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THE WORLD BANK

ROUTING SLIP	Date May 10, 1982

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Remarks

If you agree, I will issue this note as the minutes of the Senior Management Council meeting on April 30, adding a note at the end that during the Seminar you drew attention to the note distributed on proposed changes in the Bank's borrowing and lending systems and urged all members to use their fluence with EDs and governments to gain support for the changes.

From

Bill Humphrey Bill

Record Removal Notice

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File Title	Barcode No.
Senior Management Council - Minutes - Minutes 02	1773256

Document Date	Document Type
January 6, 1983	Minutes

Correspondents / Participants
From: William S. Humphrey

Subject / Title
Minutes of December 17, 1982 Meeting

Exception(s)
Corporate Administrative Matters

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

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Shiri Alon	15-Feb-17

CONFIDENTIAL

December 13, 1982

SENIOR MANAGEMENT COUNCIL

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

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

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

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

4. Other Business.

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

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

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** To be distributed.

Senior Management Council

CONFIDENTIAL

December 10, 1982

FROM: William S. Humphrey WSH

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

Members Present: A. W. Clausen, M. Qureshi, E. Stern, M. Benjenk, A. Krueger, M. Paijmans, T. Thahane, N. Ardito-Barletta, W. Baum, R. Chaufournier, G. Gabriel, M. Hattori, D. Hopper, S. Husain, D. Knox, E. Rotberg, W. Wapenhans, M. Weiner, H. Wuttke.

Also Present: A. Karaosmanoglu, J. Parmar, H. Scott, R. Southworth

The Bank's Performance in the Recent Past

Introduction

Mr. Clausen reflected on his 1-1/2 years at the Bank. He had found important strengths in the institution. In particular, he noted the technical strength of the staff, the respect in our borrowing countries for the institution and the people in it, a strong senior management group and strong operating rules which resulted in a very disciplined way of doing business. He also felt we were making headway on a number of personnel issues after many years of neglect. Alongside these strengths, he noted that the Bank was still too presidential and that among staff there was too great a fear of making mistakes and too great an inclination to wait for the decisions of management. We needed to become more flexible, less bureaucratic and more conscious of the needs of the institution as a whole.

Over the last twelve months, he felt that the operational goals and objectives had been successfully achieved and that significant progress had been made in formulating new cofinancing instruments. Policy dialogue with borrowing countries was of high quality and frequently successful. Structural adjustment lending was also having an important impact. On the finance side, the resolution of some of the major problems facing IDA 6 and the creation of the FY84 bridge was an important success as was the introduction of variable rate borrowing and lending. He also felt that progress was being made in improving the Bank's image and in filling internal policy gaps through a more collegial approach to decision-making. A major disappointment was the continued lack of staff trust in management. High priority needed to be given to the continued improvement in internal communications and the relations between managers and staff.

For the future, Mr. Clausen said that the major priorities would be to get adequate funding for IDA 7 at a very difficult time, to break out of the constraint imposed by a $60 billion five-year IBRD program and to make our lending more flexible to meet the immediate needs of many of our borrowers. All managers should be made more accountable for the welfare of the institution and a continuing effort should be made to encourage innovation. This required a continuing emphasis on people and their development which required, among other things, a system for evaluating performance by objectives. It also required more strategic planning for manpower and space as well as for the longer term evolution of the finance and operations activities. In summary, he said that he found the institution strong, albeit with some imperfections. There were clouds ahead, but the problems we faced were not insurmountable.

Discussion

The discussion focused on the willingness of the staff to innovate and to make decisions. On the one hand, it was suggested that the number of internal controls and a tendency of senior managers to intervene frequently on matters of detail could stifle intitiative. The problem was compounded by the fact that the Board examined all projects in great detail. The consequences of minor mistakes could, therefore, be greater than in other types of organization. In addition, the natural fear of making mistakes in a partly political environment was compounded in some cases by cultural backgrounds where direct criticism was less acceptable. On the other hand, it was stressed that, within the constraints imposed by public accountability and the need to achieve comparability of treatment between countries, the Bank staff was highly innovative. It had to be recognized that decisions needed to be made with a concern for institutional objectives. In further discussion it was noted that the Bank provides a high pressure working environment and criticism is frequently not given in a constructive fashion and for the majority of internationally recruited staff, the end of a career with the Bank meant an end to a lifestyle.

From the discussion, a general consensus emerged that the Bank Group had a highly committed and dedicated staff whose willingness to innovate and take decisions could best be enhanced by more sensitive managerial practices and better communication of the objectives and problems of the institution as a whole.

Prospects for Growth in the World Economy

Introduction
(Mrs. Krueger)

Mrs. Krueger noted that the world economy had been subjected to a long term inflationary process since the end of World War II. This had accelerated in the 1970s and many of the problems we were now facing arose from efforts to adjust to this process. She then contrasted the 1974/75 recession with the present one noting that many of the adjustment problems existing now arose from the fact that manycountries did not adjust adequately to the events of 1974/75. The key to the recovery of the world economy in the short term was the recovery of the United States. It was difficult to predict the natural point when the U.S. economy would begin to grow again. For the long run, she felt that the healthiest growth would be a gradual, slow recovery which permitted a decrease in nominal interest rates and prevented the revival of inflationary expectations. If expansionary policies were adopted, the recovery in 1983 might be faster but they would create more inflationary problems in 1984 and beyond. However, a slower U.S. recovery would mean a slower revival of the other OECD economies and hence greater problems for the LDCs in the shorter term.

A "worst case" for the LDCs, resulting from a very slow OECD recovery in 1983, would be characterized by no export growth for the LDCs and no net medium and long term lending by commercial banks to them. Under these assumptions and before taking into account adjustments the LDCs might be able to make, LDC imports would have to decline by 10 percent which would lead to a 10 percent fall in the GDPs of non-oil producing middle income countries and zero growth in the low income countries. However, if the OECD countries grew by 2-1/2 percent in 1983, LDC exports could grow by 5 percent in volume and 9 percent in value. It would also permit additional medium and long term lending on a net basis by commercial banks with a result that LDC imports could grow rather than shrink. Under the pessimistic scenario, the current account deficit of LDCs would be about $61 billion in 1983 with no access to a net commercial bank borrowing whereas under the optimistic scenario the current account deficit would be $101 billion which took account of $50 billion in extra export earnings and $40 billion of medium and long term borrowing from the commercial banks. Thus, we faced the very delicate situation in which any delay in the U.S. economic recovery and hence the recover of OECD could make the difference between zero or negative growth and quite strongly positive growth for the LDCs in 1983.

Discussion

It was first noted that the political and social strains which would develop in LDCs might be irresistible under the pessimistic scenario. It was also stressed that, given the crucial difference that commercial bank lending could make, it was important for us to devise more effective means of encouraging the commercial banks to continue lending especially in countries who were making adequate adjustment efforts. This was both a question of providing commercial banks with our judgments on the adequacy of adjustment efforts and of developing the new cofinancing instruments. There was then considerable discussion of the consequences of an increased risk of debt defaults and requests to reschedule by Bank borrowers. Rescheduling of Bank loans could have a significant impact on our borrowing operations. Default would lead to a dramatic fall in our net income. The continuance of IDA lending in some countries which borrowed from the Bank in the past was a strong incentive to maintain service payments to IBRD. The risk appeared to be greater for smaller countries now facing extreme foreign exchange shortages and negative net transfers from the Bank Group. It was clear that there was no satisfactory approach to the greater possibility of rescheduling or defaults other than to systematically review each country's situation to identify problems before they became too serious. We should also make every effort to ensure that countries continue to pay on time.

Prospects for Growth in the World Bank and IFC

Introduction (Mr. Stern)

Mr. Stern noted that the damage done to LDCs by the current recession already had serious long term consequences which would be felt regardless of when the world economic upturn came. There had been a loss of growth momentum and also a reduction of investment combined with a changing investment pattern which would have an impact on future growth rates. In addition, the adjustment process was far from finished. In the 1970s, the record of adjustment by LDCs had been relatively good, but today they had neither the time nor the money to pursue the process and could no longer combine adjustment with growth. This had led to considerable strains on political systems. He noted a number of other external trends which made our job more difficult. The long term budgetary problems of Part I countries had made them less willing to contribute to international institutions. There was increased questioning of the efficiency of how resources were used leading to unrealistic expectations which could not be met. In Part II countries, some of our support was eroding as we appeared less effective in dealing with current problems at the same time that our conditionality was increasing. Inside the Bank the policy focus had become more confused since we were not clear ourselves on how to deal with all these problems. It was, therefore, important to focus carefully on what we might do.

Mr. Stern identified the need to diversify the ways we helped to mobilize resources for LDCs as an important priority in meeting current needs. While project lending would remain fundamental, we needed to do more. In particular, we needed to find further ways to help maintain private flows including a more intensive dialogue with commercial banks to help them differentiate more between good and bad performers and to provide them more information on the medium term outlook for borrowing countries. In this connection, we should look carefully at the relevance of our conditionality to the medium and long term creditworthiness of our borrowers. We should also do more to encourage official flows by strengthening the role of our consultative groups as pledging sessions and also to advocate projects which made sense to bilateral donors. In addition to helping mobilize more financial resources, we should also expand our advisory role. Much needed to be done to educate our borrowers in the relevance of policy advice. To do this, we had to demonstrate that our policy dialogue led to action programs and not merely an elegant analysis of problems. There was a clear link between policy advice and financing--finance was needed to support policy advice.

