes English and Spanish versions of Third World Resurgence and Third World Economics magazines with information about the 50th anniversary.

The Transnational Institute Contact: Suam George 10, rue Jean Michelex 91510 Landy, France tel. 331-6456 4715 fax 331-6087 6668

Publishing Faith and Credit: The World Bank's Secular Empire, by Susan George and Fabrizio Sabelli, available in September in English and French. Spanish, Norwegian, Italian, German, and Japanese editions available soon. Co-publishing another book of essays, Beyond Bretton Woods: Alternatives to the Global Order (see IPS).

United Nations
Contact: Ann Rickert
One United Nations Plaza
New York, NY 10016 USA
tel. 212-963-1995

The United Nations is ecoordinating conferences and publishing papers, documents, and books regarding both the BWIs 50th Anniversary and the U.N. 50th Anniversary in 1995. Check individual programs within the UN for specific details. The WB and UN are coordinating many activities together. The UNDP Human Development Report - 1994 is intended to set the agenda for the 1995 U.N. Social Summit, including many suggestions for the BWIs (available for \$17.95 through Oxford University Press, 200 Madison Avenue, New York, NY 10016 USA, tel 212-679-7300, ext. 7112).

University of Toronto
Contact: Gerry Helleiner, G24 Research Coordinator
Department of Economics
150 St. George Street
Toronto, Ontario Canada M5S 1A1
tel. 416-978-5063
fax 416-978-6713
e-mail: INTERNET torecon@epss.utoronto.ca

Organizing April 18-20 conference in Colombia, Group of Twenty-Four (on international monetary affairs) Conference on the 50th Anniversary of Bretton Woods. Coordinating country authors to present papers on all aspects of international monetary and financial policy as seen by the developing countries and suggestions for change.

Urgewald: Kampagne fur den Reganwald

Contact: Maike Rademaker

Von Galen, Str. 2

Sassenberg 4414, Germany

phone: 49 25 831031 fax: 49 25 831031

e-mail: urgewald@gn.apc.org

Organizing seminar for German grassroots organizations in April to plan actions in July and October; distributing action postcards addressed to WB President Preston on resembement and calling for conditions on money from Germany to the WB; publishing a booklet to explain how Germany is related to the WB, how to influence WB policies, project information, etc.

WEED (World Economy, Ecology and Development Association)

Contact: Peter Wahl
Berliner Plaza 1
D-53111, Bonn, Germany
tel. 02-22-69-6479
fax 02-22-69-6470

e-mail: weed@pds.11.com-link

A Feb/March seminar with MPs of the German Parliament in Bonn; jointly organized (with Wuppertal Institute for Climate, Environment and Energy) International Symposium, "IMF and the WB in the 21st Century," June 17-18 in Wuppertal; and in September, a seminar for German journalists in preparation of the 50 Years Anniversary General Assembly and alternative activities in Madrid.

Witness for Peace Contact: Carol Richardson 2201 P Street, NW, Room 109 Washington, DC 20036 USA tel. 202-797-1160 fax 202-797-1164

Lamehing "Policy Has A Human Face Campaign" demanding the transformation of trade and monetary policies that devastate the poor in Central America (Feb 15); actions and vigils for the 50 Years is Enough Campaign (July 16-24).

World Bank

Contact: Mr. K. Sarwar Lateof 50th Anniversary OPRIE, Room T8101 1818 H Street, NW Washington, DC 20433 USA tel. 202-473-1760 fax. 202-676-0597

The culmination of all 50th Anniversary activities focuses around the joint WB-IMF General Assembly in Madrid, October 4-6. Recent news indicates that original plans for a three-year (1994-1996) program of activities around the Bretton Woods Anniversary are being modified, and public activities will not start until after July, when a major study re-thinking the World Bank's role and future challenges is released. The anniversary activities may be cut back to one year. However, initial plans for 1994, (subject to change), include a series of Round Tables, or small "focus groups" in selected countries with NGOs, academics, private sector, governmental policymakers, ets. Additional 'Socratic Dialogues' may be staged during May and September, are an event where a panel of WB staff and others are given a series of hypothetical questions and expected to explain how, in a real life simution, they would respond. The Socrates Dialogues would be held in from of large public audiences, and possibly televised. Other initial activities (which may be on hold) include plans to coordinate with the United Nations in 1995 to build mutual support and highlight the 50th Anniversary of the U.N. For 1996 and beyond, the WB is planning a media program to encourage publications by popular writers, academic writings, acminars, films and tv programs, privately-produced made-for-tv spots, a two-volume Bank History, will be published in 1996 (Contact: Devesh Kapur @ (202) 458-0173), and speeches by Bank President. Planning to design a new WB Corporate identity program and promote a new logo.

50 Years Events Calendar by Month
A Compendium of Information and Resources
around the 50th Anniversary of Bretton Woods
especially for NGOs

January 18, 1994

April 25-26

Bank Information Center, fax 202-466-8189 or e-mail bicusa@ign.apc.org.

#### JANUARY 1994

- \* The Ecologist, January/February issue, highlights the 50th anniversary of the MDBs; coverage will continue in each issue.
- \* Greenpeace January newsletter is devoted to IFI issues.
- \* Worldwatch Institute State of the World 1994, with WB chapter, available in January.

FEBRUARY 1994		
Feb. 1-5	* Center for Concern 50 Years is Enough Campaign NGO strategy meeting in Washington.	
Feb. 3-6	* Third Global Structures Convocation, Washington.	
Feb. 4-6	* A SEED Europe German youth NGO meeting in Hanover.	
Feb. 5-6	* Third World First and Scottish Greens Student Network conference on WB in Edinburgh, UK.	
Feb. 12-13	* AEDENAT Alternative Forum preliminary meeting in Madrid.	
Feb. 15	* Witness for Peace launches Policy Has a Human Face Campaign.	
Feb. 21	* AEDENAT 50 Years is Enough Campaign Manifesto available.	
Feb. 23	* Environmental Defense Fund book release, Mortgaging the Earth, by Bruce Rich, 5:30 pm at Sidney	
	Kramer Books in Washington, DC.	
Feb. 28-March 1	* GLOBE Conference in Washington, DC.	
	* Kairos Europa mobile seminars February - June.	
	Asian Network on Debt and Structural Adjustment meeting to launch campaign against destructive aid.	
	* Cato Institute book release, Perpetuating Poverty, available late February.	
	* Friends of the Earth book, The Time of Troubles: Russian Aid in a Post-UNCED World published.  * Institute for Food and Development Policy book Dark Victory: The U.S. Structural Adjustment and Global Poverty published.	
	MARCH 1994	
March 6-10	* CAIA Eco-Justice Reality Tour of Washington, DC.	
	* Kairos Europa mobile seminars February-June.	
	APRIL 1994	
April 10	* Global Exchange mini-reader for students available.	
April 13-15	* IDB Board of Governors meeting in Guadalajara; final decisions for the eighth replenishment will be made. Contact Third World Institute or Bank Information Center for more information.	
. April 18-20	* University of Toronto Group of 24 Conference.	
April 22	* AEDENAT 50 Years is Enough Campaign Earth Day action.	

#### **MAY 1994**

\* Euronatur conserence, "The World Bank: A Chance for the Environment in Europe?"

\* A SEED Europe national and regional meetings.

\* Kairos Europa mobile seminars February-June.

\* Urgewald NGO seminar to plan actions in July and October.

- \* Kairos Europa mobile seminars, February-June.
- \* BankCheck Quarterly Calendar with July 1994: Call to Action Month activities available.

#### OCTOBER 1994

thru Oct. 1	* The Alternative Forum: Other Voices of the Planet.
Oct. 2	<ul> <li>AEDEÑAT Extraordinary Plenary Session: A debate between participants of the Alternative Forum and representatives of the WB and IMF.</li> </ul>
Oct. 2	* AEDENAT 50 Years is Enough action
Oct. 4-6	* World Bank/IMF General Assembly in Madrid.
Oct. 5	* AEDENAT 50 Years is Enough action.
Oct. 15-17	* IATP Conference of the Founders of the Bretton Woods System.
Oct. 16	* AEDENAT NGO Alternative Congress meeting in Madrid.

<sup>\*</sup> Possible AEDENAT International Tribunal on the 50 years of policies of the IMF, WB, GATT.

\* Christian Aid October press launch of SAPs Report.

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 28, 1994 03:28pm

TO: Paulo Vieira Da Cunha

FROM: Michael Bruno, DECVP ( MICHAEL BRUNO )

( PAULO VIEIRA DA CUNHA )

EXT.: 33774

SUBJECT: Attached re Brainstorming

#### The World Bank/IFC/MIGA OFFICE MEMORANDUM February 28, 1994 10:45am EST DATE: TO: See Distribution Below ( SARWAR LATEEF ) FROM: Sarwar Lateef, HROAN EXT.: 31760 SUBJECT: Brainstorming: The skills mix issue or rather the skills deficit: Tariq's views DISTRIBUTION: ( ALEXANDER SHAKOW ) TO: Alexander Shakow ( ANDREW STEER ) TO: Andrew Steer ( ANIL MALHOTRA ) TO: Anil Malhotra ( ARMEANE CHOKSI ) TO: Armeane Choksi ( BARBARA BRUNS ) TO: Barbara Bruns ( BARBARA TRAVIS ) TO: Barbara Travis ( C.L. ROBLESS ) TO: C.L. Robless ( CATHERINE KLEYNHOFF ) TO: Catherine Kleynhoff ( CHARLOTTE JONES-CARROLL ) TO: Charlotte Jones-Carroll ( D. C. RAO ) TO: D. C. Rao ( DANIEL RITCHIE ) TO: Daniel Ritchie ( DENNIS ANDERSON ) TO: Dennis Anderson ( DOMINIQUE LALLEMENT ) TO: Dominique Lallement TO: Elkyn Chaparro ( ELKYN CHAPARRO ) ( FARIDA KHAMBATA ) TO: Farida Khambata ( GAUTAM ADHIKARI ) TO: Gautam Adhikari TO: Geoffrey Lamb TO: Gobind T. Nankani ( GEOFFREY B. LAMB ) ( GOBIND T. NANKANI ) ( HANS WYSS @A1@PARIS ) TO: HANS WYSS ( INDER SUD ) TO: Inder Sud TO: Ishrat Husain ( ISHRAT HUSAIN ) ( JAN WIJNAND ) TO: Jan Wijnand ( JEAN-FRANCOIS RISCHARD ) TO: Jean-Francois Rischard ( JOANNE SALOP ) TO: Joanne Salop TO: Johannes Linn ( JOHANNES LINN ) ( JOHN D. CLARK ) TO: John D. Clark ( JULIAN SCHWEITZER ) TO: Julian Schweitzer ( LOUIS FORGET ) TO: Louis Forget TO: Mahmood Ayub ( MAHMOOD AYUB ) ( MAKARAND DEHEJIA ) TO: Makarand Dehejia TO: Marcelo Selowsky ( MARCELO SELOWSKY ) ( MARGARET AMARAL ) TO: Margaret Amaral ( MARITTA KOCH-WESER ) TO: Maritta Koch-Weser

TO: Mark Baird

TO: Masood Ahmed

TO: Michael Bruno

TO: Mieko Nishimizu

( MARK BAIRD )

( MASOOD AHMED )

( MICHAEL BRUNO )

( MIEKO NISHIMIZU )

( MIGUEL SCHLOSS ) TO: Miguel Schloss ( MYRNA ALEXANDER ) TO: Myrna Alexander ( NORMAN HICKS ) TO: Norman Hicks TO: Paul Rabe ( PAUL RABE ) ( PAULA DONOVAN ) TO: Paula Donovan ( PIERRE LANDELL-MILLS ) TO: Pierre Landell-Mills TO: Rachel Weaving TO: Richard Frank ( RACHEL WEAVING ) ( RICHARD FRANK ) ( ROBERT AYRES ) TO: Robert Ayres TO: Robert Picciotto TO: Sarwar Lateef ( ROBERT PICCIOTTO ) ( SARWAR LATEEF ) ( SHAHID JAVED BURKI ) TO: Shahid Javed Burki TO: Sonia Benavides-Paz ( SONIA BENAVIDES PAZ ) TO: Sri-ram Aiyer TO: Tariq Husain ( SRI-RAM AIYER ) ( TARIQ HUSAIN ) ( VINOD THOMAS ) TO: Vinod Thomas ( WADI HADDAD ) TO: Wadi Haddad

### The World Bank/IFC/MIGA OFFICE MEMORANDUM

DATE: February 25, 1994 07:34pm EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Tarig Husain, MNAVP ( TARIQ HUSAIN )

EXT.: 33907

SUBJECT: RE: 50th Anniversary: Key points from the brainstorming session on the external environment facing the Bank and its borrowers.

#### Sarwar

I am on leave till monday but have asked my secretary to send one of the papers -- the more directly relevant -- to you , Carl and Elkyn.

As for Skill mix-- I can put something down but not till next

week.

The key point is that economic and social development cannot be achieved by an organization which rarely genuinely travels beyond the pale of Stabilization--IMF variety. If Stabilizing imbalances was sufficient to produce development-- life would indeed have been simple. Human experience suggests otherwise.

Now look at the distribution of skills in the Bank--Economists the dominant group. The rest a motley collection of technical guys or social scientists. If you really dig hard --you may find one or two who may qualify as Scientists. Nonone at the cutting edge , of

Not many mathematicians, ecologists (some may have joined \_\_I may not have noticed--), Statisticians, Political scientists, evn Social scientists. Not many also--who have "managed" in the real world and still have "juice" left (this means energy and passion). Not many, if any, who have been nation builders and are placed in positions where they can make decisions or modify them.

the sharp academics who come (like Fischer, Summers, Chenery) have their own hobby horses, personal agendas. The Institution gives

them more, I think, than they give the Institution.

How many real Educators, Institutions Makers etc do we have ? We have run the CGIAR system without a Real Scientist in the driving seat. It succeeded --could have done better--because it attracted the best and the principle on which the system was built was--solid. ie create an environment where the best (hopefully 0 have the Scientific infrastructure and the incentive to solve Relevant problems. The system could have allocated "our "resources better had the Bank a few real sciwentists running the CGIAR system. I acn go on.

The point is that we have never thought about our skill mix issue seriously; always marginal actions; generally affirmative actions to satisfy some political imperative. To top it whoever we get soon gets decapitalized for lack of systematic training as well as education. This is a knowledge institution—so it likes to call itself—and it does not have a sabbatical program; it spends less

than any other knowledge institution on earth on training, even less

than non-knowledge institutions.

So, when you have all these dreams about ROLES for the Bank in the rest of the 1990s and in the next century tackle the issue of seriouness. It will become irrelevant in a competitive world unless it shapes up--and non-marginally and with a sense of direction. Each role willrequire some additional skills in significant quantities. Will we restructure our evolutionary process to adapt? If not, the institution will be cannibalized by its own shareholders.

Soorry for the emotion as well as the incoherence.

( MARK BAIRD )

( MASOOD AHMED )

( MICHAEL BRUNO )

( MIEKO NISHIMIZU )

#### The World Bank/IFC/MIGA OFFICE MEMORANDUM February 28, 1994 10:45am DATE: See Distribution Below TO: ( SARWAR LATEEF ) FROM: Sarwar Lateef, HROAN 31760 EXT.: SUBJECT: Brainstorming: The skills mix issue or rather the skills deficit: Tariq's views DISTRIBUTION: ( ALEXANDER SHAKOW ) TO: Alexander Shakow ( ANDREW STEER ) TO: Andrew Steer ( ANIL MALHOTRA ) TO: Anil Malhotra ( ARMEANE CHOKSI ) TO: Armeane Choksi ( BARBARA BRUNS ) TO: Barbara Bruns ( BARBARA TRAVIS ) TO: Barbara Travis ( C.L. ROBLESS ) TO: C.L. Robless ( CATHERINE KLEYNHOFF ) TO: Catherine Kleynhoff ( CHARLOTTE JONES-CARROLL ) TO: Charlotte Jones-Carroll ( D. C. RAO ) TO: D. C. Rao ( DANIEL RITCHIE ) TO: Daniel Ritchie ( DENNIS ANDERSON ) TO: Dennis Anderson ( DOMINIQUE LALLEMENT ) TO: Dominique Lallement ( ELKYN CHAPARRO ) TO: Elkyn Chaparro ( FARIDA KHAMBATA ) TO: Farida Khambata ( GAUTAM ADHIKARI ) TO: Gautam Adhikari ( GEOFFREY B. LAMB ) TO: Geoffrey Lamb ( GOBIND T. NANKANI ) TO: Gobind T. Nankani ( HANS WYSS @A1@PARIS ) TO: HANS WYSS ( INDER SUD ) TO: Inder Sud TO: Ishrat Husain ( ISHRAT HUSAIN ) ( JAN WIJNAND ) To: Jan Wijnand ( JEAN-FRANCOIS RISCHARD ) TO: Jean-Francois Rischard ( JOANNE SALOP ) TO: Joanne Salop ( JOHANNES LINN ) TO: Johannes Linn ( JOHN D. CLARK ) TO: John D. Clark ( JULIAN SCHWEITZER ) TO: Julian Schweitzer ( LOUIS FORGET ) TO: Louis Forget ( MAHMOOD AYUB ) TO: Mahmood Ayub ( MAKARAND DEHEJIA ) TO: Makarand Dehejia TO: Marcelo Selowsky ( MARCELO SELOWSKY ) ( MARGARET AMARAL ) TO: Margaret Amaral ( MARITTA KOCH-WESER ) TO: Maritta Koch-Weser

TO: Mark Baird

TO: Masood Ahmed

TO: Michael Bruno

TO: Mieko Nishimizu

( MIGUEL SCHLOSS ) TO: Miguel Schloss TO: Myrna Alexander TO: Norman Hicks ( MYRNA ALEXANDER ) ( NORMAN HICKS ) ( PAUL RABE ) TO: Paul Rabe ( PAULA DONOVAN ) TO: Paula Donovan TO: Pierre Landell-Mills ( PIERRE LANDELL-MILLS ) TO: Rachel Weaving ( RACHEL WEAVING ) ( RICHARD FRANK ) TO: Richard Frank TO: Robert Ayres TO: Robert Picciotto ( ROBERT AYRES ) ( ROBERT PICCIOTTO ) ( SARWAR LATEEF ) TO: Sarwar Lateef ( SHAHID JAVED BURKI ) TO: Shahid Javed Burki TO: Sonia Benavides-Paz TO: Sri-ram Aiyer ( SONIA BENAVIDES PAZ ) ( SRI-RAM AIYER ) ( TARIQ HUSAIN ) TO: Tariq Husain ( VINOD THOMAS ) TO: Vinod Thomas TO: Wadi Haddad ( WADI HADDAD )

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 25, 1994 07:34pm EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Tariq Husain, MNAVP ( TARIQ HUSAIN )

EXT.: 33907

SUBJECT: RE: 50th Anniversary: Key points from the brainstorming session on the external environment facing the Bank and its borrowers.

Sarwar

I am on leave till monday but have asked my secretary to send one of the papers -- the more directly relevant -- to you , Carl and Elkyn.

As for Skill mix-- I can put something down but not till next week.

The key point is that economic and social development cannot be achieved by an organization which rarely genuinely travels beyond the pale of Stabilization--IMF variety. If Stabilizing imbalances was sufficient to produce development-- life would indeed have been simple. Human experience suggests otherwise.

Now look at the distribution of skills in the Bank--Economists the dominant group. The rest a motley collection of technical guys or social scientists. If you really dig hard --you may find one or two who may qualify as Scientists. Nonone at the cutting edge , of course

Not many mathematicians, ecologists (some may have joined \_\_I may not have noticed--), Statisticians, Political scientists, evn Social scientists. Not many also--who have "managed" in the real world and still have "juice" left (this means energy and passion). Not many, if any, who have been nation builders and are placed in positions where they can make decisions or modify them.

the sharp academics who come (like Fischer, Summers, Chenery) have their own hobby horses, personal agendas. The Institution gives them more, I think, than they give the Institution.

How many real Educators, Institutions Makers etc do we have ? We have run the CGIAR system without a Real Scientist in the driving seat. It succeeded --could have done better--because it attracted the best and the principle on which the system was built was--solid. ie create an environment where the best (hopefully 0 have the Scientific infrastructure and the incentive to solve Relevant problems. The system could have allocated "our "resources better had the Bank a few real sciwentists running the CGIAR system.

I acn go on.
The point is that we have never thought about our skill mix issue seriously; always marginal actions; generally affirmative actions to satisfy some political imperative. To top it whoever we get soon gets decapitalized for lack of systematic training as well as education. This is a knowledge institution—so it likes to call itself—and it does not have a sabbatical program; it spends less

than any other knowledge institution on earth on training, even less

than non-knowledge institutions.

So, when you have all these dreams about ROLES for the Bank in the rest of the 1990s and in the next century tackle the issue of seriouness. It will become irrelevant in a competitive world unless it shapes up—and non-marginally and with a sense of direction. Each role willrequire some additional skills in significant quantities. Will we restructure our evolutionary process to adapt? If not, the institution will be cannibalized by its own shareholders.

Soorry for the emotion as well as the incoherence. Tarig

( MASOOD AHMED )

( MICHAEL BRUNO )

( MIEKO NISHIMIZU )

( MIGUEL SCHLOSS )

#### The World Bank/IFC/MIGA OFFICE MEMORANDUM February 28, 1994 10:40am DATE: See Distribution Below TO: ( SARWAR LATEEF ) FROM: Sarwar Lateef, HROAN EXT.: 31760 SUBJECT: fyi DISTRIBUTION: ( ALEXANDER SHAKOW ) TO: Alexander Shakow ( ANDREW STEER ) TO: Andrew Steer TO: Anil Malhotra ( ANIL MALHOTRA ) TO: Armeane Choksi ( ARMEANE CHOKSI ) ( BARBARA BRUNS ) TO: Barbara Bruns ( BARBARA TRAVIS ) TO: Barbara Travis ( C.L. ROBLESS ) TO: C.L. Robless TO: Catherine Kleynhoff ( CATHERINE KLEYNHOFF ) CHARLOTTE JONES-CARROLL ) TO: Charlotte Jones-Carroll ( D. C. RAO ) TO: D. C. Rao ( DANIEL RITCHIE ) TO: Daniel Ritchie TO: Dennis Anderson ( DENNIS ANDERSON ) ( DOMINIQUE LALLEMENT ) TO: Dominique Lallement TO: Elkyn Chaparro TO: Farida Khambata ( ELKYN CHAPARRO ) ( FARIDA KHAMBATA ) TO: Gautam Adhikari ( GAUTAM ADHIKARI ) ( GEOFFREY B. LAMB ) TO: Geoffrey Lamb TO: Gobind T. Nankani TO: HANS WYSS ( GOBIND T. NANKANI ) ( HANS WYSS @A1@PARIS ) TO: Inder Sud INDER SUD ) TO: Ishrat Husain ( ISHRAT HUSAIN ) TO: Jan Wijnand ( JAN WIJNAND ) JEAN-FRANCOIS RISCHARD ) TO: Jean-Francois Rischard JOANNE SALOP ) TO: Joanne Salop TO: Johannes Linn ( JOHANNES LINN ) ( JOHN D. CLARK ) TO: John D. Clark ( JULIAN SCHWEITZER ) TO: Julian Schweitzer ( LOUIS FORGET ) TO: Louis Forget TO: Mahmood Ayub ( MAHMOOD AYUB ) ( MAKARAND DEHEJIA ) TO: Makarand Dehejia ( MARCELO SELOWSKY ) TO: Marcelo Selowsky ( MARGARET AMARAL ) TO: Margaret Amaral ( MARITTA KOCH-WESER ) TO: Maritta Koch-Weser ( MARK BAIRD ) TO: Mark Baird

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The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 27, 1994 12:17pm EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Jean-Francois Rischard, FPDVP ( JEAN-FRANCOIS RISCHARD )

EXT.: 80920

SUBJECT: RE: 50th Anniversary: Key points from the brainstorming session on the external environment facing the Bank and its borrowers.

Nice summary; nice analysis. The point that all of this makes the Bank more relevant rather than less is crucial. But it's not today's Bank that will be taking on this relevance, but a new Bank built on the strong assets which the old Bank has built up.

Trade blocs: no; there will be multiple, unending trade relationships into every possible direction.

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 28, 1994 03:22pm

TO: Paulo Vieira Da Cunha

( MICHAEL BRUNO )

( PAULO VIEIRA DA CUNHA )

FROM: Michael Bruno, DECVP

EXT.: 33774

SUBJECT: Attached FYI

The World Bank/IFC/MIGA OFFICE MEMORANDUM February 28, 1994 10:40am EST DATE: TO: See Distribution Below ( SARWAR LATEEF ) FROM: Sarwar Lateef, HROAN EXT.: 31760 SUBJECT: fyi DISTRIBUTION: ( ALEXANDER SHAKOW ) TO: Alexander Shakow ( ANDREW STEER ) TO: Andrew Steer ( ANIL MALHOTRA ) TO: Anil Malhotra ( ARMEANE CHOKSI ) TO: Armeane Choksi ( BARBARA BRUNS ) TO: Barbara Bruns ( BARBARA TRAVIS ) TO: Barbara Travis ( C.L. ROBLESS ) TO: C.L. Robless ( CATHERINE KLEYNHOFF ) TO: Catherine Kleynhoff ( CHARLOTTE JONES-CARROLL ) TO: Charlotte Jones-Carroll ( D. C. RAO ) TO: D. C. Rao ( DANIEL RITCHIE ) TO: Daniel Ritchie ( DENNIS ANDERSON ) TO: Dennis Anderson ( DOMINIQUE LALLEMENT ) TO: Dominique Lallement ( ELKYN CHAPARRO ) TO: Elkyn Chaparro TO: Farida Khambata ( FARIDA KHAMBATA ) ( GAUTAM ADHIKARI ) TO: Gautam Adhikari ( GEOFFREY B. LAMB ) TO: Geoffrey Lamb TO: Gobind T. Nankani ( GOBIND T. NANKANI ) ( HANS WYSS @A1@PARIS ) TO: HANS WYSS TO: Inder Sud INDER SUD ) ( ISHRAT HUSAIN ) TO: Ishrat Husain TO: Jan Wijnand ( JAN WIJNAND ) ( JEAN-FRANCOIS RISCHARD ) TO: Jean-Francois Rischard ( JOANNE SALOP ) TO: Joanne Salop ( JOHANNES LINN ) TO: Johannes Linn ( JOHN D. CLARK ) TO: John D. Clark ( JULIAN SCHWEITZER ) TO: Julian Schweitzer ( LOUIS FORGET ) TO: Louis Forget TO: Mahmood Ayub ( MAHMOOD AYUB ) ( MAKARAND DEHEJIA ) TO: Makarand Dehejia ( MARCELO SELOWSKY ) TO: Marcelo Selowsky ( MARGARET AMARAL ) TO: Margaret Amaral ( MARITTA KOCH-WESER ) TO: Maritta Koch-Weser ( MARK BAIRD ) To: Mark Baird

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The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 27, 1994 12:17pm EST

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Trade blocs: no; there will be multiple, unending trade relationships into every possible direction.

( MASOOD AHMED )

( MICHAEL BRUNO )

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#### The World Bank/IFC/MIGA OFFICE MEMORANDUM February 28, 1994 01:40pm DATE: See Distribution Below TO: FROM: Sarwar Lateef, HROAN ( SARWAR LATEEF ) EXT.: 31760 SUBJECT: Some very useful comments from Anil DISTRIBUTION: ( ALEXANDER SHAKOW ) TO: Alexander Shakow ( ANDREW STEER ) TO: Andrew Steer ( ANIL MALHOTRA ) TO: Anil Malhotra ( ARMEANE CHOKSI ) TO: Armeane Choksi TO: Barbara Bruns ( BARBARA BRUNS ) ( BARBARA TRAVIS ) TO: Barbara Travis ( C.L. ROBLESS ) TO: C.L. Robless TO: Catherine Kleynhoff ( CATHERINE KLEYNHOFF ) ( CHARLOTTE JONES-CARROLL ) TO: Charlotte Jones-Carroll ( D. C. RAO ) TO: D. C. Rao ( DANIEL RITCHIE ) TO: Daniel Ritchie TO: Dennis Anderson ( DENNIS ANDERSON ) ( DOMINIQUE LALLEMENT ) TO: Dominique Lallement ( ELKYN CHAPARRO ) TO: Elkyn Chaparro TO: Farida Khambata ( FARIDA KHAMBATA ) ( GAUTAM ADHIKARI ) TO: Gautam Adhikari ( GEOFFREY B. LAMB ) TO: Geoffrey Lamb ( GOBIND T. NANKANI ) TO: Gobind T. Nankani TO: HANS WYSS ( HANS WYSS @A1@PARIS ) ( INDER SUD ) TO: Inder Sud ( ISHRAT HUSAIN ) TO: Ishrat Husain ( JAN WIJNAND ) TO: Jan Wijnand ( JEAN-FRANCOIS RISCHARD ) TO: Jean-Francois Rischard ( JOANNE SALOP ) TO: Joanne Salop ( JOHANNES LINN ) TO: Johannes Linn ( JOHN D. CLARK ) TO: John D. Clark ( JULIAN SCHWEITZER ) TO: Julian Schweitzer ( LOUIS FORGET ) TO: Louis Forget ( MAHMOOD AYUB ) TO: Mahmood Ayub TO: Makarand Dehejia ( MAKARAND DEHEJIA ) ( MARCELO SELOWSKY ) TO: Marcelo Selowsky ( MARGARET AMARAL ) To: Margaret Amaral ( MARITTA KOCH-WESER ) TO: Maritta Koch-Weser ( MARK BAIRD ) TO: Mark Baird

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The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 28, 1994 12:06pm EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Anil Malhotra, ASTDR (ANIL MALHOTRA)

EXT.: 82874

SUBJECT: Discussions on 50 th Anniversary

CC: Asia ISC Files ( ASIA ISC FILES )

### Sarwar

The minutes have admirably summarized the discussions. Let me add briefly two other issues:

- \* A major issue in the international order of the future is likely to be fragmentation and the need for reconstruction. Unfortunately, Cambodia and "occupied territories" are not going to be the exceptions in the future. Others lie ahead- Myanmar, Afghanistan, Bosnia, Sudan.

  The issue is whether the Bank has the vision to seek the initiative in defining a key role for itself. It can play a supporting role as in Cambodia or it can take the lead as it did in the" occupied territories". It is likely that in the future as the blue helmets of the UN forces depart or preside over an uneasy peace, there will be a need for an international assistance in the more long term task of mobilization of resources, interim management and institution building.
- \* This fragmentation has another implication for the future. In 1945 the UN had 51 members, today there are 184 countries- of which 25 joined the UN system in the last ten years. Of them many more will seek Bank assistance than was the case even 5 years ago. Given the size and history of man of these countries, some form of regional cooperation will be essential for economic growth. Is there a role for the Bank in enhancing these regional initiatives? The south Asia region has, for example, identified regional initiatives as a possible new function for the Bank. Regional initiatives present a high risk and high reward opportunity for the Bank. The Indus Canal Waters treaty where the Bank administered a Fund is considered to be a major success of the Bank in the fifties. There are possible a number of regional projects in the areas of power and energy, trade, water resources and environment- which would be the optimum economic choices- but which have not been implemented due to political distrust between countries, complexity of design, and size of investment. As the Bank's role changes more towards knowledge transfer and facilitation away from conventional lending, these initiatives will represent the kind of initiatives that will build on the comparative advantage of the Bank. Means need to be found by the Bank to create and to communicate to the countries in the region, the economic benefits of cooperation between them and the willingness of the Bank to provide support in the form of advise, technical assistance, cross country knowledge and investment funds.

During discussions a number of speakers in the past have talked of the comparative advantage of the Bank. Too often comparative advantage of institutions becomes identified with the skills of its senior staff- a subtle form of vested interest which drives the institutions agenda. It is well to reflect on how the Bank has changed over the last five decades and how its success has come from its ability to identify niches and in building capability to fill them. All dynamic institutions do this. Thus while the present composition and skill mix may have certain limitations, one should not take them to be immutable over time. Given a clarity of vision and single-minded leadership, the Bank can play a role over the next few decades which may

well be considerably different from infrastructure projects, policy based lending and macro advice. Skills should follow vision and strategy for an institution, and not arbitrarily limit it.

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 28, 1994 03:19pm

TO: Paulo Vieira Da Cunha

( MICHAEL BRUNO )

( PAULO VIEIRA DA CUNHA )

FROM: Michael Bruno, DECVP

EXT.: 33774

SUBJECT: Attached re comments from Anil

#### The World Bank/IFC/MIGA OFFICE MEMORANDUM DATE: February 28, 1994 01:40pm EST TO: See Distribution Below ( SARWAR LATEEF ) FROM: Sarwar Lateef, HROAN EXT.: 31760 SUBJECT: Some very useful comments from Anil DISTRIBUTION: ( ALEXANDER SHAKOW ) TO: Alexander Shakow TO: Andrew Steer ( ANDREW STEER ) ( ANIL MALHOTRA ) TO: Anil Malhotra ( ARMEANE CHOKSI ) TO: Armeane Choksi ( BARBARA BRUNS ) TO: Barbara Bruns ( BARBARA TRAVIS ) TO: Barbara Travis ( C.L. ROBLESS ) TO: C.L. Robless ( CATHERINE KLEYNHOFF ) TO: Catherine Kleynhoff CHARLOTTE JONES-CARROLL ) TO: Charlotte Jones-Carroll TO: D. C. Rao ( D. C. RAO ) ( DANIEL RITCHIE ) TO: Daniel Ritchie ( DENNIS ANDERSON ) TO: Dennis Anderson ( DOMINIQUE LALLEMENT ) TO: Dominique Lallement ( ELKYN CHAPARRO ) TO: Elkyn Chaparro TO: Farida Khambata ( FARIDA KHAMBATA ) ( GAUTAM ADHIKARI ) TO: Gautam Adhikari ( GEOFFREY B. LAMB ) TO: Geoffrey Lamb TO: Gobind T. Nankani ( GOBIND T. NANKANI ) ( HANS WYSS @A1@PARIS ) TO: HANS WYSS INDER SUD ) To: Inder Sud ( ISHRAT HUSAIN ) TO: Ishrat Husain TO: Jan Wijnand ( JAN WIJNAND ) ( JEAN-FRANCOIS RISCHARD ) TO: Jean-Francois Rischard ( JOANNE SALOP ) TO: Joanne Salop ( JOHANNES LINN ) TO: Johannes Linn ( JOHN D. CLARK ) TO: John D. Clark ( JULIAN SCHWEITZER ) TO: Julian Schweitzer ( LOUIS FORGET ) TO: Louis Forget ( MAHMOOD AYUB ) TO: Mahmood Ayub ( MAKARAND DEHEJIA ) TO: Makarand Dehejia ( MARCELO SELOWSKY ) TO: Marcelo Selowsky ( MARGARET AMARAL ) TO: Margaret Amaral ( MARITTA KOCH-WESER ) TO: Maritta Koch-Weser ( MARK BAIRD ) TO: Mark Baird

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The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 28, 1994 12:06pm EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Anil Malhotra, ASTDR (ANIL MALHOTRA)

EXT.: 82874

SUBJECT: Discussions on 50 th Anniversary

CC: Asia ISC Files ( ASIA ISC FILES )

### Sarwar

The minutes have admirably summarized the discussions. Let me add briefly two other issues:

- \* A major issue in the international order of the future is likely to be fragmentation and the need for reconstruction. Unfortunately, Cambodia and "occupied territories" are not going to be the exceptions in the future. Others lie ahead- Myanmar, Afghanistan, Bosnia, Sudan.

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well be considerably different from infrastructure projects, policy based lending and macro advice. Skills should follow vision and strategy for an institution, and not arbitrarily limit it.

Forward to PVCV done

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 28, 1994 05:40pm

TO: See Distribution Below

FROM: Paul Rabe, HROAN ( PAUL RABE )

EXT.: 31769

SUBJECT: Revision in Feb. 18 Brainstorming Session Summary

Please note the following correction in the summary of the Brainstorming Session on the external environment facing the Bank, which was sent out to you last week.

My interpretation of some of Paula Donovan's comments on the Bank's role as intervener of last resort (2nd to last paragraph) was too strong and misleading.

The new paragraph on the Bank's role as intervener of last resort should read as follows (i.e. please replace 2nd to last paragraph with):

The Bank as intervener of last resort— the Bank should think the unthinkable and ask whether it can fade away in its more successful client countries and instead focus on its real niche based on our very particular connections to governments, and our specialized experience, in working in the poorest countries. Underlying this shift would be a return to the Bank's role of "intervener of last resort", where it would only play a role in those areas where it has a clear comparative advantage. Where other organizations can effectively deliver a role, should we really be competing? The Bank should not be looking around for a new role to play merely to sustain itself.

#### DISTRIBUTION:

( ALEXANDER SHAKOW ) TO: Alexander Shakow TO: Andrew Steer ( ANDREW STEER ) ( ANIL MALHOTRA ) TO: Anil Malhotra ( ARMEANE CHOKSI ) TO: Armeane Choksi TO: Barbara Bruns ( BARBARA BRUNS ) ( BARBARA TRAVIS ) TO: Barbara Travis ( C.L. ROBLESS ) TO: C.L. Robless ( CATHERINE KLEYNHOFF ) TO: Catherine Kleynhoff ( CHARLOTTE JONES-CARROLL ) TO: Charlotte Jones-Carroll ( D. C. RAO ) TO: D. C. Rao TO: Daniel Ritchie ( DANIEL RITCHIE )

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TO:	Jean-Francois Rischard	(	JEAN-FRANCOIS RISCHARD )
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Mark Boird will attend

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THE WORLD BANK/IFC/MIGA

## OFFICE MEMORANDUM

DATE:

February 24, 1994

TO:

Distribution

FROM:

Armeane M. Choksi

EXTENSION:

31811

SUBJECT:

Fiftieth Anniversary: The Schmertz Report

This is to invite you to a meeting to discuss the findings outlined in the attached report entitled "Summary of Survey Results" prepared by Mr. Schmertz following his interviews with Bank management, staff and Executive Directors. The meeting will be held in Room S-13-161, on Thursday, March 3, at 3:00 p.m. I am inviting Mr. Schmertz to join us and present his findings in some detail.

