Folder Title:	Senior Management Council - Agendas and Minutes - Agendas and minutes 01
Folder ID:	1773260
Series:	Senior Management Council official files
Dates:	04/01/1983 - 12/31/1983
Subfonds:	Records of President A. W. Clausen
Fonds:	Records of the Office of the President
ISAD Reference Code:	WB IBRD/IDA EXC-09-4012S
Digitized:	03/16/2023

Official Records Senior Management Council - Agendas + Minutes 1983

1

DECLASSIFIED
WITH RESTRICTIONS
WBG Archives

(SMC)
Agendas & Minutes

RECORD
Senior Management Council

SENIOR MANAGEMENT COUNCIL

December 21, 1983

Agenda for Friday, January 6 Meeting at 10 a.m.

1. The IDA Situation, Munir Benjenk.
(Oral Presentation)

2. The Future Role of the Bank, Shahid Husain, Joe Wood.
2.1 Bank's Future Operational Product.
** 2.2 Schedule for Preparatory Staff Work.

3. Monthly Financial Report, Joe Wood.
** 3.1 Financial Report for November 1983.

4. Lunch (E Building)

** To be distributed.

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

R E C O R D
Senior Management Council

DATE: December 19, 1983

TO: Senior Management Council (SMC)

FROM: Roy Southworth RS

EXTENSION: 73585

SUBJECT: Dates of Future SMC Meetings

Please mark the following dates on your calendar for future SMC Meetings:

January 6
February 3
March 9
March 30
April 27
May 25
June 29

R E C O R D
Senior Management Council

SENIOR MANAGEMENT COUNCIL

December 21, 1983

Agenda for Friday, January 6 Meeting at 10 a.m.

1. The IDA Situation, Munir Benjenk.
(Oral Presentation)

2. The Future Role of the Bank, Shahid Husain, Joe Wood.
2.1 Bank's Future Operational Product.
** 2.2 Schedule for Preparatory Staff Work.

3. Monthly Financial Report, Joe Wood.
** 3.1 Financial Report for November 1983.

4. Lunch (E Building)

** To be distributed.

distributed 11/18

Senior Management Council
Minutes of September 9, 1983 Meeting

CONFIDENTIAL
November 1, 1983

Members Present:	A.W. Clausen, M. Qureshi, N. Ardito-Barletta, W. Baum, M. Benjenk, M. Hattori, H. Hittmair, D. Hopper, A. Karaosmanoglu, D. Knox, T. Ohuchi, M. Paijmans, I. Shihata, T. Thahane, W. Wapenhans, J. Wood.
Members Absent:	E. Stern, R. Chaufournier, G. Gabriel, S. Husain, A. Krueger, J. Parmar, M. Qureshi, M. Weiner, H. Wuttke.
Also Present:	R. Southworth.

1. Monthly Financial Report

- Financial Report for July 1983 FIS/MC83-58

Before covering the financial report Mr. Rotberg presented a table of selected financial data for FY83 that would be appearing in the Bank's next prospectus. He highlighted information of interest to the Council, including: data on total bank lending and the average life of loans; paid-in capital; the cost of outstanding debt and total funds; the return on disbursed and undisbursed loans; and the returns on all earning assets including investment income.

Turning to the July Financial Report, Mr. Qureshi noted that July borrowings were about 10% of the FY84 medium and long-term borrowing program which was a little ahead of the programmed amount. Current trends in interest rates suggested that the FY84 borrowing cost would be higher than budget, perhaps 0.50% over the 7.9% weighted average assumed in the FY84 budget. The rate of return in July on investments was 8.5% compared with a budget target 9.5% for the fiscal year. The 8.5% figure included some realized losses resulting from a shift in the composition of the portfolio. It was noted that the portfolio was in good shape and contained substantial portions of short-term investments. If the interest rate were to drop in the next few months, there was a possibility for substantial profits with the return on investments possibly reaching as high as 10%.

2. Job Grading Program

Memo (Paijmans) September 5, 1983: Job Grading Program with draft attachments.

Mr. Paijmans said that the benchmark phase of the job grading program had been successfully completed. A lot had been learned and these lesssons would be used during the second phase which would involve grading of all positions. However, before Phase II there would be an extensive period of consultations, and the Senior Management Council was asked to consider two papers that would initiate the process. These were a draft memorandum to managers and a draft letter to all staff. The memorandum was intended to remind managers of the objectives of the job grading exercise, to inform them of the general results of the benchmark phase and to seek their views on the plans for the next phase of the program. The draft letter to staff would report on the general progress of the program and would seek to provide reassurance on major staff concerns. Mr. Paijmans said that Phase II of the program would involve evaluation of the remaining Bank and IFC positions against the framework established in the benchmark phase. Phase III would involve establishing a grade structure and related salary ranges based on the evaluation of Bank and IFC positions and in light of the results of the regular 1984 compensation review. This phase would not be completed until late summer of 1984. The final phase would take place in the fall of 1984 and would involve assigning positions to the revised grade and salary structure. Other programs would also be implemented, including: revised position numbering and titling; procedures for professional growth promotions; procedures to ensure the continued integrity of the grading system; and a specialized mechanism for appeals against grading decision.

Mr. Paijmans next reviewed the benchmark phase of the program. He said that 450 staff members had been asked to write detailed job descriptions. Their managers then reviewed these descriptions before they were submitted to the evaluation committees. The results expressed in bands of total points showed a large spread of the current grading structure over the bands. For instance, the current grade P occurred over 4 different bands of job grading points. Mr. Paijmans noted that the bands were tentative and would likely change on the margin with completion of Phase II. However, the points for specific jobs were not tentative and would not change in the subsequent phase.

Turning to the Operations Complex, Mr. Paijmans said the results addressed the long-felt need to enhance career prospects for experienced professionals without their necessarily assuming managerial responsibilities. The results identified two distinct levels of mission leaders creating the possibility for advancement without assuming managerial responsibility. The results of evaluations for OPS Advisors and OED Evaluation Officers would improve the opportunity for lateral reassignments to and from the regions.

In their discussion, the Council focussed initially on three issues. First was a question raised on a footnote to the table showing career streams within the Operational Complex. The footnote pertained to departmental economists and stipulated that the departmental economist would be defined as the principal adviser to the director on department-wide economic issues and that only one such position could exist in each program department. There was some concern that in some departments this function was carried out by more than one person thereby violating the restriction imposed in the footnote. In response it was noted that the designation of the position was departmental economist and if there were more than one occupying such a position, their responsibilities would not be departmental wide. However, it was agreed that the footnote was somewhat misleading and that it would be clarified in the final paper.

The second issue dealt with the new grade that was proposed to recognize two different levels of mission leaders. While it was realized two levels of responsibilities for mission leaders existed, there was concern that grades based on these differences failed to address the issue of career prospects for technicians. It was felt that the lead technicians for particular projects were often not mission leaders and therefore their skills would not be recognized under the new system. Essentially, the system based on the ability to lead missions relied on managerial, and not technical, skills. In response, it was noted that the benchmark phase indicated that the lead technical people were also mission leaders so that the system would enhance their prospects for promotion. However, it was agreed that the presentation of the memorandum could be clarified to make it more clear that the problem of career prospects for technical specialists was being addressed.