Turning to short term problems, Mr. Stern noted the serious cutbacks in the investment programs of many borrowing countries together with counterpart fund shortages for our existing projects. In FY83 there would be major cutbacks in our lending program to some major borrowers. We would need increased flexibility in our lending practices if we were to meet borrowers' current needs and use the financial resources available to us. He noted the expansion of SALs--possibly linked to commercial bank financing, increased financing for export industries, financing an increased share of project costs--perhaps in some cases retroactively through supplementary financing, adjusting terms and relaxing grace periods and a greater emphasis on financing maintenance and recurrent costs. All these needed to be explored if we were to make an appropriate contribution into the current needs of our borrowing members.

(Mr. Wuttke) Mr. Wuttke noted that despite the unfavorable external environment, IFC's operations had held up fairly well during the last 12-18 months. The number of projects had increased and, although the total value was less, more countries had been covered than ever before. IFC had undertaken less equity investment than planned and had perhaps been too cautious in this area. There had also been a problem of arrears, but IFC was now pressing borrowers harder to repay on time. Economic conditions in borrowing countries and high interest rates on IFC loans had caused disbursements to slow down. He then outlined IFC's five-year plan which aimed at tripling investments in dollar terms by 1988. Assuming world economic growth resumed in the later 1980s, many opportunities would face IFC particularly in countries which were assigning a greater role to the private sector. Equity investments were expected to increase from 12 percent to 17 percent of total investments, the share of Africa and other low income countries would be increased and a new oil exploration program would be started. All this would require a capital increase of $750 million over five years beginning in 1985. He acknowledged that, if against all predictions the present economic conditions persisted for the rest of the decade, the projected growth of IFC investments would be difficult to achieve. However, assuming that there was at least a small recovery in the world economy, many possibilities would open up for IFC since its investments were only small in relation to total private investment flows. IFC also intended to put more emphasis on policy assistance in close coordination with the Bank especially to help countries wishing to give more encouragement to their private sectors.

(Mr. Qureshi) Mr. Qureshi agreed with Mr. Stern's comments on the prevailing economic and financial environment which made the task of raising financial resources especially difficult. On the Bank side, the resource picture had brightened since the steps we had taken to change the borrowing and lending rate system and to develop new instruments gave us more flexibility than in the past. Thus there was no financial or economic reason why the $60 billion IBRD program should not be increased leading to a lending program which grew about 5 percent a year in real terms over the next 2-3 years. The constraints on doing this were mainly political. Some countries wished us to give up the discount note program and opposed other new borrowing techniques. More importantly, there was the perception that an acceleration of lending impinged on capital requirements. Here it was not so much the statutory constraints that were a problem but the policy with respect to the sustainable level of lending. Today the sustainable level was under $12 billion a year. Linked to this problem was the issue of selective capital increases and the maintenance of value of the Bank's capital both of which would come before the Board in the next 6 or 7 months. These were politically charged issues where persuading the

United States was the principal need. Despite this, he was confident that we could get the flexibility we needed to permit the level of IBRD lending to rise modestly in real terms.

On IDA, the issues were also mainly political. For the 7th replenishment, there was no problem in establishing IDA's needs. One of the key recent accomplishments in providing funding for IDA in FY84 was the consensus among all donors, other than the U.S., that $12 billion was in a sense a minimum figure for IDA 7. Once again, the U.S. would be the key to carrying through the IDA 7 replenishment at adequate levels. He also noted that the availability of IDA funds had an impact on IBRD lending since IDA lending strengthened creditworthiness in a number of countries and therefore the ability of these countries to borrow from IBRD.

<u>Discussion</u>

The discussion focused on the allocation of IDA funds, the capital constraint on increased lending, strategic planning for adversity, IFC's future plans and the relations with Part I countries.

<u>IDA Allocations</u>

The question was raised whether the problems now being faced by our poorest borrowers did not require a more radical shift of IDA funds and manpower resources from Asia to Sub-Saharan Africa. It was noted that, while there might be some case for this, the absorptive capacity of Sub-Saharan Africa was limited. It was questioned whether more financial resources would lead to the necessary policy reforms. In response, it was noted that many African countries recognized they had to rethink their policies. However, patience and a very long view were needed in assessing the possible pace of change in these countries which had, in general, administrative structures which were very weak. We probably still did not understand enough about the institutional constraints to growth in much of Africa. In any event, a major shift of IDA funds from Asia to Sub-Saharan Africa would be constrained by difficulties in providing sufficient IBRD funds for India and China to compensate. Both problems of creditworthiness and the needs of other IBRD borrowers complicated the question. It was also noted that we did not have complete independence on the allocation of IDA resources. The major donors also had views on how these resources should be allocated which we had to consider.

<u>The Capital Constraint on Increased Lending</u>

The link between increasing capital, the sustainable level of lending and the need for more flexible lending instruments was discussed. It was suggested that it might be easier to get donors to accept the need for a capital increase in the context of the immediate difficulties of the borrowing countries. The fact that our new financing instruments could generate profitability to substitute for paid-in capital was also stressed. In further discussion, it was generally accepted that getting any kind of agreement on the amount and timing of a general capital increase would be too long in the context of the additional lending flexibility needed now to address immediate problems in borrowing countries. However, over the longer term, our ability to increase IBRD lending was directly linked to a resolution of the capital constraint.

Strategic Planning for Adversity

The possibility of a major shortfall in the U.S. contribution to IDA 6 and hence a delay in the agreement on IDA 7 was raised. It was generally felt that our strategic planning should include consideration of how we would deal with a major shortfall in resources of this kind.

IFC's Future Plans

The realism of IFC's plans to triple investments in nominal terms by 1988 was questioned against the prospect of a sluggish world economy. In response, it was pointed out that private investments flows were occurring, and IFC was a small portion of the total. If it was aggressive in seeking out opportunities, it should be possible for it to expand its activities significantly even in the context of relatively slow world economic growth.

Relations with Part I Countries

It was noted that it was important not to neglect other Part I countries just because the U.S. played a dominant role in determining the future flow of financial resources. We needed to differentiate our approach to Part I countries, ask them more often what we could do for them and perhaps go so far as having a tailor-made policy for each Part I country. We also needed differentiation in eliciting political support in Part II countries. In pursuing this subject, the discussion went on to note that the U.S. had taken the lead in mobilizing support for IDA in the 1950s, 1960s and early 1970s. They were no longer doing so, and it was not clear who would take up the leadership role. No other country could substitute for the United States. However, efforts were being made to help smaller countries form more cohesive groups to increase the weight of their interventions on behalf of IDA. It was also pointed out that the policy advice we gave to our borrowers was often not welcome in Part I countries. We needed a better dialogue on the development with bilateral donors which presented the challenge of how to harmonize development philosophies in a changing environment.

Major Issues and Choices Facing Bank Managers During the Next 12-24 Months

Introduction (Mr. Ardito-Barletta)

Mr. Ardito-Barletta said that our major task was to maintain steady support to our borrowers in an environment where many countries and institutions were retrenching and private banks were reducing lending. In many LDCs social and political limits were being reached with pressures for more protection and for rescheduling and even default on foreign debts. In the face of a very difficult world economic environment, it was important for us to implement the levels of our lending program in 1983 and 1984 so that steady action by the Bank Group could counter other cyclical downward trends. To maintain our commitments and disbursements would require a more flexibile approach in our operations since many countries were cutting back their investment programs which slowed down project execution and hence disbursements. This, in some cases, was leading to negative net transfers from the World Bank Group in circumstances where a positive transfer of resources had to be maintained. All this made it most important that we identify eligible countries for flexible lending approaches, identify the kinds of policies we should support and obtain Board approval for such an approach.

These new approaches would involve greater participation of the Programs staff in the lending process, especially if SALs were to increase. They would also involve more economic and sector work. Since it was important to maintain a strong project pipeline as well, increased budgetary allocations for the regions would be needed if they were to carry out their tasks. There would also need to be clear instructions to middle level managers on what could be done. He hoped that the more flexible approaches outlined would help countries to poise themselves for recovery. Part of the process should be an attempt to lengthen the maturity of existing debt. In this connection, the dialogue with the private banking community was most important, and we might be able to help maintain positive net transfers from the commercial banks if we associated them in the cofinancing of SALs and program loans. We should also try to find ways of using consultative groups and consortia for some of the larger countries where up to now these instruments had not been very effective. For many countries, it would be important to try to bring the central banks of the Part I countries into these discussions. It was important that the Bank provide both private and official donors with the best possible medium term information on our borrowing countries.

Internally, he felt our most important task was to stimulate the thinking of staff in order to inspire as much innovation as possible.

(Mr. Husain) Mr. Husain commented first on the substantive relations with countries, second on the management culture of the Bank and third on recent initiatives in Personnel. On our relations with countries, he noted that as needs increased and the complexity of issues became greater, we had to differentiate the type of activities we undertook in different types of countries. For the middle income countries, our role should become increasingly catalytic with less emphasis on filling the resource gap and more on stimulating thought and change. For these countries, it was most important for us to have a dialogue with commercial institutions on country policy packages, if we were to have the greatest impact on mobilizing resources for well-directed development. Among the poorer countries, he felt there should be some redirection of IDA resources to Sub-Saharan Africa. Here we needed to use our manpower to help the countries increase their own absorptive capacity in very close collaboration with the countries themselves. Our relationship with the poorest countries should be one of constant interchange and dialogue.