Following this discussion, I will arrange a separate meeting with you on a revised version of the Statement of Purpose, an initial draft of which was prepared by Mr. Schmertz and reviewed by those of you (or your representatives) who are members of the 50th anniversary committee.

In subsequent weeks I hope to involve you in discussions on a paper currently under preparation on the future agenda of the World Bank.

### **Distribution:**

Executive Vice Presidents, IFC and MIGA Vice Presidents, Bank, IFC and MIGA

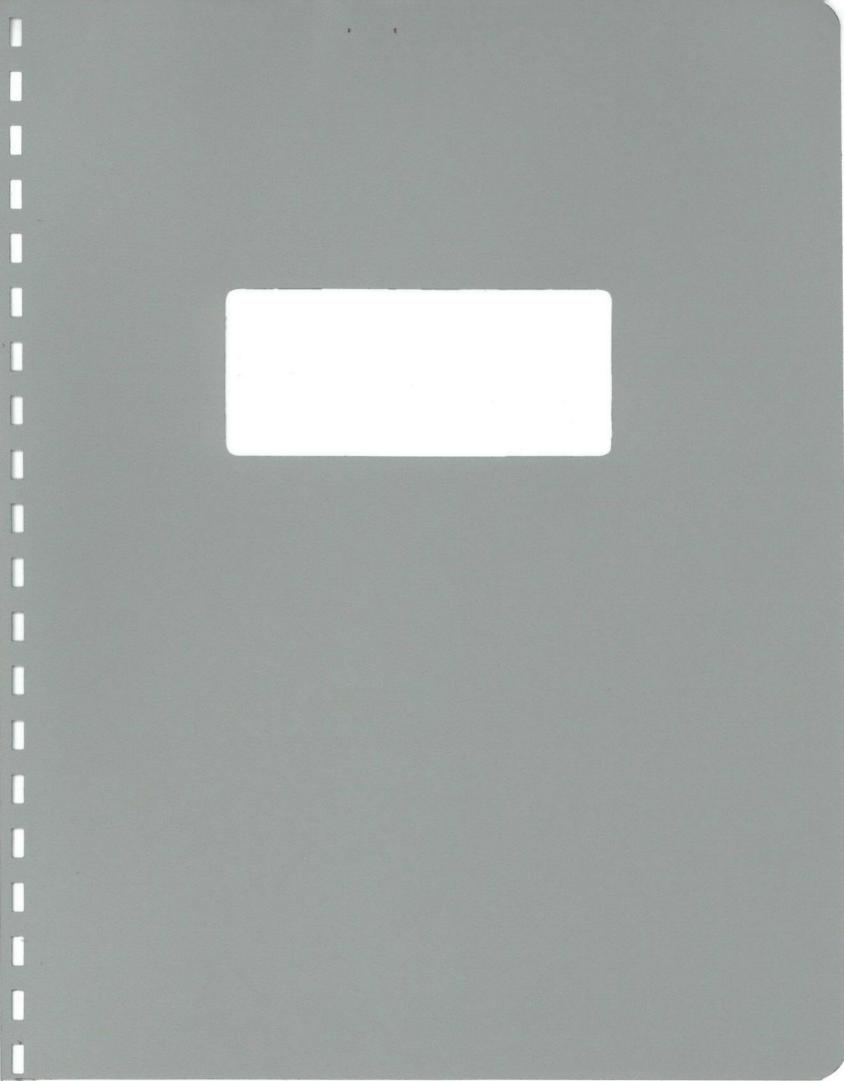
cc: Messrs./Mme.

Preston, Karaosmanoglu, Sandstrom, Stern, (EXC),

Donovan (FRMDR), Shakow (EXTDR), Lateef, Ayres (HROAN)

Attachment

KSLateef:sbp



THE WORLD BANK
SUMMARY OF
SURVEY RESULTS

### SUMMARY OF SURVEY RESULTS

Interviews were conducted with over 75 people, including interviews with three groups of Executive Directors. The mix of interviews was intended to provide a cross-section of views about the Bank. A group interview was also held with seven younger Bank staff members, who have been with the Bank two or three years.

The purpose of these interviews was to identify, with some specificity, the elements that would be included in a Position Statement reflecting what the Bank does. The reason for developing this Positioning Statement is to be able to present in a concise, simple, understandable form, an accurate picture of the Bank so that various constituencies important to the Bank, will better understand and be more supportive of the Bank's activities.

What follows are a summary of findings based upon the interviews.

### 1. Poverty Reduction as an objective.

o Most interviewees took the poverty reduction objective very seriously. They felt that the overarching objective of all of the Bank's activities was to alleviate or reduce poverty around the world.

- o Nevertheless, a significant number of interviewees felt that poverty alleviation or poverty reduction was not an accurate objective. They accepted that poverty reduction can and should be the result of Bank activities, but they felt that to talk about poverty reduction to the exclusion of other activities, was simplistic and misleading in terms of what the Bank does and what it stands for.
- o A small number of interviewees felt that the poverty reduction objective had outlived its usefulness and, that while reflective of the Bank's activities in some geographic parts of the world, particularly Sub-Sahara, the Bank's activities in Eastern Europe for example, were motivated by objectives other than poverty reduction.
- 2. Sustainable Economic Development was considered the most important objective and was the most frequently cited Bank objective.
  - o Virtually every interviewee, whether supporting poverty alleviation or poverty reduction as an objective or discussing other Bank objectives, such as assisting countries in Eastern Europe in economic transition, assisting China to develop its economy, new programs for the Occupied Territories or Viet Nam, all cited, as the key element of the Bank's activities programs directed towards sustainable economic growth.

o Virtually, every interviewee made the point that without sustainable economic growth, not only can poverty not be reduced, but countries will not be able to receive a stream of Bank loans and private investment because, without economic growth, repayment of these investments and loans, would be impossible. Moreover, it was clearly conveyed that such important considerations such as environmental protection, use of human resourses, improvement in health and medical facilities, better educational facilities and, better housing and infrastructure development, all would be impossible without sustainable economic growth.

# 3. The achievement of sustainable economic development is a complex and difficult process.

- o The interviewees explained in great detail, how in each country, different needs had to be satisfied and different programs adopted and implemented if sustainable economic growth were to be achieved.
- o The real heart of the Bank's activities and success is the spectrum of activities it engages in country-by-country. The totality of the countries' strategies, whether they include structural adjustment, economic reforms, policy reforms,

loans for infrastructure development, improvement in health, education and housing, assistance in developing a methods for dispute resolution and protection of sanctity of contracts. These and dozens of other ingredients are really what the Bank is all about.

- 4. The Bank has not developed the ability to convey to its important constituencies how the wide array of activities in which it is engaged have been and, will be, key to assisting achieve sustainable economic development.
  - o The Bank has allowed its critics to focus on perceived failures of big infrastructure and construction projects, particularly, large dams.
  - o The Bank has also allowed its critics to focus on certain aspects of its loan portfolio which have been characterized as under-performing.
  - o The Bank has not communicated its record over the past fifty years of substantial and dramatic accomplishments.
  - o The Bank has not been able to communicate in simple and understandable terms, the sophisticated, complex and

technically difficult activities that are the heart of its economic development successes.

o The Bank has allowed far too much attention to be focused on its loan activities with the result that the Bank seems to be loan-driven.

# 5. The Bank's relationship with NGOs was viewed in widely different ways.

- o Many interviewees felt that the Bank was failing to adequately respond in an aggressive and vigorous way to unfair and inaccurate criticism from NGOs.
- o Almost all of the interviewees felt that there were three categories of NGOs. Those that were considered "responsible" and with which the Bank has had healthy and productive relationships. Second, was the group of NGOs whose agendas were totally at variance with the Bank's agenda with the result that there was no basis for mutual understanding and respect. The third group was those NGOs that were simply misinformed about the Bank's activities, but were not necessarily antagonistic to the Bank's objectives.
- o The general feeling was that the Bank should attempt to strengthen its ties to and support from the responsible NGOs,

do a better job in educating the misinformed NGOs and to vigorously respond to the criticism from those NGOs whose philosophies were incompatible with the Bank's philosophies.

o There were some feeling that the Bank was paying far too much attention and devoting too much resource and too much consideration regarding NGO criticisms. Moreover, some interviewees felt that responding to NGO criticisms by trying to placate them, was weakening the Bank.

# 6. The World Bank attempts to do too much and is too willing to assume new responsibilities and new programs.

- o Many interviewees felt that a lot of the Bank's problems stem from its attempt to do too much. They pointed out that the Bank's activities and areas of focus had expanded considerably from its original charter purpose.
- o Interviewees felt that the very nature of the Bank's success caused it to be a recipient of increasing demands for new activities and programs. Each were stretching the Bank's financial and human resources to a point where quality was being diminished and the chances of success reduced.

- o The very nature of the assumption of increased responsibilities and new programs further complicates the Bank's ability to gain understanding and support from key constituencies. As the Bank becomes more complex, with more and more new programs and activities, its ability to explain and define itself becomes increasingly difficult.
- o The distinction between the Bank's activities and the IMF as a result of increasing Bank activities, make it difficult to fully understand what the Bank is about.
- 7. The Bank's ability and willingness to respond to critics and its ability to make itself better understood is inadequate.
  - o Virtually all interviewees felt that the Bank needed to do a better job of responding to criticisms and explaining itself more fully and clearly.
  - o Interviewees felt that failure to respond and communicate was eroding Bank support among important constituencies, including donor countries, the media, academics and, NGOs.
  - o Virtually all interviewees welcomed the apparent new commitment to improve external communication activities in general and, those directed toward using the 50th

Anniversary as an effective vehicle to effectively communicate more positive information about the Bank.

- o A number of the Vice-Presidents indicated that they were moving ahead to establish their own external affairs activities within their jurisdiction because they felt they could not afford to wait any longer to respond to criticisms and to better inform their constituencies.
- o There was no finding amongst any interviewee that the Bank did not need to communicate better. The view that had existed in the past that the Bank's activities spoke for themselves was something that was rejected by interviewees when the question was posed.
- 8. The Bank faces increasing competition and difficulty in generating financial support from donor countries.
  - o Many interviewees cite the increasing competition for development money from bi-lateral lending agencies and regional development banks.
  - o Interviewees also described the increasing pressures in donor countries to reduce development assistance monies in light of domestic economic conditions within donor countries

- -- Scandinavia, Germany and, the Netherlands, were particularly cited as examples.
- o Interviewees particularly focused on the need to better communicate the successes and activities of the World Bank as a way of responding to these competitive pressures.
- 9. The Bank lacks sufficient sensitivity when it comes to dealing with environmental, social and human resource issues.
  - o A significant number of interviewees expressed strong negative views about whether the Bank was truly committed to programs to protect the environment, developing human resources and, reduce the impact on the poor as a result of structural adjustment.
  - o These interviewees said that there was a significant gap between what the Bank said regarding these areas and what it actually did and, that criticisms from the outside, were relatively accurate.
  - o Nevertheless, it is fair to say that at least a majority of the interviewees, said that the Bank was doing an adequate job in paying attention to environmental, social and human resource issues, as part of its overall activities.

- o The creation of the Global Environment Fund was particularly cited as a positive response to criticism.
- 10. Interviewees felt that technical assistance and policy guidance programs now assume more importance in terms of the Bank's work as compared to loans.
  - o Interviewees were asked to rate on a scale of 1 to 10 first, the Bank's technical assistance and policy guidance activities and, then, its loan activities. Virtually, every interviewee responded by rating policy guidance and technical assistance between 7 and 8 on the scale and loans at about 5.
  - o It's clear from the interviews that the prevailing view within the Bank is that while loans are an important ingredient and provide enormous support for the Bank's activities, that the real heart of the Bank's activities now, and in the future, are likely to be in the policy guidance and technical assistance areas.
  - o The Bank's work in Eastern Europe, Russia, China and the Occupied Territories, were particular examples reflecting this view.

# 11. The concept of the Bank's managing changes in countries in transition appear to be strong new attitude.

- o With the demise of the Soviet Union and the communist model, interviewees cited a wave of countries moving rapidly toward establishing new political and economic institutions. Eastern Europe, Russia and some African nations were particularly singled out.
- o Interviewees described the Bank's activities as managing change in countries in transition, with a heavy emphasis on policy guidance.
- o The general feeling amongst interviewees was that only the Bank, because of its experience and expertise, based on its activities over a long period of time, can really provide useful and meaningful assistance to countries in transition.
- o A few interviewees pointed out that the Bank has always been able to respond positively to quickly emerging changes. These interviewees cited the oil shock of the 70s, the debt crisis of the 80s, as examples. They felt that the Bank's current activities in response to change were simply a continuation of what the Bank has done in the past 5 decades.

### 12. Creditworthiness

- o A number of interviewees expressed concern that critics and observers of the Bank did not fully understand the relationship between loan repayment, creditworthiness and, the Bank's ability to continue its activities.
- o These interviewees were particularly critical of those that call for either moratorium on debt repayment or outright disavowal by governments.
- o They also expressed concern and dismay about the very small number of people that are aware of most of the Bank's lending capacity that is generated by Bank borrowing from private capital markets.
- o They felt the Bank should do a much more aggressive job in explaining the source of the Bank's funds, the need to repay the loans and, the relationship of these concepts to the Bank's ability to continue its activities in a meaningful manner.

## 13. The Bank as a series of partnerships

o Most interviewees had not considered the Bank as a series of partnerships when questioned regarding this concept.

- o In discussions with interviewees about the partnership concept, the interviewees quickly came to the conclusion that portraying the Bank as a series of partnerships, was both helpful in explaining how the Bank operated and, perhaps, more importantly, how it shared responsibility for its activities with other significant entities.
- o Interviewees felt that by showing the shared responsibility, it had a potential for reducing the view that the Bank was arrogant, a law unto itself and, insensitive to those constituencies which it either dealt with or relied upon.

# 14. The Bank is too United States and/or G-7 dominated.

- o Some interviewees expressed the view that the Bank was too U.S. or G-7 dominated, but they were a very distinct minority.
- o As compared to my findings in my earlier report this past summer, it would seem that the intensity of the U.S. or G-7 dominance argument has abated at least a little.
- o Nevertheless, several interviewees expressed negative reactions to Vice President Gore's comments in Russia

regarding how the World Bank and the IMF should conduct its activities vis-a-vis Russia.

# 15. Should the Bank do more to acknowledge its failures and shortcomings?

- o A significant number of interviewees felt that the Bank should do a more complete and documented job of discussing its failures and shortcomings.
- o These interviewees felt that the Bank's critics were well aware of Bank inadequacies and that the Bank would be a more credible entity if it was more candid and forthcoming regarding its mistakes and failures.
- o Nevertheless, most interviewees emphasized in very strong terms the need for the Bank to stress in more comprehensive and strong terms, its past and current successes.
- o The Wapenhans Report was cited by both those that felt the Bank should be more open about its failures and those that felt the Bank should do more to stress its successes. The latter group felt that the manner in which the Wapenhans Report was presented to the public, produces negative results. While they did not quarrel with the Wapenhans Report, they felt that if its presentation had been done in a

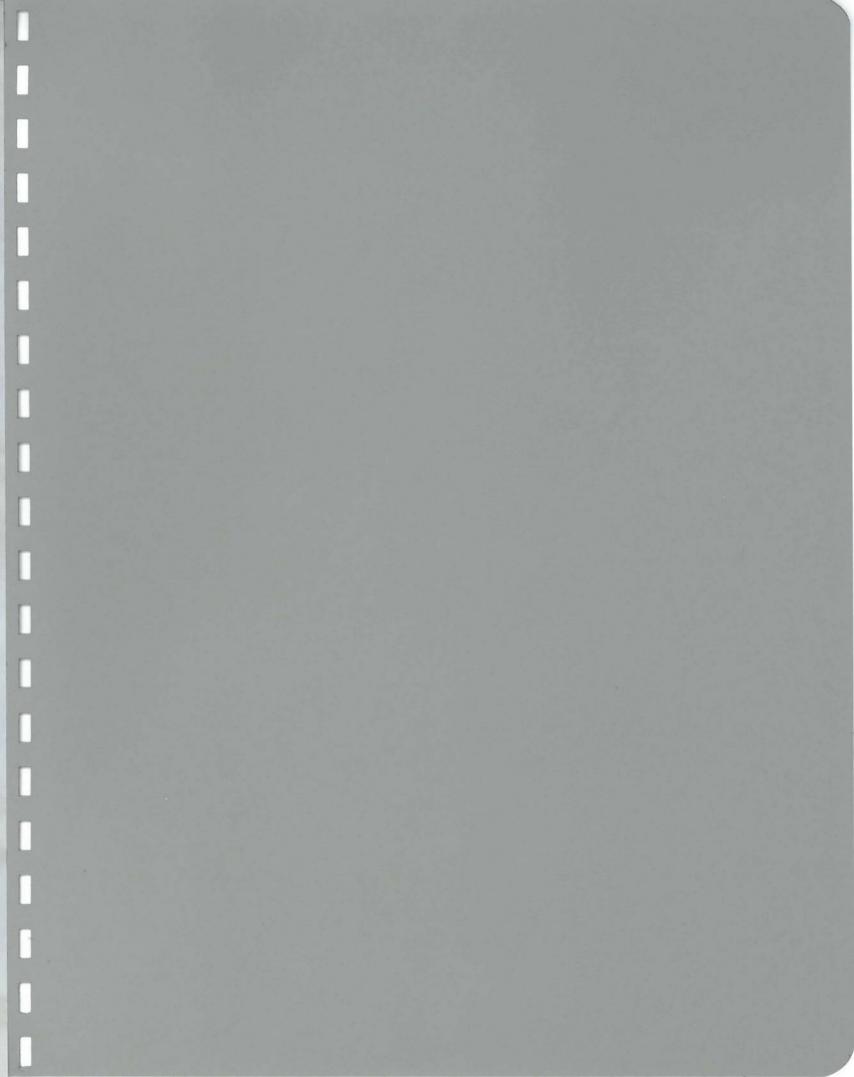
more balanced manner, the negative comments might have been reduced.

## 16. Meeting with young Bank staff professionals.

- o At a meeting with seven young Bank staff professionals, each of whom have been with the Bank two - three years, the following emerged:
  - -- All of the interviewees appeared to be very smart, highly motivated, with high-energy levels.
  - Each participant realized that, by working at the Bank, they had survived a very tough competitive recruiting process.
  - -- Each interviewee was unsure, at this time, whether they wanted to make a career at the Bank or use their Bank experience to obtain much more lucrative positions in the private-sector.
  - There was very little sense of history or understanding about the Bank's evolution and its accomplishments beyond the recent past.
  - -- While the interviewees were not exactly cynical, it is fair to say that they did not exhibit any significant missionary

zeal regarding the Bank's activities and their role in these activities.

- Each of the interviewees appear more to be a technocrat determined to get a job done in the best possible way.
   What was lacking was an apparent passion regarding the social utility of the Bank's activities.
- o The interviewees knew very little about and did not exhibit any great interest in the 50th Anniversary activities.
- o The interviewees felt that they were on the receiving end insofar as work demands of the Bank's willingness to assume more and more responsibility for new and enlarged activities.





DATE: February 25, 1994 11:22am

TO: See Distribution Below

FROM: Sarwar Lateef, HROAN ( SARWAR LATEEF )

EXT.: 31760

SUBJECT: 50th Anniversary: Key points from the brainstorming session on the external environment facing the Bank and its borrowers.

Attached please find a summary of last Friday's meeting. I hope this will entice some of you who did not speak up (or were not able to attend) to come forward now with your views, and others to correct any misinterpretations or to amplify the points you made.

Bob is working on a note that will try to put together the main points that we might make in the final paper by Monday.

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DATE: February 25, 1994 11:07am EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Paul Rabe, OPRIE ( PAUL RABE )

EXT.: 31769

SUBJECT: Brainstorming Session on Changing External Environment

February 18 Brainstorming Session on the Changing External Environment Facing the Bank: Summary of Key Points.

Michael Bruno (DECVP) led off the discussion by saying that the Bank has been a leading development institution that has, with the exception of how it handled the debt crisis of the 1980s, been flexible and able to respond to change (witness its role in Central and Eastern Europe and the Occupied Territories). The Bank's overall record has been good and the development process as a whole over the last few decades has been a success. Mr. Bruno felt that economic growth should be the Bank's central objective. The Bank should not be defensive about this objective because sustainable economic growth is an essential (if not sufficient) condition for reducing poverty.

### External challenges facing the Bank:

Three major external challenges facing the Bank were identified:

1) "Aid fatigue"-- the stagnation of concessional resource transfers to developing countries is due in large part to aid fatigue in donor countries, which is coming from both the right of the political spectrum (where it is perceived that the fall of the Soviet Union undermines the security rationale for increased aid) and from the left (where it is felt that the Bank is ineffective and needs to be reformed from within). Following the end of the cold war, the line between the strictly political and economic has become blurred and, as a result, aid is now more openly accepted as part of the broader political framework. This has implications for the Bank: the Bank will come under much more pressure to amend its Articles of Agreement and apply aid conditionality and pay attention to governance, human rights and humanitarian considerations.

Aid fatigue to some extent is also the result of a growing fear--capitalized on by certain populists, e.g. Ross Perot in the U.S., and demonstrated by increased

protectionism--that aid is benefiting countries that are already growing too fast and presenting an economic threat to donor countries.

- 2) Private capital flows— during the last two years private flows to developing countries have been more substantial than public funds, which are in danger of becoming insignificant in the wealthier developing countries on the path to reform. This is not just another "challenge" for the Bank but a phenomenon that is here to stay and that is unlike the events which led to the debt crisis in the 1980s. (Today, a group of approximately 20 countries that receive almost 70 percent of total Bank lending are also the recipients of almost 80 percent of all private capital flows.)
- 3) Client countries and governments are changing— the countries with which the Bank deals are changing rapidly. The Bank has to ask how it can best help the economies of Part II countries where the private sectors are increasing in importance, where central government authority is becoming much more diffuse due to democratization trends, the growing role of the private sector and the rise of non-governmental organizations.

Other issues discussed were:

- 4) Trade and trade blocs— the rise of large trade blocs will lead to increased regional and economic integration and more intense competition for investment, etc. Current rapid developments in trade and production mean that continual structural/economic adjustment is an issue for the North as well as the South. The question for the Bank will be how to be an intermediary in this process and how to get more countries to open their economies.
- technological progress— increasingly sophisticated technology has the potential of changing the face of the earth and providing huge new opportunities, which the Bank needs to better understand. Because of the speed at which technological innovations are taking place, the concept of development is changing into an opportunity generating process, not a knowledge generating process. The Bank has a role to play as an intermediary in the transfer of technology as well as knowledge to developing countries. However, one participant observed that there was a big difference between knowledge and information: only a few (but a growing number) of the Bank's clients have made the leap to acquiring a knowledge base.
- 6) Increased competition for the Bank-- the international environment is increasingly competitive, and this will put pressure on the Bank to become more agile and efficient and to achieve a more appropriate balance between its economic

and sector analysis and its lending activities, and to get a sense of its comparative advantage more generally.

It is no longer clear that the Bank has a strong comparative advantage in the four areas outlined by Moises Naim as the traditional roles of the Bank: the financial intermediary role (the Bank-as-bank); the Bank as an instrument of Part I shareholders; the evangelical agent role, where the Bank is in charge of changing client country government behavior; and the Bank as mechanism to transfer financial resources from richer to poorer countries. If the Bank still does have a comparative advantage in the transfer of knowledge, the question is whether it uses this capacity in the best way possible. The present mix between its knowledge and lending functions is not an ideal one.

Several of the Bank's client countries have more sophisticated needs than before and it will not suffice for the Bank to provide them with the "same old advice". The Bank will need to be able to provide useful, cutting-edge knowledge and suggestions and alternative models in order to remain relevant for many of its more savvy clients. These clients, whose knowledge bases have expanded rapidly during the last few decades, will no longer take well to proselytizing and will increasingly want to have a more equal dialogue with the Bank. In its lending for private infrastructure, the Bank will need to move toward advising on the policy framework instead of the content. The Bank will also need to get better at transferring its knowledge of individual country experiences to its institutional memory.

- 7) Polarization of outcomes— the great diversity of the Bank's client countries and their differing success rates (East Asia versus Africa, for example) will require the Bank to come up with a broad range of solutions and will thus challenge its ability to maintain a global role. This leads to the question of whether the Bank will need to pull out of certain countries or alter its long-term role and take on more of a standby function in both lending and policy advice.
- 8) The challenge of the environment— the accelerating degradation of the natural environment and the heightened environmental awareness worldwide both present new and dramatic challenges for the Bank. The Bank's role must be based on a greater recognition of trade-offs between the environment and economic growth.

Serious environmental problems are not just a cause for concern in themselves; they have the potential to exacerbate political tensions. The degradation of arable land and the shortage of water in the Middle East and other regions (which some challenge is a water pricing problem

rather than an actual shortage), for example, could conceivably lead to future wars for the control of natural resources. The Bank must ask itself whether it has the leadership to face up to these environmental challenges and consider a whole new role for itself, for instance, in the intermediation of environmental/political disputes and in promoting discussions of new consumption patterns, lifestyles and the management of natural resources.

9) Partnerships— development aid is increasingly competing with humanitarian aid for a share of scarcer overall resources, and this in an overall climate where the perceived need for funds for humanitarian and peacekeeping purposes is often greater than that for development aid. Moreover, the Bank will come under pressure (both from shareholders and as a result of increasing demands made on it) to be a more active part of the broader multilateral development system and engage in "strategic alliances" with other agencies of the system. Major donor countries have shown less tolerance for the lack of cooperation between the Bank and other parts of the system as their aid budgets have been slashed.

## Implications of the above for the Bank:

The increasing relevance of the Bank— the rapidly changing external environment is making the Bank more relevant, not less so. Proponents of this belief cite the following trends, among others, to support their views:

- greater economic integration will mean a larger role for supra-national institutions due to the increased need for coordination;
- the Bank can now more than ever persuade nervous Ministers of Interior of Part I countries that only additional development aid can keep out economic migrants from the South in the long run (the aid-migration link);
- the end of the cold war will mean priority will be placed on economic development; and many of the Bank's clients are becoming important countries in the world;
- there might also be a key role for the Bank in the areas of market failures and "extraordinary challenges";
- moreover, the disjuncture between the rapid pace of technological innovation and the inevitably slower pace of institutional reform and the development process means that there is a niche for the Bank in the area of policy advice and institution building,

The efficiency of the Bank— the Bank will have to overcome a growing outside perception that it is cumbersome and ineffective. It will have to emphasize agility, adaptability and flexibility if it is to remain the preeminent development institution in a competitive new era where many additional demands will be placed on it.

The Bank as intervener of last resort— the Bank should think the unthinkable and ask whether it can fade away in its more successful client countries and instead create a niche for itself in IDA countries. Underlying this shift would be a return to the Bank's role of "intervener of last resort", where it would only play a role in those areas where there is no competition. The Bank should not be looking around for a new role to play merely to sustain itself.

Other players in the system— the Bank needs to move beyond its limited focus on finance ministers and central governments and interact with the many other groups in society that have become increasingly relevant in most countries over the last few decades, such as non-governmental organizations and other local citizens' groups.

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

DATE: February 25, 1994 01:56pm

TO: Paulo Vieira Da Cunha

( PAULO VIEIRA DA CUNHA )

FROM: Michael Bruno, DECVP

( MICHAEL BRUNO )

EXT.: 33774

SUBJECT: Attachment re 50th Anniversary

DATE: February 25, 1994 11:22am EST

TO: See Distribution Below

FROM: Sarwar Lateef, HROAN ( SARWAR LATEEF )

EXT.: 31760

SUBJECT: 50th Anniversary: Key points from the brainstorming session on the external environment facing the Bank and its borrowers.

Attached please find a summary of last Friday's meeting. I hope this will entice some of you who did not speak up (or were not able to attend) to come forward now with your views, and others to correct any misinterpretations or to amplify the points you made.

Bob is working on a note that will try to put together the main points that we might make in the final paper by Monday.

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TO: Tariq Husain ( SRI-RAM AIYER ) ( TARIQ HUSAIN ) ( VINOD THOMAS ) TO: Vinod Thomas ( WADI HADDAD ) TO: Wadi Haddad

DATE: February 25, 1994 11:07am EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Paul Rabe, OPRIE ( PAUL RABE )

EXT.: 31769

SUBJECT: Brainstorming Session on Changing External Environment

February 18 Brainstorming Session on the Changing External Environment Facing the Bank: Summary of Key Points.

Michael Bruno (DECVP) led off the discussion by saying that the Bank has been a leading development institution that has, with the exception of how it handled the debt crisis of the 1980s, been flexible and able to respond to change (witness its role in Central and Eastern Europe and the Occupied Territories). The Bank's overall record has been good and the development process as a whole over the last few decades has been a success. Mr. Bruno felt that economic growth should be the Bank's central objective. The Bank should not be defensive about this objective because sustainable economic growth is an essential (if not sufficient) condition for reducing poverty.

## External challenges facing the Bank:

Three major external challenges facing the Bank were identified:

1) "Aid fatigue"-- the stagnation of concessional resource transfers to developing countries is due in large part to aid fatigue in donor countries, which is coming from both the right of the political spectrum (where it is perceived that the fall of the Soviet Union undermines the security rationale for increased aid) and from the left (where it is felt that the Bank is ineffective and needs to be reformed from within). Following the end of the cold war, the line between the strictly political and economic has become blurred and, as a result, aid is now more openly accepted as part of the broader political framework. This has implications for the Bank: the Bank will come under much more pressure to amend its Articles of Agreement and apply aid conditionality and pay attention to governance, human rights and humanitarian considerations.

Aid fatigue to some extent is also the result of a growing fear--capitalized on by certain populists, e.g. Ross Perot in the U.S., and demonstrated by increased

protectionism--that aid is benefiting countries that are already growing too fast and presenting an economic threat to donor countries.

- 2) Private capital flows— during the last two years private flows to developing countries have been more substantial than public funds, which are in danger of becoming insignificant in the wealthier developing countries on the path to reform. This is not just another "challenge" for the Bank but a phenomenon that is here to stay and that is unlike the events which led to the debt crisis in the 1980s. (Today, a group of approximately 20 countries that receive almost 70 percent of total Bank lending are also the recipients of almost 80 percent of all private capital flows.)
- 3) Client countries and governments are changing— the countries with which the Bank deals are changing rapidly. The Bank has to ask how it can best help the economies of Part II countries where the private sectors are increasing in importance, where central government authority is becoming much more diffuse due to democratization trends, the growing role of the private sector and the rise of non-governmental organizations.

### Other issues discussed were:

- 4) Trade and trade blocs— the rise of large trade blocs will lead to increased regional and economic integration and more intense competition for investment, etc. Current rapid developments in trade and production mean that continual structural/economic adjustment is an issue for the North as well as the South. The question for the Bank will be how to be an intermediary in this process and how to get more countries to open their economies.
- 5) Technological progress— increasingly sophisticated technology has the potential of changing the face of the earth and providing huge new opportunities, which the Bank needs to better understand. Because of the speed at which technological innovations are taking place, the concept of development is changing into an opportunity generating process, not a knowledge generating process. The Bank has a role to play as an intermediary in the transfer of technology as well as knowledge to developing countries. However, one participant observed that there was a big difference between knowledge and information: only a few (but a growing number) of the Bank's clients have made the leap to acquiring a knowledge base.
- 6) Increased competition for the Bank-- the international environment is increasingly competitive, and this will put pressure on the Bank to become more agile and efficient and to achieve a more appropriate balance between its economic

and sector analysis and its lending activities, and to get a sense of its comparative advantage more generally.

It is no longer clear that the Bank has a strong comparative advantage in the four areas outlined by Moises Naim as the traditional roles of the Bank: the financial intermediary role (the Bank-as-bank); the Bank as an instrument of Part I shareholders; the evangelical agent role, where the Bank is in charge of changing client country government behavior; and the Bank as mechanism to transfer financial resources from richer to poorer countries. If the Bank still does have a comparative advantage in the transfer of knowledge, the question is whether it uses this capacity in the best way possible. The present mix between its knowledge and lending functions is not an ideal one.

Several of the Bank's client countries have more sophisticated needs than before and it will not suffice for the Bank to provide them with the "same old advice". The Bank will need to be able to provide useful, cutting-edge knowledge and suggestions and alternative models in order to remain relevant for many of its more savvy clients. These clients, whose knowledge bases have expanded rapidly during the last few decades, will no longer take well to proselytizing and will increasingly want to have a more equal dialogue with the Bank. In its lending for private infrastructure, the Bank will need to move toward advising on the policy framework instead of the content. The Bank will also need to get better at transferring its knowledge of individual country experiences to its institutional memory.

- 7) Polarization of outcomes— the great diversity of the Bank's client countries and their differing success rates (East Asia versus Africa, for example) will require the Bank to come up with a broad range of solutions and will thus challenge its ability to maintain a global role. This leads to the question of whether the Bank will need to pull out of certain countries or alter its long-term role and take on more of a standby function in both lending and policy advice.
- 8) The challenge of the environment— the accelerating degradation of the natural environment and the heightened environmental awareness worldwide both present new and dramatic challenges for the Bank. The Bank's role must be based on a greater recognition of trade-offs between the environment and economic growth.

Serious environmental problems are not just a cause for concern in themselves; they have the potential to exacerbate political tensions. The degradation of arable land and the shortage of water in the Middle East and other regions (which some challenge is a water pricing problem

rather than an actual shortage), for example, could conceivably lead to future wars for the control of natural resources. The Bank must ask itself whether it has the leadership to face up to these environmental challenges and consider a whole new role for itself, for instance, in the intermediation of environmental/political disputes and in promoting discussions of new consumption patterns, lifestyles and the management of natural resources.

9) Partnerships— development aid is increasingly competing with humanitarian aid for a share of scarcer overall resources, and this in an overall climate where the perceived need for funds for humanitarian and peacekeeping purposes is often greater than that for development aid. Moreover, the Bank will come under pressure (both from shareholders and as a result of increasing demands made on it) to be a more active part of the broader multilateral development system and engage in "strategic alliances" with other agencies of the system. Major donor countries have shown less tolerance for the lack of cooperation between the Bank and other parts of the system as their aid budgets have been slashed.

## Implications of the above for the Bank:

The increasing relevance of the Bank— the rapidly changing external environment is making the Bank more relevant, not less so. Proponents of this belief cite the following trends, among others, to support their views:

- greater economic integration will mean a larger role for supra-national institutions due to the increased need for coordination;
- the Bank can now more than ever persuade nervous Ministers of Interior of Part I countries that only additional development aid can keep out economic migrants from the South in the long run (the aid-migration link);
- the end of the cold war will mean priority will be placed on economic development; and many of the Bank's clients are becoming important countries in the world;
- there might also be a key role for the Bank in the areas of market failures and "extraordinary challenges";
- moreover, the disjuncture between the rapid pace of technological innovation and the inevitably slower pace of institutional reform and the development process means that there is a niche for the Bank in the area of policy advice and institution building,

4 , t

The efficiency of the Bank— the Bank will have to overcome a growing outside perception that it is cumbersome and ineffective. It will have to emphasize agility, adaptability and flexibility if it is to remain the preeminent development institution in a competitive new era where many additional demands will be placed on it.

The Bank as intervener of last resort— the Bank should think the unthinkable and ask whether it can fade away in its more successful client countries and instead create a niche for itself in IDA countries. Underlying this shift would be a return to the Bank's role of "intervener of last resort", where it would only play a role in those areas where there is no competition. The Bank should not be looking around for a new role to play merely to sustain itself.

Other players in the system— the Bank needs to move beyond its limited focus on finance ministers and central governments and interact with the many other groups in society that have become increasingly relevant in most countries over the last few decades, such as non-governmental organizations and other local citizens' groups.