The third issue concerned the appropriate level and method of consultations with managers and staff. There was some feeling that the written communications with managers and staff needed to provide more information on the methodology employed in the job grading program. In response it was noted that the methodology was complex and not easily communicated and that in Phase II considerable emphasis would be placed on consultations with the staff to explain it. In further discussion, it was agreed that the memo to the managers and the letter to staff would be revised to emphasize that the system was not subjective, that it was carefully applied and that there would be ample opportunity for consultation in Phase II. It was also agreed that the material explaining the details of the methodology would be made available at the departmental level for those staff who chose to study it.

Mr. Paijmans then distributed a matrix showing the benchmark findings and asked whether or not they should be shared with the managers receiving the memo. The Council recognized that the results would be controversial, particularly for certain managerial positions. It was agreed that the active support of all managers would be required to implement the program and, given the results, such support might not be forthcoming.

There was also some feeling that the overall results would be so controversial that the benefits of the program might be outweighed by the cost in terms of staff morale. In response, it was noted that the initial decision to go through with the job grading exercise was based on the widespread recognition that serious anomalies existed in the present system of job grading. It was explained that the Hay system was universally recognized as being accurate and equitable. The exercise had been carefully carried out and the results were not based on weaknesses in the methodology or on mistakes in implementing the methodology. It was recognized that there might be examples of individual mistakes in the benchmark phase but that overall the results accurately reflected the differences in the job content. A Council member who had served on the

Evaluation Committee also reported that the Committees operated smoothly and that in most cases there was a quick and universal agreement on where particular positions should be graded. In further discussion it became clear that the Council felt that it was not appropriate to share benchmark results with other managers. In addition the Council members asked for more time to study the benchmark results and to share their concerns on individual positions with Mr. Clarke. There was also a decision that those Council members who had comments on the draft memo to managers and the draft letter to staff would send those comments to Mr. Clarke. The Council agreed, however, that the job grading process should continue and that Phase II should proceed as scheduled.

3. Early Retirement

Attending: R. Clarke

- Paper: "Incentives for Encouraging Early Retirement", August 30, 1983

Mr. Paijmans briefed the Council on a program to allow a small group of senior managers to retire early. He said the target group was essentially those managers approaching retirement age who wanted to leave but who could not afford to do so. They were managers who were performing adequately but who could productively be replaced by younger and more energetic staff. He said the plan had been discussed with the Board Committee of the Whole and favorably received. A similar program had been successfully applied in the IMF several years earlier. He cautioned that the program was expensive and that the scope would be limited. The target group included about 80 staff members of which about 25 could be accommodated. They would either be 60 years of age with 10 years of service or 57 years of age with 15 years of service. He said that a formal proposal would be sent to the Board in mid-September and followed immediately by an announcement of the program to the staff. Applications for the program would be accepted in October/November and the program completed by the end of the fiscal year. It was emphasized that the program would be offered only once. While there was a possibility that such a tool would be used from time to time, Mr. Paijmans said it was important for the staff not to get the impression that they could expect the program to be offered again in the near future.

In a brief discussion, the Council members welcomed the initiative and agreed that it would be a valuable tool for management. Some concern was raised, however, that the wrong people would apply for the program with the result that crucial staff members would be lost to the institution. In response, it was noted that the President had a final say on applicants to the program and that some applications could be refused on the basis that the individual's services were still required by the institution. At the same time, management had the option of inviting individuals to apply. It was explained that invitees who refused to apply would not be subject to punitive actions. In this context it was noted that this program was not designed to remove unsatisfactory performers. However, it was felt that few of those invited would turn down the offer.

RSouthworth VR

SENIOR MANAGEMENT COUNCIL

October 20, 1983

Agenda for Friday, October 28 Meeting at 10:00 a.m.

1. Monthly Financial Report, Moeen Qureshi
   - Financial Report for September 1983 FIS/MC83-62*

2. Attitude Survey II, Gautam Kaji
   - The second round of the Attitude Survey will take place in the Bank beginning December 1, 1984. Gautam Kaji will review for us the objectives of the program, explain how the survey has been designed to meet these objectives, and outline the survey procedures.

3. Discussion of Annual Meetings Outcome, Tim Thahane
   - Tim Thahane will lead a discussion on the Annual Meetings. The focus will be on the outcome--what went well and what could be improved for next year. Moeen Qureshi, Ernie Stern, and Munir Benjenk will join Tim in providing their perspective of this year's meeting. Come prepared to discuss how we might improve our performance next year!

4. Discussion of Ninth Annual Review of Audit Performance Results, Mervyn Weiner
   - See Mervyn Weiner's note on the Ninth Annual Review.

5. Other Business

6. Lunch (E Building, Dining Room No. 1)

* To be distributed, the August Report is enclosed for your information.

SENIOR MANAGEMENT COUNCIL

September 6, 1983

Agenda for Friday, September 9 Meeting
at 10:00 a.m. in E 1227

1. Monthly Financial Report
   * 1.1 Financial Report for July 1983 FIS/MC83-58 with Selected Financial Data as of June 30, 1983.

2. Job Grading, Reg Clarke, Gautam Kaji.
   2.1 Memo (Paijmans) September 5, 1983: Job Grading Program with draft attachments.

3. Other Business.

4. Lunch (E Building, Dining Room No. 1)

* Previously distributed.

Senior Management Council
Minutes of August 12, 1983 Meeting

CONFIDENTIAL
August 25, 1983

Members Present: A.W. Clausen, M. Qureshi, E. Stern, R. Chaufournier, D. Hopper, S. Husain, D. Knox, T. Ohuchi, M. Paijmans, E. Rotberg I. Shihata, T. Thahane, W. Wapenhans, M. Weiner,

Members Absent: N. Ardito Barletta, W. Baum, M. Benjenk, A. Karaosmanoglu, A. Krueger, G. Gabriel, M. Hattori, J. Parmar, H. Wuttke

Also Present: H. Vergin, R. Southworth

1. Monthly Financial Report

- Financial Report for June 1983 FIS/MC83-52

In a brief presentation Mr. Qureshi highlighted the FY83 results and related them to the expectations for FY84.

The discussion focussed first on the effects of United States' supplemental IDA appropriation of $245 million. IDA commitment authority is currently programmed at $3.0 billion SDRs for FY84. On the basis of prudent assumptions concerning the United States' FY84 appropriation, commitment authority would be increased to $3.3 billion SDRs. The United States' FY84 appropriation could range anywhere between $700 million and $1.095 billion but was assumed to be at the same level as FY83 ($945 million). Internal programming had already been altered to reflect this increase which would be reported to the Board at the mid-year Budget Review.

On IDA-5 it was noted the recent currency shifts would further increase the gap between IDA-5 resources and undisbursed credits. Before the recent run-up in dollar values, it was determined that the steps recently taken would be sufficient to cover the gap. Analysis was currently under way on the effects of the recent exchange rate moves. It was felt that this analysis would show that the steps already taken were sufficient to cover the shortfall.