On the managerial culture of the organization, he noted that many of the Bank's managerial practices stemmed from the role of the Bank Board which in turn involved many layers of management in the review of projects. He accepted that as a public institution we had to be accountable and that we were obliged to provide the LDCs with the highest quality assistance. However, he wondered whether we needed all the existing checks and balances and controls. On our substantive dialogue with countries, the Operations staff had a great deal of leeway, and too many of our internal procedures revolved around documentation. He believed that the Bank staff reacted rationally to their environment and the signals from senior management. Senior managers, therefore, had to focus on creating the kind of stimuli that encouraged innovation. In this connection, as he moved to OPS, he would be looking at quality control and the functions of centralized units. He felt that the centralized units should spend more time looking at the procedures of operating units in controlling quality and less at the projects themselves. It was important to soften any adversary relationships and also to stimulate closer links between country development issues and the projects we finance.

On initiatives in Personnel and Administration, he noted the tremendous progress over the last two years. We now needed to follow through on these initiatives and consolidate them. He felt we at present paid insufficient attention to training. We needed an intensive program of human development and to think of it in an organic way so that our training program fitted into the development needs of the institution as a whole.

(Mr. Rotberg) Mr. Rotberg noted that the key role of the Treasurer's Complex was to provide the financing flexibility so we could respond to the needs of our borrowers. His main job was first to manage the liquidity managers, second to manage the borrowing managers, third to ensure the Bank had the right image in the financial community and forth to review financial and development activities in order to recommend the changes needed to have improved access to resources. The Treasurer's department had a highly motivated and very productive staff with an extremely low turnover. They had joined the Bank because they were interested in development and wished to use their skills to raise the resources needed. The nature of the work they did enabled them to measure their performance against opportunities lost. Since it was important that they should never cover up mistakes and since the staff set very high standards for themselves, he did not think that it was appropriate in his unit to have a close link between monetary reward and the relative success of investment decisions by individual staff.

More generally, he noted that, with its new borrowing instruments, the IBRD faced few economic and financial constraints provided we took new initiatives and resolved some of the political constraints to expanding operations. On internal communications in the Bank generally, he felt that decisions were reported downwards quite adequately but that bad news did not flow up fast enough because people often did not like to admit problems.

(Mr. Paijmans) Mr. Paijmans noted that many activities claimed the attention of managers throughout the Bank, and it was therefore important that senior managers felt that the initiatives in the Personnel and Administration area were relevant and had their full and active backing. The important questions were whether there was coherence in what we were trying to do and whether the institution could absorb it. The overriding PA objective was to provide support to line managers and to give them the responsibility for managing. This meant that managers had to specify their needs. It was then PA's job to help supply these and also to ensure equity, consistency and the overriding institutional interest. All initiatives were designed to accomplish these basic objectives and the various actions were grouped to fit into a coherent program. For example, initiatives in job grading, performance evaluation and reward policy were aimed at creating the basic framework to motivate and create a more efficient staff. Policies on separation and demotion, reassignment, management succession and professional growth promotion were aimed at helping managers to manage their staff resources better. It was important that lower levels of management appreciated the timing and relevance of these initiatives in relation to other immediate activities. Before any new initiatives were introduced, there was extensive consultation with both managers and staff. However, it was most important that once a decision was taken all managers actively supported it and committed themselves to the totality of the program even if they might staff have reservations on part of it.

The speed at which the institution could absorb these new initiatives did raise some real problems. A large intellectual input by managers at all levels was needed to put the initiatives in place; the dimensions of the additional work required of managers was becoming considerable. Experiences with the redeployment exercise, the reassignment panels and consultations on PPR were encouraging and showed what could be achieved. However, the amount of intellectual energy subordinate managers could devote to these exercises was limited and the question was how fast the new processes could be consolidated and whether managers could handle what was now before them.

Discussion

The discussion focused first on the ability of managers to absorb the PA initiatives, second the staff intensity of operational initiatives and third the role of the Executive Directors.

Absorption of PA Initiatives

It was noted that in past years, the effectiveness of finance and operations had been hindered by weaknesses in the support departments including Personnel and Administration and External Relations. There was a lot of catching up to do, and it was healthy that changes were being suggested. Part of the change required senior managers to focus on broad institutional issues and to leave more of the technical work to their subordinates. In this process, it was important not to overload the lower ranks and to take account of the time involved in drawing up work programs. It was generally felt that lower level managers could carry the required load. However, there was still suspicion of management's intent in launching these initiatives. Thus more time had to be spent in educating staff of why they were needed. It was recognized that at the time the new initiatives were approved we had an insufficiently clear view of the sequential steps needed to put them into effect. As things had gone forward, we had gained a more realistic view of what was feasible and had adjusted timetables accordingly. There was general agreement that the new systems where essential to support good managerial practices. They were also needed to provide a consistency in personnel and administrative policy. The need for all managers at all levels to give their full support to the initiatives was reemphasized.

Staff Intensity of Opertional Initiatives

The discussion then turned to the increased demands on the time of both managers and staff which would be created by the new operational initiatives discussed earlier. Some shift in staff would be required, and the new initiatives would absorb more staff time since, although they would not involve an increase in lending volume, they did imply a more intensive approach to development. In particular, an intensification of our policy dialogue would place heavier demands on senior managers who had to participate in it. With these increased demands, it was important to look for ways of saving time on processing conventional projects. It would help if the Board would consider more projects on a no objection basis.

The Role of the Executive Directors

The discussion then turned to the question of how the Board might become a closer partner of management in the discussion of development issues and country policy and give less emphasis to the details of projects. It was noted that efforts in the past to introduce country strategy discussions had encountered problems because the Part II countries concerned were unwilling to have the Board discuss their development strategy. Some of the early history of Board/Management relations was described after which it was generally agreed that it was desirable for management to be responsive to current initiatives at the Board to have more meaningful discussions of development policies. Management should work with the ad hoc Board committee which had recently been set up to look into this question. Already in structural adjustment loans there was an opportunity for the Board to discuss the development policies of individual countries, and every President's Report also contained an economic analysis which could form the basis of a discussion if Board members wished. It was agreed that further thought should be given to this matter and that it should be taken up again at the next meeting of the Senior Management Council on December 17.

Conclusion

Summing up the 1-1/2 days of the retreat, Mr. Clausen said that he had sensed that the time spent had helped the group to come together more as a team and to feel jointly the pain of the problems faced by different parts of the organization. It had been a time when we had learned from each other more about the institution. Thus had enhanced our joint sense of responsibility. A large number of issues facing us had been identified, and these would be highlighted in the record of discussions and would be discussed and worked on further in the months ahead.

CONFIDENTIAL

Senior Management Council

November 10, 1982

FROM: William S. Humphrey

SUBJECT: Minutes of November 3, 1982 Meeting
Members Present: A.W. Clausen, M. Qureshi, E. Stern, M. Benjenk, A. Krueger, M. Paijmans, T. Thahane, N. Ardito-Barletta, W. Baum, G. Gabriel, M. Hattori, D. Hopper, D. Knox, W. Wapenhans, M. Weiner, H. Wuttke.
Members Absent: R. Chaufournier, S. Husain.
Also Present: H. Scott, R. Southworth.

Excerpt from page - 3 -

2. Performance Planning and Review

Attending: G. Kaji and A.E. Elmendorf

Documentation — Memo (Paijmans) October 29, 1982 PAD/SMC82-4: Proposed New Performance Planning and Appraisal Program.

Presentation — Mr. Elmendorf briefly summarized the proposed performance planning and review system, described the consultation process and noted the support that would be needed from Vice Presidents and the support which would be provided by PMD in this process (see attachment).

Discussion — In discussion it was suggested that the documentation gave too little stress to the evaluation part of the process and it was agreed that this would be corrected. What was important was that this evaluation would now be done against specific previously set objectives. It was noted that the managerial review meeting would be an occasion for the next-in-line manager, the first-line manager and the Personnel Officer to discuss the strengths and weakness in the unit's staffing pattern and how improvements should be made, with probably less emphasis on the details of the performance of individuals. It was also stressed that the setting of unit goals,which would start the process, should begin at the top. This meant that on the present timetable vice presidents would begin preparing objectives next March. PMD expected to report back to Senior Management on the results of the consultation process at the end of February or in March 1983.

cc: Messrs. Kaji, Elmendorf.

Senior Management Council

November 10, 1982

WA

FROM: William S. Humphrey

SUBJECT: Minutes of November 3, 1982 Meeting

Members Present: A.W. Clausen, M. Qureshi, E. Stern, M. Benjenk, A. Krueger, M. Paijmans, T. Thahane, N. Ardito-Barletta, W. Baum, G. Gabriel, M. Hattori, D. Hopper, D. Knox, W. Wapenhans, M. Weiner, H. Wuttke.

Members Absent: R. Chaufournier, S. Husain.

Also Present: H. Scott, R. Southworth.

Opening Comments

Mr. Clausen noted the Senior Management appointments which had been recently announced. He added that the IFC "core" management group of Messrs. Wuttke, Gabriel and Parmar would be meeting informally on a monthly basis with Messrs. Qureshi, Stern and himself to ensure the closest collaboration between IFC and other parts of the Bank Group. In addition Mr. Gabriel would continue to be a member of the Senior Management Council and Mr. Parmar would join it. He also said that Mr. Shihata would be spending a few days a month in Washington on his trips to the USA between now and the time he took up his full time duties which would be before June 30, 1983.