( MIEKO NISHIMIZU )

#### The World Bank/IFC/MIGA OFFICE MEMORANDUM DATE: February 25, 1994 06:05pm EST See Distribution Below TO: ( SARWAR LATEEF ) Sarwar Lateef, HROAN FROM: EXT.: 31760 SUBJECT: I had asked Geoff to elaborate on the point he made at last Friday's Brainstorming: 50th Anniversary Please let me know if you have any reactions. DISTRIBUTION: ( ALEXANDER SHAKOW ) Alexander Shakow TO: ( ANDREW STEER ) TO: Andrew Steer ( ANIL MALHOTRA ) TO: Anil Malhotra ( ARMEANE CHOKSI ) TO: Armeane Choksi TO: Barbara Bruns ( BARBARA BRUNS ) ( BARBARA TRAVIS ) TO: Barbara Travis ( C.L. ROBLESS ) TO: C.L. Robless ( CATHERINE KLEYNHOFF ) TO: Catherine Kleynhoff ( CHARLOTTE JONES-CARROLL ) TO: Charlotte Jones-Carroll ( D. C. RAO ) TO: D. C. Rao ( DANIEL RITCHIE ) TO: Daniel Ritchie ( DENNIS ANDERSON ) TO: Dennis Anderson ( DOMINIQUE LALLEMENT ) TO: Dominique Lallement ( ELKYN CHAPARRO ) TO: Elkyn Chaparro ( FARIDA KHAMBATA ) TO: Farida Khambata ( GAUTAM ADHIKARI ) TO: Gautam Adhikari ( GEOFFREY B. LAMB ) TO: Geoffrey Lamb ( GOBIND T. NANKANI ) TO: Gobind T. Nankani HANS WYSS @A1@PARIS ) TO: HANS WYSS ( INDER SUD ) TO: Inder Sud ( ISHRAT HUSAIN ) TO: Ishrat Husain JAN WIJNAND ) TO: Jan Wijnand JEAN-FRANCOIS RISCHARD ) TO: Jean-Francois Rischard JOANNE SALOP ) TO: Joanne Salop ( JOHANNES LINN ) TO: Johannes Linn ( JOHN D. CLARK ) TO: John D. Clark ( JULIAN SCHWEITZER ) TO: Julian Schweitzer ( LOUIS FORGET ) TO: Louis Forget ( MAHMOOD AYUB ) TO: Mahmood Ayub ( MAKARAND DEHEJIA ) TO: Makarand Dehejia ( MARCELO SELOWSKY ) TO: Marcelo Selowsky ( MARGARET AMARAL ) To: Margaret Amaral ( MARITTA KOCH-WESER ) To: Maritta Koch-Weser TO: Mark Baird ( MARK BAIRD ) ( MASOOD AHMED ) TO: Masood Ahmed ( MICHAEL BRUNO )

TO: Michael Bruno

TO: Mieko Nishimizu

TO: Miguel Schloss ( MIGUEL SCHLOSS ) ( MYRNA ALEXANDER ) TO: Myrna Alexander TO: Norman Hicks ( NORMAN HICKS ) ( PAUL RABE ) TO: Paul Rabe TO: Paula Donovan ( PAULA DONOVAN ) TO: Pierre Landell-Mills ( PIERRE LANDELL-MILLS ) TO: Rachel Weaving ( RACHEL WEAVING ) ( RICHARD FRANK ) TO: Richard Frank ( ROBERT AYRES ) TO: Robert Ayres TO: Robert Picciotto ( ROBERT PICCIOTTO ) ( SARWAR LATEEF ) TO: Sarwar Lateef ( SHAHID JAVED BURKI ) TO: Shahid Javed Burki TO: Sonia Benavides-Paz TO: Sri-ram Aiyer TO: Tariq Husain ( SONIA BENAVIDES PAZ ) ( SRI-RAM AIYER ) ( TARIQ HUSAIN ) ( VINOD THOMAS ) TO: Vinod Thomas TO: Wadi Haddad CC: Sonia Benavides-Paz ( WADI HADDAD ) ( SONIA BENAVIDES PAZ ) CC: Rest of Distribution Suppressed

DATE: February 25, 1994 06:03pm EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Geoffrey Lamb, EMTPM (GEOFFREY B. LAMB)

EXT.: 32936

SUBJECT: RE: Friday's brainstorming

Sarwar --

The normal grumble is that I talk too much, not too little: count your blessings!

Here's what I meant:

- 1. We need to reexamine and maybe redefine the international public policy rationale of the Bank. The original rationale, to oversimplify, was to finance postwar European reconstruction and (via guarantees, interestingly) to restore development financing for Latin America following the collapse of the L Am bond market. The succeeding broader "development and poverty" agenda has now become too diffuse to be tractable except as boilerplate. It has also had the important defect of closely linking the Bank, politically and financially, to the "aid business" -- thus positioning the Bank currently, in most stakeholders' minds, in a business which is not only declining in political significance (bad news for a public institution), but which is also becoming less central to development (I'll come to IDA etc in a minute).
- 2. How might we think about a more robust public policy rationale? I think there are two elements conceptually. But they overlap a bit untidily:
- (i) the Bank as a provider of "pure international public goods", and
- (ii) as executor, and sometimes broker, of international (mainly economic) public policy consensuses (is there such a plural, I wonder?).
- 3. <u>International public goods</u>. Here we could think creatively (aggressively?) along traditional efficiency-of-public-goods lines, i.e. the Bank role would lie where there are problems -- with <u>international</u> dimensions -- of non-excludability, property-rights uncertainty or assignment constraints, true market failure, prisoners' dilemmas, and so forth.
- 4. Examples obviously abound in the case of the environment (where I guess we just have a toe in the water so far via Montreal Protocol etc.), but also in areas such as water (remember the Indus Waters Treaty?) where, by the way, both the

Landell-Mills "absolute shortage" and Bruno "it's just a pricing issue" positions are wrong because the issue of political control of water -- hence the public-goods dimension -- is critical.

- 5. The most important international public goods area for the Bank, however, is in international intermediation of investment finance, where market incompleteness/market failure -- and hence the Bank role -- stems from the presence of governments as participants. Government involvement -- as investment partner for public projects, purchaser of project outputs such as electricity, and setter of potentially contract-vitiating rules of the game -- introduces specific problems of sovereign risk and contractual compliance which private markets may not be able to handle very well, especially where commercial/legal/institutional involvement of the country in the international system is recent or incomplete. In other words, the catalyst/guarantor type role of the Bank, currently much discussed, is at the heart of the public policy rationale for the Bank, and needs radical extension.
- 6. [Precisely because of this, to echo a conversation with Armeane the other day, it's mistaken to argue that this catalytic, private-sector enhancing role demands changes in the Articles, direct unguaranteed lending to the private sector, etc. The utility of the Bank here lies precisely in using its unique status vis-a-vis governments to deal with defined political (not commercial) risk and contract performance as private investors and lenders could not, but to do so without compromising economic efficiency, including the efficiency (and risk) of private capital. That way the Bank provides a true public good -- which would not be the case if, freed from the constraints of the Articles, it in effect provided subsidies to private investment, and distorted incentives and private financial markets commensurately.]
- 7. I think there's some mileage in the above to provide us with an intellectually and politically robust way of defining some of the things the Bank ought to do, and do more of. [By the way, this line of thinking further broadens the Bank agenda, at least in principle, beyond a purely "developing" country focus, as Elkyn was arguing for, and also maybe provides a language for distinguishing more sharply between our functions and those of the Fund.]
- 8. The second strand is much messier. I think it runs something like this: As we've all been discussing, the days are passing when there was a fairly broad (western) consensus about the desirability of "development" in "developing countries", development (a) being conceived of as more or less a single thing, and (b) being accelerated by international action in which official financial flows played a very large role. The Bank has operated very comfortably as the lead institution in this universe. Now, we'll more and more be faced with a world in which subsets/coalitions of countries (and other stakeholders) want to insert the Bank into particular international tasks they want done, but where they have a political or technical "agency"

problem which requires that some external entity (e.g. the Bank)
designs, projectizes, manages, is trustee, or does whatever.

- 9. In other words, the <u>general</u> public policy consensus for publicly-financed development assistance is breaking down. (An interesting footnote, Minouche Shafik reminds me, is that the traditional neo-classical high-return-projects-in-poor-countries rationale for Bank financing is a bit suspect in the light of new growth theory...).
- 10. Increasingly, a much more segmented international agenda, driven by growing country economic diversity plus changing international political priorities, is taking its place. So the Bank (often also the Fund) is pressed into service for the debt crisis (to which, to considerable political damage, it responded slowly and reluctantly), for transition and especially Russia, for Palestine, maybe South Africa, to keep the environment out of the hands of big spenders and Greens, maybe for putting economic muscle behind governance, human rights and some minima of international conduct... and so on.
- [[[ The LAN system is about to go down so I can't go on (general sighs of relief)]]]. But this idea of the Bank increasingly being the agent of particular and partial rather than general international consensuses has very interesting implications. First, we (i.e. the Bank) absolutely should not be passive in this process, but be proactive and promotional about the things we want to see happen. Second, there is a very difficult -- but vital -- managerial and intellectual challenge: to manage these disparate impulses of international action and support so that the Bank uses those resources to remain a coherent instrument for broader development and poverty reduction. Third, if the leading edge of our various businesses is likely to move around faster and less predictably in the future, we sure are going to have to rethink business processes, staff flexibilityand instruments very hard indeed. Fourth, if stakeholders do indeed turn to the Bank for these very different, difficult, important jobs, it really will give new meaning to the "knowledge institution", and put a real, not lip-service, premium on Bank ideas and human capital .....
- Etcetera. Sorry -- more haste, greater length.

Geoff

CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)
CC: Sonia Benavides-Paz (SONIA BENAVIDES PAZ)

( LOUIS FORGET )

( JULIAN SCHWEITZER )

The World Bank/IFC/MIGA OFFICE MEMORANDUM February 25, 1994 07:47pm Sarwar Lateef ( SARWAR LATEEF ) TO: ( TARIQ HUSAIN ) Tarig Husain, MNAVP FROM: EXT.: 33907 RE: I had asked Geoff to elaborate on the point he made SUBJECT: at last Friday's Brainstorming: 50th Anniversary Geoff This is good stuff. What the hell are you doing these days? reading up on new growth theory and learning all those fancy words???Underemployed/highly productive? which? But , certainly keping together your human capital -- ispite of the Bank's lip Good job for a friday afternoon. you have earned your 10 k run for tomorrow. Cheers Tariq Institutional ISC Files ( INSTITUTIONAL ISC FILES ) CC: SONIA BENAVIDES PAZ ) CC: Sonia Benavides-Paz CC: Wadi Haddad ( WADI HADDAD ) CC: Vinod Thomas ( VINOD THOMAS ) ( SRI-RAM AIYER ) CC: Sri-ram Aiyer ( SONIA BENAVIDES PAZ ) CC: Sonia Benavides-Paz ( SHAHID JAVED BURKI ) CC: Shahid Javed Burki ( SARWAR LATEEF ) CC: Sarwar Lateef ( ROBERT PICCIOTTO ) CC: Robert Picciotto CC: Robert Ayres ( ROBERT AYRES ) CC: Richard Frank ( RICHARD FRANK ) CC: Rachel Weaving ( RACHEL WEAVING ) ( PIERRE LANDELL-MILLS ) CC: Pierre Landell-Mills ( PAULA DONOVAN ) CC: Paula Donovan ( PAUL RABE ) CC: Paul Rabe NORMAN HICKS ) CC: Norman Hicks ( MYRNA ALEXANDER ) CC: Myrna Alexander ( MIGUEL SCHLOSS ) CC: Miguel Schloss ( MIEKO NISHIMIZU ) CC: Mieko Nishimizu ( MICHAEL BRUNO ) CC: Michael Bruno ( MASOOD AHMED ) CC: Masood Ahmed ( MARK BAIRD ) CC: Mark Baird ( MARITTA KOCH-WESER ) CC: Maritta Koch-Weser ( MARGARET AMARAL ) CC: Margaret Amaral ( MARCELO SELOWSKY ) CC: Marcelo Selowsky ( MAKARAND DEHEJIA ) CC: Makarand Dehejia ( MAHMOOD AYUB ) CC: Mahmood Ayub

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Filo

### ALL-IN-1 NOTE

DATE: 22-Feb-1994 10:15am

TO: See Distribution Below

FROM: Sarwar Lateef, OPRIE ( SARWAR LATEEF )

EXT.: 31760

SUBJECT: Any reactions?

50th anniversary: the vision thing

And any headlines from your perspective?

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( MIGUEL SCHLOSS )

ALL-IN-1 NOTE

DATE: 22-Feb-1994 09:03am EST

TO: Armeane Choksi ( ARMEANE CHOKSI )

FROM: George Psacharopoulos, HROVP ( GEORGE PSACHAROPOULOS )

EXT.: 39243

SUBJECT: FYI

You may not agree with all the headlines (note last one!) But this was the best essay among those I received....

CC: Sarwar Lateef ( SARWAR LATEEF )
CC: Alexander Shakow ( ALEXANDER SHAKOW )

DATE: February 7, 1994 11:45am EST

TO: George Psacharopoulos ( GEORGE PSACHAROPOULOS )

FROM: Charles Griffin, AF2PH (CHARLES GRIFFIN)

EXT.: 38500

SUBJECT: HEADLINES FOR 50TH ANNIVERSARY

You suggested at the meeting last week that we offer headlines that we would like to see printed as a result of the papers to be written and speeches to be made. I couldn't think of a better way to focus attention on the messages we would like to see. To that end, my suggestions...

INVESTING IN PEOPLE KEY TO ENVIRONMENTALLY FRIENDLY
DEVELOPMENT
World Bank Plans Major Shift in Emphasis
Preston Emphasizes Importance of Education for International
Competitiveness

SECONDARY EDUCATION FOR ALL BY 2015, SAYS WORLD BANK
World Bank to Lead International Initiative
Had It Happened in 1945, Population Growth Would Be Halved
and Incomes Doubled Today
Sharply Increased Productivity, Better Income Distribution,
and Environmental Friendly Development Will Result
It Is A Feasible Goal, Argues Preston at Bank's 50th
Anniversary
Africa Poses the Toughest Problem But Has Most To Gain

WORLD LAGS IN EDUCATING GIRLS AND YOUNG WOMEN World Bank to Spearhead Initiative

AFRICAN COUNTRIES AND WORLD BANK AGREE TO FINANCE SIX REGIONAL UNIVERSITIES
Countries Have Already Agreed, Says Preston at Bank's 50th Anniversay
Countries too Poor to Afford 50 Quality Universities
National Governments to Emphasize Primary and Secondary Education
Similar Initiative Planned for Hospitals
Part of Larger Initiative in Universal Secondary Education by 2015

WORLD BANK: SOCIAL SERVICE REGULATION TOO RESTRICTIVE
Bank Will Help Improve Environment for Non-Government Social
Services
Preston Argues for More Flexible and Efficient Supply of

Services
New Role for Governments -- Finance and Subsidize, Leave
Provision to the Market
Bank Expects Considerable Controversy

WORLD BANK WILL SHIFT RESOURCES TO SECTORS OVER THE NEXT DECADE
Preston Argues for Stronger Economic and Analytical Approach to Social Sectors
Massive Change in Professional Staff Expected
Agriculture Goes Belly Up

WORLD BANK SOCIAL SECTOR PROJECTS TO EMPHASIZE POLICY AND FINANCIAL DEVELOPMENT
Bricks and Mortar Phase Successfully Ended
Much Progress, Says Preston, But Success Creates Need to Change Priorities
Will Fund Scholarships, Education Loans, Development of Insurance

PRESTON CALLS ON WORLD TO TRADE GUNS FOR TEXTBOOKS AND VACCINES
Calls for Shifting Half of Current Military Spending to Human Capital Investment
Bank Will Make Future Loans Contingent on Shifts
Bank Proposes Monitoring Effort
Preston Criticizes Governments for Adjusting Too Slowly to End of Cold War
Military Spending Endangers Economic Growth and Human Welfare
Bank Predicts Shifting Half of Spending Will Reduce Poverty by \_\_\_% in 2005

WORLD BANK TO FOCUS ITS ECONOMIC AND POLICY DEVELOPMENT SKILLS ON EDUCATION, HEALTH, FAMILY PLANNING, NUTRITION Simple Projects Easier to Execute No Micro Management, Says Preston Bank Develops Instruments for Quick Disbursement in Social Sectors Bank to Loan \$15 Billion in Social Sectors Annually in Poorest Countries Preston Argues That Getting Cash into Households is Key

WORLD BANK: HOUSEHOLDS THE KEY TO HUMAN CAPITAL INVESTMENT State-Led Development is Not Sustainable: Key Lesson of Cold War
Bank Argues that Government and Bank Often Need to Get Out of the Way
We Cannot Lead, Only Boost, Preston Argues
Poorest Households Need the Most Help and Will Get It under New Bank Strategy
World Bank to Develop New Instruments to Get to Households
Preston: Developing Countries Need Good Government, Not Big

#### Government

ENVIRONMENTALLY FRIENDLY DEVELOPMENT IS PEOPLE DEVELOPMENT Education is Key to Eco-Friendly Development World Bank to Focus on Education, Family Planning, Health as Part of Environmentally Friendly and Poverty Reducing Development Agenda
Population Growth Expected to be Cut by 1 Billion from Earlier Projections

MOSQUITOS MUST DIE, SAYS WORLD BANK
Malaria a Greater Burden in Africa than AIDS
Bank to Spearhead Malaria Control Initiative
Greatest Killer of Children is Uncontrolled in Poor
Countries

POPULATION GROWTH TO BE SLOWED IN MAJOR WORLD BANK INITIATIVE
Secondary Education for Girls is Lynchpin of New Bank Strategy
Best, Most Cost Effective Environmental Intervention
Will Help the Poor Most, Says Preston on Bank's 50th Anniversary

TOO MANY FARMERS, NOT ENOUGH FOOD PRODUCTION
Bank to Shift Emphasis to Human Capital Development in
Agriculture

WORLD BANK: VIOLENCE A MAJOR HINDRANCE TO ECONOMIC DEVELOPMENT
Hurts the Poor Most, Says Preston
Bank Will Spearhead Worldwide Shift of Military Budgets to Education
Bank to Include Human Rights Performance in Considering New Loans
Bank and UNDP to Develop Indicators
Violence to Women a Major Problem, Says Preston
Bank Will Focus on Legal Framework for Women's Rights

WORLD BANK PLANS TOTAL DOMINATION OF THE WORLD BY 2025
The World Needs a Strong Disinterested Bureaucracy
Lesson of East Asian Development, Says Preston
Bank Pledges Not to Develop A Military Force
Bank to Purchase Seychelles for New Headquarters
Pope Agrees to Join Bank as Titular Head
New Intergalactic Office Planned for Space Station
Staff Demands Improved Benefits for New Role

( MICHAEL BRUNO )

( MIEKO NISHIMIZU )

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The World Bank/IFC/MIGA
OFFICE MEMORANDUM
   DATE:
         February 25, 1994 06:05pm
        See Distribution Below
    TO:
  FROM: Sarwar Lateef, HROAN
                                               ( SARWAR LATEEF )
   EXT.:
         31760
         I had asked Geoff to elaborate on the point he made
SUBJECT:
          at last Friday's Brainstorming: 50th Anniversary
          Please let me know if you have any reactions.
          DISTRIBUTION:
                                               ( ALEXANDER SHAKOW )
        Alexander Shakow
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     TO: Andrew Steer
                                               ( ANDREW STEER )
    TO: Anil Malhotra
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                                               ( GEOFFREY B. LAMB )
     TO: Geoffrey Lamb
                                               ( GOBIND T. NANKANI )
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                                               ( HANS WYSS @A1@PARIS )
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                                                JOHN D. CLARK )
     TO: John D. Clark
     TO: Julian Schweitzer
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                                                 LOUIS FORGET )
     TO: Louis Forget
                                               ( MAHMOOD AYUB )
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     TO: Maritta Koch-Weser
                                               ( MARITTA KOCH-WESER )
                                               ( MARK BAIRD )
     TO: Mark Baird
                                               ( MASOOD AHMED )
     TO: Masood Ahmed
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TO: Michael Bruno

TO: Mieko Nishimizu

TO: Miguel Schloss ( MIGUEL SCHLOSS ) ( MYRNA ALEXANDER ) TO: Myrna Alexander TO: Norman Hicks TO: Paul Rabe ( NORMAN HICKS ) ( PAUL RABE ) ( PAULA DONOVAN ) TO: Paula Donovan TO: Pierre Landell-Mills ( PIERRE LANDELL-MILLS ) TO: Rachel Weaving TO: Richard Frank ( RACHEL WEAVING ) ( RICHARD FRANK ) TO: Robert Ayres
TO: Robert Picciotto
TO: Sarwar Lateef ( ROBERT AYRES ) ( ROBERT PICCIOTTO ) ( SARWAR LATEEF ) TO: Shahid Javed Burki ( SHAHID JAVED BURKI ) TO: Sonia Benavides-Paz TO: Sri-ram Aiyer TO: Tariq Husain ( SONIA BENAVIDES PAZ ) ( SRI-RAM AIYER ) ( TARIQ HUSAIN ) TO: Vinod Thomas ( VINOD THOMAS ) TO: Wadi Haddad CC: Sonia Benavides-Paz ( WADI HADDAD ) ( SONIA BENAVIDES PAZ ) CC: Rest of Distribution Suppressed

DATE: February 25, 1994 06:03pm EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Geoffrey Lamb, EMTPM (GEOFFREY B. LAMB)

EXT.: 32936

SUBJECT: RE: Friday's brainstorming

Sarwar --

The normal grumble is that I talk too much, not too little: count your blessings!

Here's what I meant:

- 1. We need to reexamine and maybe redefine the international public policy rationale of the Bank. The original rationale, to oversimplify, was to finance postwar European reconstruction and (via guarantees, interestingly) to restore development financing for Latin America following the collapse of the L Am bond market. The succeeding broader "development and poverty" agenda has now become too diffuse to be tractable except as boilerplate. It has also had the important defect of closely linking the Bank, politically and financially, to the "aid business" -- thus positioning the Bank currently, in most stakeholders' minds, in a business which is not only declining in political significance (bad news for a public institution), but which is also becoming less central to development (I'll come to IDA etc in a minute).
- 2. How might we think about a more robust public policy rationale? I think there are two elements conceptually. But they overlap a bit untidily:
- (i) the Bank as a provider of "pure international public goods", and
- (ii) as executor, and sometimes broker, of international (mainly economic) public policy consensuses (is there such a plural, I wonder?).
- 3. <u>International public goods</u>. Here we could think creatively (aggressively?) along traditional efficiency-of-public-goods lines, i.e. the Bank role would lie where there are problems -- with <u>international</u> dimensions -- of non-excludability, property-rights uncertainty or assignment constraints, true market failure, prisoners' dilemmas, and so forth.
- 4. Examples obviously abound in the case of the environment (where I guess we just have a toe in the water so far via Montreal Protocol etc.), but also in areas such as water (remember the Indus Waters Treaty?) where, by the way, both the

Landell-Mills "absolute shortage" and Bruno "it's just a pricing issue" positions are wrong because the issue of political control of water -- hence the public-goods dimension -- is critical.

- 5. The most important international public goods area for the Bank, however, is in international intermediation of investment finance, where market incompleteness/market failure -- and hence the Bank role -- stems from the presence of governments as participants. Government involvement -- as investment partner for public projects, purchaser of project outputs such as electricity, and setter of potentially contract-vitiating rules of the game -- introduces specific problems of sovereign risk and contractual compliance which private markets may not be able to handle very well, especially where commercial/legal/institutional involvement of the country in the international system is recent or incomplete. In other words, the catalyst/guarantor type role of the Bank, currently much discussed, is at the heart of the public policy rationale for the Bank, and needs radical extension.
- 6. [Precisely because of this, to echo a conversation with Armeane the other day, it's mistaken to argue that this catalytic, private-sector enhancing role demands changes in the Articles, direct unguaranteed lending to the private sector, etc. The utility of the Bank here lies precisely in using its unique status vis-a-vis governments to deal with defined political (not commercial) risk and contract performance as private investors and lenders could not, but to do so without compromising economic efficiency, including the efficiency (and risk) of private capital. That way the Bank provides a true public good -- which would not be the case if, freed from the constraints of the Articles, it in effect provided subsidies to private investment, and distorted incentives and private financial markets commensurately.]
- 7. I think there's some mileage in the above to provide us with an intellectually and politically robust way of defining some of the things the Bank ought to do, and do more of. [By the way, this line of thinking further broadens the Bank agenda, at least in principle, beyond a purely "developing" country focus, as Elkyn was arguing for, and also maybe provides a language for distinguishing more sharply between our functions and those of the Fund.]
- 8. The second strand is much messier. I think it runs something like this: As we've all been discussing, the days are passing when there was a fairly broad (western) consensus about the desirability of "development" in "developing countries", development (a) being conceived of as more or less a single thing, and (b) being accelerated by international action in which official financial flows played a very large role. The Bank has operated very comfortably as the lead institution in this universe. Now, we'll more and more be faced with a world in which subsets/coalitions of countries (and other stakeholders) want to insert the Bank into particular international tasks they want done, but where they have a political or technical "agency"

problem which requires that some external entity (e.g. the Bank)
designs, projectizes, manages, is trustee, or does whatever.

- 9. In other words, the <u>general</u> public policy consensus for publicly-financed development assistance is breaking down. (An interesting footnote, Minouche Shafik reminds me, is that the traditional neo-classical high-return-projects-in-poor-countries rationale for Bank financing is a bit suspect in the light of new growth theory...).
- 10. Increasingly, a much more segmented international agenda, driven by growing country economic diversity plus changing international political priorities, is taking its place. So the Bank (often also the Fund) is pressed into service for the debt crisis (to which, to considerable political damage, it responded slowly and reluctantly), for transition and especially Russia, for Palestine, maybe South Africa, to keep the environment out of the hands of big spenders and Greens, maybe for putting economic muscle behind governance, human rights and some minima of international conduct... and so on.
- [[[ The LAN system is about to go down so I can't go on 11. (general sighs of relief)]]]. But this idea of the Bank increasingly being the agent of particular and partial rather than general international consensuses has very interesting implications. First, we (i.e. the Bank) absolutely should not be passive in this process, but be proactive and promotional about the things we want to see happen. Second, there is a very difficult -- but vital -- managerial and intellectual challenge: to manage these disparate impulses of international action and support so that the Bank uses those resources to remain a coherent instrument for broader development and poverty reduction. Third, if the leading edge of our various businesses is likely to move around faster and less predictably in the future, we sure are going to have to rethink business processes, staff flexibilityand instruments very hard indeed. Fourth, if stakeholders do indeed turn to the Bank for these very different, difficult, important jobs, it really will give new meaning to the "knowledge institution", and put a real, not lip-service, premium on Bank ideas and human capital .....
- 12. Etcetera. Sorry -- more haste, greater length.

Geoff

. . .

CC: Institutional ISC Files ( INSTITUTIONAL ISC FILES )
CC: Sonia Benavides-Paz ( SONIA BENAVIDES PAZ )

DATE: February 25, 1994 07:47pm EST

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Tariq Husain, MNAVP ( TARIQ HUSAIN )

EXT.: 33907

SUBJECT: RE: I had asked Geoff to elaborate on the point he made at last Friday's Brainstorming: 50th Anniversary

#### Geoff

This is good stuff. What the hell are you doing these days? reading up on new growth theory and learning all those fancy words???Underemployed/highly productive? which? But , certainly keping together your human capital—ispite of the Bank's lip service.

Good job for a friday afternoon. you have earned your 10 k run for tomorrow.

Cheers Tariq

CC: Julian Schweitzer

Institutional ISC Files ( INSTITUTIONAL ISC FILES ) CC: ( SONIA BENAVIDES PAZ ) · CC: Sonia Benavides-Paz ( WADI HADDAD ) CC: Wadi Haddad CC: Vinod Thomas ( VINOD THOMAS ) ( SRI-RAM AIYER ) CC: Sri-ram Aiyer CC: Sonia Benavides-Paz ( SONIA BENAVIDES PAZ ) ( SHAHID JAVED BURKI ) CC: Shahid Javed Burki ( SARWAR LATEEF ) CC: Sarwar Lateef ( ROBERT PICCIOTTO ) CC: Robert Picciotto ( ROBERT AYRES ) CC: Robert Ayres ( RICHARD FRANK ) CC: Richard Frank ( RACHEL WEAVING ) CC: Rachel Weaving ( PIERRE LANDELL-MILLS ) CC: Pierre Landell-Mills ( PAULA DONOVAN ) CC: Paula Donovan PAUL RABE ) CC: Paul Rabe ( NORMAN HICKS ) CC: Norman Hicks ( MYRNA ALEXANDER ) CC: Myrna Alexander ( MIGUEL SCHLOSS ) CC: Miguel Schloss ( MIEKO NISHIMIZU ) CC: Mieko Nishimizu ( MICHAEL BRUNO ) CC: Michael Bruno ( MASOOD AHMED ) CC: Masood Ahmed ( MARK BAIRD ) CC: Mark Baird ( MARITTA KOCH-WESER ) CC: Maritta Koch-Weser ( MARGARET AMARAL ) CC: Margaret Amaral ( MARCELO SELOWSKY ) CC: Marcelo Selowsky ( MAKARAND DEHEJIA ) CC: Makarand Dehejia ( MAHMOOD AYUB ) CC: Mahmood Ayub ( LOUIS FORGET ) CC: Louis Forget

( JULIAN SCHWEITZER )

CC: John D. Clark ( JOHN D. CLARK ) JOHANNES LINN ) CC: Johannes Linn ( JOANNE SALOP ) CC: Joanne Salop JEAN-FRANCOIS RISCHARD ) CC: Jean-Francois Rischard JAN WIJNAND ) CC: Jan Wijnand ISHRAT HUSAIN ) CC: Ishrat Husain INDER SUD ) CC: Inder Sud HANS WYSS @A1@PARIS ) CC: HANS WYSS ( GOBIND T. NANKANI ) CC: Gobind T. Nankani CC: Geoffrey Lamb ( GEOFFREY B. LAMB ) ( GAUTAM ADHIKARI ) CC: Gautam Adhikari ( FARIDA KHAMBATA ) CC: Farida Khambata CC: Elkyn Chaparro CC: Dominique Lallement ( ELKYN CHAPARRO ) ( DOMINIQUE LALLEMENT ) DENNIS ANDERSON ) CC: Dennis Anderson ( DANIEL RITCHIE ) CC: Daniel Ritchie ( D. C. RAO ) CC: D. C. Rao ( CHARLOTTE JONES-CARROLL ) CC: Charlotte Jones-Carroll ( CATHERINE KLEYNHOFF ) CC: Catherine Kleynhoff ( C.L. ROBLESS ) CC: C.L. Robless ( BARBARA TRAVIS ) CC: Barbara Travis ( BARBARA BRUNS ) CC: Barbara Bruns ( ARMEANE CHOKSI ) CC: Armeane Choksi ( ANIL MALHOTRA ) CC: Anil Malhotra ( ANDREW STEER ) CC: Andrew Steer CC: Rest of Distribution Suppressed

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P-1862

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## THE WORLD BANK/IFC/MIGA OFFICE MEMORANDUM

DATE:

February 24, 1994

TO:

Distribution

FROM:

Armeane M. Choksi

EXTENSION:

31811

SUBJECT:

Fiftieth Anniversary: The Schmertz Report

94 FEB 25 PM 3: 53

RECEIVED DEVELOR FOR EXPONICS

This is to invite you to a meeting to discuss the findings outlined in the attached report entitled "Summary of Survey Results" prepared by Mr. Schmertz following his interviews with Bank management, staff and Executive Directors. The meeting will be held in Room S-13-161, on Thursday, March 3, at 3:00 p.m. I am inviting Mr. Schmertz to join us and present his findings in some detail.

Following this discussion, I will arrange a separate meeting with you on a revised version of the Statement of Purpose, an initial draft of which was prepared by Mr. Schmertz and reviewed by those of you (or your representatives) who are members of the 50th anniversary committee.

In subsequent weeks I hope to involve you in discussions on a paper currently under preparation on the future agenda of the World Bank.

#### Distribution:

Executive Vice Presidents, IFC and MIGA Vice Presidents, Bank, IFC and MIGA

cc: Messrs./Mme.

Preston, Karaosmanoglu, Sandstrom, Stern, (EXC),

Donovan (FRMDR), Shakow (EXTDR), Lateef, Ayres (HROAN)

Attachment

KSLateef:sbp

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P-1862

THE WORLD BANK/IFC/MIGA

### OFFICE MEMORANDUM

DATE:

February 24, 1994

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Attachment

KSLateef:sbp

94 FEB 25 PM 3: 53

TEVEL - FEDERACE MARIE THE THE WORLD BANK

SUMMARY OF SURVEY RESULTS



### SUMMARY OF SURVEY RESULTS

Interviews were conducted with over 75 people, including interviews with three groups of Executive Directors. The mix of interviews was intended to provide a cross-section of views about the Bank. A group interview was also held with seven younger Bank staff members, who have been with the Bank two or three years.

The purpose of these interviews was to identify, with some specificity, the elements that would be included in a Position Statement reflecting what the Bank does. The reason for developing this Positioning Statement is to be able to present in a concise, simple, understandable form, an accurate picture of the Bank so that various constituencies important to the Bank, will better understand and be more supportive of the Bank's activities.

What follows are a summary of findings based upon the interviews.

### 1. Poverty Reduction as an objective.

o Most interviewees took the poverty reduction objective very seriously. They felt that the overarching objective of all of the Bank's activities was to alleviate or reduce poverty around the world.

- o Nevertheless, a significant number of interviewees felt that poverty alleviation or poverty reduction was not an accurate objective. They accepted that poverty reduction can and should be the result of Bank activities, but they felt that to talk about poverty reduction to the exclusion of other activities, was simplistic and misleading in terms of what the Bank does and what it stands for.
- o A small number of interviewees felt that the poverty reduction objective had outlived its usefulness and, that while reflective of the Bank's activities in some geographic parts of the world, particularly Sub-Sahara, the Bank's activities in Eastern Europe for example, were motivated by objectives other than poverty reduction.
- 2. Sustainable Economic Development was considered the most important objective and was the most frequently cited Bank objective.
  - o Virtually every interviewee, whether supporting poverty alleviation or poverty reduction as an objective or discussing other Bank objectives, such as assisting countries in Eastern Europe in economic transition, assisting China to develop its economy, new programs for the Occupied Territories or Viet Nam, all cited, as the key element of the Bank's activities programs directed towards sustainable economic growth.

o Virtually, every interviewee made the point that without sustainable economic growth, not only can poverty not be reduced, but countries will not be able to receive a stream of Bank loans and private investment because, without economic growth, repayment of these investments and loans, would be impossible. Moreover, it was clearly conveyed that such important considerations such as environmental protection, use of human resourses, improvement in health and medical facilities, better educational facilities and, better housing and infrastructure development, all would be impossible without sustainable economic growth.

# 3. The achievement of sustainable economic development is a complex and difficult process.

- o The interviewees explained in great detail, how in each country, different needs had to be satisfied and different programs adopted and implemented if sustainable economic growth were to be achieved.
- o The real heart of the Bank's activities and success is the spectrum of activities it engages in country-by-country. The totality of the countries' strategies, whether they include structural adjustment, economic reforms, policy reforms,

loans for infrastructure development, improvement in health, education and housing, assistance in developing a methods for dispute resolution and protection of sanctity of contracts. These and dozens of other ingredients are really what the Bank is all about.

- 4. The Bank has not developed the ability to convey to its important constituencies how the wide array of activities in which it is engaged have been and, will be, key to assisting achieve sustainable economic development.
  - o The Bank has allowed its critics to focus on perceived failures of big infrastructure and construction projects, particularly, large dams.
  - o The Bank has also allowed its critics to focus on certain aspects of its loan portfolio which have been characterized as under-performing.
  - o The Bank has not communicated its record over the past fifty years of substantial and dramatic accomplishments.
  - o The Bank has not been able to communicate in simple and understandable terms, the sophisticated, complex and

technically difficult activities that are the heart of its economic development successes.

o The Bank has allowed far too much attention to be focused on its loan activities with the result that the Bank seems to be loan-driven.

# 5. The Bank's relationship with NGOs was viewed in widely different ways.

- o Many interviewees felt that the Bank was failing to adequately respond in an aggressive and vigorous way to unfair and inaccurate criticism from NGOs.
- o Almost all of the interviewees felt that there were three categories of NGOs. Those that were considered "responsible" and with which the Bank has had healthy and productive relationships. Second, was the group of NGOs whose agendas were totally at variance with the Bank's agenda with the result that there was no basis for mutual understanding and respect. The third group was those NGOs that were simply misinformed about the Bank's activities, but were not necessarily antagonistic to the Bank's objectives.
- o The general feeling was that the Bank should attempt to strengthen its ties to and support from the responsible NGOs,

do a better job in educating the misinformed NGOs and to vigorously respond to the criticism from those NGOs whose philosophies were incompatible with the Bank's philosophies.

- o There were some feeling that the Bank was paying far too much attention and devoting too much resource and too much consideration regarding NGO criticisms. Moreover, some interviewees felt that responding to NGO criticisms by trying to placate them, was weakening the Bank.
- 6. The World Bank attempts to do too much and is too willing to assume new responsibilities and new programs.
  - o Many interviewees felt that a lot of the Bank's problems stem from its attempt to do too much. They pointed out that the Bank's activities and areas of focus had expanded considerably from its original charter purpose.
  - o Interviewees felt that the very nature of the Bank's success caused it to be a recipient of increasing demands for new activities and programs. Each were stretching the Bank's financial and human resources to a point where quality was being diminished and the chances of success reduced.

- o The very nature of the assumption of increased responsibilities and new programs further complicates the Bank's ability to gain understanding and support from key constituencies. As the Bank becomes more complex, with more and more new programs and activities, its ability to explain and define itself becomes increasingly difficult.
- o The distinction between the Bank's activities and the IMF as a result of increasing Bank activities, make it difficult to fully understand what the Bank is about.
- 7. The Bank's ability and willingness to respond to critics and its ability to make itself better understood is inadequate.
  - o Virtually all interviewees felt that the Bank needed to do a better job of responding to criticisms and explaining itself more fully and clearly.
  - o Interviewees felt that failure to respond and communicate was eroding Bank support among important constituencies, including donor countries, the media, academics and, NGOs.
  - o Virtually all interviewees welcomed the apparent new commitment to improve external communication activities in general and, those directed toward using the 50th

Anniversary as an effective vehicle to effectively communicate more positive information about the Bank.

- o A number of the Vice-Presidents indicated that they were moving ahead to establish their own external affairs activities within their jurisdiction because they felt they could not afford to wait any longer to respond to criticisms and to better inform their constituencies.
- o There was no finding amongst any interviewee that the Bank did not need to communicate better. The view that had existed in the past that the Bank's activities spoke for themselves was something that was rejected by interviewees when the question was posed.
- 8. The Bank faces increasing competition and difficulty in generating financial support from donor countries.
  - o Many interviewees cite the increasing competition for development money from bi-lateral lending agencies and regional development banks.
  - o Interviewees also described the increasing pressures in donor countries to reduce development assistance monies in light of domestic economic conditions within donor countries

- -- Scandinavia, Germany and, the Netherlands, were particularly cited as examples.
- o Interviewees particularly focused on the need to better communicate the successes and activities of the World Bank as a way of responding to these competitive pressures.
- 9. The Bank lacks sufficient sensitivity when it comes to dealing with environmental, social and human resource issues.
  - o A significant number of interviewees expressed strong negative views about whether the Bank was truly committed to programs to protect the environment, developing human resources and, reduce the impact on the poor as a result of structural adjustment.
  - o These interviewees said that there was a significant gap between what the Bank said regarding these areas and what it actually did and, that criticisms from the outside, were relatively accurate.
  - o Nevertheless, it is fair to say that at least a majority of the interviewees, said that the Bank was doing an adequate job in paying attention to environmental, social and human resource issues, as part of its overall activities.