Turning to FY83 borrowings it was noted that the $10.3 billion reflected a shortfall of $500 million over the revised program. This shortfall was due to a decision not to rollover short-term borrowings in June. In the early months of FY84 the emphasis would be on non-dollar borrowings and swaps because of the increase in dollar rates. In this context, the effects of the currency composition of borrowings on the exchange rate risk faced by borrowers were discussed. A recent paper circulated to the Board showed that savings from borrowings in multiple currencies as opposed to a notional dollar program totalled 418 basis points over the period between FY77 and FY83. The paper also demonstrated that the effective cost of borrowing, including the cost of exchange rates movement, was much lower with the multiple currency program. If the dollar were to remain at current levels against the Swiss Franc, Deutschmark and Yen over the life of the outstanding debt the effective cost of non-dollar borrowings would be 5.7% compared to a cost of about 11-1/2% with a notional dollar borrowing program.

It was also noted that the pipeline of disbursements had been depleted at the end of the last Fiscal Year largely due to large disbursements on structural adjustment loans. The current pipeline of disbursement applications stood at $200 million--the lowest level in six years. On income it was observed that for the first month of FY84, losses of $27 million on investments were realized due to the repositioning of the investment portfolio. Achieving the projected level of income for FY84 of $550 million would depend largely on the level of borrowing cost which was projected at 7.9% for FY84. A better picture of projected income would be available by the end of the calendar year.

It was also noted that arrears were about $100 million which was an unusually high level. Most were under 30 days and were for loans to Turkey, Brazil and Peru. The small amount above 30 days were accounted for by Tanzania and Zambia. On IDA arrears there was a serious problem in Sierra Leone and disbursements were suspended on July 19. Liberia was also in arrears but had made some payments and would likely become current before the suspension date of August 17. The current problems in Chad would also likely affect the special arrangements made on its arrears with IDA.

The subscription rate for capital has been slow particularly in Part 2 countries. Mr. Qureshi said an analysis of this problem had been prepared and Mr. Stern would be sharing it with the Operational Vice Presidents to get their assistance in encouraging countries in their Regions to subscribe. It was noted that this issue could be included in discussions during the Annual Meetings.

2. Cofinancing

- Memo (Ohuchi) August 2, 1983 OPS/MC83-30:
  Cofinancing Priorities in FY84 and Longer-Term Approaches.

Mr. Ohuchi reported on the Bank's cofinancing program. In the period FY74-83 projects with a total cost of $141 billion had been cofinanced representing over 51% of total project volume during the period. The share of project costs covered by the borrower was about the same, at 51%, in both cofinanced and non-cofinanced projects. But the Bank's contribution to project finance was lower by more than half in cofinanced projects. Thus, the Bank achieved a greater degree of leverage through its cofinancing operations. In FY83 86 cofinanced projects were approved by the Board with a total project cost of $5.7 billion. Fiscal year 1983 saw a steady level of official cofinancing, a rising trend in export credit cofinancing, and a temporary decline in the upward trend in private cofinancing. The latter was attributed to a sharp decline in commercial bank lending to developing countries because of the current economic situation. In FY84 an annual project pipeline review would be initiated jointly by the Regions and the Advisory Unit for Cofinancing to assess the overall potential for cofinancing and to develop country strategies for each Region. Other activities would include continued testing of the B loan techniques, exploration of alternative methods of association with export credit agencies, and on strengthening the consultative process on official cofinancing.

In the discussion it was observed that efforts were under way to improve the statistics on cofinancing. Data currently available refer to financing plans at the time of project approval. There is quite a discrepancy between the amount planned at Board approval and actual implementation. For example, between the period FY73-83 Board approvals equalled $8.7 billion. There were unrecorded increases and additions of $1.9 making potential cofinancing for projects $10.6 billion. Of that, $2.8 billion had been implemented, $3.3 billion had either been cancelled or was doubtful, and $500 million had been financed by borrowers. This left a total of $4 billion still outstanding.

Other discussion focussed on the new B-loan cofinancing instruments. The Board recently authorized the Thailand and Hungary cofinancing proposals and negotiations were now taking place. The next proposal would be for a Colombia loan. The effect of the B-loans on maturities was quite dramatic in Hungary. Maturities in commercial syndications were three years. With the B-loans, they were stretched to eight years. The amount of the loan was also higher than could be achieved with commercial financing alone. Thailand also was able to secure an increase in maturities even though the effects were more marginal because of the good risk that Thailand represents in commercial markets.

3. Report on FY84 Budget and FY85 Budget Process

Mr. Vergin opened the discussion by describing a change in the policy governing administration of $11 million for the provision of price increases in the FY84 budget. Since the FY84 budget is being implemented in a period of declining prices, the $11 million intended for increases in operational travel costs, consultant fees, overhead, and representation costs would be held in a central pool. The pool would be administered by PAB on the basis of decisions to be reached by senior line managers. At the mid-year review PAB would review price developments with the various Vice Presidents and additional provisions would be made as analysis warranted.

On the FY84 budget, Mr. Vergin said volume growth was 4.4% budget-to-budget and 5.3% FY83 actual to FY84 budget. This rate of growth met stiff resistance in the Board and management was challenged to bring in actual expenditures at under 4.4%. This challenge came largely from those EDs who were supportive of management budget initiatives but who were hard-pressed to explain the increases to their authorities--many of whom were facing harsh fiscal constraints of their own. Mr. Vergin said that keeping actual growth below 4% would be a good signal of management's intention to control future budget growth. On the FY85 budget, Mr. Vergin said that the budget process over the past years had made it clear that an earlier start was required and that more attention needed to be focussed on actual expenditures in the analysis. In developing the FY85 budget there would be a thorough analysis based on actual expenditures for FY83 and better estimates of actual expenditures in FY84. There was also a need to put the budget analysis in a multi-year perspective and the intention was to have a frame of reference for the FY85 budget that went back to FY83 and forward to FY87.

Mr. Vergin said that a budget policy paper was now being prepared for the Board. The paper would develop the multi-year perspective and would also discuss the issues determining macro guidelines. The focus would be on factors driving the budget and staff growth. The intent was to complete work on the overall budget planning and macro guidelines before starting on unit-specific details. The goal, once the macro guidelines were set, would be to translate them into unit-specific guidelines before Christmas. The Board would also be briefed on the budget process during this period.

In the discussion on the FY85 budget process, it was noted that substantial savings could be achieved if managers were more cost conscious on their salary budget. A question was asked about what incentives could be provided for getting an appropriate mix of consultants and staff. It was explained that replacing a staff position with a consultant resulted in an average savings of about $30,000 a year. However, this saving was realized in benefit administration and was not apparent to the line managers responsible for taking such a decision. There was some feeling that such savings were over-stated. Consultants were not as well integrated as staff and they required a lot of supervision. In addition, there was already a perception that the Bank uses too many consultants. In this context, it was noted that part of the problem was the lack of definition of how an operating division should be staffed. Some Program Divisions had all senior loan officers while othershad all junior officers. The need for a normative division structure was recognized and it was noted that OPD was doing work in this area.