Cofinancing with Commercial Banks

Attending: F. Vibert

Documentation — Memo (Stern) October 27, 1982 with draft Question and Answer Paper.

Introduction — Mr. Clausen said that the need to find more effective ways for us to help enlarge the flow of funds to LDCs through the cofinancing mechanism had been made more urgent by the present tendency of many commercial banks to cut down their lending to LDCs because of debt problems. The proposed new instruments had been discussed at great length by the Executive Directors. It was important now that all members of the Senior Management Council should be fully aware of the Directors' concerns and should provide a uniform response to Board questions.

Discussion — The discussion first focused on why there was a need for additional instruments. It was noted that many banks had held back from participating in our existing system and that additional instruments were needed to provide them with more comfort. The new instruments would provide this since we would try to defend the B loans in their entirity and any payments made in the absence of an agreement to reschedule the commercial banks' portion of the B loan would be shared amongst all members of the syndicate. It will be made clear that the Bank would not reschedule its portion of the B loan and that rescheduling of the commercial bank's portion would be subject to our consent. From the borrowers' view point the presence of the Bank in the syndicate would permit a stretching of the maturities and also provide a more precise marketing tool to help them put a deal together on favorable terms. It was noted that while we would be providing help in marketing we would neither be the leader of the syndicate nor an agent bank.

A number of concerns had been expressed at the Board that the new instruments would dilute the development character of the Bank. In this connection it was noted that the nature of the projects we would be financing would not be changed by the new instruments nor would the thrust of our country dialogue. Indeed the commercial banks would be drawn in to our developmental activity. On the question of LIBOR related lending rates for the B loans, it was pointed out that any extra income derived from this stayed in the institution and was available for IDA or for reducing the charges on ordinary Bank lending. It could be pointed out to those who were concerned that the Bank should not lend at "commercial" rates, that the Bank's ordinary lending rate fully covered the cost of borrowing and was therefore not in this sense concessional.

In further discussion it was noted that whereas 10% participation in a B loan might be sufficient to provide the necessary comfort to commercial banks, it might be necessary to go as high as 25% to provide the appropriate extension of maturities. It was also noted that countries who felt they would not need to use the B loan technique should still support the new instruments so that they could be available to borrowers who would be helped by them.

The broader question was then raised of whether we should be doing more to help countries manage and monitor their debt, whether our own sources of information, especially on short-term debt, were adequate and whether we should be making greater efforts to share our insights with commercial banks. This was particularly important in an environment where commercial banks tended not to differentiate sufficiently between the circumstances of different countries. Thus Poland affected commercial banking attitudes towards other East European countries while Mexico tended to influence attitudes towards other Latin American countries. A number of aspects of these issues were discussed. It was noted that discussions were now going on with the IMF to improve the arrangements for sharing information, especially on short-term debt. It was generally agreed that we should encourage countries to meet with their creditors to share information and that we should have contacts at all levels with the commercial banking community while avoiding a public advocacy role.

2. Performance Planning and Review

Attending: G. Kaji and A.E. Elmendorf

Documentation — Memo (Paijmans) October 29, 1982 PAD/SMC82-4: Proposed New Performance Planning and Appraisal Program.

Presentation — Mr. Elmendorf briefly summarized the proposed performance planning and review system, described the consultation process and noted the support that would be needed from Vice Presidents and the support which would be provided by PMD in this process (see attachment).

Discussion — In discussion it was suggested that the documentation gave too little stress to the evaluation part of the process and it was agreed that this would be corrected. What was important was that this evaluation would now be done against specific previously set objectives. It was noted that the managerial review meeting would be an occasion for the next-in-line manager, the first-line manager and the Personnel Officer to discuss the strengths and weakness in the unit's staffing pattern and how improvements should be made, with probably less emphasis on the details of the performance of individuals. It was also stressed that the setting of unit goals,which would start the process, should begin at the top. This meant that on the present timetable vice presidents would begin preparing objectives next March. PMD expected to report back to Senior Management on the results of the consultation process at the end of February or in March 1983.

3. Other Business

Tanzania — Mr. Wapenhans reported on his visit to Tanzania to persuade the government to pay its arrears to the Bank. His meeting with President Nyerere had not been easy. Following the line of Mr. Clausen's letter to President Nyerere he had stresed the possible damage to the Bank's ability to borrow with consequences for our ability to help LDCs, if the arrears continued. He had also pointed to the fact that the repayment of about $15 million of arrears would enable us to disburse about $65 million under ongoing projects. He had been successful in negotiating a settlement of arrears but feared that our relations with Tanzania - especially President Nyerere - had been somewhat damaged in the process. It was generally agreed that the potential damage to the Bank's standing in the market had warranted the action taken.

Brazil (IFC) — Mr. Wuttke, who had just returned from Brazil, said that he had been impressed by the enthusiasm and support which entreprenuers were giving to the government despite the recent economic measures. Although many companies in Brazil were having problems, IFC's projects were in generally good share.

BRIEFING FOR SENIOR MANAGEMENT COUNCIL

PERFORMANCE PLANNING AND REVIEW (PPR)

CONSULTATIONS WITH MANAGERS AND STAFF

AGENDA

1. BRIEF SUMMARY OF PPR

2. DESCRIPTION OF CONSULTATION PROCESS

3. SUPPORT NEEDED FROM VICE PRESIDENTS

4. SUPPORT PROVIDED BY PMD

PERFORMANCE PLANNING AND REVIEW

COMPONENTS

- 0 PERFORMANCE OBJECTIVES AND WORK PLANS
- 0 INTERIM PERFORMANCE REVIEWS
- 0 PERFORMANCE REVIEWS AND SUMMARIES
- 0 MANAGEMENT REVIEW MEETINGS
- 0 STAFF DEVELOPMENT PLANS

ANNIVERSARY EVALUATION REPORTS (AER's)	PERFORMANCE PLANNING AND REVIEW (PPR)
MAINLY BACKWARD LOOKING	FORWARD LOOKING
AGREEMENT ON PERFORMANCE EXPECTATIONS INFREQUENT	JOINT DETERMINATION OF OBJECTIVES, WORK PLANS, AND PERFORMANCE STANDARDS
STAGGERED THROUGHOUT THE YEAR	ALL STAFF IN UNIT AT SAME TIME
SEEN AS BUREAUCRATIC REQUIREMENT	A MANAGERIAL TOOL
OFTEN DELAYS IN COMPLETION	MANAGEMENT REVIEW ENCOURAGES TIMELY PREPARATION

PERFORMANCE PLANNING AND REVIEW

CONSULTATION PROCESS

OBJECTIVES

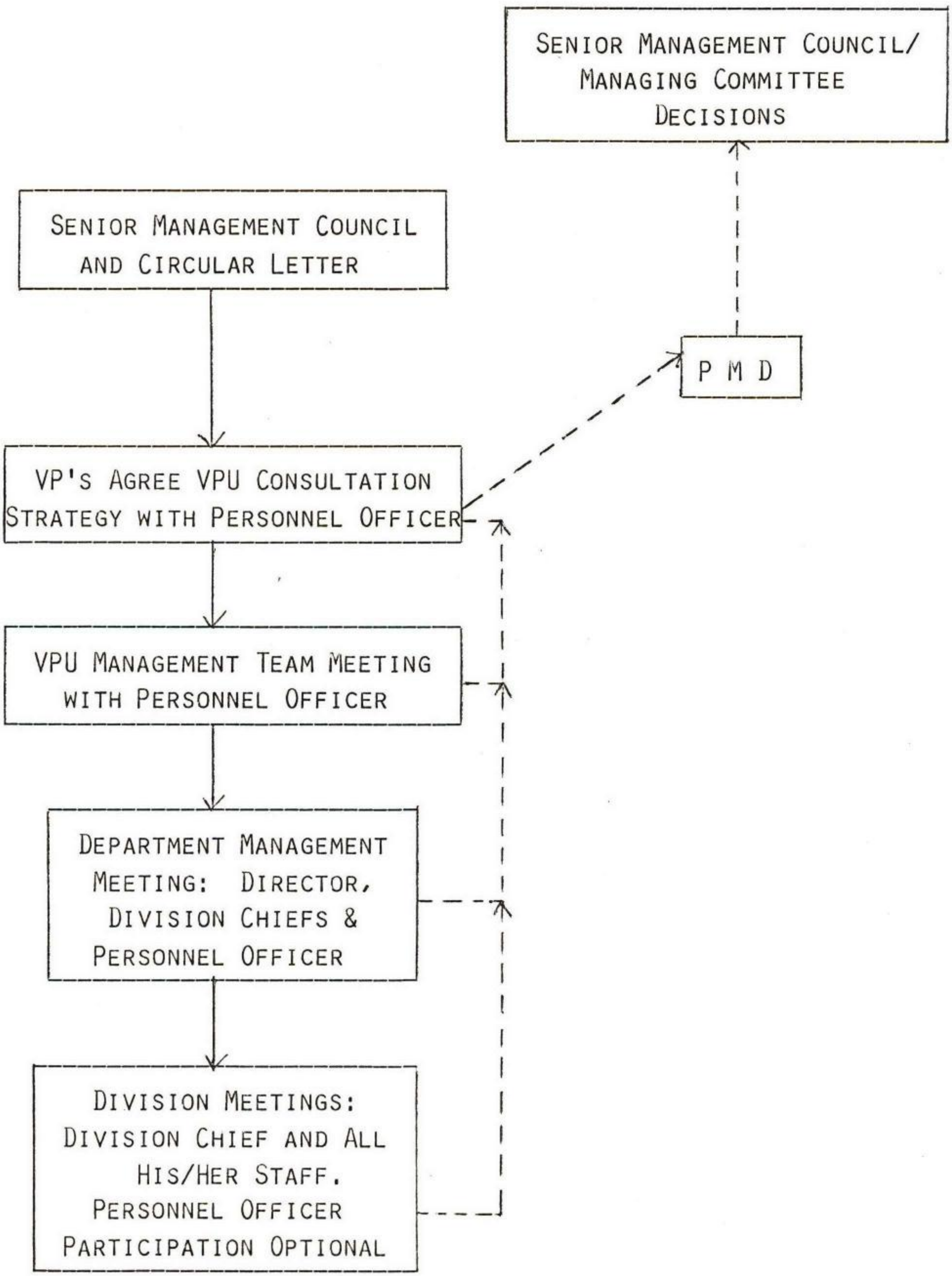
- ENSURE CLEAR, CONSISTENT UNDERSTANDING THROUGHOUT BANK AND IFC OF MAJOR ELEMENTS OF PPR PROCESS AND INTRODUCTION PROGRAM
- MAKE ANY ADJUSTMENTS IF NECESSARY, IN LIGHT OF FEEDBACK
- ENSURE THAT BASIC ELEMENTS OF PPR PROCESS ARE BROADLY ACCEPTABLE AND WORKABLE
- INCREASE LIKELIHOOD THAT INTRODUCTION AND USE OF PPR PROCESS WILL BE SUCCESSFUL