- o The creation of the Global Environment Fund was particularly cited as a positive response to criticism.
- 10. Interviewees felt that technical assistance and policy guidance programs now assume more importance in terms of the Bank's work as compared to loans.
  - o Interviewees were asked to rate on a scale of 1 to 10 first, the Bank's technical assistance and policy guidance activities and, then, its loan activities. Virtually, every interviewee responded by rating policy guidance and technical assistance between 7 and 8 on the scale and loans at about 5.
  - o It's clear from the interviews that the prevailing view within the Bank is that while loans are an important ingredient and provide enormous support for the Bank's activities, that the real heart of the Bank's activities now, and in the future, are likely to be in the policy guidance and technical assistance areas.
  - o The Bank's work in Eastern Europe, Russia, China and the Occupied Territories, were particular examples reflecting this view.

- 11. The concept of the Bank's managing changes in countries in transition appear to be strong new attitude.
  - o With the demise of the Soviet Union and the communist model, interviewees cited a wave of countries moving rapidly toward establishing new political and economic institutions. Eastern Europe, Russia and some African nations were particularly singled out.
  - o Interviewees described the Bank's activities as managing change in countries in transition, with a heavy emphasis on policy guidance.
  - o The general feeling amongst interviewees was that only the Bank, because of its experience and expertise, based on its activities over a long period of time, can really provide useful and meaningful assistance to countries in transition.
  - o A few interviewees pointed out that the Bank has always been able to respond positively to quickly emerging changes. These interviewees cited the oil shock of the 70s, the debt crisis of the 80s, as examples. They felt that the Bank's current activities in response to change were simply a continuation of what the Bank has done in the past 5 decades.

### 12. Creditworthiness

- o A number of interviewees expressed concern that critics and observers of the Bank did not fully understand the relationship between loan repayment, creditworthiness and, the Bank's ability to continue its activities.
- o These interviewees were particularly critical of those that call for either moratorium on debt repayment or outright disavowal by governments.
- o They also expressed concern and dismay about the very small number of people that are aware of most of the Bank's lending capacity that is generated by Bank borrowing from private capital markets.
- o They felt the Bank should do a much more aggressive job in explaining the source of the Bank's funds, the need to repay the loans and, the relationship of these concepts to the Bank's ability to continue its activities in a meaningful manner.

### 13. The Bank as a series of partnerships

o Most interviewees had not considered the Bank as a series of partnerships when questioned regarding this concept.

- o In discussions with interviewees about the partnership concept, the interviewees quickly came to the conclusion that portraying the Bank as a series of partnerships, was both helpful in explaining how the Bank operated and, perhaps, more importantly, how it shared responsibility for its activities with other significant entities.
- o Interviewees felt that by showing the shared responsibility, it had a potential for reducing the view that the Bank was arrogant, a law unto itself and, insensitive to those constituencies which it either dealt with or relied upon.

# 14. The Bank is too United States and/or G-7 dominated.

- o Some interviewees expressed the view that the Bank was too U.S. or G-7 dominated, but they were a very distinct minority.
- o As compared to my findings in my earlier report this past summer, it would seem that the intensity of the U.S. or G-7 dominance argument has abated at least a little.
- o Nevertheless, several interviewees expressed negative reactions to Vice President Gore's comments in Russia

regarding how the World Bank and the IMF should conduct its activities vis-a-vis Russia.

# 15. Should the Bank do more to acknowledge its failures and shortcomings?

- o A significant number of interviewees felt that the Bank should do a more complete and documented job of discussing its failures and shortcomings.
- o These interviewees felt that the Bank's critics were well aware of Bank inadequacies and that the Bank would be a more credible entity if it was more candid and forthcoming regarding its mistakes and failures.
- o Nevertheless, most interviewees emphasized in very strong terms the need for the Bank to stress in more comprehensive and strong terms, its past and current successes.
- o The Wapenhans Report was cited by both those that felt the Bank should be more open about its failures and those that felt the Bank should do more to stress its successes. The latter group felt that the manner in which the Wapenhans Report was presented to the public, produces negative results. While they did not quarrel with the Wapenhans Report, they felt that if its presentation had been done in a

more balanced manner, the negative comments might have been reduced.

### 16. Meeting with young Bank staff professionals.

- o At a meeting with seven young Bank staff professionals, each of whom have been with the Bank two three years, the following emerged:
  - -- All of the interviewees appeared to be very smart, highly motivated, with high-energy levels.
  - -- Each participant realized that, by working at the Bank, they had survived a very tough competitive recruiting process.
  - -- Each interviewee was unsure, at this time, whether they wanted to make a career at the Bank or use their Bank experience to obtain much more lucrative positions in the private-sector.
  - -- There was very little sense of history or understanding about the Bank's evolution and its accomplishments beyond the recent past.
  - -- While the interviewees were not exactly cynical, it is fair to say that they did not exhibit any significant missionary

zeal regarding the Bank's activities and their role in these activities.

- Each of the interviewees appear more to be a technocrat determined to get a job done in the best possible way.
   What was lacking was an apparent passion regarding the social utility of the Bank's activities.
- o The interviewees knew very little about and did not exhibit any great interest in the 50th Anniversary activities.
- o The interviewees felt that they were on the receiving end insofar as work demands of the Bank's willingness to assume more and more responsibility for new and enlarged activities.

THE WORLD BANK / IFC / M.I.G.A.

### OFFICE MEMORANDUM

DATE:

February 23, 1994

TO:

Friends of the 50th

FROM:

Armeane M. Choksi, Vice President, HROVP

**EXTENSION:** 

31811

SUBJECT:

The Attached

AH- 100.3/3

1. Thanks for agreeing to serve informally as a friend of the on-going work on the "vision thing" being prepared in the context of the 50th Anniversary. Gautam, Michael, you have been "volunteered". Hope you agree.

- 2. The first phase of this activity is the preparation of a "Statement of Purpose" of the Bank designed specifically for the outside world, but has strong links to the vision of the future of the Bank. The attached statement-prepared as an outcome of the Schmertz interviews--has been refined beyond the original one prepared by Schmertz which some of you have seen. Its purpose is to spell out the objectives of the Bank, what it stands for and what it has accomplished. This statement with a cover note from Lew will also be distributed to all Bank staff.
- 3. I would like to meet with you to explain our plans and to refine further this statement before going to all the Vice Presidents and then the Board. I will ask my secretary to set up a mutually convenient time.
- 4. I would also like to meet with you informally on a periodic basis to brainstorm the 2nd phase--the vision work--which is currently underway.

#### Attachment

#### Distribution

Mr. Caio Koch-Weser, MNA

Mr. Gautam Kaji, EAP

Mr. Johannes Linn, FPR

Mr. Jean-Francois Rischard, FPD

Mr. Michael Bruno, DEC

cc: Mr. Sarwar Lateef

#### STATEMENT OF PURPOSE

### THE WORLD BANK: ALLEVIATING POVERTY AND IMPROVING PEOPLE'S LIVES

#### COVER PAGE: A GLOBAL DEVELOPMENT INSTITUTION

- The World Bank, working with its partners in the international community, is committed to alleviating poverty, raising living standards, and promoting environmentally-sound economic growth.
- The World Bank helps countries to pursue successful development strategies with the objective of reducing their reliance on the World Bank and eventually relying only on the international capital markets to finance their investments.
- The World Bank strives to achieve these goals through a unique mix of economic policy guidance, technical assistance and financing for development.
- The World Bank represents a global partnership in which 177 countries have joined together. The World Bank family comprises four institutions:
  - The International Bank for Reconstruction and Development (IBRD) -- also known as the World Bank -- one of the largest providers of market-based development loans to middle-income developing countries and a major catalyst of similar financing from other sources. The IBRD funds itself by borrowing on the international capital markets.
  - The International Development Association (IDA) -- funded by Government contributions -- assists the poorest countries by providing interest-free credits of long-term maturities.
  - The International Finance Corporation (IFC) -- which supports private enterprises in the developing world through the provision of loan and equity financing.
  - The Multilateral Investment Guarantee Authority (MIGA) -- which offers investors insurance against non-commercial risks and stimulates foreign investment in the developing countries.

- 2 -

#### PANEL 1: 50 YEARS OF DEVELOPMENT EXPERIENCE

• For 50 years, the World Bank has assisted its member countries in shaping economic policies and programs to promote growth and thereby reduce poverty. The Bank's role has been critical all over the world -- from helping with the reconstruction of postwar Europe and Japan, to supporting the "green revolution" and the fight against famine in South Asia, to assisting with the economic "miracle" in East Asia, to helping eradicate "riverblindness" in West Africa, to collaborating with the Latin American nations to overcome the debt crisis.

- Today, the Bank is at work in over a hundred developing countries, from the poorest countries of Sub-Saharan Africa to economies in various stages of transition -- from the former Soviet Union to the Occupied Territories.
- Tailoring its programs to the requirements of each specific country, the Bank supports projects and programs for education, health, nutrition, and family planning; for energy, industry, agriculture, and transportation; for private-sector development and environmental protection; for debt relief and emergency and drought relief.
- Financing economic development is inherently risky. The Bank has learned and continues to learn from the lessons of experience, particularly the importance of:
  - getting economic policies right;
  - reducing poverty through labor-intensive economic growth and investing in people -- in education, health, nutrition and family planning;
  - ensuring a proper complementary relationship between the public and the private sectors;
  - protecting the environment; good environmental policies are also good economic policies;
  - involving people in the development programs which affect them;
  - bringing women fully into development;
  - encouraging good governance and accountability so that governments respond to the people's real needs; and
  - successful implementation of development programs and projects.

 These lessons will continue to be incorporated in the Bank's future programs and projects.

#### PANEL 2: A DEVELOPMENT PARTNERSHIP

The World Bank represents a global partnership for development among its 177 member countries and partnership will define the Bank's approach to development:

- partnership with borrowing member countries in thousands of development programs;
- partnership with non-borrowing member countries -- through cooperation with their aid and export credit financing agencies and through the access these countries offer the Bank to their capital markets;
- partnership with other international and regional organizations -- including fellow members of the UN system;
- partnership with the business community, a broad array of non-governmental organizations, and academia; and
- ultimately partnership with the PEOPLE of its member countries.

### PANEL 3: THE DEVELOPMENT CHALLENGE: MANAGING CHANGE

- Over the past 50 years, the World Bank has proven itself to be a flexible, responsive institution, a valuable global asset in promoting economic growth and in fighting against human misery and poverty.
- For five decades, the World Bank has helped to manage change in the developing world responding to numerous and unexpected development challenges.
- Tremendous progress has been made over the last generation. In the developing countries:
  - life expectancy has increased from 40 to 63 years;
  - infant death rates have been halved; and
  - incomes per person have doubled.

- During that time, more people have been lifted out of poverty than in any comparable period in history.
- And yet, enormous challenges remain:
  - over a billion people still struggle to survive on less than a dollar a day;
  - severe environmental problems need to be urgently addressed;
  - the entrepreneurial capacity of the private sector to create jobs and generate labor-intensive growth has yet to reach its full potential; and
  - many countries have still to complete their transformation to market-oriented economies.
- In today's uncertain and complex world, the World Bank is needed to help manage these challenges:
  - responding flexibly to the specific needs of its member countries:
  - helping them to manage change and increase their reliance on international capital markets to finance their investments;
  - focusing on results -- to ensure that people really see an improvement in their lives; and
  - working with its partners to make the world a better place for all.

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P-1862

File

### The World Bank/IFC/MIGA OFFICE MEMORANDUM

DATE: February 22, 1994 03:56pm

TO: Sarwar Lateef ( SARWAR LATEEF )

FROM: Michael Bruno, DECVP ( MICHAEL BRUNO )

EXT.: 33774

SUBJECT: RE: Friday

I too enjoyed the discussion. It was an excellent group. Will try to participate in future meetings.

Michael

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

DATE:

TO: Sarwar Lateef

( SARWAR LATEEF )

FROM: Michael Bruno, DECVP

( MICHAEL BRUNO )

EXT.: 33774

SUBJECT: RE: Friday

I too enjoyed the discussion. It was it an excellent group. Will try to participate in future meetings.

Michael

### The World Bank/IFC/MIGA OFFICE MEMORANDUM

DATE: February 20, 1994 10:13am

TO: Michael Bruno

( MICHAEL BRUNO )

FROM: Sarwar Lateef, OPRIE

( SARWAR LATEEF )

EXT.: 31760

SUBJECT: Friday

Mr. Bruno:

Just to thank you for taking the time and trouble to kick off Friday's discussions. I thought the meeting was most useful from our perspective in focussing on the key issues, and much of the credit must go to you for an outstanding set of introductory remarks which provided an excellent framework for the discussions. I do hope you will be able to spare the time for our subsequent discussions.

Many thanks again.

#### Sarwar

CC:	Armeane Choksi	( ARMEANE CHOKSI )
	Robert Ayres	( ROBERT AYRES )
	Paulo Vieira Da Cunha	( PAULO VIEIRA DA CUNHA )
CC:	Mark Baird	( MARK BAIRD )
CC:	Sonia Benavides-Paz	( SONIA BENAVIDES PAZ )
	Institutional ISC Files	( INSTITUTIONAL ISC FILES )

That you wate.

I have enjoyen the It was a discussion, it am excellent groups will try to participate in future meetings. When we had

#### February 17, 1994

#### DEC Senior Managers

#### Treasury Department Notes

For your information, attached is a paper from Armeane Choksi on "50 Years Is Enough".

Michael Bruno

Attachment

cc: Paulo V. Da Cunha

THE WORLD BANK/IFC/M.I.G.A. ( M. BONR)

RO	OUTING SLIP	DAT	E:	February 9, 1994
NA	NAME			
	Messrs. Bruno, Burki, Husain, Jaycox, Kaji, Kashiwaya, Kock-Weser, Linn, Picciotto, Rischard, Serageldin, Shihata, Thahane, Thalwitz, Wood, Ms. Einhorn		ROOM NO.	
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MHennesey
to: Louellen Stedman

Department of the Treasury

Departmental Offices

Assistant Secretary for International Affairs

Attached are notes Obey handed to the Secretary during their meeting.

date: 2/4/94

Jeffrey R. Shafer

room 3430 phone 622-0060

94 FEB 17 PM 4: 31

#### THE WORLD BANK/IFC/MIGA

### OFFICE MEMORANDUM

DATE: February 16, 1994

TO: Mr. Masood Ahmed, Director, IEC

FROM: Alexander Shakow, Director, EXT

EXTENSION: 31828

SUBJECT: Responding to Mortgaging the Earth

1. Further to my E mail message of yesterday, I am attaching copies of the relevant pages of Bruce Rich's forthcoming book for your review. The book has been available in bookstores for a few weeks now and although the publication date is not until next week, it is already getting attention in the media. We believe that we need to respond quickly if negative public opinion is to be minimized.

- 2. Andrew Steer and I will prepare a package of short pieces to respond to the major issues raised in the book. This will kick off with a cover note that addresses the broad message we want readers to have from our perspective, including a critique of Rich's apparent development "philosophy". (I attach a blurb issued by the publisher's agent which sets the tone!) This overview will also draw from the various individual pieces being done by you and others.
- 3. We must also react to some of the obvious oversimplifications and distortions in Rich's analysis. A series of individual brief notes are intended to do this. Thus, we ask that you assign a member of your staff to read the attached sections on net negative transfers, debt, and forgiveness of World Bank debt and to prepare a brief critique. The critique should include a statement of the Bank's view of the issues and some examples of where Rich's expose is misleading or inaccurate. We do not want a detailed point by point disclaimer of the text, but rather a short (no more than 3 pages) argument outlining the main inaccuracies.
- 4. Please let me have your response by c.o.b. Wednesday, February 23. Let me know if you need more guidance. Lesley Simmons (ext. 31785) will be working on this in EXT and can also help advise on issues.
- 5. Thank you very much. This is very important and urgent and we are grateful for your personal attention and time.

cc: Messrs. Bruno (DECVP), McHugh (EXC), Serageldin (ESDVP), Steer (ENVDR), Ms. Simmons (EXTIP)



January 21, 1994

Dear Editor/Producer:

With the World Bank celebrating its 50th anniversary in July, Bruce Rich's ground-breaking expose -- Mortgaging the Earth (Beacon Press) -- tells the organization's untold story.

For the last half-century, time and again undeveloped countries have turned to the World Bank, the single largest source of finance for international development, for financial and economic assistance. But, as Bruce Rich reports in his scathing critique, the World Bank has done irreparable harm to the environment and to the world's indigenous peoples. As a result, we are all now facing the tremendous strain of collapsing economies worldwide.

In Mortgaging the Earth, Bruce Rich, an internationally known expert on the environment who once consulted for the World Bank, shows how secrecy, bureaucratic arrogance, and a technocratic faith in outdated ideas of progress have fueled a little-publicized but enormously destructive global effort.

- Using leaked documents from sources inside the Bank, Rich exposes, most notably, the Bank's involvement in the destruction of the Brazilian rain forest. Rich also shows how our tax dollars have subsidized the debt of private international banks; how repeatedly and without political accountability the World Bank has increased its financial support for regimes that torture and murder their subjects, from Ceaucescu's Romania to Suharto's Indonesia.

Bruce Rich, senior attorney for the Environmental Defense Fund, is widely acknowledged as **the** authority on what is wrong with the World Bank. He testifies regularly before Congress, is frequently interviewed, and has written for the Nation, The Ecologist, World Policy Journal, and many other journals.

To discuss Bruce Rich's shocking revelations about the World Bank and how its policies threaten us all, please call me at 718/875-3502.

With best wishes,

Conthia Kirk

Mortgaging the Earth: The World Bank, Environmental Impoverishment, and the Crisis of Development by Bruce Rich (Beacon Press)

384 pages; 6 x 9; Index \$29.00 clothbound; ISBN 0-8070-4704-X

\$29.00 clothbound; ISBN 0-8070-4704-X Publication Date: February 28, 1994

Beacon Press books are distributed to the trade by Farrar, Straus & Giroux.

charter specifies that it (like the IBRD) is to finance "specific projects" except in special circumstances, but adds that these shall be "of high developmental priority" (Article V, Section 1[b]). Second, for some countries the World Bank Group would be able to put together combined financial packages of both IBRD loans and IDA credits (as the IDA loans are called). The combined lower interest rates associated with such packages would make borrowing more attractive for these nations, although the number of countries qualifying for both IBRD and IDA assistance was limited.\*

Most importantly, IDA financing was completely different from that of the IBRD; it had to be fully replenished with hard funds every three years by the major industrialized countries. The IBRD raised most of its resources by borrowing in international capital markets, using the guarantee of the callable capital of the major industrialized nations. True, to increase its borrowings the IBRD eventually has to request a capital increase from its members, but this occurs less frequently than IDA replenishments. The triennial IDA replenishment obliges the Bank to make its case not just before the Board of Executive Directors (giving them, at least potentially, more direct power over the president and management),92 but also before the public and the legislatures of its most powerful members. In the United States, this gives the Congress, and several key subcommittees, more continual control over the Bank's purse strings. In the late 1980s, for example, U.S. congressional appropriations for IDA averaged about a billion dollars a year, whereas the annual contribution of the United States to the IBRD's paid-in capital was less than \$100 million a year.\*\* Many IDA replenishments came to be characterized by strained relations between the U.S. Congress and the Bank.

### The Specter of Net Negative Transfers

An institution limited to a zero net transfer of capital can hardly be characterized as a development institution. 

—Edward Mason and Robert Asher, 1973

From its early years to the present, there have been two main factors behind the pressure to lend within the World Bank. One,

already discussed, was the lack of quality, "bankable" projects. A second, even more serious pressure, began to appear at the end of the 1950s—net negative transfers from its borrowers; that is, some countries began to pay more money back to the Bank than the Bank disbursed to them in new loans.\* For most banks this is not a problem, but a simple fact of life: disbursements from a lender to a borrower will be heavily in the borrower's favor in the early years of a loan; in later years, the flow reverses as the borrower pays the loan back. To keep increasing the volume of loans as time goes on to a borrower, so that net transfers over the short term from the bank to the borrower remain positive, is obviously building a house of cards; it sets up a situation that risks massive default later on as the debt service consumes increasing amounts of the borrower's income. But a well-run commercial bank does not face this prospect if it can recruit a constant stream of new customers to lend to, corporate or individual.

The World Bank, however, has a unique problem: its customer base is limited to a few score developing nations. At some point most countries start paying back more to the Bank than it lends, and the Bank eventually liquidates itself—as John J. McCloy, hardly a financial or political naif, indeed expected. This outcome can be averted only if the Bank keeps increasing the volume of lending to the same countries, piling on new debt, or, better, can obtain funds to disburse as grants or low-interest loans.<sup>94</sup>

Thus, in the 1960s, IDA, with its funding replenished every three years by the major industrialized nations, played an important role in alleviating, but not eliminating, the Bank's looming net negative transfer problem with poorer countries. The problem is that IDA replenishments must also constantly grow to stanch the flow of resources back to the Bank.\*\*

\*\* Writing in 1973, Mason and Asher described the net negative transfer specter haunting the Bank: "The most important fact to us at the moment is that without a further increase in the volume of IDA credits and in their proportion to total loans and credits from the Bank Group to less developed countries, the Group's net transfer of resources to those countries will probably become negative or negligible" (Mason and Asher, Since Bretton Woods, 418).

<sup>\*</sup> In 1964, IDA established an income test; as of 1992, only countries with per capita incomes of \$610 or less qualified for IDA credits.

<sup>\*\*</sup> For each dollar of paid-in capital, the U.S. Treasury commits itself to back the IBRD with as much as \$20 of callable capital. This guarantee does not appear in the budget figures; however, it is a potential government liability, if the IBRD were ever to encounter massive defaults by its borrowing nations. The analogy with the government's liability for savings and loans institutions has already been made by some authors.

<sup>\*</sup> The term net transfer has been given a number of a times opaque technical definitions in the literature of international debt and foreign aid. Here, however, we are using it as Mason and Asher use it in their twenty-five-year history of the Bank: simply to indicate the relation between the amount of new inflows of money from the World Bank (including IDA) to a given borrowing nation (or group of nations) and the total repayment in the same time period (usually a Bank fiscal year) of principal and interest on previous loans. If a country is paying more back to the Bank than the Bank is disbursing to it, there is a net negative transfer to the Bank from the borrowing nation. (For more technical discussions, see Cheryl Payer, Lent and Lost: Foreign Credit and Third World Development [London, United Kingdom and Atlantic Highlands, New Jersey: Zed Books, Ltd., 1991], 10-15; and World Bank/IMF Development Committee, Development Issues: Presentations to the 44th Meeting of the Development Committee, Washington, D.C.—September 21, 1992 [Washington, D.C.: World Bank, 1992], 53-54.)

In 1961, developed countries were already paying more back to the Bank than it was lending them. This, of course, was expected, since there was no need for the Bank to continue lending to richer nations. But the same phenomenon would also be true in the future for the Bank's poorer members, whose borrowing was creating a debt that was contributing to their underdevelopment and dependence. The World Bank's annual report for 1963-64 expressed alarm: "The heavy debt burden that weighs on an increasing number of its member countries has been a continuing concern of the World Bank group."95 In the 1960s, the Third World debt crisis became, according to the history that the Bank commissioned for its twenty-fifth anniversary, "a central preoccupation of the Bank." "The large increase in bilateral and multilateral development assistance flows in the 1960s had begun by 1970 to generate unmanageable demands for reverse flows," the same history adds. 96 In 1963, 1964, and 1969, India transferred more money to the World Bank than the Bank disbursed to it. despite large cash infusions from IDA.97 In 1968, India was obliged to reschedule its long-term debt, followed by Indonesia in 1970. In 1970, debt service payments for developing countries already equaled 40 percent of the total transfer of funds to them from the industrialized north. That same year, the Bank had its first year of net negative transfers—borrowers paid more back to the Bank than the total amounts the Bank disbursed.98

Enter Robert McNamara.



# The Faustian Paradox of Robert McNamara

The parable of the talents is a parable about power—about financial power—and it illuminates the great truth that all power is given us to be used, not to be wrapped in a napkin against risk.<sup>1</sup>

-Robert McNamara, September 30, 1968

A chain of marshes lines the hills,
Befouling all the land retrievement;
To drain this stagnant pool of ills
Would be the crowning, last achievement.
I'd open room to live for millions
Not safely, but in free resilience.
Lush fallow then to man and cattle yields
Swift crops and comforts from the maiden fields.<sup>2</sup>
—Goethe, Faust

More than any of his predecessors—or successors—Robert McNamara made the Bank into what it is today. In physical terms, he drove it to expand at a pace unprecedented for a large institution, at a rate that was clearly unsustainable for more than a few years: during his thirteen-year tenure from 1968 to 1981, lending increased from \$953 million to \$12.4 billion (sixfold, in real terms), and the Bank staff from 1,574 to 5,201.<sup>3</sup> Even more important, he brought a sense of moral mission to the Bank that has not been seen before or since. His fervor and single-mindedness, reflected in the Bank's astounding physical growth, was for the sake of development—"one of the biggest and the most important tasks confronting mankind in this century," as he declared in 1969.<sup>4</sup> Above all, he proclaimed, it was for the sake of the poorest of the poor.

It was McNamara, too, who created in 1970 an environmental office in

tioned what he characterized in *Notes from Underground* as the human "predilection for systems and abstract deductions," a predilection so great that man "is ready to distort the truth intentionally, he is ready to deny the evidence of his senses only to justify his logic."<sup>4</sup>

Dostoyevsky feared that the project of Western economic development entailed not only the suppression of freedom in the name of reason and progress, but also, as an inexorable corollary, the abolition of history.\* His underground antihero protests against "a palace of crystal that can never be destroyed. . . And perhaps that is just why I am afraid of this edifice." After all, history is the arena where alternative scenarios of human development are played out, where the free choice of human communities and individuals is both a deciding factor and the ultimate stake.

Another prophet of the new world heralded by the Crystal Palace was the great turn-of-the-century German social scientist Max Weber. Much of Weber's lifework was given to analyzing what he saw as the universal rationalization and bureaucratization of Western society in the service of technology and economic growth. Profoundly pessimistic, Weber envisaged the future as an "iron cage" in which human activity would be increasingly subject to instrumental, rationalized domination by fundamentally unaccountable bureaucracies.6

Both Dostoyevsky and Weber realized that the triumph of technology and the centrality of economic, material growth as the basis of all modern societies created a unique rationale for new forms of political and social domination. For both, the project of modern development evolved with a menacing paradox at its heart—increasing rationality in form accompanied by ultimate unreason and nihilism in its consequences.

#### A Certain Amount of Faith

As Keynes once remarked, if capitalists foresaw all the uncertainties to which their investments would be subjected, they would probably not have invested in the first place. . . . Since the Bank is using other people's money . . . [w]hat is required is a certain amount of faith in the development prospects of a country—a faith that transcends the expectations that can certainly be associated with particular projects.<sup>7</sup>

-Edward Mason and Robert Asher

When A. W. "Tom" Clausen, former president of the Bank of America, assumed the presidency of the World Bank from McNamara in 1981, he could rightfully boast that it had "become the world's largest and most influential development institution." Virtually no one questioned his assertion that the Bank was "widely respected for the quality of its work because its standards for the identification, preparation, appraisal, implementation and supervision of development projects are recognized as among the most rigorous and exacting in the world." Within the Bank, few paid attention to the internal project audit reports that cast doubts on its claims with regard to poverty alleviation and successful development; fewer still heeded the occasional case studies in development periodicals that documented from the field the disastrous environmental and social consequences of Bank projects. These consequences often eluded the quantitative indicators the theologians of development cited to show progress.\*

The Bank faced a new challenge at the beginning of the 1980s: the intractable net negative transfer menace that had plagued it for two decades was only a microcosm of the relationship between developing countries and their private and public creditors in industrialized nations. For example, by 1976 gross disbursements from all public and private lenders to Latin America totaled \$31.387 billion, of which nearly half, \$15.194 billion, was transferred back to service previous debts; by 1981, three-quarters of the more than \$72 billion lent to Latin countries immediately returned to the North. The following year, when the debt crisis exploded with the threat of Mexican default in August 1982, Latin countries borrowed only \$49.63 billion, but paid back to the North \$66.811 billion, a net negative transfer of over \$17 billion. 10

Throughout the 1970s private international banks—with Mr. Clausen's Bank of America in the forefront—had encouraged major nations like Mexico, Brazil, Argentina, and Nigeria to engage in the most extravagant borrowing binge in history. The World Bank's approach contributed to the problem: in the 1970s it lobbied its donors for huge capital increases,

<sup>\*</sup> See, for example, Francis Fukuyama's *The End of History and the Last Man* (New York: Free Press, 1992), where the neo-Hegelian thesis is advanced that with the collapse of communism, global economic and political development is achieving its logical culmination—the reign of a global market economy and liberal, Western democracy. But Fukuyama's vision of democracy accepts as a premise and inevitability a single path of global modernization in which "all countries . . . must increasingly resemble one another," sharing a "universal consumer culture" (pp. xiv–xv). "Rather than a thousand shoots blossoming into as many different flowering plants, mankind will come to seem like a long wagon train strung out along a [single] road. . . . To get through the final mountain range they all must use the same pass" (pp. 337–38).

<sup>\*</sup> See, for example, the extraordinary collection of environmental disasters, some financed by the Bank, documented in Mitaghi Farvar and John P. Milton, *The Careless Technology: Ecology and International Development* (Garden City, New York: Natural History Press, 1972).

and, as we have seen, increased its lending more than tenfold. This improved the short-term foreign exchange balances of many borrowers, but helped set them up for an even bigger crisis in the early 1980s.

Now, as major countries threatened to default in succession like a row of tumbling dominos, private banks lost all inclination for further lending. The U.S. Treasury and other creditor-nation finance ministries pushed the World Bank and the International Monetary Fund to take up the slack in lending as much as possible; even more critical for containing the crisis, the Bank and the Fund were to pressure borrower countries to reduce domestic imports and expenditures, and to export more to earn the foreign exchange to continue servicing their debts. This new approach was called "structural adjustment."

World Bank structural adjustment loans were tailored to help avoid a debt meltdown: they were huge (typically \$100 to \$500 million) and fast disbursing, providing massive quick fixes of foreign exchange. The loans did not finance specific projects (the Bank's Executive Board decided it could lend up to 25 percent annually for so-called non-project adjustment loans and not violate its charter).\* But in exchange, the recipients of adjustment loans had to relinquish important parts of national sovereignty, basically agreeing to revamp their economies into foreign exchange–earning, export-oriented machines, often to the detriment of long-term domestic social and environmental needs.\*\*

Adjustment loans alone were not enough to stanch the crisis. In the early 1980s Clausen also initiated a "Special Action Program" which accelerated ongoing World Bank loan disbursements to major debtors like Brazil and Mexico, regardless of quality or implementation problems in specific projects. And Clausen called for, and obtained in 1982, a doubling of the Bank's capital, an infusion of more than \$30 billion in cash and guarantees.

Thus, the pressure to lend had increased exponentially since the beginning of the McNamara era. The old problems of the lack of bankable projects and the threat of net negative transfers were bigger than ever. The most basic economic efficiency criteria were often ignored: many Bank loans supported massive government programs in the agriculture and energy sectors that were thoroughly permeated with grossly wasteful subsidies for big users of water, power, and agricultural chemicals. But devel-

opment lending, as Edward Mason and Robert Asher stated in their McNamara-commissioned history of the Bank, was above all an act of faith; what mattered in Bank project appraisals was theological adherence to the canon and credo, not necessarily their observance in everyday life.

Outside the gates of this secretive palace of crystal built on debt, green heretics were beginning to suspect the emperor had no clothes.

#### **Questions and Doubts**

For a decade now, the Bank has required, as part of project evaluation, that every project it finances be reviewed by a special environmental unit. . . . Nearly two thirds of the projects reviewed have raised no serious health or environmental questions, and I'm pleased to say that it has been possible to incorporate protective measures in all the projects we have financed over the past decade. 11 —A. W. Clausen, November 12, 1981

The above statement was an untruth, one repeated by two presidents of the World Bank for nearly a decade. It is difficult to judge which interpretation is more disturbing: were Robert McNamara and A. W. Clausen consciously lying, or were they and Bank management simply so removed from the day-to-day reality of Bank projects that they actually believed what they were saying?

Several environmental advocates in Washington, working with groups such as the Natural Resources Defense Council, the Environmental Policy Institute, and the National Wildlife Federation\* suspected there was little evidence to back the World Bank's environmental claims. Groups defending the human and cultural rights of tribal and indigenous peoples, such as London- and Washington-based Survival International and Cultural Survival in Boston, had criticized the destruction of tribal cultures by Bank-financed projects for several years, but with little tangible political impact.

In early 1983, the environmentalists began to investigate. The Bank's Office of Environmental and Scientific Affairs, which according to Clausen reviewed every project, numbered only six individuals out of a total Bank staff of 6,000 (of whom more than 3,500 were professionals). In fact, when McNamara first claimed in Stockholm in 1972 that the Bank's envi-

<sup>\*</sup> I.e., the injunction of Article III, Section 4 (vii) that the Bank was to lend only for specific projects "except in special circumstances."

<sup>\*\*</sup> For an indictment of the disastrous effect of World Bank and IMF adjustment policies and on the welfare of children in developing nations, see the UNICEF study Adjustment with a Human Face, Giovanni Andrea Cornia, Richard Jolly, and Francis Steward, eds. (Oxford: Clarendon Press, 1987), vol. 1, Protecting the Vulnerable and Promoting Growth.

<sup>\*</sup> Including the author, Brent Blackwelder (now vice-president of Friends of the Earth, U.S.), and Barbara Bramble, director of international programs at the National Wildlife Federation.

resettlement left the affected population much worse off than before in almost every respect—at a cost per family that for northeast Brazil was a small fortune. Moreover, because of the intense international scrutiny, Itaparica received more World Bank staff attention and resources than almost any other resettlement effort; the 1990 Bank appraisal report for the \$100-million Itaparica Supplemental Resettlement loan argued that this extraordinary attention was necessary because the very credibility of the Bank's resettlement policy was at stake.<sup>21</sup>

Despite the enormous cost, the Bank's Operations Evaluation Department concluded that the Itaparica resettlement plan was

still considered to be the least-cost solution for carrying out a comprehensive resettlement program of this nature and indicate[s] the financial repercussions that are likely when executing and funding agencies are required to meet full relocation obligations to the affected populations.<sup>22</sup>

This last observation is perhaps the key to the failure of the Bank's resettlement policy: most Bank projects involving forced relocation would be economically nonviable if the full cost of resettlement and economic rehabilitation of the displaced were included. Governments would not borrow for such projects, exacerbating the Bank's ever-looming quandary of lack of bankable projects and increasing net negative transfers from its borrowers back to Washington.\*

### Saving the Forests

All forestry projects now contain a strong environmental orientation.<sup>23</sup>

-World Bank, first annual environment report, September 1990.

We have mobilized the best brains in the world on this.<sup>24</sup>

-World Bank Africa region staffer, March 1990.

When Conable promised in May 1987 that the World Bank would become an active environmental lender, he announced that the

most important focus of the Bank's new green loans would be "a global program to support tropical forest conservation"—the Tropical Forest Action Plan. To that end, Conable committed the Bank to increase its forestry lending 150 percent by 1989, and, in a speech he delivered in Tokyo in September of 1989, he announced a further tripling of forestry lending through the early 1990s. Tokyo in September of 1989, he announced a further tripling of forestry lending through the early 1990s.

It was an urgently needed priority and a politically astute one. By the late 1980s, tropical deforestation had become, in the view of many environmentalists and scientists in the industrialized world, the most visible and urgent environmental crisis in the developing world. And the disastrous rainforest destruction unleashed by Polonoroeste and Indonesia Transmigration had aroused more international outrage than any other Bank activity.\*

The Tropical Forest Action Plan (TFAP) was conceived in the mid-1980s by the Bank, the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Program (UNDP), and the World Resources Institute (WRI), a Washington-based environmental think tank. The TFAP sought to alleviate the pressures causing deforestation in developing countries by proposing to mobilize \$8 billion from multilateral and bilateral aid agencies over a five-year period for a variety of forestry and agricultural activities. These included the strengthening of forestry and environmental institutions, supply of fuelwood needs, conservation of protected areas and vulnerable watershed regions, and support of forest management for industrial uses.

But the plan had been prepared largely behind closed doors in Washington, New York, and Rome (FAO headquarters), with little input from nongovernmental groups in tropical forest countries.\*\* The World Resources Institute played a highly ambiguous role; it presented itself as an independent nongovernmental group and research organization, but financed part of the preparation of the plan with money from the very aid agencies, including the World Bank, that might receive billions in additional funds if the Tropical Forest Action Plan could be sold to the tax-payers of industrialized nations. In preparing the TFAP, WRI worked closely

<sup>\*</sup> Bank staff continue to assert that the Bank can achieve success in managing resettlement by insisting that its stated policy be respected. For the Zimapan and Aquamilpa dam projects in northwestern Mexico, the Bank claims that 4,000 people have a good chance of being rehabilitated thanks to extensive local consultation and participation in the elaboration of the resettlement plan. (See Scott Guggenheim, "Salvaging the Dammed," *The Bank's World*, vol. 10, no. 2 [February 1991], 14–15.)