A question was also raised on whether the results of FY83 indicated that the Bank was becoming more or less productive. It was explained that productivity measures were crude. About the only indicator available was administrative expenses per dollar lent which showed that the Bank had been losing ground over the past few years. However, this measure was affected by the difficult external economic environment and the Bank's increased emphasis on staff-intensive activities.

On the macro guidelines, the Council recognized that they could not be developed without reference to what the driving forces were in the Budget. However, the problem in the past was that management became immediately immersed in details without first considering a broader multi-year perspective. In an effort to develop a more balanced approach to the FY85 Budget, consultations on macro guidelines would be undertaken with the Vice Presidential units after Labor Day. PAB's assessment of driving forces in the Budget would be discussed with Mr. Stern who would in turn consult with his staff before responding to the assessment.

The discussion turned next to possible areas for savings in the FY84 budget. It was noted that a reduction of $4-5 million would be required to bring in actual budget growth at under 4%. Four possible areas of savings were identified. These included a reduction in utilization of authorized positions by substituting consultants, a reduction in operational travel, cuts in the budget for temporaries, and a cutback in the budget for office remodeling. It was also noted that in the past there had been a considerable amount of procurement bunched at the end of the fiscal years. This procurement took the form of special requests and was usually for items that were useful but not essential for the Bank's operations. This process could be controlled with considerable potential savings. At the close of the discussion the Council members agreed to look for areas where savings could be achieved and discuss their findings

Other Business

Space Proposal

Mr. Paijmans reported on the space strategy. He said that an analysis had shown that if the Bank were to grow by under 2% per year over the long run it would be possible to maintain Headquarters in the downtown location. However, if long term staff growth were higher, a move would be required to either other downtown areas or to the suburbs. The Managing Committee recently agreed that the 2% long term growth was a reasonable target and that efforts should be made to keep Headquarters at its present location. With this mandate, a search was initiated for possible building sites in the vicinity of Headquarters. An opportunity arose to acquire a building site presently occupied by the Park Central Hotel and the USIS building along 18th Street and Pennsylvania Ave. The Park Central would be purchased outright, while the USIS site would be acquired on a 99-year ground lease with an option to buy in 45 years. Acquisition of these sites would enable the Bank to build new facilities with full control over design requirements and would allow consolidation of staff presently scattered over eight leased sites. The purchase agreement would be considered on August 30 by the Board. The Executive Directors were generally favorable with some concern being expressed on how the $110 million in estimated cost to complete the project would be covered. The U.S. reaction was colored by its concern for the Bank's visibility in the downtown area. It was agreed that the Board papers be circulated to the Vice Presidents to help in consultations with Executive Directors.

Selective Capital Increase

Mr. Qureshi reported that a paper presenting options for Selective Capital Increase had been forwarded to the Board. The options ranged from $3 billion to $20 billion. Currently most large shareholders were reluctant to consider the larger options. On the other hand, Part 2 countries saw no benefit in a $3 billion Selective Capital increase because there would be no impact on sustainable level of lending and there would be a loss in percentage of shares held by the Part 2 countries. It was management's hope to achieve a compromise at around a $7 or 8 billion figure. This amount would involve less difficulty in preserving the 20% share of the U.S. and would provide a roughly $1 billion expansion in the sustainable level of lending.

..Southworth VRo

SENIOR MANAGEMENT COUNCIL

August 8, 1983

Agenda for Friday August 12 Meeting at 10:00 am

1. Monthly Financial Report
   1.1 Financial Report for June 1983 FIS/MC83-52.

2. Report on FY84 Budget and FY85 Budget Process, Heinz Vergin.
   (Oral Presentation)

3. Cofinancing
   3.1 Memo (Ohuchi) August 2, 1983 OPS/MC83-30: Co-financing Priorities in FY84 and Longer-Term Approaches.

4. Other Business

5. Lunch (E Building, Dining Room No. 1)

Senior Management Council
Minutes of July 1, 1983 Meeting

CONFIDENTIAL
July 6, 1983

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

FY 83 Review

- Financial Report for May 1983 FIS/MC83-42.

The Meeting began with a review of the just completed fiscal year. Very successful results were achieved in FY83 with respect to lending, including sectoral objectives and increased emphasis in lending and economic work on Sub-Saharan Africa, disbursements and resource mobilization.

On the financial side, an expanded range of borrowing techniques had made possible record borrowing of $10.3 billion. Earnings on investments were also at a record level, permitting a reduction in the front-end fee. Disbursements, which had seemed to be lagging behind the mid-year estimate, accelerated in the last few weeks and amounted to $6.7 billion, equal to the mid-year prediction; and the interest rate was reduced to 10.47%. A note had been sent to the Board advising them of the change. In this context, it was noted that Executive Directors had been promised a report on rates and fees every six months, and therefore new rates generally should be announced just after the Board discussion. The importance of the Bank's liquidity ratio to capital markets was also emphasized, and it was agreed that while excessive attention was sometimes given to minor variations in the ratio, the objective should be to keep the ratio within the range agreed with the Board.

The operational program had been completed in line with objectives, but it had required major efforts to deliver a sensible program at high and monitorable standards. IBRD and IDA lending amounted to $11.2 billion and $3.3 billion respectively, with agriculture accounting to roughly 25%, energy 20%, and program lending 10% of the total, while the Sub-Saharan Africa Region received 37% of total lending. The program - including the recently introduced Special Action Program - was commended as responsive to the needs of borrowers, focusing on rapid disbursements, increased cost-sharing, rehabilitation and completion of existing investments. Prospects for FY84, however, were difficult. Major additional efforts were required to rebuild the project pipeline, while a number of countries faced creditworthiness problems that would make a full lending program difficult. A number of other countries that were moving forward to implement a broad range of policy changes were likely to be slowed in their progress due to constrained IDA resources to support their efforts.

Cofinancing results in FY83 had been in line with the average for the last three years, although down compared with FY82. The "B loan" technique had been approved by the Board in January, and efforts were well advanced to negotiate concrete models which could serve to encourage expansion of this new technique.

The IFC had processed new investments totalling $846 million, of which roughly half was for its own account. The value of Pension Fund investments had increased roughly 25% due to market conditions, and the value of assets now exceeded $1 billion for the first time.

All of these results for FY83 were very gratifying and staff deserved the congratulations of all their managers for their strong efforts and support.

Sub-Saharan Africa

- Draft report entitled "Sub-Saharan Africa: Progress Report on Development Prospects and Programs."

Introducing the status report on developments since the Bank's Sub-Saharan Africa report, Mr. Wapenhans noted that the two years since the report was issued had been a period of global economic deterioration which had dramatically affected African countries. The 1979 report suggested that improvement in the economies of Sub-Saharan African countries was primarily a matter of domestic policy changes, supported by adequate external support, but the global deterioration since had substantially changed the relative importance of external factors, particularly the decline in the terms of trade. As a consequence the debt burden of African countries, though largely official debt, was proving to be debilitating.