PPR CONSULTATION PROCESS

BASIC PARAMETERS

- VP MANAGEMENT TEAM TO LEAD, PMD TO ADVISE AND SUPPORT
- PMD STAFF TO SUPPORT VP MANAGEMENT TEAM IN DESIGN AND TIMETABLE FOR VPU CONSULTATION STRATEGY
- PERSONNEL OFFICERS TO AGREE SPECIFIC ROLES AND RESPONSIBILITIES, AND REVIEW OPPORTUNITY COST WITH VP
- CONSULTATION/COMMUNICATION AROUND MAIN ELEMENTS OF PPR PROCESS, NOT DETAILS
- FEEDBACK BY VP TO PMD

PPR CONSULTATION AND FEEDBACK PROCESS



———————— CONSULTATION
\- - - - - - - FEEDBACK

TIMING AND STRUCTURE OF PPR CONSULTATION AND INTRODUCTION PROCESS

-	NOVEMBER 3	SENIOR MANAGEMENT COUNCIL
-	NOVEMBER 10	CIRCULAR LETTER TO ALL STAFF
-	MID NOVEMBER	PERSONNEL OFFICERS AGREE ON STRATEGY WITH VP'S
-	NOVEMBER 22	BANK'S WORLD ARTICLE
-	END JANUARY	VP FEEDBACK TO PMD
-	END FEBRUARY	PMD REPORT TO SENIOR MANAGEMENT COUNCIL AND MANAGING COMMITTEE
-	APRIL	START INTRODUCTION IN ONE VP GROUP
	SEPTEMBER	START PHASED INTRODUCTION IN OTHER VP GROUPS

PPR CONSULTATION PROCESS

WHAT SUPPORT PMD NEEDS FROM VICE PRESIDENTS

- MANAGE CONSULTATION IN THEIR VPU'S
- ENSURE ALL STAFF AND UNITS IN VPU ARE CONSULTED
- ARRANGE DISTRIBUTION OF DOSSIER OF HANDOUTS TO STAFF THROUGH MANAGERIAL SUBORDINATES
- SET APPROPRIATE TONE TO EXERCISE
- PROVIDE VPU FEEDBACK TO PMD

PPR CONSULTATION PROCESS

SUPPORT PROVIDED BY PMD

A. FOR DELIVERY TO SUBORDINATE MANAGERS AND, THROUGH THEM, TO ALL STAFF, DOSSIER OF HANDOUTS

- BROCHURE ON PPR PROCESS
- BROCHURE ON STAFF DEVELOPMENT PLANNING
- PPR FORMS

B. FOR USE IN BRIEFINGS

- FLIP CHARTS AND, UPON REQUEST, TRANSPARENCIES

C. PERSONNEL OFFICERS

- AVAILABLE FOR INFORMATION AND ADVICE

SENIOR MANAGEMENT COUNCIL

October 27, 1982

Agenda for Wednesday November 3 Meeting at 10:00 am, E-1227

1. Cofinancing with Commercial Banks, Frank Vibert
Memo (Stern) October 27, 1982 with draft "Question and Answer" paper.

2. Performance Planning and Review, Gautam Kaji, Ed Elmendorf
Oral presentation.

3. Other Business

4. Luncheon - E Building, Room No. 1

Senior Management Council

CONFIDENTIAL
September 28, 1982

FROM: William S. Humphrey

SUBJECT: Minutes of September 24, 1982 Meeting

Members Present: M. Qureshi, M. Benjenk, M.Paijmans, N. Ardito-Barletta, W. Baum, R. Chaufournier, G. Gabriel, M. Hattori, D. Hopper, S. Husain, D. Knox, W. Wapenhans, M. Weiner.
Also Present: R. Southworth, H. Scott.
Members Absent: A.W. Clausen, E. Stern, T. Thahane, A. Krueger, E. Rotberg, H. Wuttke.

1. 1982 Annual Meetings - Discussion of Major Issues and Impressions

IDA

Mr. Qureshi said that everyone would already be aware of the agreements on IDA reached in Toronto. In reflecting on it he was amazed that we had come so far in the last two-and-a-half years in changing the perception of donors. For IDA 6, except for the United States and small amounts from Germany and Japan, all other donors would give us their commitment authority during the three-year period. In addition, the arrangements agreed for FY84 were the first time we had been able to negotiate money from other donors without US participation. The bulk of the impetus for achieving this had come not from the developed but from the developing countries. He thanked all the SMC members who had used their contacts in developing countries to help provide this assistance. He thought Mr. Clausen's speeches and discussions with key ministers had also been important in achieving a favorable result. However the attitude of the US remained problematic. Although IDA 6 had been unblocked and additional funds negotiated for FY84, there would be a very damaging effect on IDA 7 if the US did not fulfill its IDA 6 commitment on the proposed four-year cycle.

In response to questions on the Special Account, Mr. Qureshi said that the exclusion of the US from procurement could have an either positive or negative effect on US opinion depending on how the administration used it. We still did not know how many countries would join the Special Account but had structured the agreement in such a way that it would have little effect on procurement patterns. Countries joining the Special Account would get the procurement they would get any way because the total amounts in the Account would be small compared with total IDA procurement. Thus, in the event, the US would not, ex-post, forgo procurement. There was also a switchback clause in the agreement which enabled countries if they wished to switch out of the Special Fund into general IDA resources. This might happen once the US acted on appropriations for FY84.

In further discussion concern was expressed that with lukewarm US interest, the Europeans might channel more of their aid through regional institutions and that the trend towards bilateralism might strengthen. On the other hand it was noted that in some countries where US commitments were large, the US was now seeking more cooperation with the Bank and that in many countries we had extremely close association with the US bilateral agencies.

IBRD Lending Constraint

On the issue of breaking out of the $60 billion notional lending constraint, Mr. Qureshi commented that there seemed little knowledge or objection from the political masters of our Executive Directors on this issue. There seemed to be acquiescence that a modest change in figure could be accommodated particularly given the desperate plight of many of our borrowing countries. There was certainly heightened concern in the Latin American Region and elsewhere about the World Bank ability to assist them at adequate levels and also concern from potential graduates about possible diminishing Bank support. At the political level there appeared to be much support for cofinancing.

Ministerial Lunch

Mr. Benjenk described the background to the Ministerial Lunch in Toronto at which the informal agenda ultimately encompassed IDA, the Bank's capital requirements and lending levels, energy and Lebanon. On IDA Mr. Clausen had raised the question of the size of IDA 7 indicating a figure of $16-18 billion. He asked whether it would be easier to raise additional amounts if IDA borrowed some funds and had different rates of interest for countries at different levels of development. Ministers were reluctant to answer directly and it was obvious that an IDA replenishment of the size mentioned would cause problems. There was a division of opinion on whether borrowing authority for IDA would help. The discussion on the Bank's capital and the need to break out of the $60 billion ceiling became linked with the discussion of additional funds for energy. Mr. Regan had suggested that all the available funds for IDA, the Bank's general resources and energy came essentially from the same kitty and it was up to us to decide where our priorities were. Peoples' minds were not closed to lifting the $60 billion ceiling but there was no consensus on what might be done to get additional monies for energy. It was generally agreed that the energy affiliate, as originally conceived, was not politically feasible at this time. On Lebanon we had said that we would be prepared to look at the possibility of a consultative group and of helping with reconstruction needs. However, as long as there were foreign troops on Lebanese territory and inadequate security for missions visiting the country, there was not much we could do. Finally it was agreed that the Ministerial lunch was a useful innovation and that we would try to make it a regular feature of Annual Meetings.