<sup>\*</sup> It is interesting to note the parallel between Conable's focus on tropical forests and George Bush's announcement (at the Earth Summit in Rio de Janeiro) in June 1992 of increased U.S. bilateral aid to conserve rainforests as a means of diverting attention from the U.S. refusal to sign strong international conventions on protection of biodiversity and climate change; in each case, the World Bank and a U.S. president announced environmental half-measures that deflected international criticism of the overall environmental records of the bureaueracies they headed.

<sup>\*\*</sup> Once the TFAP was a virtual fait accompli in its basic approach, the sponsors actively sought the endorsement of nongovernmental groups to give it more credibility and persuade governments to fund it.

Bank project was its role as infrastructure for broader regional economic transformation, a context that was explicitly cited in the appraisal report and in the project files.

The Operations Evaluation Department further concluded that the Bank's project, besides catalyzing accelerated deforestation on a vast scale, played an important role in contributing to increased land concentration and poverty,\* extensive public health problems, increased rural violence, and—incredibly, given the billions invested—to increased malnutrition and reduced food security for large numbers of poor:

Possibly significant impacts on the health and nutritional status of the rural population in the area of influence of the Carajas Project may occur as the result of a loss of food security arising from longer term trends such as the shift from stable food production to livestock and cash crops for export, the monopolization of land in largely unproductive estates, increasing landlessness among small farmers and the rise in temporary wage labor. Within the larger Carajas region, there is already evidence of a growing food deficit. . . . Health data at the municipal level reveal a substantial increase in disease levels in key areas affected by Carajas developments. In the municipalities of Maraba, Parauapebas and Tucurui, for example, the most common recorded diseases are malaria, leprosy, tuberculosis, venereal diseases and leishmaniaisis, together with gastro-intestinal problems due to parasitic infections.<sup>51</sup>

Finally, beyond all considerations of project quality, the OED reports confirm that an overriding factor pushing Bank lending for huge projects such as Polonoroeste and Carajás was

the Bank's desire to step up its lending to Brazil at a time when it was facing increasing balance of payments difficulties and when the continued flow of Bank resources was considered essential to maintain the confidence of other international lenders in the country's medium and long-run development prospects.<sup>52</sup>

One would have hoped that the Bank would sort out the implications of the analysis of its own quality control department. Alas, a 1991 booklet prepared by the Bank's Brazil country department, "Brazil and the World Bank: Into the Fifth Decade," tells the world a tale at odds with the incriminating paper trail in that department's own files:

The Bank-supported Polonoroeste program and the 1982 Carajas Iron Ore Project included environmental protection measures at their inception. For both project

ects the environmental covenants were met. But the projects' unanticipated spillovers and the inability to control spontaneous unrelated activity have had a serious social and environmental impact.<sup>53</sup>

In a 1992 booklet entitled "Environment and Development in Latin America: The Role of the World Bank," the Bank's Latin American regional staff concludes, with unconsciously murderous irony, "The Carajas experience shows how countries of the region and the Bank are still learning-by-doing in environmental assessment." 54

## The Global Environment Facility

While systemic problems in whole sectors of Bank lending and policy continued to fester, and operations staff continued to ignore OED reports, the Bank pressed ahead in the early 1990s to secure over a billion dollars in additional funding for the newly formed Global Environment Facility (GEF). By late 1992, the GEF was well under way to becoming the main international funding mechanism through which the international community is attempting to address global environmental problems such as climate change and destruction of biodiversity. The genesis of the GEF is particularly revealing, since it was an initiative driven by the Bank's financial department, led by Ernest Stern, rather than by its environmental staff, which had little input into the GEF's original formulation. There are signs that one of the GEF's unstated functions for the Bank is sweetening the financial terms of larger Bank loan packages—a matter of key concern for an institution with the chronic problem of a lack of bankable projects and an ever-looming threat of net negative transfers with many of its developing members.\* (We shall return to the latter issue in Chapter 7.)

At the same World Bank annual meeting in autumn 1989 where NGOs from around the world denounced new ecological and human rights abuses in Bank projects, France and Germany expressed a willingness to contribute hundreds of millions of francs and marks for a new "green fund" in the World Bank to finance environmental projects. Together with several other nations, they asked Bank management to review possible "green" funding mechanisms.<sup>55</sup> The Bank's finance department responded with impressive alacrity. By February 1990—a matter of weeks—the Bank developed and presented its proposal for the Global

<sup>\* &</sup>quot;In the municipalities bordering on the Carajas railway, two-thirds of the region's 100,000 or so farming families do not own the land they work, but are increasingly hired ... as wageworkers, sharecroppers or tenants. Furthermore, many of these farm workers are no longer allowed to live on the land they cultivate, but [now] reside in poor squatter neighborhoods in burgeoning towns such as Acailandia and Maraba. ... [Remaining i]ndependent smallholders tend to be concentrated in relatively reduced areas" (OFD Carajás Draft

<sup>\*</sup> Additional concessional funds or grants administered by the Bank are one way to help stanch the net negative transfer problem with its borrowers. In fact, Mason and Asher, writing in 1973, emphasized the "need to increase IDA to avoid net negative transfers" with a number of the Bank's developing members later in the 1970s. (Mason and Asher, Since Bretton Woods [see endnote 15, Chap. 1], 418.)

## The Castle of Contradictions

Where do the pressures come from, pressing down on the World Bank to degrade its own procedures and to bring its own integrity into question?1

-Representative James Scheuer

The Bank's attempts to respond to international pressures for environmental reform exposed a whole series of paradoxes that up through the early 1980s had been unarticulated. The crystal palace of global economic development, whose mission seemed so certain in earlier years, had become a castle of contradictions by the early 1990s.

Internally, the Bank was at war with itself, showing signs of acute bureaucratic schizophrenia. Conable's 1987 environmental reforms had taken place as part of a larger reorganization of the Bank, one the Bank had initiated in response to U.S. Treasury pressures to reduce personnel. Most Bank staff members were put on a kind of probation, left uncertain of the future existence of their jobs until the two-year reorganization was completed. Survival often depended on finding a godfather in senior management, rather than on any indicator of merit. The effect on morale was devastating.

Worse, the main effect of the reorganization was to exacerbate a longstanding split between the institution's operations staff, who identify and prepare loans, and its policy, planning, and research divisions. The reorganization gave operations staff, particularly country directors, increased power and virtual autonomy; policy, research, and external relations functions were concentrated in a single complex which was more isolated than ever from daily input into projects. The reorganizers—a New York consulting firm-had performed a clumsy frontal lobotomy, cutting most remaining connections between the Bank's operations and policy hemispheres. Half of the Bank's sixty-plus environmental staffers were to be found in the central Environment Department, which was now part of the

policy, research, and external affairs (formerly policy, planning, and research) complex; the other half were placed in four newly created environmental divisions for the Bank's four operations regions-Africa, Asia, Latin America and the Caribbean, and Europe and the Middle East. The regional environmental staffs were supposed to exercise closer scrutiny over projects, but, hampered by both limited budgets and limited authority, were all but powerless to stop ambitious country directors from riding roughshod over Bank policies. The Environment Department itself inhabited a world of paper, publishing upbeat accounts of strengthened internal directives and producing volumes of environmental issues papers and action plans, while the lending juggernaut lumbered ahead on a separate planet called Operations.

Operations was the part of the Bank where the action was, where careers proceeded on the fast track. Many Bank staff viewed policy, research, and external affairs as a bit of a dead end, and the Operations Evaluation Department as a humiliating exile. Those in operations proper who were responsible for pushing through debacles like Polonoroeste, Indonesia Transmigration, and Narmada Sardar Sarovar suffered no consequences to their careers. On the other hand, Bank operations staff who opposed or delayed proposed projects on policy and even ethical grounds have suffered the wrath of irate country department directors; the typical fate has been forced exile to the Environment Department.

Operations was driven by the pressure to lend, but where did this lending pressure come from? It is the proclivity of most large bureaucracies to measure success in terms of their own growth and expansion, but the pressure to lend was also inherent in the peculiar nature of the World Bank. For one thing, as we have seen (in chapters 3 and 4, above), the lack of acceptable, "bankable" projects-and the Bank's charter required it to lend mainly for projects—was a dilemma even in the 1950s, creating pressures on staff to aggressively hunt for whatever might pass muster. McNamara initiated annual lending targets, a practice that further exacerbated lending pressures and mitigated against scrupulous observance of Bank environmental and social guidelines-indeed, against project quality in general. The net negative transfer problem also had been a source of lending pressure for years, since, as the landmark Mason and Asher history of the Bank observed in 1973, it could hardly call itself a development institution if it was collecting more money from poor, economically floundering countries than it was lending to them.\* The tremendous capital and

<sup>\*</sup> Already by the mid 1960s (1965-67), 87 percent of all new lending, private and public, to Latin America was flowing back to the North for debt service and amortization, and 73 percent for Africa. (Report of the Commission on International Development, Lester B.

lending increases of the McNamara era only postponed the net negative transfer problem for another decade, when it would loom even greater.\*

Indeed, in the late 1980s a number of developing countries were paying more back to the Bank in principal and interest than they were receiving, and by the early 1990s the problem in a number of key nations was acute. The Côte d'Ivoire had a net negative transfer of \$618 million to the Bank for the period 1989–93, of which \$209 million was for 1989–90 (explaining in part the urgency with which Bank staff pressed for the approval of the disastrously appraised 1990 \$80-million forestry sector loan); in 1993, Nigeria contributed \$328 million more to Bank coffers than it received, Egypt \$92 million more (\$890 million more for 1989–93), and Indonesia \$428 million more.<sup>2</sup> In some of the most heavily indebted Latin American countries, the net negative transfers to the Bank ballooned enormously: for Brazil, \$1.312 billion in 1993 (\$5.3 billion for 1989–93); for Mexico, \$714 million that same year; for the whole Latin American region, \$7.985 billion over the years 1989–93.<sup>3</sup>

The Bank's own projections for the first half of the 1990s were alarming: net negative transfers from its developing members would run at a rate of nearly \$3 billion per year, totaling some \$13.7 billion for the period 1990–94. At the 1991 Bangkok Bank/Fund annual meeting, a number of the Bank's borrowers clamored for speeding up loan disbursements, for new ideas for projects, and for increases in funding from 1DA (the virtually zero–interest concessional lending branch of the Bank)—anything that would stanch the perverse flow of money from the Third World back to the world's leading development institution.<sup>4</sup>

Contributing further to the pressure to lend is the fact that the World Bank never has to answer directly for the disastrous financial consequences of emphasizing quantity over quality in lending, the way a private institution would. Repayment of its loans has no connection whatsoever with the economic performance of projects, since borrowing governments (or more precisely, their hapless taxpayers) are the debtors and guarantors for most Bank loans; moreover, for developing nations the Bank and the IMF

Pearson, chairman, Partners in Development [New York and London: Praeger, 1969], 74, cited in Cheryl Payer, Lent and Lost: Foreign Credit and Third World Development [London and New Jersey: Zed Books, 1991], 57.)

have first priority for repayment, since these countries know that access to all private international credit is contingent on staying on good terms with the Bank and the Fund.

Although the Bank's preferred-creditor status has protected it from major defaults up to now, the threat of defaults by important borrowers has become more real in recent years.<sup>5</sup> The desire to stave off this threat has further encouraged increased lending, as well as a reluctance to halt disbursements because of violations of Bank policies.\* At the end of the Bank's 1993 fiscal year, some \$2.5 billion in loans from four smaller countries (Congo, Liberia, Iraq, and Syria) and the former Yugoslavia were in non-accrual status—that is, overdue. This is 2.39 percent of outstanding Bank loans. The non-performance of these loans reduced by nearly 18 percent the Bank's net income for fiscal year 1993, which was \$1.13 billion.<sup>6</sup>

If one of the Bank's major borrowers—such as India, Brazil, or Indone-sia—were to default, this would put between 11 percent and 13.5 percent of the entire portfolio in non-accrual status,\*\* and leave the Bank with its first annual loss. In this event the Bank probably would have to tap its callable capital, causing consternation in the U.S. Congress and other national parliaments of its donor countries. (The callable capital guarantees for the World Bank are like the guarantees of the U.S. federal government for the savings and loans institutions—they are not included in the budget until the crisis breaks.) The Bank's credit rating on international capital markets would be lowered, and its financial credibility permanently undermined. In the early 1990s, both Brazil and India are faced with enormous financial crises—uncontrolled inflation in Brazil, and a balance of payments and adjustment crisis in India—which make default a real possibility.

Finally, there are two additional factors that complete the inventory of the external pressures on the Bank to lend and to ignore project quality. Representatives of the Bank's biggest borrowing nations—such as India, Brazil, and Indonesia—strongly resist additional loan conditions, particularly those required by the Bank's strengthened environmental and resettlement policies. And, we recall, the industrialized countries, led by the United States, pressured the Bank to deal with the Third World debt crisis

<sup>\* &</sup>quot;The pressure to lend," according to one recent study of the Bank in the 1980s, "is both general, to return the Bank toward being a positive net lender to developing countries, and particular, to give special assistance to highly indebted Latin American borrowers where U.S. commercial banks had dangerously high exposures. The Bank's top management does not admit that its decisions are influenced by net negative transfers, but that is only to be expected in the circumstances" (Mosley, Harrigan, and Toye, Analysis and Policy Proposals [see endnote 5], 47).

<sup>\*</sup> According to Mosley et al., "Formally, its [the Bank's] policy is not to allow fresh loans to countries in arrears on past loans. To permit this to happen, an elaborate ritual can be performed involving borrowing from a third party to pay off the Bank's arrears, in the knowledge that forthcoming Bank lending will allow the third party to be promptly repaid" (Mosley, Harrigan, and Toye, Analysis and Policy Proposals, 48).

<sup>\*\*</sup> An IBRD loan or an IDA credit is classified by the World Bank as non-performing if payments on interest or principal are more than six months overdue. If a single loan or credit for a given nation is non-performing, the Bank is obliged to declare the entire country loan portfolio in non-accrual status.

through huge, quick disbursing structural adjustment loans and accelerated project disbursements. The debt crisis was a global macroeconomic problem whose solution was far beyond the Bank's capacity to influence, but the creditor nations ruled out the most sensible and equitable solution—massive debt forgiveness.

In fact, a clear contradiction emerged between the Bank's efforts to deal with the macroeconomic crises of debt and adjustment and its purported goals of poverty alleviation and increased attention to environmental concerns. Adjustment as promoted by the Bank\* and the IMF resulted in government domestic austerity programs on the part of borrowing countries and intensive efforts to increase export earnings; too often such measures resulted in reduced education, health, and environmental protection expenditures, and reductions in real wages for working populations already on the edge of poverty (in Mexico, often cited as a model, real wages plummeted by 50 percent in the 1980s). Countries already burdened with net negative transfers to the Bank, such as Côte d'Ivoire, were encouraged to borrow still larger sums in exchange for agreeing to squeeze more money out of their domestic economies and environments to repay their foreign debt.

In a world with growing disequilibria in financial flows between South and North,\*\* the richer countries essentially were using the Bank and the Fund as a front to increase the burden of economic adjustment on those who could least bear it. Numerous case studies documented an appalling drop in education and public health services for the poorest populations of the poorest countries, particularly in Africa.\*\*\* The United Nations Children's Fund (UNICEF) and the United Nations Economic Commission for Africa published reports in the late 1980s that bitterly indicted the Bank's approach.<sup>7</sup> The UNICEF report reached the conclusion that World Bank and IMF adjustment programs bore a substantial responsibility for lowered health, nutritional, and educational levels for tens of millions of Third World children.<sup>8</sup>

By the early 1990s, the evidence was more and more alarming. In a

1993 report, the international aid and relief organization Oxfam condemned World Bank adjustment programs for "dramatically worsen[ing] the plight of the poor" in sub-Saharan Africa. Oxfam recounts that under Bank/Fund adjustment programs, consumer prices for low-income families in Zambia doubled in an eighteen month period, and that over the past decade the number of Zambian children "suffering from malnutrition has risen from 1 in 20 to 1 in 5." Bank adjustment policies during the 1980s, the Oxfam report continues, bear responsibility for many African countries spending less in 1990 on public health per capita than they did in the 1970s, and contributed to a drop in primary school enrollment in the region from 78 percent at the beginning of the decade to 68 percent at its end."

The environmental effects of adjustment were also considerable.\* For example, adjustment in Mexico during the 1980s resulted in the budgets of the Department of National Parks and the Bureau of Urban Development and Ecology falling faster, according to a World Wide Fund for Nature study, "than government spending in general." Reductions in agricultural extension services in several countries pushed more small-scale farmers into unsustainable practices, such as depleting lands they owned or expanding into tropical forests and other marginal areas. Increased social disparities and poverty precipitated by adjustment were a major cause of environmental degradation in themselves. A case study of World Bank–IMF adjustment policies in the Philippines prepared by Robert Repetto and Wilfredo Cruz concluded that

real wages fell more than 20 percent between 1983 and 1985. As vastly increase[d] numbers of workers migrated to the open access resources of the uplands and coastal areas, deforestation, soil erosion, the destruction of coastal habitats, and the depletion of fisheries increased.<sup>12</sup>

In the Philippine case as in many other countries, adjustment did not succeed in launching export-led growth as intended. Many argued that given the weakness of many developing-country economies, without massive debt forgiveness adjustment was a cruel hoax. In addition, terms of trade worsened for many of the agricultural and mineral commodities on which poorer nations depended for export revenue. The industrialized

<sup>\*</sup> In the late 1980s and early 1990s about a quarter of World Bank loans were for adjust-

<sup>\*\*</sup> The Bank's net negative transfer problem was only a window on an upside-down world where the poor increasingly bankrolled the rich: net capital flows from the South to the North were running at a rate of \$50 billion a year in the late 1980s.

<sup>\*\*\*</sup> See, for example, A. Peter Ruderman, "Economic Adjustment and the Future of Health Services in the Third World," *Journal of Public Health Policy*, Winter 1990, 481-89; Judith Marshall, "Structural Adjustment and Social Policy in Mozambique," *Review of African Political Economy* 47 (Spring 1990), 28-41; Howard Stein and E. Wayne Nafziger, "Structural Adjustment, Human Needs, and the World Bank Agenda, *Journal of Modern African Studies* 29, no. 1 (1990), 173-89.

<sup>\*</sup> Adjustment is in theory mixed in its environmental implications: one important environmental benefit could be the reduction of government subsidies that encourage profligate energy and water consumption, and the overuse of agricultural chemicals. Overall, however, Bank and Fund adjustment conditions seemed to be more vigorous and successful in reducing government funding for "soft" social and environmental services, in lowering real wages, and in promoting cash crops for export, than in cutting energy and water subsidies for powerful vested industrial and agricultural interests—a hardly unexpected outcome, given the political bargaining power of those affected.

nations "reaffirmed" the pledge they made in Stockholm in 1972 to contribute 0.7 percent of their GNP for foreign aid—a pledge that only five countries, all in Europe, had honored over the past twenty years. The United States was happy to sign on to this provision, since it maintained that it had never made any pledge in 1972 to reaffirm.

This was not the only step backward at UNCED. The Rio Declaration, which most of the world's nations signed at UNCED's conclusion, originally was intended to be a bold statement of principles and intentions of the world's nations concerning the environment and the next century. Unfortunately, it is in some respects weaker and a step backward in environmental commitment from the 1972 Stockholm Declaration.<sup>56</sup>

The Earth Summit, the leading German newsmagazine Der Spiegel proclaimed, was "The Festival of Hypocrisy." 57

#### Unsaid at UNCED

Perhaps the most astounding accomplishment of UNCED was its success in removing from the official international agenda the very issues that many felt were the most fundamental for the ecological fate of the planet. Population, to begin with, was a non-issue at the official meetings, because of pressures from the Vatican and developing nations, as well as from the United States. Poor and rich nations alike had an interest in skirting the issue, because it concerns not only the consequences of demographic growth in developing countries, but also the much greater impact of population growth in the North on the earth's resources. Every new inhabitant of the United States makes a sixtyfold greater contribution to global warming than does an additional Mexican; a single Canadian's contribution is the equivalent of that of 190 Indonesians.58 The environmental legacy of the world's military establishments was a non-issue, and complicated questions associated with the environmental impacts of transnational corporations received short shrift. Although UNCED deliberations focused heavily on the issue of more foreign assistance, little was said and nothing decided on the need to improve the ecological and economic quality of existing aid, totaling some \$55 billion annually.\* The tens of billions of dollars lost annually for developing countries because of trade barriers on the part of the industrialized nations was not on the agenda. Nor was the need for forgiveness of developing-country debt discussed, although by 1990 developing nations were paying over \$50 billion a year to their creditors in net debt-related transfers (interest plus repayments of principal).

Most important of all, the official participants at UNCED based their deliberations, such as they were, on three premises that many nongovernmental organizations and critics—including an embattled minority within the World Bank itself—considered to be fatally flawed. David Korten, a longtime consultant to several international development agencies, former Ford Foundation professional, and grass-roots worker with Philippine nongovernmental groups, summarized these assumptions most succinctly: growth is the solution (or, there can be no solutions without growth); global economic integration will contribute to solving global ecological problems; foreign assistance and investment will make things better.<sup>59</sup>

Needless to say, these three premises are cornerstones of the World Bank's view of the world, and its message to the Earth Summit, embodied in the Larry Summers-dominated *World Development Report 1992* on "Development and Environment." The report provides the official rationalization of the issues. As such, it is worth examining a bit more closely, particularly with respect to the first premise on the ecological need for increased global economic production, since the implications of greater trade and more foreign aid are largely linked to how one interprets the impacts of growth.

The report assumes that economic growth in the North and South must continue, and indeed accelerate, with world GNP increasing 3.5 times by the year 2030. Although "if environmental pollution and degradation were to rise in step with such a rise in output, the result would be appalling environmental pollution and damage," and "tens of millions more people would become sick or die each year from environmental causes," the report declares that there is no need to worry "if sound policies and strong institutional arrangements are put in place." Additional economic growth coupled with a market approach will buy or help develop whatever technological and policy fixes and cleanup measures are needed to manage the environment. The fundamental premise amounts to a reckless, blind gamble: with enough money, humans can buy whatever they need in the future to deal with whatever problems arise.

The report extrapolates dangerously from certain well-known facts. It is true that the most advanced economies have become less energy- and materials-intensive over the past sixty years, per unit of gross domestic product. Worldwide, this has meant a steady long-term decline in prices for most basic commodities, with disastrous consequences for developing countries dependent on the export of such raw materials (which doesn't seem to affect the World Bank's strategy of aggressive promotion of

<sup>\*</sup> In such a convocation of governments, this was perhaps to be expected: Northern governments have never given much priority to assuring their funds are well used, and Southern governments resist as a matter of principal all efforts to attach more strings, conditions, and oversight to the funds they receive.

ronmental officer in the Bank's India country department in the late 1980s; he subsequently and successfully promoted the continuation of Bank support for the Sardar Sarovar dam in the face of growing internal criticism by the Bank's environmental staff and growing popular protest in India and around the world. He played a key role in helping to draft the responses of Bank management defying the recommendations of the Morse Commission report. In late 1992, the Bank promoted him to head an environmental division overseeing Bank lending to eight former Soviet republics. The Bank's country director for Brazil in the late 1980s played a central role in the implementation of the Carajás project, and was the principal Bank staffer charged with attempting to push through the second Brazil Power Sector Ioan in 1987-88, as well as the Rondônia Natural Resources Management project in 1990. He was appointed in October 1992 to a newly created post as vice-president for human resources, a promotion that further demoralized the Bank environmental staffers whose warnings the Brazil country de-partment ignored.

Besides lack of accountability, we have seen and analyzed how the Bank has been plagued throughout its existence by a second sin—the pressure to lend, driven from the beginning by a dearth of "bankable projects," and exacerbated in later years by the Bank's unique net negative transfer quandary, posed by its limited set of developing-country borrowers. The 1992 Wapenhans report, discussed in the preceding chapter, reveals a damning picture of an institution virtually out of control, where the pressure to lend has overwhelmed all other considerations.

There are recent signs that the pressure to lend may be so deeply rooted in the Bank's institutional culture as to be irradicable. The Bank's first response to the Wapenhans report was not to strengthen its existing policies to ensure project quality (the policies, we noted earlier, are known as "operational directives" or ODS), but to conclude that they were too complicated and difficult to carry out. Consequently, Bank management in early 1993 announced to staff that it will reissue all of the major ODS—for example on forced resettlement, environmental assessment, protection of tribal peoples—as new, simplified, less specific "operational policies."

It took Bank management nearly a year to formulate a more comprehensive plan of action to address the problems described by Wapenhans. The proposed actions, presented in spring 1993 to the executive directors in a document entitled "Next Steps," were so inadequate that they sent "Next Steps" back to management, demanding major revisions. The U.S. executive director complained at a board meeting in early May 1993 that "the expected actions are not concrete enough to be monitorable." "Those hostile to the Bank," he warned, would seize on "Next Steps" "as not a serious response to critical issues of project implementation." 65

Beneath the eddies and whirlpools of new policies and action plans that catch the attention of outside observers, the driving undercurrent of the Bank's bureaucracy silently flowed on with inexorable continuity. According to one executive director quoted in the *Economist*, "Next Steps" had "Ernie [Stern's] fingerprints all over it."66

The pressure to lend, we may recall, is both internal and external: it comes from the Bank's member countries, and is strongly reinforced by the institution's natural proclivity toward bureaucratic self-aggrandizement. This pressure will not lessen without strong, clear directives from the Bank's major shareholding countries. Even more important, these countries must take measures to alleviate the tremendous international economic constraints on poorer countries—constraints that provide the alibi for the Bank's mega-lending. The Bank's charter requires it to lend mainly for projects, but over the past decade the industrialized nations, led by the United States, encouraged it to increase lending as an alternative to forgiving large portions of private commercial debt. The foreign exchange component of mega-projects has been used to help hold off default to private international banks and governments, a goal, we have seen, that totally subverts all considerations of project quality.

The Bank should no longer be used as a money-moving machine to address global macroeconomic imbalances for which the real solution lies in a new global economic bargain between North and South. Key elements of this bargain include debt forgiveness and the lowering of protective barriers to exports from developing countries. These two measures alone would transfer more than \$110 billion annually back to the South. Debt-related net negative transfers to the North amount to more than \$50 billion annually, and industrialized-country tariffs and other trade restrictions deprive developing countries of at least another \$60 billion annually in export income. Trade barriers to developing-country textile exports alone cost developing nations an estimated \$24 billion annually.<sup>67</sup>

Even without debt forgiveness and massive trade reform, net negative transfers to the World Bank would not be a problem for borrowers if the Bank's lending really helped them to "develop." Presumably, Bank projects would more than earn back the cost of repayment. But the Bank's haste to lend has meant that the quality of the projects it finances has been declining for years. We've seen that even in purely conventional economic terms an alarming number of these projects have been failures, not to speak of the enormous ecological and social damage they have inflicted. It would be only just if the Bank were to forgive the debts owed by many nations with net negative transfer problems, especially since many of these countries—such as Brazil—have also been the sites of some of the worst Bank-financed fiascos. Writing down Bank loans and credits in Africa

would also be fitting, if the interest of the poor were really a priority. In Africa, loans from the Bank and the IMF account for 36 percent of the total foreign debt; basket case Uganda owes 62 percent of its debt solely to the World Bank. This debt is eating up more than ten percent of the export earnings of eight sub-Saharan countries, and more than a third of the earnings of Zambia and Uganda.<sup>68</sup>

The Bank has opposed vehemently any debt forgiveness on its own part, pointing out that the credit rating of the IBRD would then drop, and its cost of borrowing in international capital markets would increase—something it claims it would have to pass on to future borrowers. But the credit rating of the Bank does not depend on the repayment of all of its loans by developing members; it depends on the guarantees (the callable capital) of its industrialized members to back up every dollar it borrows in the event of default or debt forgiveness.

In fact, the World Bank could retire billions of dollars of borrowing-country debt without touching the callable capital of the Group of Seven. The Bank has some \$18.5 billion in liquid reserves which it maintains in a semi-permanent investment fund, placed in government and high-grade corporate bonds. The interest alone that the Bank earned on this portfolio was about \$1.13 billion in 1993.<sup>69</sup> This fund has existed for decades, and since 1985 has never sunk below \$17 billion. The World Bank is the single largest institutional bond investor on earth, a global Midas without equal.

The major shareholding countries of the Bank could easily direct it to allot \$10 billion of this fund to its poorest and most economically strapped borrowers for relief from the burden of their World Bank debts.\* Indeed, Oxfam has proposed this for Africa, having witnessed first hand the social damage precipitated by Bank-Fund adjustment programs.<sup>70</sup>

All of these issues—the need for project quality in existing aid, and the need for a fair deal for developing countries in terms of trade and debt relief—are ones that public opinion and global civil society will have to force the Group of Seven to face rather than ignore, as was the case at the Earth Summit.

If the Bank were to focus on project quality, with full public consultation, participation, and access to information, there would be far fewer loans, and smaller but better ones. It would be a much more modest institution, but one that might be able to make a real difference through example. We have seen that the technological approaches that are environmentally more sustainable—end-use energy efficiency and alternative agriculture, for example—all involve greater inputs of information, skilled staff work, and fine-tuning to local circumstances, and less money for energy and capital. All of this means a rather simple, but total, reversal of perspective: instead of the Bank focusing on its own needs, on seeking the "comparative advantage" of big loans with the least amount of staff work possible, it would have to identify its priorities in terms of the real needs of local communities and ecosystems in developing nations. The small core of Bank lending that has gone for education, health, and population programs in recent years—about 13 percent in 1992—should be retained. But even these loans have been criticized for their top-down approach and lack of sensitivity to local needs, and would need to have their basic approach revisited.

There would still be a role for non-project policy loans, as well as for adjustment loans, but again the perspective would have to be reversed. These loans should encourage balanced budgets and the setting of internal priorities and policies to create a constructive, coevolving partnership between the state and civil society—rather than turning economies inside out to remake them as export machines to service debt at the cost of damage to the environment, social services, and civil rights.

Could multilateral development banks ever be effective in such an approach? A few mechanisms and precedents exist. Several years after the creation of the Inter-American Foundation, the Inter-American Development Bank established a small-projects facility to demonstrate that it too was capable of handling small projects for nongovernmental entities. For over twenty years, the small-projects facility has disbursed about \$10 million annually to finance approximately twenty small projects of NGOs, small enterprises, and cooperatives. The Inter-American Bank's former chief legal counsel, Jerome Levinson, notes that the World Bank and other MDBs already have a mechanism at their disposal, the so-called global loan, which allows them to lend "to an intermediary financial institution which then on-loan[s] the resources to final users, for example, small industrial or agricultural enterprises."71 (Obviously, such loans require careful preparation and supervision, and some in the past-like large loans to agricultural credit institutions—have exacerbated ecological problems and social inequity rather than alleviating them.)

There is no reason, either, why the World Bank and its sister institutions could not make end-use efficiency and conservation a priority in negotiations with energy ministries, or alternative agriculture and local farmer empowerment priorities in dealing with agriculture ministries. Bank officials may fear that demand for loans would drop precipitously if it took this approach, and that the loans that would go through would be

<sup>\*</sup> The Bank argues that it needs a substantial bond portfolio "to ensure flexibility in its [the IBRD's] borrowing decisions should borrowing be adversely affected by temporary conditions in the capital markets" (World Bank, *Annual Report 1993* [see endnote 69], 67). But half or a third of \$18.5 billion for these purposes would be more than sufficient.

smaller and involve much more staff work. If this turns out to be the case, there is no clearer sign that the long-term interests of global ecology and global civil society are directly at odds with the current institutional incentives and priorities of the World Bank.\*

This brings us to the Global Environment Facility. It is ironic that at the very moment when other forms of hyper-centralized planning and management have collapsed or are in crisis all around the world, the industrialized nations have endorsed just such an approach through the GEF. We have already seen how the GEF has been subverted from the beginning as a means to "top-off" mainstream Bank lending with grants. As the youngest but vigorously growing offspring of the World Bank, it seems so far to have inherited with a vengeance its parent's genes for moving money quickly and ignoring quality, for withholding information, and for lack of accountability in decision making.\*\*

Even in the context of international conventions, specific solutions to environmental problems can best evolve, and be tested and adapted, in more flexible, local contexts. A case in point that nongovernmental groups presented at a GEF meeting in Beijing in May 1993 is indicative of

\* The Bank issued a new energy efficiency policy paper in early 1993, in which it claimed that it would "be more selective in lending to energy-supply enterprises" and that "approaches for addressing demand-side management (DSM) and end-use energy intermediation issues

continuing problems rooted in the GEF's flawed approach. A proposed GEF biodiversity project to protect endangered primate species along the Tana River in northeastern Kenya envisages the forcible resettlement of the local human population in the area. In preparing the project the World Bank ignored studies of the East African Wildlife Society that showed that the endangered primates lived in symbiosis with the local population, and were more numerous around human settlements. Indeed, according to the East African Wildlife Society, upstream construction of dams and irrigation schemes has contributed to the degradation of the Tana River ecosystem and primate habitat. Some of these projects were financed by the World Bank. The GEF primate project is to be linked to a new Bank agriculture loan.<sup>72</sup>

Once again, we see that the Global Environment Facility's viability is connected to the need for far-reaching reforms in the Bank as a whole, as well as in other international development assistance agencies. Currently, the GEF serves to propagate the profound fallacy that addressing global environmental problems is a matter of industrialized nations contributing an additional few billion dollars for more projects (in this case, "green" ones), while \$60 billion annually (in 1993) for official development assistance continues business as usual. The whole approach of more money for more projects is a totally perverse one from the standpoint of ecological balance. What is needed is not "more," but "different"—a different approach to economic development in the South and North that emphasizes local ecology and community, that increasingly replaces raw inputs of physical capital and energy with human capital; that is, information, skill, and locally attuned and flexible approaches.

Such an approach still increases, albeit more slowly, the absolute level of global ecological stress, however, and there are real limits to endless material growth. The main debate appears to be whether we have a few decades or a century before we reach these limits, or whether (as some researchers maintain) we have already reached or overshot them.\* This possibility that these more pessimistic ecological assessments are even partially on target underscores the need to halt the collective denial of our global predicament by governments and international organizations. This denial is based on the strange faith that the future will always provide

<sup>\*</sup> The Bank issued a new energy efficiency policy paper in early 1993, in which it claimed that it would "be more selective in lending to energy-supply enterprises" and that "approaches for addressing demand-side management (DSM) and end-use energy intermediation issues will be identified, supported, and given high-level in-country visibility" (World Bank, Energy Efficiency and Conservation in the Developing World [Washington, D.C.: World Bank, January 1993], 12). But the policy paper lacks specific commitments for actually increasing lending for end use efficiency—which, according to the Bank's 1991 energy sector review will account for only 1 percent of Bank energy lending for the period 1992 to 1995. In mid-1993, the Bank approved a \$400-million loan to begin a 3,750-megawatt expansion of coal-fired power production in the Singrauli region of India (see discussion in Chapter 2)—with no consideration of end-use efficiency and "demand-side management" alternatives. Germany, the United States, and Belgium refused to vote in favor of the loan on environmental grounds.

<sup>\*\*</sup> In May 1993, representatives from more than sixty participating countries met in Beijing and discussed contributing over \$2 billion to replenish the GEF. The Chinese had originally proposed the fourth anniversary of the massacre at Tiananmen Square as the date for the meeting, but this was too much to stomach for some Western donors and the date was changed. U.S. proposals for greater public participation and access to information were poorly received by other countries, including several European nations and Japan. It appears that the GEF will continue its links to the World Bank, though probably as a more autonomous body will be identified, supported, and given high-level in-country visibility" (World Bank, Energy Efficiency and Conservation in the Developing World [Washington, D.C.: World Bank, January 1993], 12). But the policy paper lacks specific commitments for actually increasing lending for end-use efficiency—which, according to the Bank's 1991 energy sector review will account for only 1 percent of Bank energy lending for the period 1992 to 1995. In mid-1993, the Bank's biggest energy loan in preparation was a \$400-million IDA credit to begin a 3,750-megawatt expansion of coal-fired power production in the

<sup>\*</sup> We might recall Harvard biologist E. O. Wilson's observation that "human beings... have become a hundred times more numerous than any other land animal of comparable size in the history of life. By every conceivable measure, humanity is ecologically abnormal. Our species appropriates between 20 and 40 percent of the solar energy captured in organic materials by land plants. There is no way that we can draw upon the resources of the planet to such a degree without drastically reducing the state of most other species" (Edward O. Wilson, *The Diversity of Life* [Cambridge, Mass.: Belknap Press of Harvard University Press, 1992], 272).

#### THE WORLD BANK/IFC/MIGA

# OFFICE MEMORANDUM

February 16, 1994 DATE:

Mr. Lyn Squire, Director, PRD

Alexander Shakow, Director, EXT FROM:

EXTENSION:

TO:

31828

Responding to Mortgaging the Earth SUBJECT:

> 1. Further to my E mail message of yesterday, I am attaching copies of the relevant pages of Bruce Rich's forthcoming book for your review. The book has been available in bookstores for a few weeks now and although the publication date is not until next week, it is already getting attention in the media. We believe that we need to respond quickly if negative public opinion is to be minimized.