The status update focused on two major themes: (i) how African governments have responded in implementing appropriate policy changes since the issuance of the initial report and (ii) how the Bank had responded. The response of African governments was clearly substantial, with most governments in the region now seriously re-thinking their fundamental policies. Unfortunately, ODA flows were declining, and were inadequate to support the initiatives that had been begun. For its part, the World Bank had responded by increasing economic and sector work in the region and the impact of this was beginning to be felt in the fiscal year just ended. Lending patterns also had shifted, with an increase in volume and improved content. The volume of Bank and IDA lending had increased, and disbursements had virtually doubled in the period FY79 to 83. Important efforts were being directed towards aid coordintion to try to improve the effectiveness of existing aid flows. Since aid coordination was a subject of interest to the Carlucci Commission studying US aid policy, it was agreed that, in support of this approach, Mr. Benjenk should provide information to the Carlucci Commission regarding the Bank's experience with aid coordination.

In the discussion, it was suggested that the report should explain the possible consequences of insufficient external support. It would also be useful to highlight the impact of the Bank's long-term strategy in agriculture on the fundamental causes of drought in Sub-Saharan Africa. This focus would help bolster the case for a larger IDA replenishment.

The report had already been discussed with the African Executive Directors and would now be circulated to the Board for discussion. It would provide a basis for discussions in the African Caucus of the Annual Meetings and be circulated to members of the Development Committee.

East Asian Economies

- Memo (Stern) June 24, 1983: East Asian Economies with report by Parvez Hasan.

Mr. Karaosmanoglu noted that the paper had been prepared as a basis for Regional discussions of economic and sector work and lending programs. A major theme of the report was that the impact of the external environment was greater in East Asia than elsewhere due to the very open nature of East Asian economies. Because countries in the region had done so well in adjusting to the highly volatile global economy in the past few years, however, a tendency had developed to become overconfident in their continuing capacity to adjust. While manufactured goods exports had held up well in recent years, balance of payments deficits were becoming difficult to bear due to high real interest rates and declining inflation. Outstanding debts had increased substantially -- in some cases doubling -- resulting in a marked reduction in sustainable borrowing capacity. Illustrating the point with specific country examples, Mr. Karaosmanoglu said that a large number of governments in the region were taking appropriate adjustment measures, some of which were quite drastic, to reduce their balance of payments deficits. The need now was for a favorable external climate in order for recovery to take place.

Calling attention to the wider implications for the Bank as a whole, it was clear that if the international environment did not improve in the near term, governments would be unable to sustain the economic adjustment measures they had initiated without major social and political stress resulting. In some cases, the Bank might need to consider providing SAL loans over a longer term and at a higher level than had first been planned.

Mexico and Brazil

Mr. Ardito-Barletta described and the meeting subsequently discussed difficulties currently being experienced by Brazil and Mexico which had both been good growth performers in the past, averaging 7% or more per annum for several decades. Both countries shared similar development problems: high growth rates of population and labor-supply, a youthful population requiring enormous social expenditures, roughly one-third of the population living in poverty, and high migration rates. Both countries had also made similar policy errors with respect to high cost subsidies, inefficient public enterprises, a high degree of price regulation, and in the case of Mexico, insufficient export development. Both countries face difficult years ahead, with the likelihood of negative net resource transfers, and growth rates so low as to call into question whether adjustment policies could be sustained even in the medium-term. The prospect for recovery of economic growth was possible in both countries, but extremely difficult, and dependent on global economic recovery, the ability to roll over existing debt, increased domestic savings, improved efficiency of investments, and maintenance of political and social cohesion in the face of declining real wages. It was generally agreed that long-term debt restructuring would be unavoidable for both countries and that the role of the Bank in assisting recovery would be critical, since the problems involved a series of long-term adjustment policies which the Fund was not well-equipped to address.

Many other countries were faced with similar problems, and the levels of debt that could be sustained by most borrowers suggested that a very long time would be needed to effect recovery. Commercial banks needed to better understand the long-term nature of these problems. The inability of the commercial banks to deal with these situations on their own called for an increased role by and resources from the Bank and the IMF. The Bank was considering various proposals including the sale of participations in existing Bank assets. These proposals were being examined very carefully to ensure that the implementation of any one of them would lead to additional resources being made available to borowers.

DJPratt:mb

SENIOR MANAGEMENT COUNCIL

June 27, 1983

Agenda for Friday July 1 Meeting at 10:00 am

1. Monthly Financial Report
   1.1 Financial Report for May 1983 FIS/MC83-42.

2. Sub-Sahara Africa Report, Willi Wapenhans.
   1/ 2.1 Draft report entitled Sub-Saharan Africa: Progress Report on Development Prospects and Programs.

3. East Asian Economies, Attila Karaosmanoglu.
   3.1 Memo (Stern) June 24, 1983: East Asian Economies with report by Parvez Hasan.

4. Brazil and Mexico, Nick Ardito-Barletta.
   (Oral Presentation)

5. Other Business

6. Lunch (E Building, Dining Room No. 1)

1/ Memo (Stern) June 22, 1983 OPS/MC83-24. (Previously distributed to members of Managing Committee.

Senior Management Council
Minutes of June 3, 1983 Meeting

CONFIDENTIAL
July 20, 1983

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

1. Monthly Financial Report

Documentation - Financial Report for April 1983.

Mr. Qureshi reported on the End-April Financial Report. He said borrowings were on target with the FY83 program of $10.8 billion including $2.0 billion in short-term notes. As of June 2 $10.5 billion in borrowings had been completed. This included the full $2.0 billion in short-term notes and left only $300 million in borrowings to be completed in the last month of the fiscal year. In contrast, IBRD disbursements were not going as well. Mr. Qureshi reported that the expected outcome for FY83 remained at $6.7 billion. He noted, however, that achievement of this outcome required disbursements on several large SAL's and some possible acceleration of project disbursements under the Special Action Program. He said IBRD net transfers to Argentina, Mexico and Brazil were currently negative but would turn positive by the end of the calendar year with disbursements under the Special Action Program.

Turning to overdues Mr. Qureshi reported that nearly all overdues of greater than 30 days had been cleared for both IBRD and IDA. An exception was Chad which was covered by a special arrangement to clear its long outstanding overdues. On the rate of capital subscriptions, Mr. Qureshi observed that Part I members had subscribed 77% of their authorized share representing no change from the previous month. Part II members had subscribed 53% of their shares which was only a slight increase over the previous month. Mr. Qureshi said that the May Financial Report would show Part II shareholders' progress on subscriptions by Bank regional offices so that regional staff could take follow-up action where warranted.

2. Board-Management Relations

Documentation

- Memo (Thahane) May 31, 1983: Relations Between The Executive Directors and Management with attachment "The Relations between the Executive Directors and Management in the World Bank; some Actions for Consideration."