Discussions with Borrowing ıntries

A number of common threads emerged from the reports by the Regional Vice Presidents on discussions with delegations during the Annual Meeting. Nearly all countries had suffered in the last year from adverse movements in their terms of trade which led to much greater preoccupation with their balance of payments and debt burdens.

This in turn had led policy makers to focus almost exclusively on short-term problems including intense and difficult negotiations with the IMF. There were a number of cases in East Africa and South Asia where countries had asked us to help them in their negotiations with the IMF who they felt were asking for more than was politically possible. Although in some cases these difficult experiences were leading to a sense of desperation and exhaustion by the countries, in others they had led to a heightened understanding by political leaders that structural changes were indeed necessary and a number of countries - especially in West Africa - had begun to talk about serious policy reforms in a more convincing fashion than before. In addition there were many countries in EMENA, East Asia and Pacific and Latin America and Caribbean that were taking tough decisions and pushing through the appropriate adjustment measures. However, it was recognized that without a more rapid growth in the OECD countries than seemed likely circumstances will become almost impossible in many countries as social and political pressures in the face of continued austerity would build up. This raised questions of how we should respond to a possible continued deterioration in many of our borrowers, especially when measures taken to deal with balance of payments problems slowed down our project disbursements, without any easy way of compensating for this. In addition requests for economic and sector work from countries facing great difficulties continued to mount beyond programmed amounts.

The discussion also drew on the example of Mexico, to raise some questions about whether the Bank was reacting quickly enough and appropriately to major deteriorations in the short-term creditworthiness of countries which in turn had a major impact on their development program and hence long-term creditworthiness.

It was suggested that the inter-related problems described above might be suitable topics for discussion at the Wye Seminar.

Other Matters

Mr. Gabriel reported that contacts with delegations at the Annual Meeting suggested that releases of capital subscriptions were still coming in only slowly. Mr. Paijmans said that the African Governors were still unhappy about appointments and promotions of African nationals to senior levels. Mr. Weiner reported on his contacts with delegations on helping governments to build evaluation systems initially for Bank projects and subsequently widening them and asked for the help of Operational staff in this endeavor.

SENIOR MANAGEMENT COUNCIL

September 21, 1982

Agenda for Friday September 24 Meeting at 11:00 a.m. E 1227

1. 1982 Annual Meetings
   Discussion of major issues and impressions.

2. Principles of Staff Employment
   Discussion of preliminary reactions of staff.

3. Other Business

4. Luncheon - E Building, Room No. 1

Senior Management Council

CONFIDENTIAL
September 1, 1982

FROM: William S. Humphrey

SUBJECT: Minutes of August 27, 1982 Meeting

Members Present: Messrs. Clausen, Qureshi, Stern, Benjenk, Paijmans, Thanane, Ardito-Barletta, Chaufournier, Gabriel, Hattori, Husain, Knox, Rotberg, Wapenhans Weiner, Wuttke.

Also Present: Mr. Southworth.

Members Absent: Messrs. Baum, Chenery, Hopper.

Opening Comments

Noting that it was the first meeting of the SMC in FY83 Mr. Clausen gave some of his impressions of FY82. He said that it had been a good but difficult year for the Bank, the difficulties being caused by the environment in which we worked - an environment which was likely to continue to be difficult for all aspects of the global economy. Among the major accomplishments for FY82 he cited (a) the agreement on the new borrowing and lending policies which would put the Bank on a sounder financial footing and make cofinancing easier; (b) agreement on a new merit increase system which would permit more differentiation between outstanding and average performers; (c) the evolution of the Committee structures which needed to be further improved in the months ahead; (d) the Attitude Survey and (e) the continuing emphasis on management training. Looking ahead to FY83 he noted, among other things, the appointment of an unusually large number of new Executive Directors with the resulting need both for a more structured orientation program for new Board members and the continuing need to have internal processes which insured that Executive Directors seeking answers to questions got consistent answers from different staff members.

1. Public Information Strategy

Attending: F. Vogl

Documentation

1.1 Package distributed to members at the meeting.

Presentation

Mr. Benjenk outlined the new direction being given to external relations activities. These were now planned with proper budgetary control and well defined targets. An important element was to stimulate the active involvement of managers in all parts of the Bank. More professionals in the field of public affairs had been hired. In the publications area there was now a much more conscious attempt to steer the intellectual output of the Bank towards topics with important policy implications. There was also an effort to use our unique access to both the international organizations of the developed countries (e.g. OECD) and to those of the UN family more methodically and with greater effectiveness. Finally, the Department was now responsible for internal communications in close collaboration with the Personnel and Administration complex. Today's discussion would be limited to one aspect of these activities namely public information strategy.

Mr. Vogl then described the public information strategy in more detail. He said that just having more favorable press coverage was not enough. It was important to have an active public information program, with clear, widely understood objectives. This could only be done with a team of experts who were provided the necessary tools for the job. The main focus was on reaching influencial people rather than trying to reach a mass audience directly. In the past the Bank had been most successful in increasing the understanding of the development process but had done too little to publicize the work of the Bank. The greatest need now was to convince people we were an effective institution. The IDA Retrospective report was a milestone but more needed to be done to publicize how the IBRD borrows and lends and also to focus more on thebusiness and financial communities. He then described how IPA was organized and touched on the work of the Internal Communications Unit.In conclusion he emphasized that IPA saw itself as a support Department who could only put its work program together and determine its activities through close consultation with members of the SMC and their colleagues who in turn could provide the best advice on how to reach specific audiences and help in the process of delivering the message.

scussion

The approach to public information strategy as described was generally welcomed as a much more systematic program than we had in the past. In the context of targeting activities the priorities between countries of emphasis, between different audiences and between different Bank activities were discussed. It was generally recognized that the major deficiencies in the past related to our efforts in Part I countries and, amongst Part I countries, the greatest need now was for increased attention to North America. However, it was important not to neglect the Part II countries, both because adverse statements from Part II leaders could be very damaging and because beneficiaries of Bank lending were often the most effective advocates of the Bank for some audiences in Part I countries. It was agreed that in planing the future public information program it was important not only to consult individually with Vice Presidents on their areas of responsibility but also for senior managers to discuss together the draft program which evolved from individual discussions to help insure agreement on relative priorities. Other items touched on were the need to take account of the psychology of the financial community when drafting widely read documents, the possibility of using EDI more as a channel in the public information effort, the need to make non-governmental institutions more aware of the Bank activities so that they could be reflected in efforts these institutions make to reach mass audiences, the possibility of using country missions more to meet with opinion makers outside government circles and the need for a greater use of the Bank's intellectual resources in the planning of presidential speeches. It was agreed that the subject of internal communications could best be discussed at a future meeting; in the interim all staff should be encouraged to provide feedback to the Internal Communication Unit, especially on their reactions to The Bank's World.

2. Principles of Staff Employment

Attending: R. Clarke, T. Asser and E. Meigher

Documentation

2.1 Memo (Paijmans) August 27, 1982: Personnel and Administration Issues Information for Managers No. 8: Principles of Staff Employment.

Presentation

Mr. Paijmans outlined the reasons for needing the Principles of Staff Employment and described the history of efforts to arrive at a satisfactory document. The present draft reflected the results of intensive consultation with both the Staff Association and the Board Committee on Compensation. On a matter of this importance the Delegate Assembly of the Staff Association had not been prepared to accept the responsibility of giving final comments on behalf of staff without a desk-to-desk circulation. Under these circumstances it seemed more appropriate to Management to seek staff comments through the Management chain. This was the process which was beginning today and would have, unfortunately, to take place in a very short time because it was desirable to have the matter discussed and approved by the present Board members who had been involved in the consultation process rather than having to deal with the new Board. It was important that Vice Presidents and Directors should give as much guidance as possible to their first-line managers who would have the responsibility of explaining the rationale to staff including the reasons why certain Staff Association suggestions had been rejected.

Discussion

Although the difficulty of accomplishing the consultation process during the Annual Meeting period was fully recognized, it was agreed that the need to have the paper discussed by the Executive Directors in October was paramount. In answers to questions, some further explanation was given on the way essential rights, discrimination and self-employment were handled in the draft Principles. The text of the cover note to Department Directors was also slightly modified.

Council Action

The Council endorsed the draft Principles of Staff Employment as a basis for consultation with the staff and subsequent submission to the Executive Directors for consideration in late October.

3. Major Issues for 1982 Annual Meeting

Mr. Clausen mentioned that he together with Messrs. Qureshi, Stern and Benjenk would be lunching with Ministers from the Versailles Summit countries together with Saudi Arabia and Kuwait to have an informal discussion on some major issues. These included the issues related to the funding of IDA, the level of the Bank's lending program and the possibility of additional funding for energy. All the Ministers were able to attend except for the UK and Japan, who would be represented by Deputies. It was hoped to make this lunch a regular feature of future annual meetings. Mr. Thahane then noted a number of organizational matters, included the two parallel conferences which were being held in Toronto. Mr. Qureshi noted the IDA Deputies Meeting which would be held in Toronto on Saturday September 4. He said that the principal objectives of this meeting would be (a) to try to insure that all governments other than the US released the full amount of their IDA 6 contributions by the end of FY83, (b) to reach agreement on funding arrangement for FY84 in such a way that all countries other than the US provided an amount equal to one-third of their IDA 6 contribution and (c) to agree on a date for beginning IDA 7 negotiations in early November. Although much progress had been achieved towards reaching these objectives, there were still problems ahead. The nature of the agreement on FY84 contributions - whether through a parallel fund as strongly supported by France or through the FY84 account as favored by Management and other donors - would in turn effect the way in which Germany, France and Canada met their remaining IDA 6 obligations. In addition Germany, the UK and Canada had not yet agreed to provide one-third of their IDA 6 contribution in FY84. Messrs. Qureshi and Gabriel went on to seek the support of Council members to persuade governments to speed up the release of the local currency portion of their Capital Subscriptions which were coming in very slowly indeed. On the Development Committee, Mr. Benjenk said that there was not much new in substance since the last meeting had been reltively recently. A new Chairman would have to be elected but the Arab and Pakistan constituency had not yet completed its deliberation on whom to nominate. Many members of the Committee were now giving considerable thought to what the role of the Committee should be.