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- Andrew Steer and I will prepare a package of short pieces to respond to the major issues raised in the book. This will kick off with a cover note that addresses the broad message we want readers to have from our perspective, including a critique of Rich's apparent development "philosophy". (I attach a blurb issued by the publisher's agent which sets the tone!) This overview will also draw from the various individual pieces being done by you and others.
- We must also react to some of the obvious oversimplifications and distortions in Rich's analysis. A series of individual brief notes are intended to do this. Thus, we ask that you assign a member of your staff to read the attached sections on the impact of adjustment lending and give a brief critique. The critique should include a statement of the Bank's view of adjustment and some examples of where Rich's expose is misleading or inaccurate. We do not want a detailed point by point disclaimer of the text, but rather a short (no more than 3 pages) argument outlining the main inaccuracies. As you know, we prepared a briefing note for the U.S. Congress about a year ago that included a response to criticism of adjustment; I am attaching copies as an aid in this exercise.
- Please let me have your response by c.o.b. Wednesday, February 23. Let me know if you need more guidance. Lesley Simmons (ext. 31785) will be working on this in EXT and can also help advise on issues.
- Thank you very much. This is very important and urgent and we are grateful for your personal attention and time.

cc: Messrs. Bruno (DECVP), McHugh (EXC), Serageldin (ESDVP), Steer (ENVDR), Ms. Simmons (EXTIP)



January 21, 1994

Dear Editor/Producer:

With the World Bank celebrating its 50th anniversary in July, Bruce Rich's ground-breaking expose -- Mortgaging the Earth (Beacon Press) -- tells the organization's untold story.

For the last half-century, time and again undeveloped countries have turned to the World Bank, the single largest source of finance for international development, for financial and economic assistance. But, as Bruce Rich reports in his scathing critique, the World Bank has done irreparable harm to the environment and to the world's indigenous peoples. As a result, we are all now facing the tremendous strain of collapsing economies worldwide.

In Mortgaging the Earth, Bruce Rich, an internationally known expert on the environment who once consulted for the World Bank, shows how secrecy, bureaucratic arrogance, and a technocratic faith in outdated ideas of progress have fueled a little-publicized but enormously destructive global effort.

Using leaked documents from sources inside the Bank, Rich exposes, most notably, the Bank's involvement in the destruction of the Brazilian rain forest. Rich also shows how our tax dollars have subsidized the debt of private international banks; how repeatedly and without political accountability the World Bank has increased its financial support for regimes that torture and murder their subjects, from Ceaucescu's Romania to Suharto's Indonesia.

Bruce Rich, senior attorney for the Environmental Defense Fund, is widely acknowledged as **the** authority on what is wrong with the World Bank. He testifies regularly before Congress, is frequently interviewed, and has written for the Nation, The Ecologist, World Policy Journal, and many other journals.

To discuss Bruce Rich's shocking revelations about the World Bank and how its policies threaten us all, please call me at 718/875-3502.

With best wishes,

Cynthia Kirk

Mortgaging the Earth: The World Bank, Environmental Impoverishment, and the Crisis of Development by Bruce Rich (Beacon Press)

384 pages; 6 x 9; Index

\$29.00 clothbound; ISBN 0-8070-4704-X Publication Date: February 28, 1994

Beacon Press books are distributed to the trade by Farrar, Straus & Giroux.

## II. STRUCTURAL ADJUSTMENT LENDING

For country-specific responses, please see part 2, pages 34-39.

Ouestion: What is the impact of structural adjustment on the environment?

Response: Structural adjustment reforms impact the environment in four different ways. While most impacts are environmentally beneficial, there may be some unintended negative impacts: these must be addressed by strengthening environmental policies.

- 1. Restoring <u>macro-economic</u> stability, which is a primary objective of structural adjustment, will, through its impact on the expectations and time horizons of investors, have a positive impact on the environment. High inflation and unstable economic conditions promote a short-term outlook on the part of economic agents and thus encourage the unsustainable "mining" of natural resources. For example, research in Brazil and elsewhere has shown that destructive slash and burn agriculture is a rational response to unstable economic conditions and high real interest rates.
- Domestic price shifts, brought about by policy reform, may have either positive or negative impacts. Removing subsidies on commodities such as energy, fertilizer, pesticides and water, all often important components of policy reform, can dramatically improve environmental conditions. Eliminating energy subsidies in Eastern Europe, for example, would cut air pollution in half. Similarly, trade policy and regulatory reform will, by improving economic efficiency, generally economize on natural resource inputs. However, such price shifts can sometimes make environmentally-damaging activities (deforestation, over-fishing etc.) relatively more attractive to investors. The correct policy response in such circumstances is not to abandon the reforms (whose net effect is unambiguously positive for sustainable development), but rather to ensure that environmental policies are strengthened in tandem.
- 3. <u>Economic recession</u> often accompanies adjustment programs. This recession is rarely <u>caused</u> by the adjustment program it would have happened anyway because of previous poor economic policies and the consequent exhaustion of financial resources—but it often, nonetheless, results in the need to cut-back public expenditures, including those on environmental protection. It is important that protecting expenditures on environmental protection, like those on poverty programs, be given a high priority in budget decisions.
- 4. <u>Institutional reforms</u> are almost always important components of adjustment programs, and usually benefit the environment. Improving the efficiency of state-owned enterprises and utilities, strengthening cadastral surveys, land titling, and the legal system etc., are common institutional reforms which can help the environment, either directly or through enabling good environmental policies to be implemented.

Structural adjustment should not be expected to solve environmental problems. This will

require strong environmental laws and institutions. However, without sound macroeconomic sector policies, there is little hope that such laws and institutions can be effective.

# Ouestion: What is the Bank doing to improve the environmental impacts of structural adjustment policy and lending?

Response: Over the last few years, environment-oriented reforms have gained greater prominence in Bank-supported adjustment operations. A Bank review of 81 adjustment lending operations (covering a total of 58 countries) over the period FY1988-FY1992 shows that 60 percent of the sampled countries include environmental goals or loan conditionalities addressing environmental concerns in agriculture, forestry, energy, or trade and industry.<sup>3</sup>

In Asia and Africa, environmental policies included in adjustment programs are for the most part related to agriculture and forestry. For example, explicit project components to secure land tenure or titling as an incentive for soil conservation were identified in 7 African countries with adjustment programs, as well as in the Philippines, Jamaica and Thailand. Other land protection measures incorporated as loan components include safe use of agrochemicals (Jamaica, Mexico, Tunisia, Ghana, Kenya, Uganda), improved cultivation practices for soil erosion protection (Jamaica, Ghana, Mali), agropastoral development (Uruguay, Burkina-Faso, Ghana, Mali, Mauritania, Somalia), desertification control and rangeland management (Burkina-Faso, Mauritania, Somalia), and irrigation development and flood control (Nepal, Tunisia, Mauritania).

Various measures for sustainable forestry management have also been included in recent adjustment lending programs. For example, competitive bidding and long-term concession reforms were found in 4 countries with a history of unsustainable logging practices (Philippines, Cameroon, Ivory Coast, Gabon). Wildlife conservation components were included in seven countries. In 5 African countries, adjustment has included a component for the preparation of a national environmental action plan (EAP). This list is not exhaustive: similar listings could be given for the trade, industry, and energy sectors, and for other regions.

Furthermore, in order to improve the effectiveness of environment-oriented reforms the Bank is currently involved in research designed to expand the coverage of environmental assessment so that it can provide improved guidance to policy-based lending, which after project lending is the second largest use of Bank resources. The Bank's Environment Department has initiated a study of economywide impacts and the environment. Thus far, the study has reviewed Bank-supported adjustment operations and detailed the increasing prominence of environmental issues in adjustment lending. Indeed in two cases, environmental programs have been the subject of stand-alone sectoral adjustment loans: a natural resource sector adjustment

<sup>&</sup>lt;sup>3</sup> A total of 114 adjustment loans were approved by the Bank over the period FY88-FF92, involving 64 countries. However only 81 of these lending operations were used in the review, as the remainder were mostly financial sector adjustment programs considered to have no direct - or traceable -- implications for the environment. The sampled loans represent 65 percent of total adjustment lending for the period.

for particular groups of the poor, adjustment programs need to be coordinated with carefully targeted measures -- such as social safety nets -- designed to maintain the incomes and well-being of vulnerable groups. As a result, an increasing number of Bank-financed structural adjustment loans include conditions relating to a country's efforts to reduce poverty. In fiscal 1992, for instance, 11 of 13 structural adjustment loans contained fund release conditions dependent on poverty reduction measures -- most of these related to increasing or maintaining public expenditures on social services. For example, several adjustment programs in Latin America are now supporting the reallocation of public spending toward food programs for vulnerable children.

and, as we have seen, increased its lending more than tenfold. This improved the short-term foreign exchange balances of many borrowers, but helped set them up for an even bigger crisis in the early 1980s.

Now, as major countries threatened to default in succession like a row of tumbling dominos, private banks lost all inclination for further lending. The U.S. Treasury and other creditor-nation finance ministries pushed the World Bank and the International Monetary Fund to take up the slack in lending as much as possible; even more critical for containing the crisis, the Bank and the Fund were to pressure borrower countries to reduce domestic imports and expenditures, and to export more to earn the foreign exchange to continue servicing their debts. This new approach was called "structural adjustment."

World Bank structural adjustment loans were tailored to help avoid a debt meltdown: they were huge (typically \$100 to \$500 million) and fast disbursing, providing massive quick fixes of foreign exchange. The loans did not finance specific projects (the Bank's Executive Board decided it could lend up to 25 percent annually for so-called non-project adjustment loans and not violate its charter).\* But in exchange, the recipients of adjustment loans had to relinquish important parts of national sovereignty, basically agreeing to revamp their economies into foreign exchange–earning, export-oriented machines, often to the detriment of long-term domestic social and environmental needs.\*\*

Adjustment loans alone were not enough to stanch the crisis. In the early 1980s Clausen also initiated a "Special Action Program" which accelerated ongoing World Bank loan disbursements to major debtors like Brazil and Mexico, regardless of quality or implementation problems in specific projects. And Clausen called for, and obtained in 1982, a doubling of the Bank's capital, an infusion of more than \$30 billion in cash and guarantees.

Thus, the pressure to lend had increased exponentially since the beginning of the McNamara era. The old problems of the lack of bankable projects and the threat of net negative transfers were bigger than ever. The most basic economic efficiency criteria were often ignored: many Bank loans supported massive government programs in the agriculture and energy sectors that were thoroughly permeated with grossly wasteful subsidies for big users of water, power, and agricultural chemicals. But development

opment lending, as Edward Mason and Robert Asher stated in their McNamara-commissioned history of the Bank, was above all an act of faith; what mattered in Bank project appraisals was theological adherence to the canon and credo, not necessarily their observance in everyday life.

Outside the gates of this secretive palace of crystal built on debt, green heretics were beginning to suspect the emperor had no clothes.

## Questions and Doubts

For a decade now, the Bank has required, as part of project evaluation, that every project it finances be reviewed by a special environmental unit. . . . Nearly two thirds of the projects reviewed have raised no serious health or environmental questions, and I'm pleased to say that it has been possible to incorporate protective measures in all the projects we have financed over the past decade. 11 —A. W. Clausen, November 12, 1981

The above statement was an untruth, one repeated by two presidents of the World Bank for nearly a decade. It is difficult to judge which interpretation is more disturbing: were Robert McNamara and A. W. Clausen consciously lying, or were they and Bank management simply so removed from the day-to-day reality of Bank projects that they actually believed what they were saying?

Several environmental advocates in Washington, working with groups such as the Natural Resources Defense Council, the Environmental Policy Institute, and the National Wildlife Federation\* suspected there was little evidence to back the World Bank's environmental claims. Groups defending the human and cultural rights of tribal and indigenous peoples, such as London- and Washington-based Survival International and Cultural Survival in Boston, had criticized the destruction of tribal cultures by Bank-financed projects for several years, but with little tangible political impact.

In early 1983, the environmentalists began to investigate. The Bank's Office of Environmental and Scientific Affairs, which according to Clausen reviewed every project, numbered only six individuals out of a total Bank staff of 6,000 (of whom more than 3,500 were professionals). In fact, when McNamara first claimed in Stockholm in 1972 that the Bank's envi-

<sup>\*</sup> I.e., the injunction of Article III, Section 4 (vii) that the Bank was to lend only for specific projects "except in special circumstances."

<sup>\*\*</sup> For an indictment of the disastrous effect of World Bank and IMF adjustment policies and on the welfare of children in developing nations, see the UNICEF study Adjustment with a Human Face, Giovanni Andrea Cornia, Richard Jolly, and Francis Steward, eds. (Oxford: Clarendon Press, 1987), vol. 1, Protecting the Vulnerable and Promoting Growth.

<sup>\*</sup> Including the author, Brent Blackwelder (now vice-president of Friends of the Earth, U.S.), and Barbara Bramble, director of international programs at the National Wildlife Federation.

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Robin Phillips

through huge, quick disbursing structural adjustment loans and accelerated project disbursements. The debt crisis was a global macroeconomic problem whose solution was far beyond the Bank's capacity to influence, but the creditor nations ruled out the most sensible and equitable solu-

In fact, a clear contradiction emerged between the Bank's efforts to deal with the macroeconomic crises of debt and adjustment and its purtion-massive debt forgiveness. ported goals of poverty alleviation and increased attention to environmental concerns. Adjustment as promoted by the Bank\* and the IMF resulted in government domestic austerity programs on the part of borrowing countries and intensive efforts to increase export earnings; too often such measures resulted in reduced education, health, and environmental protection expenditures, and reductions in real wages for working populations already on the edge of poverty (in Mexico, often cited as a model, real wages plummeted by 50 percent in the 1980s). Countries already burdened with net negative transfers to the Bank, such as Côte d'Ivoire, were encouraged to borrow still larger sums in exchange for agreeing to squeeze more money out of their domestic economies and environments to repay their foreign debt.

In a world with growing disequilibria in financial flows between South and North,\*\* the richer countries essentially were using the Bank and the Fund as a front to increase the burden of economic adjustment on those who could least bear it. Numerous case studies documented an appalling drop in education and public health services for the poorest populations of the poorest countries, particularly in Africa.\*\*\* The United Nations Children's Fund (UNICEF) and the United Nations Economic Commission for Africa published reports in the late 1980s that bitterly indicted the Bank's approach.7 The UNICEF report reached the conclusion that World Bank and IMF adjustment programs bore a substantial responsibility for lowered health, nutritional, and educational levels for tens of millions of Third World children.8

By the early 1990s, the evidence was more and more alarming. In a

\* In the late 1980s and early 1990s about a quarter of World Bank loans were for adjust-

\*\* The Bank's net negative transfer problem was only a window on an upside-down world where the poor increasingly bankrolled the rich: net capital flows from the South to the

North were running at a rate of \$50 billion a year in the late 1980s. \*\*\* See, for example, A. Peter Ruderman, "Economic Adjustment and the Future of Health Services in the Third World," Journal of Public Health Policy, Winter 1990, 481-89; Judith Marshall, "Structural Adjustment and Social Policy in Mozambique," Review of African Political Economy 47 (Spring 1990), 28-41; Howard Stein and E. Wayne Nafziger, Human Needs, and the World Bank Agenda, Journal of Modern

1993 report, the international aid and relief organization Oxfam condemned World Bank adjustment programs for "dramatically worsen[ing] the plight of the poor" in sub-Saharan Africa. Oxfam recounts that under Bank/Fund adjustment programs, consumer prices for low-income families in Zambia doubled in an eighteen month period, and that over the past decade the number of Zambian children "suffering from malnutrition has risen from 1 in 20 to 1 in 5." Bank adjustment policies during the 1980s, the Oxfam report continues, bear responsibility for many African countries spending less in 1990 on public health per capita than they did in the 1970s, and contributed to a drop in primary school enrollment in the region from 78 percent at the beginning of the decade to 68 percent

The environmental effects of adjustment were also considerable.\* For example, adjustment in Mexico during the 1980s resulted in the budgets at its end.9 of the Department of National Parks and the Bureau of Urban Development and Ecology falling faster, according to a World Wide Fund for Nature study, "than government spending in general." Reductions in agricultural extension services in several countries pushed more small-scale farmers into unsustainable practices, such as depleting lands they owned or expanding into tropical forests and other marginal areas.<sup>11</sup> Increased social disparities and poverty precipitated by adjustment were a major cause of environmental degradation in themselves. A case study of World Bank-IMF adjustment policies in the Philippines prepared by Robert Repetto and Wilfredo Cruz concluded that

real wages fell more than 20 percent between 1983 and 1985. As vastly increase[d] numbers of workers migrated to the open access resources of the uplands and coastal areas, deforestation, soil erosion, the destruction of coastal habitats, and the depletion of fisheries increased.12

In the Philippine case as in many other countries, adjustment did not succeed in launching export-led growth as intended. Many argued that given the weakness of many developing-country economies, without massive debt forgiveness adjustment was a cruel hoax. In addition, terms of trade worsened for many of the agricultural and mineral commodities on which poorer nations depended for export revenue. The industrialized

\* Adjustment is in theory mixed in its environmental implications: one important environmental benefit could be the reduction of government subsidies that encourage profligate energy and water consumption, and the overuse of agricultural chemicals. Overall, however, Bank and Fund adjustment conditions seemed to be more vigorous and successful in reducing government funding for "soft" social and environmental services, in lowering real wages, and in promoting cash crops for export, than in cutting energy and water subsidies for powerful vested industrial and agricultural interests—a hardly unexpected outcome, given the political bargaining power of those affected.

would also be fitting, if the interest of the poor were really a priority. In Africa, loans from the Bank and the IMF account for 36 percent of the total foreign debt; basket case Uganda owes 62 percent of its debt solely to the World Bank. This debt is eating up more than ten percent of the export earnings of eight sub-Saharan countries, and more than a third of the earnings of Zambia and Uganda.<sup>68</sup>

The Bank has opposed vehemently any debt forgiveness on its own part, pointing out that the credit rating of the IBRD would then drop, and its cost of borrowing in international capital markets would increase—something it claims it would have to pass on to future borrowers. But the credit rating of the Bank does not depend on the repayment of all of its loans by developing members; it depends on the guarantees (the callable capital) of its industrialized members to back up every dollar it borrows in the event of default or debt forgiveness.

In fact, the World Bank could retire billions of dollars of borrowing-country debt without touching the callable capital of the Group of Seven. The Bank has some \$18.5 billion in liquid reserves which it maintains in a semi-permanent investment fund, placed in government and high-grade corporate bonds. The interest alone that the Bank earned on this portfolio was about \$1.13 billion in 1993.<sup>69</sup> This fund has existed for decades, and since 1985 has never sunk below \$17 billion. The World Bank is the single largest institutional bond investor on earth, a global Midas without equal.

The major shareholding countries of the Bank could easily direct it to allot \$10 billion of this fund to its poorest and most economically strapped borrowers for relief from the burden of their World Bank debts.\* Indeed, Oxfam has proposed this for Africa, having witnessed first hand the social damage precipitated by Bank-Fund adjustment programs.<sup>70</sup>

All of these issues—the need for project quality in existing aid, and the need for a fair deal for developing countries in terms of trade and debt relief—are ones that public opinion and global civil society will have to force the Group of Seven to face rather than ignore, as was the case at the Earth Summit.

If the Bank were to focus on project quality, with full public consultation, participation, and access to information, there would be far fewer loans, and smaller but better ones. It would be a much more modest institution, but one that might be able to make a real difference through example. We have seen that the technological approaches that are environmentally more sustainable—end-use energy efficiency and alternative agriculture, for example—all involve greater inputs of information, skilled staff work, and fine-tuning to local circumstances, and less money for energy and capital. All of this means a rather simple, but total, reversal of perspective: instead of the Bank focusing on its own needs, on seeking the "comparative advantage" of big loans with the least amount of staff work possible, it would have to identify its priorities in terms of the real needs of local communities and ecosystems in developing nations. The small core of Bank lending that has gone for education, health, and population programs in recent years—about 13 percent in 1992—should be retained. But even these loans have been criticized for their top-down approach and lack of sensitivity to local needs, and would need to have their basic approach revisited.

There would still be a role for non-project policy loans, as well as for adjustment loans, but again the perspective would have to be reversed. These loans should encourage balanced budgets and the setting of internal priorities and policies to create a constructive, coevolving partnership between the state and civil society—rather than turning economies inside out to remake them as export machines to service debt at the cost of damage to the environment, social services, and civil rights.

Could multilateral development banks ever be effective in such an approach? A few mechanisms and precedents exist. Several years after the creation of the Inter-American Foundation, the Inter-American Development Bank established a small-projects facility to demonstrate that it too was capable of handling small projects for nongovernmental entities. For over twenty years, the small-projects facility has disbursed about \$10 million annually to finance approximately twenty small projects of NGOs, small enterprises, and cooperatives. The Inter-American Bank's former chief legal counsel, Jerome Levinson, notes that the World Bank and other MDBs already have a mechanism at their disposal, the so-called global loan, which allows them to lend "to an intermediary financial institution which then on-loan[s] the resources to final users, for example, small industrial or agricultural enterprises."71 (Obviously, such loans require careful preparation and supervision, and some in the past-like large loans to agricultural credit institutions—have exacerbated ecological problems and social inequity rather than alleviating them.)

There is no reason, either, why the World Bank and its sister institutions could not make end-use efficiency and conservation a priority in negotiations with energy ministries, or alternative agriculture and local farmer empowerment priorities in dealing with agriculture ministries. Bank officials may fear that demand for loans would drop precipitously if it took this approach, and that the loans that would go through would be

<sup>\*</sup> The Bank argues that it needs a substantial bond portfolio "to ensure flexibility in its [the IBRD's] borrowing decisions should borrowing be adversely affected by temporary conditions in the capital markets" (World Bank, Annual Report 1993 [see endnote 69], 67). But half or

The World Bank/IFC/MIGA OFFICE MEMORANDUM

DATE: February 16, 1994 06:29pm

TO: See Distribution Below

FROM: Sarwar Lateef, OPRIE ( SARWAR LATEEF )

EXT.: 31760

50th Anniversary: Meetings of the brainstorming network SUBJECT:

> This is to alert you to the calendar of brainstorming sessions for the 50th anniversary. Please pencil these in, and do try to come even if it means juggling your calendar.

> Friday February 18: 4:00 -6:00 p.m. Mr. Bruno to lead off a discussion on the changing external environment facing the Bank and its borrowers and the implications for the Bank. Most of you are coming to this discussion which will draw out the implications for the Bank of the changed external environment, but not try to get into what the Bank should do about it. The subsequent discussions will deal with how the Bank responds to these challenges:

Wednesday February 23: 3:00 - 5:00 p.m. Mr. Rischard will lead off on the first of two discussions on the future agenda of the Bank, focussing on the Bank and the private sector.

Tuesday March 8: 2:30 - 4:30 p.m. The second of two discussions on the future agenda of the Bank.

Thursday March 17: 2:30 -4:30 p.m. The principles that should guide the work of the Bank in the 21st century.

Thursday March 24: 2:30-4:30 p.m. Given the agenda and the principles, what should the Bank do differently? Three or four main messages on the changes needed in the Bank.

> We will provide issues notes before each meeting to focus the discussions. I will also remind you of each meeting separately, since there could be changes in the time-table.

Unless you are notified otherwise, all meetings will take place in S-13-161.

#### DISTRIBUTION:

TO: Alexander Shakow

TO: Andrew Steer

TO: Anil Malhotra

TO: Armeane Choksi TO: Barbara Bruns

TO: Barbara Travis

( ALEXANDER SHAKOW )

( ANDREW STEER ) ( ANIL MALHOTRA )

( ARMEANE CHOKSI )

( BARBARA BRUNS )

( BARBARA TRAVIS )

File - Spor

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 16, 1994 05:37pm EST

TO: Aubrey Williams ( AUBREY WILLIAMS )

FROM: Ishrat Husain, AFRCE (ISHRAT HUSAIN)

EXT.: 34637

SUBJECT: RE: 50th Anniversary: Brainstorming on the Vision Thing

(World Develoment Implications on Bank)

Aubrey,

Thanks for sending me the Kaplan article. I have read it very carefully and it reminded me of the famous Club of Rome report of the 1970s and the continuing doomsday scenarios published every year by Lester Brown and his group. Let us look at some facts before we get so carried away by the apolyptic predictions of people like Kaplan. Yes, admittedly, there are growing problems of rapid urbanization and environmental stress, terrorism, migration, drugs, AIDS and ethnic conflicts in Somalia, Bosnia and other parts of the World. But, compared to even five years ago, the achievements and successes are by no means insignificant and should be taken into account before projecting the future.

The lingering threat of an allout nuclear war between the two super power blocks has receded into oblivion; a whole part of the world population that was deprived of basic human rights and denied opportunities for improved living standards has freed itself and is struggling hard to integrate itself into the world economy and to enjoy democracy; the century old battle to keep the black majority in South Africa suppressed is almost over; the instability and tension in the Middle East are likely to diminish as a result of the impending Israeli-Palestinian peace accord; and the prospects of a rapid economic transformation in the two most populous countries of the developing world--China and India--have never looked so bright as they are today, notwithstanding the ethnic and regional divisions in India. Twenty three countries in Africa have some democratic set up today compared to four only a few years ago. I can't recall any country under military dictatorship in Latin America today.

World population has risen from 3 billion people in 1960 to 5.3 billion by 1990. The annual absolute increment to the population has risen from 63 million people in the 1960s to some 94 million at present. How has agriculture responded to these increases? Per caput production is today about 20 percent above that of 30 years ago. Food prices have in fact declined. (Remember the predictions of the Club of Rome and Lester Brown). The long run trend in the prices of raw materials was downward

implying decreasing rather than increasing scarcity as the elasticities of substitution in consumption and production were high. The average growth rate of yield per hectare for cereals was faster than the population growth rate; the increase in area harvested was much slower. Technological advances in genetics have not yet touched even the fringes of production processes in developing world. Research on more environmental-friendly eco systems is still in its infancy.

Food availabilities are some 2,700 calories per person per day up from 2,300 calories 30 years ago. In developing countries themselves food supplies have increased from 1,950 to 2,475 calories. This happened while their population grew from 2.1 billion to 4 billion. The result of these developments has been that today only some 330 million people, or some 8.5 percent of the developing countries' population, live in countries where per caput food supplies are below 2,100 calories. Thirty years ago, these numbers were 1.7 billion or 80 percent of the total. This can also be seen by looking at the picture from the other Today, some 650 million people, or 17 percent of the total population of the developing countries, live in countries with per caput food supplies over 2,700 calories. Again, 30 years ago, these numbers were only 35 million i.e. under 2 percent of the population. The proportion of total population in developing countries chronically undernourished has fallen from 36 percent to 20 percent, despite a doubling of the population.

According to Prof. AK Sen, every country for which data is available (142 countries) has experienced an absolute decline in infant mortality during the last thirty years. None of the sixteen countries that had negative growth rates of GDP per capita actually experienced an increase in under-5 mortality rates. Over the past forty years life expectancy has improved more than during the entire previous span of human history. In 1950, life expectancy in developing countries was forty years; by 1990 it had increased to sixty-three years.

The estimates of the magnitude and depth of poverty in the developing countries are notoriously imprecise but all indications point to a reduction in the headcount index as well as poverty gap index in aggregate although regional differences still persist and the outlook for poverty in Africa remains worrisome. It is poverty, hunger and unemployment which breed crime and social disruptions. Progress in alleviating poverty will contribute although not eliminate these problems but give rise to a new set of problems created by affluence and surpluses.

There have also been qualitative changes in the lives of the majority of the population in these countries. Between 1960 and 1990, the provision of infrastructure to households in developing countries increased dramatically. The share of HHs with access to safe water doubled to more than 70 percent; per capita electricity production more than doubled and the number of telephones per hundred persons quintupled.

We also know by now that economic growth, past a minimum standard of living (after \$1,000), is associated with improvements rather than reductions in environmental performance. More economic openeness is also associated with production closer to the state of the art technology which tends to be cleaner. China has already doubled its per capita incomes in ten years with a significant reduction in incidence of poverty, and, in another ten years time, should be able to reach this threshold level and bring about environmental improvement. Even countries, such as Brazil, were able to reduce poverty when the rate of growth was rapid and, if they had pursued sensible economic policies, they would have seen improvement in the environmental field.

The idea of spitting out all these numbers and facts is not so much to minimize the severity of economic, social and other problems faced by the developing countries, or to suggest that new and unforseen problems will not emerge, or that old problems and tensions will not resurface, but to point out that the question that needs to be asked is: whether the context for the improvement and thus the resolution of these problems is better today than it was fifty years ago. Abstracting from romantic idealism or casual empiricism, I would venture to submit that it is, and the pessimists such as the Club of Rome and Kaplan will be again proved wrong in the coming fifty years. But it does not mean that the development challenges for the Bank or other similar institutions have disappeared or become less intense. The nature of the problems has changed and the response capacity of the Bank to respond to these new emerging or unforeseen problem has to be altered. But let us not become overwhelmed or overawed by the prophets of doom and gloom.

#### Ishrat

cc:	Michael Bruno	( MICHAEL BRUNO )
cc:	Johannes Linn	( JOHANNES LINN )
	Tariq Husain	( TARIQ HUSAIN )
	Vinod Thomas	( VINOD THOMAS )
	Wadi Haddad	( WADI HADDAD )
	Carl Dahlman	( CARL DAHLMAN )
	Alberto de Capitani	( ALBERTO DE CAPITANI )
	Mike Stevens	( MIKE STEVENS )
cc:		( JOHN D. CLARK )
	Shahid Javed Burki	( SHAHID JAVED BURKI )
	Robert Ayres	( ROBERT AYRES )
CC:		( RACHEL WEAVING )
cc:		( NORMAN HICKS )
	Marcelo Selowsky	( MARCELO SELOWSKY )
CC:		( MIGUEL SCHLOSS )

#### Mr Michael Bruno

#### Political attacks on the World Bank and the 50th Anniversary

Michael,

The material Armene sent (re: your lunch today) deals with actions by a coalition of NGOs to argue, basically, that "50 Years is enough." The main thrust of the criticism is:

- The IFIs (and the Bank in particular) are not reformable, despite calls for change from within (Wapenhans report) -- and some would argue they should be torn down (disempowered);
- The social and environmental impacts of the IFIs are far-reaching and negative;
- The IFIs are characterized by secrecy, arrogance and waste.

This is not new but it is disturbing and effective. One issue of concern is the extent to which our advocacy of "more ideas for the money" will not be construed as self-criticism. But we are arguing that this is in response to the changing world environment -- and it is a way of leveraging the contribution of the Bank.

Other key issue to raise with Armene:

 Coordination of CVPUs, both in policy work and in the review/commentary on operational work; your proposal of periodic meetings.

Van

THE WORLD BANK/IFC/M.I.G.A. ( M. BOUR)

ROUTING SLIP	DATE	: F	ebruary 9, 1994	100
NAME			ROOM NO.	De 14 10
Messrs. Bruno, Burki, Husain, Jaycox, Kaji, Kashiwaya, Kock-Weser, Linn, Picciotto, Rischard, Serageldin, Shihata, Thahane, Thalwitz, Wood, Ms. Einhorn				
cc: Messrs. Preston, Karaosmano Sandstrom, Stern, McHugh, Shakow	glu,			
URGENT		PER	YOUR REQUEST	
FOR COMMENT		PER	OUR CONVERSATION	
FOR ACTION		SEE	MY EMAIL	
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NOTE AND CIRCULATE		NOT	E AND RETURN	
RE:  REMARKS:  Apropos our luncheon discussion too	day.			
Attachment				
FROM: Armeane M. Choksi	ROOM S13-		EXTENSION: 31811	

Larry Summers
Susan Lo

to: Louellen Stedman

room:\_\_\_\_\_ date: 2/4/94

Department of the Treasury

Departmental Offices

Assistant Secretary for International Affairs

Attached are notes Obey handed to the Secretary during their meeting.

Jeffrey R. Shafer

room 3430 phone 622-0060

#### POLITICAL FLOOR ATTACKS ON THE IFIS

World Bank survives Kasich Amendment to zero fund in FY94 by two votes (210-216, four of the votes against were delegates)

#### Conservatives arque:

--World Bank headquarters building is example of Bank mismanagement and prolificacy

cost increases of 69% above original budget (\$186 million to \$314 million)

over \$20 million unauthorized expenditures specifically disapproved by Bank President

- people responsible for mismanagement, cost overruns, and unauthorized expenditures only transferred to new jobs at same pay rather than fired
- --IMF Golf Course--why should highly paid international bureaucrats have a private golf course in Bethesda, Md?
- --World Bank is bloated, high paid, bureaucracy more concerned with perks than with quality of loans
  - . 37.5 percent project failure rate (Wapenhans Report)
    - more interested in new lending, than loan quality
  - Bank report says; "insufficient management attention regarding the overall performance of the portfolio"
- --IDA lends for 40 years with 10 years grace, no interest, .75% annual administrative charge, where can my small businessmen, homeowners, or farmers get loans like that?
- --World Bank loans to Iran approved despite US objections
- --World Bank lends to environmentally destructive projects
- --There are no graduates from the World Bank lending programs
  --World Bank has plenty of funds on hand to continue lending
  and has no need for more funds

# Environmental, Religious and Other Private Volunteer Organizations arque

- -- "50 Years is Enough", lets decapitalize the institutions. They claim that the Bank has:
  - failed to implement the recommendations of its own reports (Wapenhans and the Morse Commission),
  - made inadequate efforts at making itself more transparent and accountable,
  - . been unwilling to move off the adjustment model
  - . has proven unreformable
  - projects and policies have had disastrous economic, social and environmental impacts
  - operations are marked by arrogance, mismanagement, waste and secrecy;
  - . stand on democracy is hypocritical given their own undemocratic nature
  - are bloated bureaucracies, full of overpaid staff who have little grounding in reality."

#### Other Problem New Washington Headquarters Buildings

- International Finance Corporation Headquarters Building construction—what is the justification? How fancy will it be? Will it be cheaper than current arrangements or will it simply lower costs by avoiding paying DC real estate costs through ownership?
- . International Monetary Fund Headquarters Building construction--what is the justification? cost? How fancy will it be?

#### MEMORANDUM

To:

Participants in the "50 Years Is Enough" Campaign

From:

Ross Hammond (The Development GAP) & Mimi Kleiner (Environmental Defense Fund)

Date:

28 December 1993

1) The next meeting of the entire Campaign will be at Environmental Defense Fund, 1875 Connecticut Ave., N.W., Suite 1016, on Thursday, January 13, from 3:00-5:00.

2) The Campaign met on 17 December at The Development GAP and established four Action Groups in order to enhance and build upon the ongoing work of participating NGOs. The Action Groups, dates and locations of the first meetings, initial contact people, and initial list of participants, are listed below. A campaign roster and address list is also attached at the end of this memo. The four Action Groups are:

## STRUCTURAL ADJUSTMENT/ECONOMIC JUSTICE

Initial Contact: Doug Hellinger, The Development GAP (tel. 202-898-1566)

Date and Time of First Meeting: Friday, 7 January, 2-4:00pm Location: The Development GAP, 927 15th St., NW, Fourth Floor

Participants:

Central America Working Group

The Development GAP

Friends of the Earth, U.S.

Global Exchange

Greenpeace U.S.

Joint Ministry in Africa Office/Disciples of Christ and the United Church of Christ

Institute for Food and Development Policy

Maryknoll Fathers and Brothers Justice and Peace Office

Missionary Society of St. Columban Campaign on Debt and Development

United Church of Christ Board for World Ministries

United Methodist Church, General Board of Church & Society

Washington Office on Africa

Preliminary issues: impact of SAPs on equity, poverty, workers, small producers, sustainable agriculture and the environment; gender issues; alternatives.

### ENVIRONMENT

Initial contact: Bruce Rich, Environmental Defense Fund (tel. 202-387-3500)

Date and Time of First Meeting: Friday, 7 January, 12-2:00pm.

Location: Environmental Defense Fund, 1875 Connecticut Ave., NW Suite 1016

Participants:

Committee on Agricultural Sustainability for Developing Countries

Environmental Defense Fund

Environmental and Energy Study Institute

Friends of the Earth, U.S.

Greenpeace U.S.

International Rivers Network

World Hunger Year

World Sustainable Agriculture Association

Preliminary issues: resettlement, energy, forestry, water, sustainable agriculture, adjustment, gender, alternatives.

#### MULTILATERAL DEBT

Initial Contact: Inji Islam, Environmental and Energy Study Institute (tel. 202-628-1400)

Date and Time of First Meeting: Monday, 10 January, 3-5:00pm Location: Friends of the Earth-U.S., 1025 Vermont Ave., Suite 300

Participants:

Environmental Defense Fund

Environmental and Energy Study Institute

Friends of the Earth, U.S.

Global Exchange

Joint Ministry in Africa Office/Disciples of Christ and the United Church of Christ

Missionary Society of St. Columban Campaign on Debt and Development

United Church of Christ Board for World Ministries

United Methodist Church, General Board of Church and Society

Preliminary issues: write-offs, mechanisms, relation to adjustment, environment, poverty and gender.

## BRETTON WOODS RESTRUCTURING & ALTERNATIVES

Initial Contact: Cam Duncan, Greenpeace U.S. (tel. 202-319-2458) Date and Time of First Meeting: Wednesday, 5 January, 3-5:00pm Location: The Development GAP, 927 15th St., NW, Fourth Floor

Participants:

Center for Development of International Law

The Development GAP

Environmental Defense Fund

Environmental and Energy Study Institute

Friends of the Earth, U.S.

Global Exchange

Greenpeace U.S.