In a brief introduction Mr. Thahane said the paper proposed actions that might be considered to improve relations with the Board. He said the paper sketched the legal and historical framework of the interaction between the Executive Directors and Management and it highlighted the efforts over time to clarify the prerogatives of Management and the Board. It also identified the nature and causes of the remaining strains in the relations between Management and the Board.

In the discussion, the paper was generally well received by the Council. Some concern was expressed that the proposed actions were somewhat ad hoc and there was a question whether more specific guidelines could be developed. In response it was agreed that the recommendations were somewhat vague. However, it was noted that it would be hard to be more specific. Because of the wide range of issues, Management had to maintain a high degree of flexibility in its relations with the Board.

The Council also discussed the recommended actions proposed with respect to the Executive Directors' access to information. There was some concern that the recommendtions were too restrictive. In further discussion it was decided to share the substance of the paper with Department Directors in order to make all managers aware of their responsibility to foster good relations with the Board.

3. Promotion of World Development Report (WDR)

Mr. Benjenk reported on the plans for promotion of the WDR during the second half of July. He said the formal presentation would take place in a press conference sponsored by ERS and External Relations. Dissemination would follow with the assistance of the Regional offices.

A Council member observed that many of the channels used by the Regional offices to disseminate Bank publications had atrophied since the practice of charging for most documents had been implemented. He said it would be difficult to disseminate the WDR, even though it was free, because the old channels no longer existed. In this context it was agreed that Mr. Benjenk would discuss the policy of charging for Bank publications at a future meeting.

4. Other Business

Per Capita GNP

Ms. Krueger reported that the steering committee for the per capita GNP study had been established. Committee members included Messrs. Burki, Vergin, Waide, and Baneth. Ms. Krueger said terms of reference were being drawn up and outside experts were being identified. The first draft of the study would be completed in September and discussed by the SMC in October. Board presentation was scheduled for early December.

RSouthworth:mb

SENIOR MANAGEMENT COUNCIL

May 27, 1983

Agenda for Friday June 3 Meeting at **10:30 am**

1. Monthly Financial Report
   1.1 Financial Report for April 1983.

2. Board-Management Relations
   ** 2.1 Memo (Thahane) May 31, 1983: Relations Between The Executive Directors and Management with attachment "The Relations between the Executive Directors and Management in the World Bank; some Actions for Consideration."

3. International Promotion of WDR (Oral presentation)

4. Other Business

5. Lunch (E Building, Dining Room No. 1)

** To be distributed.

CONFIDENTIAL

Joint Meeting of Managing Committee and
Senior Management Council

May 13, 1983
Record: May 25, 1983

FROM: Roy Southworth VRS

SUBJECT: Minutes of May 2, 1983 Meeting

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

1. Monthly Financial Report

Documentation — Financial Report for March 1983.

Presentation — Mr. Qureshi opened the presentation by asking for feedback on the format and presentation of the monthly financial report. He said that it had evolved quite a bit from the original format and that its objective was to provide information to senior management. He then reviewed the highlights for the month of March. He said the situation on borrowing was particularly good. Borrowings were slightly ahead of target with costs at about 8.9% and an average life of about 7 years. He also noted that the medium and long-term borrowing program would be increased by about $1.0 billion if the proposals in the liquidity paper were approved by the Board.

On IBRD disbursements Mr. Qureshi said there had been an improvement in March but that the slowdown had persisted for the Latin American countries, most notably Brazil and Mexico. The overall outcome for FY83 likely would be a shortfall in the range of $500 to $900 million. He also observed that net transfers were positive in March at $140 million compared with a negative $45 million in February. He added that cumulative net transfer was negative in three countries (Argentina, Mexico and Zambia) who were currently rescheduling their debt. On service payments, Mr. Qureshi said that the situation was not as bad as implied by the paper. Although more countries were now having problems with arrears the overall situation was still manageable. However he noted that there was clearly a need for a careful monitoring of the situation. On net income Mr. Qureshi said that the estimated income for FY83 had dropped $50 million to $750 million. This drop was largely due to slower disbursements and delays in collecting front-end fees.

Discussion

The discussion focused largely on net income. There was some question on the projected $50 million shortfall. It was pointed out that the slowdown in disbursements would increase holdings of cash which would earn a higher return than disbursed funds thus possibly offsetting the effect of decreased loan income. There was some question that the decreased revenue from the slower collection of front-end fees would alone generate a $50 million reduction in income. It was also noted that the $750 million figure would not be helpful in Board discussions as the Board had come to expect profits of $800 million.

2. IDA 7 Strategy, Tactics and Action Plan

Documentation

Memo (Qureshi) April 14, 1983 FIS/MC83-28: IDA 7: Strategy, Tactics and Action Plan.

Presentation

Mr. de Lattre prefaced the presentation by summarizing the discussions with representatives of G-6 and other donor countries at Development Committee meetings. He said the core group of Netherlands, the Nordics, Italy, Canada and the Arabs reconfirmed their support for an IDA replenishment in the range of $16 billion. He pointed out that Japan would probably also be prepared to support such a figure provided that the question of their shares in IBRD was resolved to their satisfaction. France also made a carefully worded statement in support of a replenishment that maintained the real value of IDA resources. The weak point however was Germany. Mr. Warnke's statement in the Development Committee was disappointing in that he said that Germany would not be able to participate in IDA 7 at the same level or share as IDA 6. He then said that it would be unrealistic to consider any amount above $12 billion. On the question of next steps Mr. de Lattre said that the Deputies had been asked to be prepared to discuss the size of IDA 7 at the Tokyo meeting. He was not sure, however, that they would be willing to outline precise figures if there were no movement by the US on the supplemental FY83 appropriation and FY84 appropriation and if there were no progresson the question of Japanese shares in IBRD.

Turning to the paper, Mr. Qureshi said it provided background information to senior managers to guide them over the next few months of the IDA negotiations. He said the strategy was essentially based on the assumption that negotiations of IDA 7 would have to be completed by the end of calendar year 1983 so that the necessary legislation would be in place to begin commitments in July 1984. Mr. Qureshi then outlined a two-track strategy for the months leading up to the Annual Meetings. One track involved first getting the core group out in front to support the $16 billion figure and then getting some of the larger European countries on board. Discussions on the size of IDA 7 would have to be discussed in Tokyo so the core group could begin to voice public support for the $16 billion figure. The second track involved work on the US Congress and Administration. Also important was the timing of the discussions on selective capital increase so that the Japanese could be enlisted in the effort to pressure the US before the Annual Meetings.

Mr. Qureshi said the Regional Vice Presidents could assist with the developing countries whose support was crucial for the overall strategy. He asked that the Regional Vice Presidents alert Mr. Mistry or himself about any visiting delegations from their countries. An effort would then be made to have the delegations help in the Bank's efforts with Congress and the Administration.

Discussion

The discussion focused first on the importance of maintaining the US share of IDA in the range of 25%. It was noted that by the best objective criteria the US share should be about 30% and that the 27% share in IDA 6 had been reasonable. The high share signaled to others that the US remained committed to IDA's goals and objectives. A drastic cut would be a sign that the US was no longer committed to IDA making it difficult for the other contributors to maintain their support. It was also pointed out that while the US would probably not consider going higher than 25% in IDA 7 the other donors would not allow them to go much lower.