4. Other Business

Consultation th IMF

Mr. Clausen said that Messrs. Qureshi, Stern and he would be lunching with Messrs. de Larosiere and Dale on Tuesday. He asked for suggestions on matters which might be raised. Some specific country situations were mentioned which led into a more general discussion of the hardening of IMF conditionality and its effect on development. While recognizing the reasons why the IMF had been forced to impose stricter conditionality, it was generally felt that the nature of the conditions should be adapted to take account of longer-term development needs in order to minimize the impact on long-term growth.

Mexico

Mr. Ardito-Barletta gave a brief account of the evolution of the present Mexican problems.

FORM NO. 89
(7-81)

THE WORLD BANK

ROUTING SLIP	Date August 25,1982

OFFICE OF THE PRESIDENT

Name	Room No.
SENIOR MANAGEMENT COUNCIL	

	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On

Remarks

I attach a memo from Mr. Paijmans addressed to Vice Presidents and Department Directors on Personnel and Administration Issues Information for Managers #8 for discussion on Friday, August 27 meeting of the Council prior to its distribution to Department Directors.

From

WSH

William S. Humphrey (Extn. 78231)

FORM NO. 89
(7-81)

THE WORLD BANK

ROUTING SLIP	Date August 23,1982

OFFICE OF THE PRESIDENT

Name	Room No.
SENIOR MANAGEMENT COUNCIL	

	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On

Remarks

I attach a revised agenda for the SMC meeting on Friday August 27 to include a discussion of the draft Principles of Staff Er oyment which have been endorsed by the Ma..aging Committee as a basis for consultation with staff. The latest draft of the "Principles" will be distributed to members prior to the meeting.

From

awH

William S. Humphrey (Extn. 78231)

SENIOR MANAGEMENT COUNCIL

R E V I S E D

CONFIDENTIAL
August 23, 1982

FROM: William S. Humphrey WSH

SUBJECT: Agenda for Friday August 27, Meeting at 10:00 a.m, E-1227.

1. Public Information Strategy
   Discussion introduced by Munir Benjenk and Frank Vogl.

2. Principles of Staff Employment
   Discussion introducted by Martijn Paijmans and Reg Clarke.

3. Major Issues for 1982 Annual Meeting
   Discussion.

4. Other Business

5. Luncheon - E Building Dining Room No. 1

SENIOR MANAGEMENT COUNCIL

CONFIDENTIAL
June 22, 1982

FROM: William S. Humphrey WSH

SUBJECT: Agenda for Friday June 25 Meeting: 10:00 a.m.

1. Implementing the Job Grading Program, Martin Paijmans and Reg Clarke. Paper June 21, 1982 PAD/SMC82-3: Job Grading Program, (Attached).

2. FY83 Priorities. Members will be invited to share their respective priorities in FY83.

3. Other Business.

4. Luncheon. E Building Dining Room No. 1.

Senior Management Council

CONFIDENTIAL

July 6, 1982

FROM: William S. Humphrey

SUBJECT: Minutes of June 25, 1982 Meeting

Members Present: Messrs. Clausen, Qureshi, Stern, Wuttke, Baum, Benjenk, Chaufournier, Gabriel, Golsong, Hattori, Hopper, Husain, Knox, Paijmans, Rotberg, Thahane, Wapenhans, Weiner.

Also Present: Mr. Lafourcade.

Members Absent: Messrs. Ardito-Barletta, Chenery.

1. Implementing the Job Grading Program

Attending: R. Clarke

Documentation Paper June 21, 1982 PAD/SMC82-3: Job Grading Program.

Presentation Mr. Paijmans said that the job grading program was one of three important interlocking programs, the other two being the revised Reward and Performance Appraisal systems. The Job Grading Program was needed because of apparent anomalies in the present relativities, including those between operational and non-operational positions. The Hay system would be used to evaluate the job content of existing positions with the maximum involvement of line managers. The program would begin by evaluating some 400 benchmark positions representative of all occupational groups at all levels to establish, subject to MC review, the framework for evaluation of all other positions which it is hoped would be completed early in 1984. Representative benchmark positions would be used for the next major compensation survey in 1984 to enable internal relativities to be checked against the external market.

Discussion It was noted that the staff were apprehensive about this program since they perceived that the major risk was one of downgrading. In this context the positive features of the program should be emphasized including the opportunity to address the extent to which certain operational technical staff can aspire to higher grades without taking on managerial responsibilities. On the other hand, it seemed likely that some staff would find their positions downgraded even though the disparities were not expected to be as great as those which had been revealed by the recent F/I grading exercise. In any event an appropriate appeals mechanism would be developed. It was generally agreed that there would have to be careful counselling of both management and staff throughout the implementation period in order to avoid needless misunderstanding and hostility to the program. There would be an extensive communications program, but the responsibility to inform the staff in their units must fall mainly on the line managers. Staff of the Compensation and Personnel Management Departments would be available to help explain the program and its implementation if requested.

2. FY83 Priorities

During the rest of the meeting members of the Council shared with their colleagues the priorities they saw for their individual areas of responsibility in FY83.

Senior Management Council

CONFIDENTIAL
May 28, 1982

FROM: William S. Humphrey

SUBJECT: Minutes of May 19, 1982 Meeting

Members Present: Messrs. Clausen, Qureshi, Stern, Benjenk, Chenery, Paijmans, Chaufournier, Gabriel, Hopper, Husain, Knox, Rotberg, Weiner.

Members Absent: Messrs: Ardito-Barletta, Baum, Hattori, Golsong, Thahane, Wapenhans, Wuttke.

Also Present: Mr. Lafourcade.

1. Attitude Survey

Attending: Messrs. J. Dyck and N. Rosen

1.1 Memo (Humphrey) May 17, 1982 PAD/SMC82-2: Senior Management Council Meeting on the Attitude Survey covering: (a) Attitude Survey: 1982 Bank Group Summary Report - May 17, 1982 and (b) Manager's Guide to the 1982 Attitude Survey: May 17, 1982.

'resentation

Mr. Paijmans said that the documents distributed to the Senior Management Council were the same as those considered by the Managing Committee on Monday. The Managing Committee had suggested some minor modifications but these had not yet been incorporated. The purpose of this meeting was to familiarize SMC members with the survey and to discuss the overall results. The issues had been grouped in 17 major areas to help provide a more digestable analysis of the problems in order that the different levels of management could begin to address them. Because it is the first time such a survey had been conducted the methodology had been described in detail and the guidelines for managers had been designed to provide a great deal of guidance on how the survey results should be handled. The survey had shown no great surprises and had been favorably received by the staff although there had been some skepticism on how managers would handle the results. The survey demonstrated that the staff derived high professional satisfaction from their work and felt that they were reasonably remunerated for it. However they identified serious inadequacies in internal communications, confidence and trust between management and staff, the fostering of team work and career expectations. On the last point it was clear that many staff had unrealistic expectations on future promotion. Concluding his presentation, Mr. Paijmans emphasized that today was the last occasion on which any substantive change could be made in the proposals for distributing the results of the survey to staff at all levels and in seeking staff input into the action programs which would be formulated.

Discussion

The main part of the discussion focused on how the survey would be used by managers, how the results for work units would be best communicated, who would receive which kinds of reports and how action plans would be formulated. It was made clear that Vice Presidents would receive, in addition to the Bankwide Summary Report, the following types of reports: (a) the report of their own work unit (i.e., those people reporting directly to them), (b) the reports of work units being supervised by those who reported directly to them, (c) a consolidated report for their whole vicepresidency and (d) a consolidated report for each department within their vicepresidency. They would not receive the individual unit reports for each division within their vicepresidency. There was some discussion on this point but it was generally felt that relevant information could be best conveyed in discussion between the Directors and the Vice President. The possible adverse consequences of distributing work unit results to all members of the work units for discussion was raised. Although it was accepted that this could lead to undesirable comparisons being made public, it was generally felt that the alternative of forbidding the detailed results to be given to the members of the work units would have even more serious adverse consequences since it would look as though managers were trying to conceal the results of the survey. It was, however, important that the need to keep work unit results confidential should be stressed at all levels.

It was noted that the Managing Committee had decided to eliminate language in the Manager's Guide which implied that work units had to agree to the action plans rather than just be consulted on them. All agreed that action plans were the responsibility of managers at the different levels and that November 15 would be a reasonable target date for Vice Presidents to submit their action plans to top management. The possibility of doing the next attitude survey on a sample basis was raised.