International Rivers Network

Institute for Policy Studies

National Wildlife Federation

## JOB DESCRIPTION

## CAMPAIGN COORDINATOR

The "50 Years Is Enough" Campaign, a coalition of environment and development NGOs, is seeking an experienced person to be the Coordinator for an 18 month (and possibly longer) campaign on the World Bank and International Monetary Fund. The individual should have a strong background in public campaigning, a familiarity with the issues, the ability to coordinate and synthesize the work of numerous organizations, leadership capabilities, media experience, and the ability to think strategically. The Coordinator will oversee an assistant, and, funds permitting, a field organizer. Working out of the offices of either The Development GAP or Friends of the Earth, the Coordinator's responsibilities will be as follows:

- 1) oversee the work of the four "Action Groups" (organized along thematic lines and composed of members from participating organizations) and ensure that their work is consistent in terms of message and style;
- 2) ensure proper communication among the Action Groups and among participating organizations;
- 3) ensure that the personnel and resources of the participating NGOs are used in the most efficient and effective manner;
- 4) supervise the work of an assistant and perhaps a field organizer;
- 5) direct and coordinate a high-profile media campaign with the assistance of a media-advisory group and a media consultant;
- 6) coordinate public outreach, Congressional- and Administration-related campaign activities in conjunction with advisory groups;
- 7) coordinate and/or oversee Washington-based events;
- 8) ensure that international partners are informed and consulted about the direction of the U.S. Campaign and coordinate international activities with them;
- 9) serve as a spokesperson for the Campaign; and
- 10) convene and chair meetings of the steering committee.

Salary: commensurate with experience.

-

Please send resumes to: Marijke Torfs, Friends of the Earth, 1025 Vermont Ave., NW Suite 300, Washington, DC 20005.

"50 YEARS IS ENOUGH" ROSTER AS OF 28 DECEMBER 1993
(Please note that the categories are for internal use. Please send changes to Mimi Kleiner at Environmental Defense Fund)

#### Original Organizations (6)

Ross Hammond/Doug Hellinger/Lisa McGowan The Development GAP 927 15th Street, NW - 4th Floor Washington, DC 20005 tel: 202-898-1566

fax: 202-898-1612

e-mail: dgap@igc.apc.org

Bruce Rich/ Mimi Kleiner/
Steve Schwartzman/ Ken Walsh
Environmental Defense Fund
1875 Connecticut Avenue, NW
Suite 1016
Washington, DC 20036
tel: 202-387-3500
fax: 202-234-6049

Marijke Torfs/Jim Barnes
Friends of the Earth (U.S.)
1025 Vermont Ave., Suite 300
Washington, DC 20005
tel: 202-783-7400 (Jim, ext. 282 & Marijke,

ext. 283)

fax: 202-783-0444

e-mail:mimi@edf.org

e-mail: foedc@igc.apc.org

Kevin Danaher
Global Exchange
2017 Mission Street, #303
San Francisco, CA 94110
tel: 415-255-7296
fax: 415-255-7498

e-mail: globalexch@igc.apc.org

Juliette Majot/Owen Lammers
International Rivers Network
1847 Berkely Way
Berkely, CA 94703
tel: 510-848-1155
fax: 510-848-1008
e-mail: im@igc.apc.org

James Arena-DeRosa OXFAM America 26 West Street Boston, MA 02111 tel: 617-728-2475 fax: 617-728-2596 e-mail:

Organizations in General Agreement w/ Internal Campaign Document and will be Involved in Campaign (18)

John Ruthrauff
Center for Democratic Education
1250 Connecticut Ave., Suite 610
Washington, DC 20036-2603
tel: 202-466-6183
fax: 202-659-0339

e-mail:

Bill Pace
Center for Development of International Law
PO Box 53149
Washington, DC 20009-3149
tel: 202-462-5251
fax: 202-462-4941
e-mail:

Dave Henson/Jane McAlevey
Environment and Democracy Campaign
1501 Aqua Vista Blvd.
Richmond, CA 94805
tel: 510-215-7800
fax: 510-215-7500
e-mail:
dhenson@igc.apc.org/jmcalevey@igc.apc.org

Inii Islam Environmental Energy Study Institute 122 C Street, NW, Suite 700 Washington, DC 20001 tel: 202-628-1400

fax: 202-628-1825 e-mail: eesi@igc.apc.org

Cam Duncan/Karen Sack Greenpeace U.S. 1436 U Street NW Washington, DC 20009 tel: 202-319-2458 (Cam) 202-319-2469 (Karen) fax: 202-462-4507

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# "50 YEARS IS ENOUGH" DRAFT U.S. NGO CAMPAIGN DOCUMENT FOR THE 50TH ANNIVERSARY OF THE BRETTON WOODS INSTITUTIONS

This paper was drafted for the purpose of helping to define and refine a U.S. NGO campaign on the occasion of the 50th anniversary of the Bretton Woods Institutions (BWIs). It draws upon discussions among The Development GAP, Environmental Defense Fund, Friends of the Earth-U.S., Global Exchange, International Rivers Network and Oxfam America. These groups have already committed themselves to taking significant action over the next 18 months.

# RATIONALE

For the past ten years, a growing coalition of environment and development NGOs have worked to reform the operations and policies of the World Bank and International Monetary Fund. Despite successes in stopping or modifying some damaging projects, recent developments — including the Bank's failure to implement the recommendations of its own reports (e.g., Wapenhans and the Morse Commission), the Bank's totally inadequate efforts at making itself more transparent and accountable; and the unwillingness of the international financial institutions (IFIs) to move off of the adjustment model — have shown NGOs the limits of the current reform campaign and point to the need for a stronger, more hard-hitting campaign.

The 50th anniversary of the founding of the IMF and the World Bank in 1994 provides NGOs with an unparalleled opportunity to raise the profile of the international campaign on the BWIs. The media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already expressed an interest in covering the 50th anniversary in the form of investigative media has already ex

U.S. NGOs must be persistent and clear in their message: that the BWIs have so far proven unreformable; that their projects and policies have had disastrous economic, social and environmental impacts; that their operations are marked by arrogance, mismanagement, waste and secrecy; and that their stand on democracy is hypocritical given their own undemocratic nature. Furthermore, the Bank and Fund are bloated bureaucracies, full of overpaid staff who have little grounding in reality. This is what taxpayer money is supporting.

#### GOALS

The main goals of the U.S. NGO campaign are: 1) to disempower these institutions so that they can no longer wreak havoc on the people and the environment in the South; and 2) to force a public exploration of possibilities of creating new structures, or modifying existing ones, that could deliver more relevant and appropriate assistance.

Demands will include the following: 1) disclosure of all pertinent information about all World Bank activities and projects, including policy papers on sectoral and structural adjustment lending; 2) the establishment of mechanisms for affected citizens to influence the development of World Bank

programs and to appeal the institutions' decisions and actions; 3) the removal of IDA from World Bank management; 4) a halt to additional recapitalizations of the IBRD; 5) the exploration of alternative funding mechanisms to the World Bank that can support participatory, sustainable development; 6) a partial write-off of multilateral debt without adjustment conditionality, utilizing the reserves of the IFIs; 7) a reduction in the US Treasury's role in setting policy towards the IFIs: 8) requiring that the IMF be accountable for the social and environmental impact of its programs and that the nature of its interventions in the countries of the South be significantly narrowed.

## STRATEGY

The U.S. NGO campaign on the 50th anniversary of the BWIs should have three inter-related tactics which would constitute an effective overall strategy: 1) a highly visible and aggressive media campaign; 2) extensive public education and mobilization; and 3) political pressure.

# Media Campaign

We need a highly professional media campaign to highlight the disastrous record of the BWIs and what alternatives/demands NGOs are proposing. The purposes of the media campaign are threefold: 1) to immediately put the BWIs on the defensive; 2) to educate and mobilize the public; and 3) to create an atmosphere in the U.S. Congress and Administration that is conducive to far-reaching reform efforts. We already know that the Bank has hired a high-powered P.R. firm to pre-empt NGO criticisms. This is another reason why the critiques and demands should be far-reaching so that they cannot be met by the Bank and Fund by simply setting up additional, marginally important offices or by issuing another glossy report. It is important that within the media campaign we draw as much as possible on the knowledge and perspectives of our Southern partners. In addition, we need to take advantage of scheduled events, both here and abroad, upon which we can "piggyback," as well as create our own media opportunities.

There are a number of ideas that have been brought up on ways to attract the attention of the media. While bearing in mind that the 50th anniversary itself will be a draw for the media, as will the fact that NGOs have announced a hard-hitting campaign, some of these ideas are as follows: fact sheets; op-ed pieces; investigative articles; cultivation of beat reporters; briefings for editorial boards; briefing booklets for reporters; weekly faxes to the press; an NGO "truth squad"; an IFI report card; full-page ads; video footage; radio and TV talk shows; and, pre-emptive strikes on Bank/Fund events and reports, as well as those of their cheerleaders.

# PUBLIC EDUCATION

An informed and activated public will be important in pressuring Congress and the Administration to really turn up the heat on the BWIs. Much of the material that is produced for the media (e.g., fact sheets) can be used for public education. Participating NGOs need to tap into their own networks, as well as reach out to grassroots groups in the United States, including local environmental groups, students and labor unions. Our work with the media will accomplish some of this, although there are other steps that must be taken: the mobilization of participating NGO membership; an organizing/campaign packet; speaking tours (including Bruce Rich's promo. tour); a reader on the Bank; BankCheck; portable displays; piggybacking on existing cultural events.

## PUBLIC POLICY STRATEGY

#### Congress

We need to identify intervention points over the next year when BWI issues will come before the U.S. Congress. When they do, we need to identify the key Congresspeople in the relevant committees and educate them, their staffs and their constituents through the provision of materials, speaking tours, advertisements, op-eds, letter writing, etc. Participating NGOs will reach out to their existing memberships through coordinated Action Alerts over the next year requesting their membership take certain actions. We also need to make sure that our viewpoint is heard at every Congressional hearing or briefing on IFI-related issues. A more concerted effort requires getting information to key Congressional staff on IFI-related issues. This will involve putting together a mailing list of key staff and ensuring that they receive a regular flow of information, including briefing papers, newspaper clippings, etc.

# Clinton Administration

There are two very different views on the nature and direction of foreign assistance emerging within the Clinton Administration. The Treasury continues to pursue Reagan-Bush policies, and it and its allies appear to be winning the day with the NSC, as reflected in its upcoming Policy Review Documents on a broad range of international issues, including relations with the South. At the same time, a participatory bottom-up approach to aid and development is being pursued by the new leadership at AID, which could lead to a direct challenge to the policy framework of the IFIs. We need to work where we have access and influence at each of these entities, as well as at State, EPA, elsewhere in the White House, and anywhere else in the Administration, to enlist its support in pushing for far-reaching changes regarding the IFIs.

## Minutes from US NGO meeting on the 50th Anniversary of the Bretton Woods Institutions at the Environmental Defense Fund (EDF), 23 September 1993.

#### Introduction

Doug Hellinger (The Development GAP) gave a brief introduction, noting that campaigns on the 50th anniversary of the Bretton Woods Institutions (BWIs) are already being planned in some countries and regions and that international groups were asking what U.S. NGOs were going to do. The organizers called this meeting in order to: 1) find out what U.S. groups were planning for next year; 2) find out which groups want to join a U.S. campaign; and 3), draw up a basic campaign strategy to present to international NGOs on Sunday, 26th September.

Following a presentation of the draft campaign document (see attached) there was a period of discussion and clarification on the paper.

#### Discussion

Barbara Bramble (National Wildlife Federation) cautioned that the campaign should not jeopardize the deal which environmental organizations have made with Rep. Barney Frank, i.e., that NGOs will test the Bank's new information policy and appeals mechanism over the next year. She also cautioned that NGOs should not expect 1994 to "do" it for the BWIs. She also insisted that any materials produced for the media must be factually correct and should be free of back-biting. Both she and Jim Barnes (Friends of the Earth) agreed that the campaign could assist in publicizing this test. Friends of the Earth will develop a list of all the documents which NGOs can request, and send it out to organizations around the world encouraging them to test the sincerity of the Bank.

Jo-Marie Griesgraber (Center of Concern) noted a tension in the document between encouraging Congress to exercise more influence on the BWIs but seeking a reduction in the Administration's role. It was agreed that further discussion was necessary on the deleted demand #7, which pertained to role of the Administration. A short discussion on the roles of the State department and Treasury followed.

Cam Duncan (Greenpeace) asked when the demand to remove IDA from Bank management had been discussed in the NGO community and if anyone had thoughts on how this could happen. He also noted that Greenpeace would have like to be involved in the drafting of the original document. Doug Hellinger stated that it had not been widely discussed, but that The Development GAP and Church World Service/Lutheran World Relief had raised this in Congressional

upcoming U.N. conferences to raise IFI issues.

Mark Harrison asked what the campaign will ask individual Americans to do.

Ross Hammond (The Development GAP) suggested letter writing, petitions. etc.

Bruce said that for the public, the campaign should have three broad goals: 1)

making people aware of the BWIs: 2) revealing the problems: and. 3) illustrating that the situation is serious enough for action.

Charles Sykes (CARE) offered 3 points: 1) the first goal of the campaign (that of disempowering the institutions) is not attainable, and so he questioned committing energy and resources to the campaign; 2) that the campaign must develop positive analogues to each of the demands; and, 3) a "charter review committee" must be formed to review the Bank's charter line by line. He stated that without recognizing and acting on these, the campaign will be heavily criticized.

Sarah Burns (World Resources Institute) expressed concern that unless NGOs have something to offer in place of the institutions as they stand today, the campaign will just fuel the movement to cut foreign aid. Others expressed similar concerns. Jim Barnes mentioned an "illustrative list" of alternatives funding mechanisms to the Bank which he used while lobbying this year, as well as the care he takes in working with conservatives on the Hill. He received good feedback on these alternatives, including some from the Congressional Black Caucus. A letter to Senator Leahy mentions some of these, and is available from Jim. Ross responded that groups will have to be prepared to take heat, but must have good answers when attacked.

Doug Hellinger said that the core of the campaign could be descriptive of the institutions and should project the following themes: 1) as far as they have shown, the BWIs are not reformable; 2) the social and environmental impacts of the BWIs are far-reaching and negative; and, 3) the BWIs are characterized by secrecy, arrogance and waste. Larry Williams took issue with Doug's first point and rephrased it as such, "the BWIs are not responsive to reform initiatives". If the campaign says the BWIs are not reformable, in his mind, groups should launch a campaign to dismantle them. He doesn't believe we can do that. He floated the following theme for consideration, that an effort to decapitalize the BWIs would give them less power to hurt people now, and force them to make fundamental change. Bruce Rich suggested adopting the idea that if the BWIs are reformable, they are only so if deprived of their money and toys.

At this point, <u>Doug</u> introduced the next phase of the meeting, by asking which groups felt comfortable enough with the rationale, intent, goals, demands and arguments discussed to participate in a major, hard-hitting, high-profile media campaign.

the Bank.

Paul Lostritto said that the Maryknoll Justice and Peace Office is on board with everything being discussed.

Jo Marie Griesgraber said that she would have to speak with others at the Center of Concern before the Center could formally affiliate itself with the campaign. Currently, she can contribute to the campaign by mobilizing a grassroots network of about 500 to write letters on the BWIs. Her participation will also be moderated by the time and resources she spends on another (academic) effort on the BWIs.

Amie Weinberg of the Student Environmental Action Coalition (SEAC) said that SEAC is philosophically interested in the campaign and may incorporate Bretton Woods issues into its education and action work starting in December or soon thereafter. SEAC, however, has no money to contribute to the campaign and will also be devoting some of its time to other UN conferences.

Mark Harrison said that the United Methodist Board of Church and Society is interested and he will approach his board about participation in the campaign. Following this, he could help the campaign gain access to "pockets of money" in the church.

. Pamela Sparr said that the Women's Division of the United Methodist Church will do a mass educational effort on the BWIs. Their involvement and ability to make financial contributions to the campaign will depend on the extent to which a feminist analysis is included.

Karan Capoor from the International Climate Action Network said that while his network is not an MDB network it is very interested in the energy and transport divisions of the World Bank. He said his network will discuss and possibly provide support to the campaign.

Charles Sykes from CARE said that he felt comfortable enough with the document to participate in the further evolution of the campaign.

James Arena de Rosa said that as one of the early core members Oxfam America is prepared to put the following into the campaign: 1) staff time of their Global Initiatives person in Boston; 2) advocacy resources for media work (including financial resources if a media coordinator is hired, but not for a media consultant); 3) time and resources of the coming Oxfam office in Washington; and, 4) arrangements/funding to bring Southern partners to the U.S. for meetings and speaking engagements.

Marijke Torfs said that Friends of the Earth will dedicate staff time,

# In attendance at EDF, 9/23/93 (Please check your contact information and send corrections to Mimi)

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#### January 18, 1993

## 50 Years Events Calendar

A Compendium of Information and Resources around the 50th Anniversary of Bretton Woods especially for NGOs

Next summer will mark the 50th anniversary of the Bretton Woods Conference that led to the creation of the World Bank and the International Monetary Fund. Over the next 12 months, the Bank Information Center will maintain a calendar of activities that are being planned by NGOs, Bank officials and others to focus attention on the institutions. Please contact the organizations directly for more information about their specific activities. The 50 Years Events Calendar will be updated periodically and distributed to interested NGOs. If you are planning events, books or other related activities around the MDBs: 50 Years Anniversary, please send your information to Martha Hall at the Bank Information Center, 2025 I Street, NW, Suite 522, Washington, DC 20006 USA fax 202-466-8189 or Econet e-mail bicus@igc.apc.org.

Activities and points of view published in this Calendar are quoted directly from organizations submitting information. The Bank Information Center has not attempted to edit these submissions.

#### APC Public Conferences and E-Mail

Check APC public conferences below for the Alternative Forum Manifesto (available in English and Spanish), as well as other discussions, documents, and debates regarding the 50 Years Anniversary. The IGC and American University are offering educational and training programs on NGO computing in Washington, DC. Contact Clark Forden at 202-829-2278 or Howard Frederick at the School for International Service at 202-885-1635 or send messages to proutwdc@ige.apc.org.

act.wb94 coc.brettonwds econ.saps econ.saps.uk energy.mdbs env.letters rainfor.worldb worldbank.bust

AEDEÑAT Campomanes 13 E-28013 Madrid, Spain Tel. 34-1-559-0334 fax 34-1-571-7108

Spanish NGO hosting The Alternative Forum: Other Voices of the Planet (Sept. 26-Oct. 1) in Madrid and participating in the 50 Years is Enough (Spanish translation - Cinquentos Años Bastan) Campaign. Preliminary meetings in Madrid (Feb. 12-13); Campaign Manifesto available mid-February; four upcoming actions; Plenary Sessions - including an extraordinary session, a debate between NGOs and representatives from the WB and IMF (Oct. 2). Possible international hearing on 50 Years of Policies of the IMF, WB, GATT in October. An international photo exhibit is planned to coincide with the Alternative Forum.

A SEED Europe
P.O. Box 92066
1090 AB Amsterdam, the Netherlands
tel. 31-20-668-2236
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email: ASEEDEUR@antenna.nl

Coordinating a newsletter, calendar of activities, and information packs on IMF/WB for European youth campaign, a joint undertaking of A SEED, Third World First, Youth for Environment in Europe, and Youth for Development Cooperation (see TWF, YEE and YDC). The youth campaign consists of spreading information on WB policies; organizing national and regional meetings (May); actions (July & Sept); and the Madrid meeting and Alternative Forum. Possible German students meeting (Feb. 4-6) in Hanover (Bernd Schneidertel. 49-51107625061 email:asta.unih@oln.comlink.apc.org).

Asociación Kunas Unidos por Napguana
Contact: Marcial Arias
Via España, Edif. Dominó 2º piso.
Oficina 31, Apartado Postal 536
Panamá 1, Panamá
tel. 507-69-6525
fax 506-69-3514
Coordinating a series of indigenous peoples events in Panama and throughout the Americas that coincide with the 50th Anniversary activities.

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Contact: Martha Hall
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Maintains the 50 Years Events Calendar.

Bern Declaration Contact: Peter Bosshard Quellenstrasse 25, Postfach 8031 Zurich, Switzerland tel. 41 12 716 434 fax 41 12 726 060

Participants in the European 50 Years is Enough Campaign, coordinating activities with EUROSTEP's working group on the BWIs; organizing a conference with WEED (Germany) and Southern NGOs in late June 1994.

The Bretton Woods Committee
Contact: Abbie Sutherland
1990 M Street, NW, Suite 450
Washington, DC 20036 USA
tel. 202-331-1616
fax 202-785-9423
Planning July 21-22 conference to discuss the findings of a study of the future of BWIs.

Bretton Woods II: A First Step Contact: Joseph Potvin P.O. Box 715, Station B Ottawa, Ontario, Canada K1P 5P8 tel. 613-741-3178 fax 613-749-2087

As of mid-January, this workshop is a currently being proposed for June 24 as one of several post-symposium workshops associated with the First International Symposium on Ecosystem Health and Medicine, June 19-24 in Ottawa, Canada. The discussion marks the 50th Anniversary of the BWIs, but "this is not a retrospective. It is a forward-looking assembly attuned to the new perceptions that come with the advances in ecosystem sciences, health sciences, and seminal work in the economics of sustainability."

FIFMA" X

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fax 57-23-821-723

email: fipma@geo2.geonet.de

Participants in the International Month of Action in July; organizing (with CELA and ECOLEGIO) a regional Conference on Ecological Debt to be held at the University of Valle in Cali on July 7-9. The conference will be a follow up of the Global Consultation on the Ecological Debt conducted since 1991 by FIPMA and NOVIB.

Friends of the Earth-USA

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e-mail: foedc@igc.apc.org

Part of the U.S. NGO 50 Years is Enough Campaign. Publishing The Time of Troubles: Russian Aid in a Post-UNCED World, in early February. Updating and expanding a revised edition of Bankrolling Successes, which reexamines earlier case studies of development projects (sponsored by a wide variety of development institutions) which had aspects of environmental sustainability success. Will be available for distribution at the Alternative Forum in Madrid.

Friends of the Earth-England, Wales and Northern Ireland

Contact: Andrew Dilworth 2628 Underwood Street London N17JQ, England tel. 44-71-490-2665 fax 44-71-490-0881

Releasing a new report on structural adjustment this year.

FUNAM - Fundación para la Defensa del Ambiente

Contact: Rual Montenegro

Casilla de Correo 83

Correo Central, 5000

Cordoba, Argentina

tel. 54-51-69-02-82

fax 54-51-52-02-60

Holding press conferences under the slogan, "World Bank: 50 years of loans or 50 years of corruption?" focusing on social, environmental, economic, access to information policy and road to sustainable mechanisms for financing; national campaign in Argentina to strengthen NGO role as watchdogs of BWIs; international campaign to clarify NGO/Bretton Woods relationships.

Global Exchange

Contact: Kevin Danaher 2017 Mission Street, #303 San Francisco, CA 94110 USA tel. 415-255-7296

fax 415-255-7698

e-mail: globalexch@igc.org

Organizing a "reader" on WB, possibly IMF, entitled 50 Years is Enough: The Case Against the World Bank, available in June; mini-primer for students and other interested parties available in March; organizing training workshops on international financial issues.

GLOBE - Global Legislators' Organization for a Balanced Environment

Contact: Patrick Ramage 409 Third Street, SW, Suite 204

Washington, DC 20024 USA

tel. 202-863-0153

fax 202-479-9447

ECONET e-mail: globe

GLOBE consists of parliamentarians from EC, Japan, Russia and the USA. Washington Conference (Feb. 28-March 1). Discussions will focus on Trade and Environment, especially GATT; general reform of the IFIs to reflect environmental goals, debt, GEF; Export of Toxic and Hazardous Wastes.

Greenpeace

Contact: Cam Duncan

1436 U Street, NW

Washington, DC 20009 USA

tel. 202-462-1177

fax 202-462-4507

e-mail: terrausde@igc.org

January newsletter highlights BWI issues. Coordinators for the U.S. NGO's 50 Years is Ecough Campaign's Action Group on Bretton Woods Restructuring and Alternatives."

Hanti DUHA (Friends of the Earth, Czech Republic)

Contact: Jakub Patocka

Jakubake pam. 7

602 00 Brno

Czech Republic

tel. 42-54-221-0438

fax 42-54-221-0347

email: patocka.jakub@ecn.gn.apc.org

National meeting on the BWIs; a special issue of the Hnuti DUHA Magazine

this year covers the BWIs. Also organizing some direct actions.

Mario Clara Couto Soares/Candido Grzybowski

Rua Vicente de Souza 29

Botafogo 22251

Rio de Janeiro, Brazil

phone: 55 21 286 0348

fax: 55 21 286 0541

Participating in the Latin American NGOs 50 Years is Enough Campaign and planning an action in July. 'Democratic Alternatives to Bretton Woods Policies and Conceptions' is one of IBASE's main work areas in 1994 and IBASE will participate in the International Symposium, IMF and World Bank in the 21st Century, in Wuppertal in June, organized by WEED.

**INGI Secretariat** 

Contact: Liss Jordan and Peter van Tuijl

P.O. Box 11609

2502 AP, The Hague, The Netherlands

tel. 31 70 342 1621

fax 31 70 361 4461

Dialogue paper, Democratizing Global Power Relations: Steps towards a political foundation for a global NGO campaign to reshape the Bretton Woods Institutions. Questions, comments should be faxed to Lisa Jordan.

Institute for Agriculture and Trade Policy (IATP)

Contact: Kristin Dawkins

1313 Fifth Street, SE, Suite 303

Minneapolis, MN 55414-1546

tel. 612-379-5980

fax 612-379-5982

ECONET email: iatp@igc.apc.org

Planning the Conference of Founders of the Bretton Woods System for

October 15-17 at Bretton Woods in New Hampshire.

Institute for Food and Development Policy (Food First)

Contact: John Greshman

398 60th Street

Oakland, CA 94618 USA

tel. 510-654-4400

fax 510-654-4551

e-mail: foodfirst@igc.apc.org

Participants in the U.S. NOG's 50 Years is Enough Campaign. Publishing Dark Victory: The US Structural Adjustment and Global Powerty, by Walden Bello, et al., available in February. The book examines the impact of structural adjustment on the South as well as similar policies in the U.S. in the

1980s, with case studies.

Third World First (TWF) Contact: 217 Crowley Road Oxford OX4 1XG, UK tel. 44-865-245-678 fax 44-865-200-179

Part of the European youth groups organizing around the BWIs 50 Years.

Organizing a gathering/conference on IMB and WB with the Scottish Green
Student Network on February 5-6 in Edinburgh, UK (Contact Mark Smith, tel. 44-31-447-5170).

Third World Network Contact: Roberto Bissio Miguel del Correo 1461 Montevideo, Uruguay tel. 598-2-496-192 fax 598-2-419-222

NGO coordinating umbrella group in Latin America; hosts "chasque" node of the APC network; campaigns around public access to information and MDBs; publishes English and Spanish versions of Third World Resurgence and Third World Economics magazines with information about the 50th anniversary.

The Transnational Institute Contact: Susan George 10, rue Jean Michelez 91510 Landy, France tel. 331-6456 4715 fax 331-6087 6668

Publishing Faith and Credit: The World Bank's Secular Empire, by Susan George and Fabrizio Sabelli, available in September in English and French. Spanish, Norwegian, Italian, German, and Japanese editions available soon. Co-publishing another book of essays, Beyond Bretton Woods: Alternatives to the Global Order (see IPS).

United Nations
Contact: Ann Rickert
One United Nations Plaza
New York, NY 10016 USA
tel. 212-963-1995

The United Nations is coordinating conferences and publishing papers, documents, and books regarding both the BWIs 50th Anniversary and the U.N. 50th Anniversary in 1995. Check individual programs within the UN for specific details. The WB and UN are coordinating many activities together. The UNDP Human Development Report - 1994 is intended to set the agenda for the 1995 U.N. Social Summit, including many suggestions for the BWIs (available for \$17.95 through Oxford University Press, 200 Madison Avenue, New York, NY 10016 USA, tel 212-679-7300, ext. 7112).

University of Toronto
Contact: Gerry Helleiner, G24 Research Coordinator
Department of Economics
150 St. George Street
Toronto, Ontario Canada M5S 1A1
tel. 416-978-5063
fax 416-978-6713
e-mail: INTERNET torecon@epas.utoronto.ca

Organizing April 18-20 conference in Colombia, Group of Twenty-Four (on international monetary affairs) Conference on the 50th Anniversary of Bretton Woods. Coordinating country authors to present papers on all aspects of international monetary and financial policy as seen by the developing countries and suggestions for change.

Urgewald: Kampagne fur den Reganwald

Contact: Maike Rademaker

Von Galen, Str. 2

Sassenberg 4414, Germany phone: 49 25 831031

fax: 49 25 831031

e-mail: urgewald@gn.apc.org

Organizing seminar for German grassroots organizations in April to plan actions in July and October; distributing action postcards addressed to WB President Preston on resculement and calling for conditions on money from Germany to the WB; publishing a booklet to explain how Germany is related to the WB, how to influence WB policies, project information, etc.

WEED (World Economy, Ecology and Development Association)

Contact: Peter Wahl
Berliner Plaza 1
D-53111, Bonn, Germany
tel. 02-28-69-6479
fax 02-28-69-6470

e-mail: weed@pds.11.com-link

A Feb/March seminar with MPs of the German Parliament in Bonn; jointly organized (with Wuppertal Institute for Climate, Environment and Energy) International Symposium, "IMF and the WB in the 21st Century," June 17-18 in Wuppertal; and in September, a seminar for German journalists in preparation of the 50 Years Anniversary General Assembly and alternative activities in Madrid.

Witness for Peace Comact: Carol Richardson 2201 P Street, NW, Room 109 Washington, DC 20036 USA tel. 202-797-1160

fax 202-797-1164

Launching "Policy Has A Human Face Campaign" demanding the transformation of trade and monetary policies that devastate the poor in Central America (Feb 15); actions and vigils for the 50 Years is Enough Campaign (July 16-24).

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Werld Bank
Contact: Mr. K. Sarwar Lateef
50th Anniversary
OPRIE, Room T8101
1818 H Street, NW
Washington, DC 20433 USA
tel. 202-473-1760
fax. 202-676-0597

The culmination of all 50th Anniversary activities focuses around the joint WE-IMF General Assembly in Madrid, October 4-6. Recent news indicates that original plans for a three-year (1994-1996) program of activities around the Bretton Woods Anniversary are being modified, and public activities will not start until after July, when a major study re-thinking the World Bank's role and future challenges is released. The anniversary activities may be cut back to one year. However, initial plans for 1994, (subject to change), include a series of Round Tables, or small "focus groups" in selected countries with NGOs, academics, private sector, governmental policymakers, etc. Additional "Socratic Dialogues" may be staged during May and September, are an event where a panel of WB staff and others are given a series of hypothetical questions and expected to explain how, in a real life situation, they would respond. The Socrates Dialogues would be held in front of large public audiences, and possibly televised. Other initial activities (which may be on hold) include plans to coordinate with the United Nations in 1995 to build mutual support and highlight the 50th Anniversary of the U.N. For 1996 and beyond, the WB is planning a media program to "encourage publications by popular writers, academic writings, seminars, films and tv programs, privately-produced made-for-tv spots, a two-volume Bank History, will be published in 1996 (Contact: Devesh Kapur @ (202) 458-0173), and speeches by Bank President. Planning to design a new WB Corporate identity program and promote a new logo.

50 Years Events Calendar by Month A Compendium of Information and Resources around the 50th Anniversary of Bretton Woods especially for NGOs

January 18, 1994

Bank Information Center, fax 202-466-8189 or e-mail bicusa@ign.apc.org.

#### JANUARY 1994

- \* The Ecologist, January/February issue, highlights the 50th anniversary of the MDBs; coverage will continue in each issue.
- \* Greenpeace January newsletter is devoted to IFI issues.
- \* Worldwatch Institute State of the World 1994, with WB chapter, available in January.

#### FEBRUARY 1994

	FEBRUARI D74
Feb. 1-5 Feb. 3-6 Feb. 4-6 Feb. 5-6 Feb. 12-13 Feb. 15 Feb. 21 Feb. 23	* Center for Concern 50 Years is Enough Campaign NGO strategy meeting in Washington.  * Third Global Structures Convocation, Washington.  * A SEED Europe German youth NGO meeting in Hanover.  * Third World First and Scottish Greens Student Network conference on WB in Edinburgh, UK.  * AEDENAT Alternative Forum preliminary meeting in Madrid.  * Witness for Peace launches Policy Has a Human Face Campaign.  * AEDENAT 50 Years is Enough Campaign Manifesto available.  * Environmental Defense Fund book release, Mortgaging the Earth, by Bruce Rich, 5:30 pm at Sidney Kramer Books in Washington, DC.  * GLOBE Conference in Washington, DC.
	* Kairos Europa mobile seminars February - June.  * Asian Network on Debt and Structural Adjustment meeting to launch campaign against destructive aid.  * Cato Institute book release, Perpetuating Poverty, available late February.  * Friends of the Earth book, The Time of Troubles: Russian Aid in a Post-UNCED World published.  * Institute for Food and Development Policy book Dark Victory: The U.S. Structural Adjustment and Global Poverty published.
March 6-10	* CAIA Eco-Justice Reality Tour of Washington, DC.
	* Kairos Europa mobile seminars February-June.  APRIL 1994
April 10 April 13-15 April 18-20 April 22 April 25-26	* Global Exchange mini-reader for students available.  * IDB Board of Governors meeting in Guadalajara; final decisions for the eighth replenishment will be made. Contact Third World Institute or Bank Information Center for more information.  * University of Toronto Group of 24 Conference.  * AEDEÑAT 50 Years is Enough Campaign Earth Day action.  * Euronatur conference, "The World Bank: A Chance for the Environment in Europe?"
	* Kairos Europa mobile seminars February-June.

#### **MAY 1994**

\* A SEED Europe national and regional meetings.

\* Urgewald NGO seminar to plan actions in July and October.

- \* Kairos Europa mobile seminars, February-June.
- \* Bank Check Quarterly Calendar with July 1994: Call to Action Month activities available.

50 Years Events Calendar Page 3

#### OCTOBER 1994

thru Oct. 1	* The Alternative Forum: Other Voices of the Planet.
Oct. 2	* AEDEÑAT Extraordinary Plenary Session: A debate between participants of the Alternative Forum and representatives of the WB and IMF.
Oct. 2	* AEDENAT 50 Years is Enough action
Oct. 4-6	* World Bank/IMF General Assembly in Madrid.
Oct. 5	* AEDEÑAT 50 Years is Enough action.
Oct. 15-17	* IATP Conference of the Founders of the Bretton Woods System.
Oct. 16	* AEDEÑAT NGO Alternative Congress meeting in Madrid.
	The state of the s

<sup>\*</sup> Possible AEDEÑAT International Tribunal on the 50 years of policies of the IMF, WB, GATT.

<sup>\*</sup> Christian Aid October press launch of SAPs Report.

File

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

DATE: February 13, 1994 03:30pm

TO: Miguel Schloss ( MIGUEL SCHLOSS )

FROM: Aubrey Williams, OPRIE ( AUBREY WILLIAMS )

EXT.: 31768

SUBJECT: RE: 50th Anniversary: Brainstorming on the Vision Thing

(World Develoment Implications on Bank)

Miguel,

You took my breath away upon reading your excellent commentary on the Bank's search for vision! Your observations are really appropriate.

If I'm not mistaken, the Bank's last institutional effort to set out a vision was back in 1988 (output of the former Strategic Planning Department). Our assumptions then rested on a continuing bipolar world, albeit with a friendlier Soviet Union and a more assertive Japan. Only a few dissident Bank visionaries (like David Beckmann) foresaw rapid change and the dramatic effects (positive and negative) of democracy and nationalism.

I think we're in for a lot of destabilization, new elements of stratification at the national and international levels, and accelerated questioning of the role and utility of multilateral development institutions.

A propos the darker side of your "vision," have you read the article by Kaplan in the Feb. 1994 issue of "Atlantic Monthly?" Robert Kaplan is a journalist. Although there is a doomsday quality to his writing, is it possible that he sees things we technocrats prefer not to see? The article is entitled: "The Coming Anarchy: How Scarcity, crime, overpopulation, tribalism, and disease are rapidly destroying the social fabric of our planet." If you like, I can send you a photocopy of the article. I recommend it.

#### Aubrey

cc:	Ishrat Husain	( ISHRAT HUSAIN )
CC:	Marcelo Selowsky	( MARCELO SELOWSKY )
CC:	Norman Hicks	( NORMAN HICKS )
CC:	Rachel Weaving	( RACHEL WEAVING )
CC:	Robert Ayres	( ROBERT AYRES )
cc:	Shahid Javed Burki	( SHAHID JAVED BURKI )
CC:	John D. Clark	( JOHN D. CLARK )
CC:	Mike Stevens	( MIKE STEVENS )

CC: Alberto de Capitani (ALBERTO DE CAPITANI)
CC: Carl Dahlman (CARL DAHLMAN)
CC: Wadi Haddad (WADI HADDAD)
CC: Vinod Thomas (VINOD THOMAS)
CC: Tariq Husain (TARIQ HUSAIN)
CC: Johannes Linn (JOHANNES LINN)
CC: Michael Bruno (MICHAEL BRUNO)

File (spre)

The World Bank/IFC/MIGA OFFICE MEMORANDUM

February 8, 1994 02:38pm

TO: Michael Bruno ( MICHAEL BRUNO )

FROM: Shahid Yusuf, RAD ( SHAHID YUSUF )

EXT.: 82339

SUBJECT: 50th Anniversary Paper

Attached is my input to our discussion on DEC's role in a changing Bank.

Shahid

Attached to this message is a WORDPERFECT 5.X document You cannot use ALL-IN-1 to display or print it. You must first transfer the attachment to your PC using the FAP option. Then you may process the file with the same software that was used to create it.