The discussion then turned to the question of whether the strategy of pushing for a $16 billion IDA as outlined by Mr. Qureshi was realistic. There was some concern that the target July 1, 1984 might not coincide with the economic resurgence that was now showing signs of getting under way. With a longer time frame, perhaps through another bridging year, some countries might be willing to come up with additional resources. It was also noted that with the potential IDA 6 overhang the US could be required to commit as much as $1.6 million in the first year of IDA 7. There was concern that it would be unrealistic to expect the US to agree to that amount. In response it was pointed out that the $16 billion figure represents only a slight increase in real terms over IDA 6. It was also noted that the $16 billion represented a negotiating stance and that it had to be recognized that the final figure might not be that high. However, donors representing as much as 35% of the IDA share supported the figure and it was imperative that every effort be made to garner support for it over the next few months. A Committee member observed that another bridging year gave rise to the spectre of a potentially divisive split among the donors. Another member added that there was a clear rationale for the $16 billion figure. If it were abandoned too early in the negotiations the options for using alternatives outside the burden-sharing framework would be lost. There was also some discussion on specific country positions. A question was raised about Japan's objectives on the issue of IBRD shares. It was noted that Japan would like ideally to see its share increased so it would become the second largest shareholder. But they would most likely agree to a compromise. Their position was somewhat clouded by the failure to achieve their objectives in the IMF quota allocation. The Japanese know that a solution to the question of shares in IBRD depended somewhat on the outcome in the Fund but at the same time they would now redouble their efforts in the Bank where they exercised more leverage. It was pointed out that the crucial question remained as to what Japan would be willing to give in return for assistance in achieving their objective. In this context it was observed the Japanese EDs office was not doing a very effective job in mobilizing support for their stance on IBRD shares. If they were more forthcoming on the level of IDA they would be willing to support, their colleagues particularly from Part II countries would likely be more helpful on the question of IBRD shares. Another speaker said that it was possible that Germany's somewhat negative stance on IDA may have resulted from their use of a worst case scenario with respect to projected figures for future IFC and IBRD capital increases. He said that it would be beneficial to discuss with Germans our future plans with regard to the selective capital increase, the GCI and IFC's capital requirements in an effort to revise their attitude towards IDA. A brief discussion on the possible shape of future requests for the SCI and GCI followed.

Committee Action

The discussion closed with a request by a Regional Vice President for better information on how to advise their constituencies on how to approach the US authorities in support of our IDA strategy. The Committee, in concurrence with the Senior Management Council, agreed that any time a country delegation was coming to Washington the RVPs would contact Mr. Mistry so that an appropriate strategy could be developed.

3. Principles of Staff Employment

Documentation

Paper (COM) April 20, 1983 (PAD/MC83-20) PAD/SMC83-04: Principles of Staff Employment with attachments.

Presentation

Mr. Paijmans said that in light of consultation with the Board, Committee on Staff Compensation and discussions with Senior Management Council a number of revisions have been made to the draft Principles. He said it was now time to bring the consultations to a close as the draft has been subjected to an extensive review process. He noted that it would be impossible to please everyone and that continuing the consultations would be counter-productive. He then outlined the next steps for distribution to the staff, final approval by the Managing Committee and Board consideration. He observed that the paper would provide the staff and the Administrative Tribunal a standard against which to measure Senior Management behavior. While Management in the past had generally lived up to the principles formalized in the draft, some instances of capricious and arbitrary behavior had occurred. He noted that once the Principles were approved such behaviors would no longer be possible.

Discussion

In a brief discussion the members voiced strong support for the draft. It was noted that such an effort was long overdue and that the document had benefited considerably from the intensive process of consultation.

Committee ction

The Committee and Council members approved the draft Principles for distribution to the staff.

4. Other Business

Cananea

Mr. Wuttke reported that in view of the ongoing interest of various parties in the US in the Cananea Project, he proposed to clarify matters by including a statement in IFC's Monthly Report. The statement would say that it was the opinion of IFC's Management that due to substantial changes in the past nine months in the international capital markets, Mexican economy, the copper industry and the project itself, the project could not be implemented as it was originally conceived. If in the future the Manangement of the Corporation proposed to proceed with an investment in Cananea, it would reappraise the project and bring the matter to the Board for consideration. Mr. Wuttke said that Mr. Burnham would be apprised of this so he could flag the issues with the parties concerned.

Summary of Board Seminar on "Review of IBRD Lending Plans and Capital Requirements"

A Committee member stated that the summary of the Board seminar on the paper "Review of IBRD Lending Plans and Capital Requirements" was confusing on the question of net cancellations. The summary indicated that in reply to an Executive Director's question, staff had said neither the FY82-86 figure of $60 billion nor the FY83-87 figure of $61.8 billion were net of cancellations. The Committee member said that his understanding was that these two figures were in fact to be considered net of cancellations. He concluded that this issue needed to be clarified.

M. Clausen
Record

JOINT MEETING OF
MANAGING COMMITTEE AND SENIOR MANAGEMENT COUNCIL

REVISED

April 29, 1983

Agenda for Monday May 2 Meeting at 10:00 a.m.
in Room E-1227

1. Monthly Financial Report
   * Financial Report for March 1983.

2. IDA 7 Strategy, Andre de Lattre, Percy Mistry.
   * Memo (Qureshi) April 14, 1983 FIS/MC83-28: IDA7: Strategy, Tactics and Action Plan.

3. Principles of Staff Employment, Reg Clarke.
   *** Paper (COM) April 20, 1983 (PAD/MC83-20) PAD/SMC83-04: Principles of Staff Employment with attachments.

4. Other Business

* Previously distributed.
** To be distributed.
*** Previously distributed to Managing Committee members.

CONFIDENTIAL

Senior Management Council

April 13, 1983

FROM: Roy Southworth VRS

SUBJECT: Minutes of April 8, 1983 Meeting

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

Members Absent: E. Stern, M. Benjenk, G. Gabriel, W. Baum, S. Husain.

Also Present: H. Scott, R. Southworth.

1. Performance Planning and Review

Documentation Memo (Paijmans) March 29, 1983, PAD/SMC83-03: Performance Planning and Review (PPR) with attachments.

Introduction Mr. Paijmans began by noting that preparatory work on a performance planning and review system began in 1980. This work culminated in November when the performance planning and review system was presented to the Senior Management Council for approval. At that meeting, the Senior Management Council asked that consultation with staff be undertaken. Mr. Paijmans said that the round of consultation which was led by senior managers and supported by PMD had now been completed. He noted that the quality of the consultation process varied from unit to unit.

PMD collected the results of the consultations, evaluated them and incorporated changes into the performance planning and review system. Mr. Paijmans said that the modifed system would still have its critics, but more would be lost by staying with the old system. He argued, however, that the new system would only be accepted if senior management backed it fully and devoted the necessary time to see that it was implemented correctly. Mr. Clausen added that the varying quality of the consultation process suggested that some senior managers were not yet fully committed to the new system. He said that it was an important management tool that would help senior managers do their job more effectively. He reinforced Mr. Paijmans' statement that the full support of senior management would be required to make the system work and said the process of setting objectives would have to begin right at the top.