Action

With the amendments which had been proposed by the Managing Committee the Council agreed on the proposed procedures and timetable for discussing the results of the attitude survey with managers and staff and for the subsequent formulation of action plans. Unit managers would be given the choice of whether to distribute the consolidated results for their unit to all unit staff members or whether to extract the major findings and incorporate them in a flipchart display and make a presentation to staff. It was accepted that if some managers made a complete distribution it would be difficult for other managers to hold back. Work unit members should be encouraged to keep the results confidential. However, within units, there should be an open, candid and constructive discussion. Mr. Rosen then distributed the envelopes containing the results for units headed by Council members.

Other Business

Helsinki Meetings

Mr. Benjenk reported briefly on the meetings in Helsinki of the Group of 24, the Interim Committee and the Development Committee. The Group of 24 had discussed the Bank's new lending and borrowing policies and ideas for a new IDA product. A possible hostile reference to the Bank's sub-Saharan African report in the communique of the Group of 24 had been avoided partly thanks to the efforts of the Executive Directors representing the African countries and a meeting Mr. Clausen and Mr. Benjenk had had in New York with the Secretary General of the United Nations prior to going to Helsinki. The Chinese Minister of Finance had made a powerful speech supporting Third World issues and interests but had accompanied this with a friendly approach in private discussions with senior Bank officials. At the Interim Committee there had been not much support for increased issue of SDRs and also not much progress towards agreement on the size of the IMF next quota increase at the end of 1983. The meeting of the Development Committee had mirrored the international situation with the developing countries arguing for increased financial flows and development assistance with many OECD countries led by the U.S. arguing for a more restrictive approach.

IDA Supplementary Commitment Authority and Replenishment

Mr. Qureshi thanked members of the Council for all their efforts to sustain IDA's momentum. He felt that this political work had paid off and countries realized that they would have to meet their obligations despite the shortfall in contributions by the U.S. At the meeting of IDA Deputies in Helsinki all countries other than the U.S. and Germany had indicated that they would relax the pro rata provisions with respect to their second and third installments either by a waiver or through a special fund. Although many agreed in principle that IDA 7 should start in 1984, discussion was focused on alternative arrangements if replenishment was delayed. The next formal IDA Deputies meeting was scheduled for July 5 and 6 in the Hague.

New Borrowing/ Lending Rate Policy

Mr. Qureshi reported that discussions with government representatives on the revised Bank borrowing and lending rate policy were encouraging. He felt there was now sufficient support to go forward to the Board with the recommended changes for a decision at the beginning of July. Mr. Clausen added that it was important to get the variable rate borowing and lending in place as quickly as possible and then get Board agreement to the proposals for new forms of coofinancing.

Energy

Mr. Clausen said that there had been great focus in Helsinki speeches on the need for more additional funds for energy. In discussions with President Mitterrand he had indicated that he did not believe that progress on the affiliate was possible at the present time. However, alternatives should be explored. He had proposed an _ad hoc_ ministerial meeting on energy at the time of the Annual Meeting prior to which the Bank would give further thought to the question of raising additional resources for energy lending.

<u>Summit Meeting at Versailles</u> Mr. Clausen reported that President Mitterrand had responded favorably to his suggestion that the replenishment of IDA should be included on the agenda for the summit meeting at Versailles in June.

<u>McNamara Fellowships</u> Mr. Benjenk reported that India, Pakistan and Peru had announced contributions to the McNamara Fellowship fund of $500,000, $250,000 and $200,000 respectively.

FORM NO. 89
(7-81)

THE WORLD BANK

ROUTING SLIP	Date May 28, 1982

OFFICE OF THE PRESIDENT

Name	Room No.
Senior Management Council	

	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On

Remarks

I attach for information the Minutes of May 19, 1982 meeting.

From

WSH

William S. Humphrey

FORM NO. 89
(7-81)

THE WORLD BANK

ROUTING SLIP	Date May 21, 1982

OFFICE OF THE PRESIDENT

Name	Room No.
Senior Management Council	
cc Mr. Lee Roberts	

	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On

Remarks

I attach for information Minutes of April 30, 1982 Meeting.

From

WSH
William S. Humphrey

FORM NO. 89
(7-81)

THE WORLD BANK

File

ROUTING SLIP	Date May 25, '82
OFFICE OF THE PRESIDENT	

Name	Room No.
Mr. Qureshi	

	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On

Remarks

Since I believe it would be useful to finalize these minutes before the next meeting of the Senior Management Council, I should be grateful for your comments especially where you are quoted in item 2. I am also asking Messrs. Paijmans and Benjenk to comment.

From

Bill Humphrey WH

FORM NO. 89
(7-81)

THE WORLD BANK

ROUTING SLIP	Date May 25, 1982

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Paijmans	

	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On

Remarks

As promised I attach the draft minutes of the last Senior Management Council meeting for your comments prior to distribution. I am also asking Messrs. Qureshi and Benjenk to comment since they are quoted under item 2.

From

Bill Humphrey

FORM NO. 89
(7.81)

THE WORLD BANK

ROUTING SLIP	Date May 25, '82
OFFICE OF THE PRESIDENT	

Name	Room No.
Mr. Benjenk	

	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
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Remarks

Since I believe it would be useful to finalize these minutes before the next meeting of the Senior Management Council, I should be grateful for your comments especially where you are quoted in item 2. I am also asking Messrs. Paijmans and Qureshi to comment.

From

Bill Humphrey WH

Senior Management Council

CONFIDENTIAL
May 19, 1982

FROM: William S. Humphrey WSH

SUBJECT: Minutes of April 30, 1982 Meeting

Members Present: Messrs. Clausen, Stern, Qureshi, Wuttke, Baum, Benjenk, Chaufournier, Gabriel, Golsong, Hattori, Hopper, Paijmans, Rotberg, Thahane.

Members Absent: Messrs. Ardito-Barletta, Chenery, Husain, Knox, Wapenhans, Weiner.

Also Present: Messrs. Humphrey, Lafourcade, Roberts, Murden,1/ and Bennett.1/

Seminar in "Setting Managerial Objectives"

Conducted by
John Murden, President, Louis A Allen Associates

Introduction

In introducing the meeting, Mr. Clausen spoke of an increasing emphasis in the Bank on management, managing, and managers, stimulated by the circulation of the second edition of "Managing People in the World Bank," the establishment of a Managing Committee, and the purpose of today's meeting - Management by Objectives. Mr. Clausen emphasized that MBO needs to start at the top of the institution and its influence extend down the management hierarchy. He described the valuable contribution MBO had made to the performance of Bank of America in the 70's, and its value to managers in terms of helping them think deeply about their job, and guiding them in doing the right things right. Mr. Clausen praised the role of Louis A. Allen Associates in training 3000 officers in Bank of America, and he welcomed Mr. Murden to this occasion which he described as an exercise to help us to become better managers.

Presentation

Mr. Murden focused the seminar on setting MBO in an overall managerial context, and the relationship between objective setting, and other key managerial tasks. A clear distinction was made between management work, aimed at securing results through and with other people, and technical work in which the individuals secure results directly through their own efforts. The meeting spent the major part of the time considering the way in which objectives can be effectively written along with their accompanying standards. Other related issues given attention were the nature of leadership, and the relationship between responsibility, authority, and accountability. The seminar closely followed a workbook distributed to all participants.

1/ Louis A Allen Associates.

Discussion

The following are some of the highlights that emerged as ideas and principles from the discussions that took place during the meeting:

In most formal organizations there is a lack of management work. Managers selected because of their technical proficiency tend to focus their effort and time on technical work. This is as true of the Bank as it is of other organizations.

Where standards are set according to a supervisor's technical abilities, this tends to force all technical work up to the supervisor's level. Therefore there is a need for the independent setting of standards based on the work to be done.

In the case of some work within the Bank, there is too much polishing and perfecting of the final product, where the incremental effort may not justify the result. There is a need to differentiate between those situations, (for example, involving relationship with borrowers) where such perfection is important, and those where it is less necessary.

The job of a manager is in part to develop people, not to redo their work for them. A manager should improve products through managerial work rather than through technical work.

We operate in the Bank in an imperfect environment, in which it is important for managers to allow subordinates to make non-major mistakes so that they can learn. Such mistakes should be viewed as managerial investments.

Creating policy is a managerial responsibility, not a delegatable job. However a distinction should be stressed between making a policy, and writing the paper. It is the manager's responsibility to make the policy directions clear, but to avoid being overconcerned with the language in which the paper is couched.

In setting standards, the aim is to be as objective and precise as possible. The aim is not to set quantitative standards for the sake of quantification - such standards are a device to meet the needs of objectyivity and precision rather than ends in themselves.

Above all, managerial objectives must be realistic. A manager must be aware of constraints and avoid idealism. The critical thing is to set an objective for which you can be accountable, shoot for the target you can hit, not the target it would be theoretically nice to hit.

Understanding and support is the underlying managerial philosophy which will enable managers and their staff to set objectives effectively.

In addition to being accountable to their own supervisors for fulfilling their objectives, managers are also accountable downwards to the staff - to give them authority, help and resources necessary to accomplish their objectives.

Variable Rate Borrowing/ Lending System

During the course of the Seminar, Mr. Clausen drew attention to the note distributed on proposed changes in the Bank's borrowing and lending systems and urged all members to use their influence with Executive Directors and governments to gain support for the changes.

Cleared with and cc: Messrs. Clausen, Paijmans.
cc: Senior Management Council, Messrs. Lafourcade, Roberts.

LRoberts/WSHumphrey:mb

~~CLAUSEN, Maggie [illegible]~~