CC: Masood Ahmed ( MASOOD AHMED ) ( LYN SQUIRE ) CC: Lyn Squire CC: Amnon Golan ( AMNON GOLAN ) ( GREGORY INGRAM ) CC: Gregory Ingram CC: Paulo Vieira Da Cunha ( PAULO VIEIRA DA CUNHA )

CC: Mark Baird ( MARK BAIRD )

#### NOTES FOR 50TH ANNIVERSARY STRATEGY PAPER

#### A Glance at the Past

Through the 1970s and into the early 1980s, the Bank was recognized as the leading institution in the field of development. It had a large role in defining the terms of the debate on development issues and in crafting many of the remedies to the problems associated with backwardness. Such leadership required ceaseless activity on the part of the Bank in understanding the process of development, in devising innovative polices, in winning acceptance for the approaches proposed and in helping countries implement the policies through the Bank's lending operations. The recipe which succeeded so admirably combined hard work with a substantial degree of independence. The Bank's leadership was recognized not only because of the effort put into country operations and research but also because it was seen as an impartial and deeply committed organization with a highly professional staff.

From around the mid-1980s the situation began changing. While continuing to acknowledge the need for intellectual leadership and a vision of development, the Bank found it easier and perhaps politically expedient to settle for a few economical principles, which gradually acquired the semblance of dogma. To put it very simply, greater reliance on market forces and on private initiative emerged as the Bank's solution to a broad range of problems. The earlier practice of examining a problem from different angles and coming up with answers that they were sensitive to institutional possibilities and historical nuance, was significantly diluted. The effects were fourfold. First, within the Bank the commerce between research and operations declined. Operational staff came to feel that they had little

to learn from the Bank's researchers. Second, the Bank's clients began to wonder about the claims regarding intellectual leadership and the Bank's ability to pursue an independent line. Third, the same doubts began afflicting staff, hence the frequently voiced concern about leadership and vision. Staff saw lending beginning to stagnate and a narrowing in the intellectual content of the Bank's strategy. Fourth and finally, the perception of diminished intellectual activity has had its effect on the attractions of research in the Bank. There are many who feel that research is a luxury which, faced with pressures to conserve resources, the Bank may decide to cut back significantly. And there is a general perception that for all its rhetoric about being a "knowledge institution," the Bank is not generous in rewarding innovative thinking and research.

Until the Bank gives intellectual activity the importance and resources it deserves, talk about vision and a well-articulated strategy attuned with a complex reality is rather futile.

Intellectual leadership cannot be bought on the cheap.

#### A Strategy with Vision

Assuming that the Bank wants to strive after intellectual leadership in the field of development, what might be done and what could be the role of DEC.

First, a lot of the goodwill and respect earned by the Bank is from its operations and the externalities derived from institution building, training and policy advice that goes with them. The more effectively these are conducted, the greater the sophistication of microlevel policies and the efficacy of institution building activities, the greater will be the hearing the

Bank will receive on matters of overall strategy. Furthermore, the impact of our lending will be stronger if the associated policy advice is of a higher quality. Thus improving the nature of the Bank's operations, through a careful analysis of past experience and close attention to evolving circumstances is essential to forward-looking strategy and should definitely inform the Bank's vision of its future role. In East Asian countries, where the Bank's advice on policy has been greatly valued and deliberately sought, it is the success of the Bank's operations which generated respect for the Bank from the grassroots up. DEC is already engaged in the evaluation of project-related experience and some enlargement of our activities in this sphere would yield large dividends.

Second, the Bank needs to use more intensively its knowledge of the world economy to anticipate some of the problems that lie ahead for developing countries and suggest concretely how these might be tackled.

Third, the Bank must cultivate a more reflective and catholic approach to research on development issues. Reliance on market mechanisms and the private sector can be a major strand, but it should not overshadow the others. For instance, a deepening of research on the institutional aspects of macropolicy making and on regulation would help us to elaborate our strategy with respect to transitioning economies and enrich the advice we give to all countries experimenting with a change in the structure of economic management.

Fourth, for intellectual leadership to be convincingly achieved, the Bank should concentrate on a few major issues supported by some intensive research, but be prepared to revise the agenda at intervals as circumstances demand.

Fifth, the issues that might be woven into the Bank's vision of development might be of two kinds: short range ones that are closely intertwined with the Bank's operations; and long range ones which require the Bank to anticipate future trends and analyze patterns of change.

In the first category, one might include macroeconomic and debt policy, primary product economics, international capital movements, market regulation, and those aspects of the environment management associated with projects. Research to buttress these might be conducted on a limited scale and, where possible, be done jointly by regional departments and DEC with the former being encouraged to take the lead.

In the second category, DEC should be largely responsible for conducting and disseminating research, albeit where feasible in collaboration with operations.

The themes that might deserve early attention and which would serve to constitute a strategy with the maximum operational content might be as follows.

- The role of government, relations between center and local authorities; and the design of institutions for the effective management of mixed economies.
- II. Mechanisms for increasing resource mobilization through fiscal, financial, and industrial policies. This would also embrace foreign capital flows.
- III. Human resource development and measures to improve labor market functioning so as to generate employment and reduce poverty.
- IV. Approaches to developing producer services and infrastructure so as to provide a development push through linkages, innovation, and trade.

V. Factors influencing the interregional location of industry and the pattern of trade in manufacturing.

Taken together, these would serve to define a development strategy that focused on factor supply, the institutional mechanisms facilitating development, and the government's hand in this process. These themes are of interest because they are of critical importance to a broad range of countries; there is plenty of scope for fresh research, which can support the Bank's effort to sustain intellectual leadership; and they can serve as scaffolding for a vision that unites the Bank's operational and knowledge based activities.

In capsule, the recipe for intellectual leadership and suitably inspiring vision would be:

- An agreement on key topics that straddle major issues lying in the future and concentrated effort in the Bank to understand how they will impinge on development.
- Cooperative research between DEC and regional departments to explore fully methodological and policy implications.
- Research that draws upon the Bank's operational experience and yields results that raise the quality of project related advice.
- Strengthening of the Bank's research capability through hiring policies that attract some
  of the best people in a particular field. This would also increase the prestige associated
  with research and facilitate dissemination in the Bank.

 Encouragement of a catholic approach towards problem solving and experimentation with different approaches. Openmindedness and the willingness to pursue an independent, carefully researched line is what will win the Bank respect over the long term.

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( AKIRA IIDA )

# The World Bank/IFC/MIGA OFFICE MEMORANDUM

DATE: February 3, 1994 06:30pm

TO: See Distribution Below

FROM: Sarwar Lateef, OPRIE ( SARWAR LATEEF )

EXT.: 31760

## SUBJECT: Tomorrow's meeting

You will have received in the inter-office mail a copy of Mr. Schmertz's report. This will be the only item on the agenda for tomorrow's meeting. Please note in particular the position statement or Statement of Purpose, as we would value your reactions to this.

In addition, Mr. Choksi will report on the revised approach to the 50th anniversary, and I will update you on the status of various activities underway.

We look forward to seeing you at 11:00 a.m. in Room S-13-161.

#### DISTRIBUTION:

TO: Akira Iida

10.	Intil a Tida	( ,
TO:	Alexander Shakow	( ALEXANDER SHAKOW )
TO:	Armeane Choksi	( ARMEANE CHOKSI )
TO:	Caio Koch-Weser	( CAIO KOCH-WESER )
TO:	David M. Goldberg	( DAVID M. GOLDBERG )
	Gloria Davis	( GLORIA DAVIS )
TO:	Gobind T. Nankani	( GOBIND T. NANKANI )
	Ismail Serageldin	( ISMAIL SERAGELDIN )
TO:	James W. Adams	( JAMES W. ADAMS )
	Jannik Lindbaek	( JANNIK LINDBAEK )
	Jean-Francois Rischard	( JEAN-FRANCOIS RISCHARD )
	Jessica P. Einhorn	( JESSICA EINHORN )
TO:	Jochen Kraske	( JOCHEN KRASKE )
TO:	Johannes Linn	( JOHANNES LINN )
	KEN CHOI	( KEN CHOI @A1@EDSEL )
TO:	Marcelo Selowsky	( MARCELO SELOWSKY )
TO:	Marianne Haug	( MARIANNE HAUG )
	Matthew McHugh	( MATTHEW MCHUGH )
TO:	Michael Bruno	( MICHAEL BRUNO )
	Oey Astra Meesook	( OEY ASTRA MEESOOK )
	Paula Donovan	( PAULA DONOVAN )
TO:		( PHYLLIS POMERANTZ )
TO:		( S. SHAHID HUSAIN )
	Shahid Javed Burki	( SHAHID JAVED BURKI )
	Timothy Cullen	( TIMOTHY CULLEN )
	Sonia Benavides-Paz	( SONIA BENAVIDES PAZ )
	Institutional ISC Files	( INSTITUTIONAL ISC FILES )
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#### THE WORLD BANK/IFC/MIGA

# OFFICE MEMORANDUM

DATE: February 1, 1994

TO: Mr. Armeane Choksi

FROM: Michael Bruno HB

EXTENSION: 31667

SUBJECT: Proposed Paper for Fiftieth Anniversary

1. Thank you for your memorandum of December 21, 1993 (received in DECVP on January 21, 1994).

- 2. I agree that it would be useful for DEC to prepare a brief paper on the "key challenges facing the Bank" from our perspective. This will not be limited to the Bank's contribution to "policy advice and policy formulation". Rather we will look more broadly at the contribution of research and training (EDI) to the work of the Bank. The focus will be on the future, and the changing role of the Bank, rather than past accomplishments.
- 3. I have asked my Senior Managers to start thinking about the outline and content of the proposed paper. We plan to complete it, as requested, by April 1, 1994.

cc: Messrs. Ahmed (IECDR), Baird, Vieira Da Cunha (DECVP), Golan (EDIDR), Ingram (WDR), Squire (PRDDR), Yusuf (RAD), Lateef (OPRIE).

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# THE WORLD BANK/IFC/MIGA E MEMORANDUM

February 1, 1994 DATE:

Mr. Armeane Choksi TO:

Michael Bruno KB FROM:

31667 **EXTENSION:** 

SUBJECT:

Proposed Paper for Fiftieth Anniversary

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- I agree that it would be useful for DEC to prepare a brief paper on the "key challenges facing the Bank" from our perspective. This will not be limited to the Bank's contribution to "policy advice and policy formulation". Rather we will look more broadly at the contribution of research and training (EDI) to the work of the Bank. The focus will be on the future, and the changing role of the Bank, rather than past accomplishments.
- 3. I have asked my Senior Managers to start thinking about the outline and content of the proposed paper. We plan to complete it, as requested, by April 1, 1994.
- Messrs. Ahmed (IECDR), Baird, Vieira Da Cunha (DECVP), Golan (EDIDR), Ingram (WDR), Squire (PRDDR), Yusuf (RAD), Lateef (OPRIE).

# OFFICE MEMORANDUM

DATE:

December 21, 1993

TO:

Mr. Michael Bruno, DECVP

FROM:

Armeane M. Choksi, HROVP

EXTENSION:

31770

SUBJECT:

Proposed Paper for Fiftieth Anniversary

- 1. In connection with the Bank's Fiftieth Anniversary activities in 1994 we have requested a number of papers from Bank staff. Each of the Bank's regional vice presidencies will prepare a brief paper on the key challenges facing the Bank in their respective regions. The central vice presidencies will do likewise in the areas of human resource development, environmentally sustainable development, and private sector development. Mr. Dadush of IECAP will manage the preparation of a paper on The Changing International Economic Context of Development. All such papers will be completed by April 1, 1994 and will serve as input to a synthesis document, to be prepared by the Fiftieth Anniversary secretariat, outlining the development record and future vision of the Bank.
- 2. I would like to ask DEC's help on one additional paper. In conversations with staff and in a number of recent brainstorming sessions, the view was expressed by some that it would be highly useful to add a paper on the Bank's contributions to policy advice and policy formulation in developing countries. An assessment of the Bank's role in this area would be a helpful complement to the other studies being undertaken. If you agree, the work could be managed by relevant staff in DEC. If considered desirable, we could provide a modest amount of consultant funds to assist in the preparation of the study. As with the other papers being prepared under the auspices of the Fiftieth Anniversary, this should be no longer than about ten single-spaced pages and would be due by April 1, 1994. Mr. Robert L. Ayres, acting staff director for the Fiftieth Anniversary while Mr. Lateef is on home leave, would be happy to discuss this proposal further with DEC staff and assist in the elaboration of an outline.
- 3. Please let me have your thoughts on the proposed paper. The Bank's contributions to public policy are among its most important accomplishments, and a paper that took a look at the policy dialogue record and suggested some policy priorities for the future would fit well with the other assessments we are undertaking in connection with the Fiftieth Anniversary. Thanks for giving this your consideration.

cc: Mr. Lateef (OPRIE)

Received 1/21/94

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The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 2, 1994 05:32pm

TO: Michael Bruno ( MICHAEL BRUNO )

FROM: Armeane Choksi, HROVP ( ARMEANE CHOKSI )

EXT.: 31811

SUBJECT: 50th Anniversary

#### Michael

Many thanks for your note. I agree with your focus and the broader look. I wonder if you could incorporate in your paper the role the Bank has played (and will play) in the generation and transmission of ideas. I think that the role of ideas in economic development is an important and interesting theme, and the role of the Bank in this area in a rapidly changing political and economic environment in developing countries would make for a great paper. What do you think?

#### Armeane

cc:	Masood Ahmed	( MASOOD AHMED )
CC:	Mark Baird	( MARK BAIRD )
CC:	Paulo Vieira Da Cunha	( PAULO VIEIRA DA CUNHA )
cc:	Amnon Golan	( AMNON GOLAN )
cc:	Gregory Ingram	( GREGORY INGRAM )
	Lyn Squire	( LYN SQUIRE )
cc:		( SHAHID YUSUF )
cc:	Sarwar Lateef	( SARWAR LATEEF )
	Institutional ISC Files	( INSTITUTIONAL ISC FILES )

Mak, 15 This ok?



#### Michael Bruno

#### Comments on the Schmertz Report

#### Michael:

Despite our initial skepticism, we both agree that this has turned out to be a rather useful exercise. Schmertz has succeeded, perhaps as only an outsider could, in capturing the essence of the Bank and the concerns of staff in a very succinct report. It is well worth distributing to other DEC Senior Managers.

The feedback from staff is consistent with a number of the themes you have been developing:

- The key element of the Bank's activities is to support sustainable economic growth (p2). Growth is necessary for poverty reduction and sustained investment (p3).
- The Bank is not responding in an aggressive and vigorous way to unfair and inaccurate criticism from NGOs (p5). Attempts to placate NGOs are weakening the Bank (p6).<sup>1</sup>
- · Technical assistance and policy advice are now more important components of the Bank's work than lending operations (p10). But is demand for our advice linked to lending?

There is not a lot of direct reference to research, or the importance of research to generate new ideas and feed into policy advice. The main messages to academics in the annex suggest, incorrectly in our view, that we take more than we give (p3). "We value your partnership:

- because we recognize that the Bank's success depends in large measure upon its ability to mobilize and utilize the best and most creative people and ideas.
- because we rely upon your research and counsel on issues of development and economic growth."

The paper captures the tension, felt by many staff, between recognizing that development is a "complex and difficult process" (p3), and the concern that the Bank "attempts to do too much" (p6). The answer does not lie in creating a simpler view of the world. Rather, we need to identify key areas, within a complex world, where we can contribute effectively. The Board does not want (as many staff seem to think) proforma attention to every facet of every issue in every product. What they want is to be convinced

 $<sup>^{\</sup>rm I}$  For some reason, this theme is not carried over to the main messages to NGOs in the annex (p3).

that we understand the essence of the problem, and that the Bank's products fit well together and with those of other players to address the important issues. This is what strategy is all about.

Perhaps because of the focus on the Bank, the paper does not address the broader crisis of confidence in the value of aid, particularly in the industrialized countries. We believe that the Bank, as the market lender in the aid business, has to play a more proactive role in reestablishing the new consensus for development cooperation in the post-Cold War era. This should be reflected in the messages to donor countries in the annex, where we would also be saying: "development cooperation remains a priority for you and the international economy, and the Bank is the best placed institution to help address the questioning of the value of aid by important constituencies in your countries".

We agree with the view, expressed by a significant number of interviewees, that the Bank should do a better job of discussing its failures and shortcomings (p15). We disagree that the Wapenhans Report was bad for the Bank; what would have been bad would have been to ignore the problems and/or not to respond. Our critics are right to reserve judgment until they see change taking place.

The general conclusion that emerges from these interviews is of an institution where many senior staff are critical of our inability to get the message across to key outside stakeholders and in search of a vision that will help to sell the work of the Bank, in the value of which they all appear to believe deeply. Drafting a vision statement is a good place to start but to make this work will require a much more fundamental commitment to the continuing dissemination of this vision by management at all levels and its visible use in shaping our future work program directions.

Masood Ahmed

Mark Baird

94 FEB -2 AM 10: 04

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: January 27, 1994 11:25am

TO: See Distribution Below

FROM: Armeane Choksi, HROVP ( ARMEANE CHOKSI )

EXT.: 31811

SUBJECT: The Schmertz Report

I would like to hold a meeting of the Committee on Friday, February 4, at 11:00 a.m. in Room S13-161 to discuss the Schmertz Report and the related Position Statement. Mr. Schmertz will also attend. The Report and the Statement will be distributed to you on Tuesday. If you cannot attend, please send your comments to Sarwar Lateef with a copy to me.

DISTRIBUTION: ( JAMES W. ADAMS ) TO: James W. Adams ( MICHAEL BRUNO ) TO: Michael Bruno ( KEN CHOI @A1@EDSEL ) TO: KEN CHOI ( ARMEANE CHOKSI ) TO: Armeane Choksi ( TIMOTHY CULLEN ) TO: Timothy Cullen ( GLORIA DAVIS ) TO: Gloria Davis ( PAULA DONOVAN ) TO: Paula Donovan ( JESSICA EINHORN ) TO: Jessica P. Einhorn ( DAVID M. GOLDBERG ) TO: David M. Goldberg ( MARIANNE HAUG ) TO: Marianne Haug ( S. SHAHID HUSAIN ) TO: S. Shahid Husain ( CAIO KOCH-WESER ) TO: Caio Koch-Weser ( JOCHEN KRASKE ) TO: Jochen Kraske ( JOHANNES LINN ) TO: Johannes Linn ( MATTHEW MCHUGH ) TO: Matthew McHugh ( OEY ASTRA MEESOOK ) TO: Oey Astra Meesook ( GOBIND T. NANKANI ) TO: Gobind T. Nankani ( PHYLLIS POMERANTZ ) TO: Phyllis Pomerantz ( JEAN-FRANCOIS RISCHARD ) TO: Jean-Francois Rischard ( MARCELO SELOWSKY ) TO: Marcelo Selowsky ( ISMAIL SERAGELDIN ) TO: Ismail Serageldin TO: Alexander Shakow ( ALEXANDER SHAKOW ) ( SARWAR LATEEF ) CC: Sarwar Lateef ( ROBERT AYRES ) CC: Robert Ayres ( JOHN D. CLARK ) CC: John D. Clark ( INSTITUTIONAL ISC FILES ) CC: Institutional ISC Files

#### THE WORLD BANK/IFC/M.I.G.A.

ROUTING SLIP	DATE: February	2, 1994		
NAME	RO	OM NO.		
Mr. Masood Ahmed	s-	8-055		
Mr. Mark Baird	s-	9-055		
X URGENT	PER YOUR	REQUEST		
FOR COMMENT	PER OUR C	ONVERSATION		
FOR ACTION	SEE MY EM	AIL		
FOR APPROVAL/CLEARANCE	FOR INFOR	MATION		
FOR SIGNATURE	LET'S DIS	LET'S DISCUSS		
NOTE AND CIRCULATE	NOTE AND	RETURN		
RE: Schmerzt Paper				
REMARKS:				
For comment please Thanks.	by 3:00 pm Thurs	day 2/3/94.		
FROM: Michael Bruno, VP DEC	ROOM NO.: S9-035	EXTENSION: 33774		

Mr. M. Bruno, DECVP ROOM S-9035

### THE SCHMERTZ COMPANY

REPORT TO THE WORLD BANK ON PUBLIC AFFAIRS ACTIVITIES

1185 AVENUE OF THE AMERICAS **8** 8TH FLOOR **NEW YORK, NY 10036** TELEPHONE (212) 819-3876 **FAX (212) 840-7315** 

#### SUMMARY OF SURVEY RESULTS

Interviews were conducted with over 75 people, including interviews with three groups of Executive Directors. The mix of interviews was intended to provide a cross-section of views about the Bank. A group interview was also held with seven younger Bank staff members, who have been with the Bank two or three years.

The purpose of these interviews was to identify, with some specificity, the elements that would be included in a Position Statement reflecting what the Bank does. The reason for developing this Positioning Statement is to be able to present in a concise, simple, understandable form, an accurate picture of the Bank so that various constituencies important to the Bank, will better understand and be more supportive of the Bank's activities.

What follows are a summary of findings based upon the interviews.

#### 1. Poverty Reduction as an objective.

o Most interviewees took the poverty reduction objective very seriously. They felt that the overarching objective of all of the Bank's activities was to alleviate or reduce poverty around the world.

- o Nevertheless, a significant number of interviewees felt that poverty alleviation or poverty reduction was not an accurate objective. They accepted that poverty reduction can and should be the result of Bank activities, but they felt that to talk about poverty reduction to the exclusion of other activities, was simplistic and misleading in terms of what the Bank does and what it stands for.
- o A small number of interviewees felt that the poverty reduction objective had outlived its usefulness and, that while reflective of the Bank's activities in some geographic parts of the world, particularly Sub-Sahara, the Bank's activities in Eastern Europe for example, were motivated by objectives other than poverty reduction.
- 2. Sustainable Economic Development was considered the most important objective and was the most frequently cited Bank objective.
  - o Virtually every interviewee, whether supporting poverty alleviation or poverty reduction as an objective or discussing other Bank objectives, such as assisting countries in Eastern Europe in economic transition, assisting China to develop its economy, new programs for the Occupied Territories or Viet Nam, all cited, as the key element of the Bank's activities programs directed towards sustainable economic growth.

o Virtually, every interviewee made the point that without sustainable economic growth, not only can poverty not be reduced, but countries will not be able to receive a stream of Bank loans and private investment because, without economic growth, repayment of these investments and loans, would be impossible. Moreover, it was clearly conveyed that such important considerations such as environmental protection, use of human resourses, improvement in health and medical facilities, better educational facilities and, better housing and infrastructure development, all would be impossible without sustainable economic growth.

# 3. The achievement of sustainable economic development is a complex and difficult process.

- o The interviewees explained in great detail, how in each country, different needs had to be satisfied and different programs adopted and implemented if sustainable economic growth were to be achieved.
- o The real heart of the Bank's activities and success is the spectrum of activities it engages in country-by-country. The totality of the countries' strategies, whether they include structural adjustment, economic reforms, policy reforms,

loans for infrastructure development, improvement in health, education and housing, assistance in developing a methods for dispute resolution and protection of sanctity of contracts. These and dozens of other ingredients are really what the Bank is all about.

- 4. The Bank has not developed the ability to convey to its important constituencies how the wide array of activities in which it is engaged have been and, will be, key to assisting achieve sustainable economic development.
  - o The Bank has allowed its critics to focus on perceived failures of big infrastructure and construction projects, particularly, large dams.
  - o The Bank has also allowed its critics to focus on certain aspects of its loan portfolio which have been characterized as under-performing.
  - o The Bank has not communicated its record over the past fifty years of substantial and dramatic accomplishments.
  - o The Bank has not been able to communicate in simple and understandable terms, the sophisticated, complex and

technically difficult activities that are the heart of its economic development successes.

on its loan activities with the result that the Bank seems to be loan-driven.

## 5. The Bank's relationship with NGOs was viewed in widely different ways.

- o Many interviewees felt that the Bank was failing to adequately respond in an aggressive and vigorous way to unfair and inaccurate criticism from NGOs.
- o Almost all of the interviewees felt that there were three categories of NGOs. Those that were considered "responsible" and with which the Bank has had healthy and productive relationships. Second, was the group of NGOs whose agendas were totally at variance with the Bank's agenda with the result that there was no basis for mutual understanding and respect. The third group was those NGOs that were simply misinformed about the Bank's activities, but were not necessarily antagonistic to the Bank's objectives.
- o The general feeling was that the Bank should attempt to strengthen its ties to and support from the responsible NGOs,

do a better job in educating the misinformed NGOs and to vigorously respond to the criticism from those NGOs whose philosophies were incompatible with the Bank's philosophies.

o There were some feeling that the Bank was paying far too much attention and devoting too much resource and too much consideration regarding NGO criticisms. Moreover, some interviewees felt that responding to NGO criticisms by trying to placate them, was weakening the Bank.

# 6. The World Bank attempts to do too much and is too willing to assume new responsibilities and new programs.

- o Many interviewees felt that a lot of the Bank's problems stem from its attempt to do too much. They pointed out that the Bank's activities and areas of focus had expanded considerably from its original charter purpose.
- o Interviewees felt that the very nature of the Bank's success caused it to be a recipient of increasing demands for new activities and programs. Each were stretching the Bank's financial and human resources to a point where quality was being diminished and the chances of success reduced.

- o The very nature of the assumption of increased responsibilities and new programs further complicates the Bank's ability to gain understanding and support from key constituencies. As the Bank becomes more complex, with more and more new programs and activities, its ability to explain and define itself becomes increasingly difficult.
- o The distinction between the Bank's activities and the IMF as a result of increasing Bank activities, make it difficult to fully understand what the Bank is about.
- 7. The Bank's ability and willingness to respond to critics and its ability to make itself better understood is inadequate.
  - o Virtually all interviewees felt that the Bank needed to do a better job of responding to criticisms and explaining itself more fully and clearly.
  - o Interviewees felt that failure to respond and communicate was eroding Bank support among important constituencies, including donor countries, the media, academics and, NGOs.
  - o Virtually all interviewees welcomed the apparent new commitment to improve external communication activities in general and, those directed toward using the 50th

Anniversary as an effective vehicle to effectively communicate more positive information about the Bank.

- o A number of the Vice-Presidents indicated that they were moving ahead to establish their own external affairs activities within their jurisdiction because they felt they could not afford to wait any longer to respond to criticisms and to better inform their constituencies.
- O There was no finding amongst any interviewee that the Bank did not need to communicate better. The view that had existed in the past that the Bank's activities spoke for themselves was something that was rejected by interviewees when the question was posed.
- 8. The Bank faces increasing competition and difficulty in generating financial support from donor countries.
  - o Many interviewees cite the increasing competition for development money from bi-lateral lending agencies and regional development banks.
  - o Interviewees also described the increasing pressures in donor countries to reduce development assistance monies in light of domestic economic conditions within donor countries

- -- Scandinavia, Germany and, the Netherlands, were particularly cited as examples.
- o Interviewees particularly focused on the need to better communicate the successes and activities of the World Bank as a way of responding to these competitive pressures.
- 9. The Bank lacks sufficient sensitivity when it comes to dealing with environmental, social and human resource issues.
  - o A significant number of interviewees expressed strong negative views about whether the Bank was truly committed to programs to protect the environment, developing human resources and, reduce the impact on the poor as a result of structural adjustment.
  - o These interviewees said that there was a significant gap between what the Bank said regarding these areas and what it actually did and, that criticisms from the outside, were relatively accurate.
  - o Nevertheless, it is fair to say that at least a majority of the interviewees, said that the Bank was doing an adequate job in paying attention to environmental, social and human resource issues, as part of its overall activities.

- o The creation of the Global Environment Fund was particularly cited as a positive response to criticism.
- 10. Interviewees felt that technical assistance and policy guidance programs now assume more importance in terms of the Bank's work as compared to loans.
  - o Interviewees were asked to rate on a scale of 1 to 10 first, the Bank's technical assistance and policy guidance activities and, then, its loan activities. Virtually, every interviewee responded by rating policy guidance and technical assistance between 7 and 8 on the scale and loans at about 5.
  - o It's clear from the interviews that the prevailing view within the Bank is that while loans are an important ingredient and provide enormous support for the Bank's activities, that the real heart of the Bank's activities now, and in the future, are likely to be in the policy guidance and technical assistance areas.
  - o The Bank's work in Eastern Europe, Russia, China and the Occupied Territories, were particular examples reflecting this view.

## 11. The concept of the Bank's managing changes in countries in transition appear to be strong new attitude.

- o With the demise of the Soviet Union and the communist model, interviewees cited a wave of countries moving rapidly toward establishing new political and economic institutions. Eastern Europe, Russia and some African nations were particularly singled out.
- o Interviewees described the Bank's activities as managing change in countries in transition, with a heavy emphasis on policy guidance.
- o The general feeling amongst interviewees was that only the Bank, because of its experience and expertise, based on its activities over a long period of time, can really provide useful and meaningful assistance to countries in transition.
- o A few interviewees pointed out that the Bank has always been able to respond positively to quickly emerging changes. These interviewees cited the oil shock of the 70s, the debt crisis of the 80s, as examples. They felt that the Bank's current activities in response to change were simply a continuation of what the Bank has done in the past 5 decades.

#### 12. Meeting with young Bank staff professionals.

- o At a meeting with seven young Bank staff professionals, each of whom have been with the Bank two three years, the following emerged:
  - -- All of the interviewees appeared to be very smart, highly motivated, with high-energy levels.
  - Each participant realized that, by working at the Bank, they had survived a very tough competitive recruiting process.
  - -- Each interviewee was unsure, at this time, whether they wanted to make a career at the Bank or use their Bank experience to obtain much more lucrative positions in the private-sector.
  - -- There was very little sense of history or understanding about the Bank's evolution and its accomplishments beyond the recent past.
  - -- While the interviewees were not exactly cynical, it is fair to say that they did not exhibit any significant missionary zeal regarding the Bank's activities and their role in these activities.

- Each of the interviewees appear more to be a technocrat determined to get a job done in the best possible way.
   What was lacking was an apparent passion regarding the social utility of the Bank's activities.
- o The interviewees knew very little about and did not exhibit any great interest in the 50th Anniversary activities.
- o The interviewees felt that they were on the receiving end insofar as work demands of the Bank's willingness to assume more and more responsibility for new and enlarged activities.

#### 13. Creditworthiness

- o A number of interviewees expressed concern that critics and observers of the Bank did not fully understand the relationship between loan repayment, creditworthiness and, the Bank's ability to continue its activities.
- o These interviewees were particularly critical of those that call for either moratorium on debt repayment or outright disavowal by governments.
- o They also expressed concern and dismay about the very small number of people that are aware of most of the Bank's

lending capacity that is generated by Bank borrowing from private capital markets.

o They felt the Bank should do a much more aggressive job in explaining the source of the Bank's funds, the need to repay the loans and, the relationship of these concepts to the Bank's ability to continue its activities in a meaningful manner.

#### 14. The Bank as a series of partnerships

- o Most interviewees had not considered the Bank as a series of partnerships when questioned regarding this concept.
- o In discussions with interviewees about the partnership concept, the interviewees quickly came to the conclusion that portraying the Bank as a series of partnerships, was both helpful in explaining how the Bank operated and, perhaps, more importantly, how it shared responsibility for its activities with other significant entities.
- o Interviewees felt that by showing the shared responsibility, it had a potential for reducing the view that the Bank was arrogant, a law unto itself and, insensitive to those constituencies which it either dealt with or relied upon.

### 15. The Bank is too United States and/or G-7 dominated.

- o Some interviewees expressed the view that the Bank was too U.S. or G-7 dominated, but they were a very distinct minority.
- o As compared to my findings in my earlier report this past summer, it would seem that the intensity of the U.S. or G-7 dominance argument has abated at least a little.
- o Nevertheless, several interviewees expressed negative reactions to Vice President Gore's comments in Russia regarding how the World Bank and the IMF should conduct its activities vis-a-vis Russia.

## 16. Should the Bank do more to acknowledge its failures and shortcomings?

- o A significant number of interviewees felt that the Bank should do a more complete and documented job of discussing its failures and shortcomings.
- o These interviewees felt that the Bank's critics were well aware of Bank inadequacies and that the Bank would be a

more credible entity if it was more candid and forthcoming regarding its mistakes and failures.

- o Nevertheless, most interviewees emphasized in very strong terms the need for the Bank to stress in more comprehensive and strong terms, its past and current successes.
- O The Wapenhans Report was cited by both those that felt the Bank should be more open about its failures and those that felt the Bank should do more to stress its successes. The latter group felt that the manner in which the Wapenhans Report was presented to the public, produces negative results. While they did not quarrel with the Wapenhans Report, they felt that if its presentation had been done in a more balanced manner, the negative comments might have been reduced.

### MESSAGES TO KEY CONSTITUENCIES BASED UPON POSITIONING STATEMENT

To recipient countries, the Bank should be saying that as your partner:

- we can provide a spectrum of assistance programs of policy guidance, technical assistance and loans - which, based upon experience, will achieve sustainable economic growth.
- for these programs to succeed, they must be owned by the recipient country.
- for these programs to succeed, you will need to undertake a variety of economic social and governmental reforms.
- we are sensitive in our activities to your countries' environmental, social and cultural concerns.

To donor countries, we would be saying that the Bank as your partner:

- is the leader in programs that have and will achieve positive improvement in living conditions for poorer nations.

- is the only institution which brings a global perspective to addressing the problems of poorer nations.
- is the leading institution in creating new and innovative programs directed toward sustainable economic growth and poverty reduction.
- is the leader in experience and expertise needed to assist nations now experiencing transition to democratic institutions and market economies.

To private financial institutions, the Bank should be saying as your partner:

- we have an unrivaled record of using private investment capital in prudent ways that protect the investor's capital and return a fair profit.
- we have an unrivaled record of creditworthiness.
- we have the ability to minimize the risk of investments in poorer nations because of our insistence that borrowers institute and adhere to reform programs which the Bank based upon prior experience knows will, in most cases, make the investments both socially and economically successful.

To NGO's, the Bank should be saying we want to be your partner:

- because we recognize the tremendous contributions the members of the NGO community have toward successful development programs.
- because the Bank believes it has much to learn from NGOs,
   it welcomes a dialogue and exchange of ideas and
   experiences with the NGO community.

To academics, the Bank should be saying we value your partnership:

- because we recognize that the Bank's success depends in large measure upon its ability to mobilize and utilize the best and most creative people and ideas.
- because we rely upon your research and counsel on issues of development and economic growth.

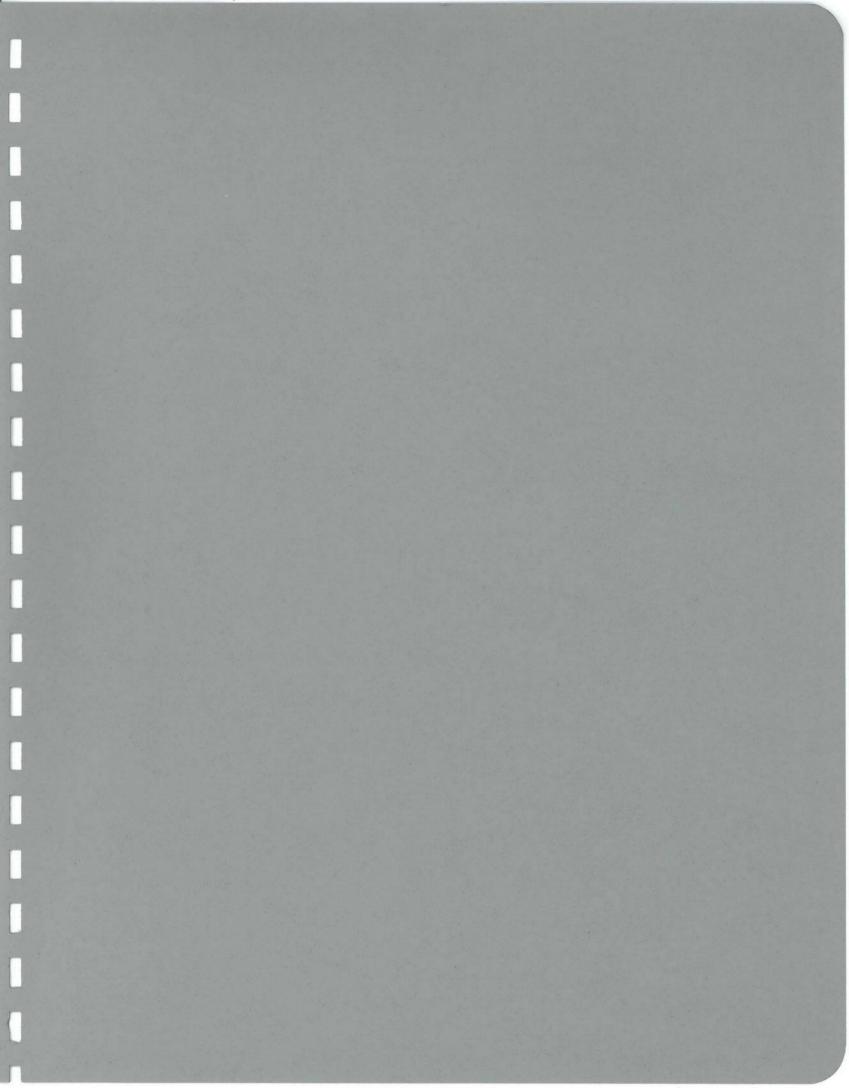
To suppliers of goods and services, the Bank should be saying as our partners:

- we are proud of our record of insuring that contracts are awarded through open and competitive bidding.
- your profits, the employment of your workers and the economic well-being of your community, have been

favorably imparted by contracts generated by World Bank programs and loans.

To staff, the Bank should be saying:

- your work at the Bank is more than just a job.
- your work at the Bank gives you the individual the opportunity to "make a difference" in the lives of the peoples of poorer nations.
- your work at the Bank means being part of an institution with half-a-century of success in assisting nations and peoples in need.



The World Bank/IFC/MIGA
OFFICE MEMORANDUM

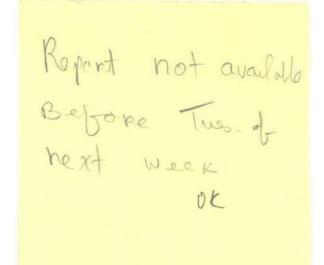
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Report not available
Before Tues. of
next week.

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