Mr. Elmendorf then summarized the highlights of the consultation feedback, outlined the changes in the performance planning and review system and discussed the program for introducing the modified proposal. He noted that the consultation had revealed many strong positive attitudes about the system. However, it also revealed some concerns, particularly with respect to the burden of the new personnel policies and doubts on the managerial capacity and readiness to implement the program. He also noted that there was some concern about the complex and complicated forms and procedures required by the proposed system. In addition, there was a perceived need to experiment in the implementation phase.

Mr. Elmendorf said that, as a result of the consultations, the system had been modified, and forms and procedures were simplified and scaled down. The focus in the modified proposal was on strengthening individual and group performance, and it was more specifically tailored to meet unit needs. There would also be a gradual program to introduce the system that emphasized learning by doing. Mr. Elmendorf said that the system would be introduced from the top down in each vice presidential group with the first four managerial layers first defining their objectives. After the program had been introduced down to the division chief level, it would then be selectively introduced in those units that were most receptive to the change.

<u>Discussion</u>

Council members voiced strong support for the modified proposal. Several members said their managers had reviewed it and were satisfied that their concerns had been adequately addressed. The ensuing discussion focussed largely on the introduction program and the training needs of managers responsible for implementing the system.

A Council member asked if there could be some flexibility in introducing the program. He said his managers felt it would be better to select several staff members in each unit to participate in the program rather than to implement it completely in selected units. In this way, each division chief would gain experience in using the system. Mr. Kaji agreed that a flexible approach to the implementation process would be possible, and he said that he would meet with each vice president to work out the appropriate procedures.

On the question of training, Mr. Kaji said that PMD would offer specific help for implementing the program. There would be a major focus on a management training exercise with the vice presidents receiving individual assistance in setting individual objectives. He noted that directors would receive the same type of training though not necessarily on a one-to-one basis.

At the conclusion of the meeting, there was a consensus that the system of assessing people on the basis of mutually determined objectives would bring clarity and discipline into the personnel evaluation process and would help to target incentives to the right people. It would also provide a mechanism for dialogue between staff and management for improved communication. The Council then endorsed the modified proposal and agreed to start immediately with its implementation. As a next step, it was decided that Mr. Clausen would write a letter to the staff outlining the program and the steps to implement it. There was agreement that the program would be reviewed in March 1984 with informal feedback at each step of the implementation process.

SENIOR MANAGEMENT COUNCIL

March 31, 1983

Agenda for Friday April 8 Special Meeting at 3:00 p.m. in Room E-1227

1. Performance Planning Review
   * Memo (Paijmans) March 29, 1983 PAD/SMC83-03: Performance Planning and Review (PPR) with attachments.

2. Other Business

* Previously distributed.

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Senior Management Council - Agendas and Minutes - Agendas and minutes 01	1773260

Document Date	Document Type
April 22, 1983	Minutes

Correspondents / Participants
From: Roy Southworth

Subject / Title
Minutes of March 25, 1983 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.

Withdrawn by	Date
Shiri Alon	15-Feb-17

SENIOR MANAGEMENT COUNCIL

R E V I S E D

March 23, 1983

Agenda for Friday March 25 Meeting at 11:00 am

1. Monthly Financial Report
   Financial Report for February 1983.

2. * Attitude Survey, Gautam Kaji, Brad Babson.
   2.1 Paper (PMD) March 18, 1983 PAD/SMC83-2: Institutional Issues Arising from the Attitude Survey.

3. Revised Reward Policy
   (Oral presentation)

4. Other Business

* Previously distributed.

DECLASSIFIED
CONFIDENTIAL
FEB 14 2017
WBG ARCHIVES

Senior Management Council

March 10, 1983

FROM: William S. Humphrey WSH

SUBJECT: Minutes of February 25, 1983 Meeting

Members Present: M. Qureshi, N. Ardito-Barletta, W. Baum, G. Gabriel, M. Hattori, D. Hopper, S. Husain, A. Karaosmanoglu, D. Knox, J. Parmar, E. Rotberg, T. Thahane, W. Wapenhans, M. Weiner.

Members Absent: A. W. Clausen, E. Stern, M. Benjenk, R. Chaufournier, A. Krueger, M. Paijmans, W. Wapenhans, H. Wuttke.

Also Present: H. Scott, R. Southworth.

1. Current Financial Issues

Attending: J. Wood, P. Applegarth

Documentation

Board document "Review of IBRD Loan Charges" February 10, 1983 (R83-38).
Board document "Review of IBRD Reserve Policy and Criteria for the Allocation of Net Income" February 10, 1983 (R83-39).

Presentation

Mr. Wood noted that in addition to the papers on the Special Action Program, IBRD Loan Charges and Reserve Policy which had already been seen by SMC members, the finance complex would shortly be producing additional papers on Lending Plans and Capital Requirements, Liquidity Policy, and New Borrowing Techniques. All these papers were designed to look at the costs associated with the revised lending plans and to recommend appropriate financial policies and plans to meet the needs of the years ahead. He then outlined some of the consequences of the changes in the planning assumptions (See attachment). He noted that IBRD needs for additional capital were driven by the policy on the sustainable level of lending rather than the statutory limits of the Articles. This policy required that lending plans should be designed so that no disruptive adjustment in lending would be required if no further capital were raised. The level of IBRD commitments contemplated in the present planning assumptions suggested that the best approach would be to have first a selective capital increase linked to the increase in IMF quotas followed by a general capital increase later in the decade. He then went on to discuss the reviews that have been done of the Bank's financial policies in relation to the creditworthiness problems of our borrowers. The analysis that had been done suggested that our current reserve policy remained adequate but we should probably "tilt" in the direction of higher liquidity, given the risk of borrowing shortfalls that could occur if the Bank were to have defaults or be drawn into reschedulings. This latter judgment was bound to be somewhat subjective since it was impossible to predict what reaction the market might have if Bank loans began to have to be rescheduled.

Discussion

In discussion it was noted that the increase in net transfers implied by the changes in planning assumptions looked very modest in the light of the needs of our borrowing countries. Indeed there was a danger that our net transfers to a number of countries would begin to diminish rather rapidly. In the present environment the approach suggested was probably the right one, but over the longer-term we should be thinking of an expanded lending program which would in turn require us to raise more resources. It seemed clear that provided we were sufficiently flexible in the use of new borrowing techniques, the major constraint on raising additional funds for IBRD would be the political problems associated with raising the capital base. Even the selective capital increase would raise difficult political problems relating to the distribution of shares amongst members.

There was then considerable discussion of the reasons why different major shareholders might oppose a major expansion of the Bank°s activities even when the increase in capital is relatively costless in budgetary terms. This led on to a consideration of the prospects for IDA and the possible consequences of a relatively modest seventh replenishment. It was noted that there was a danger that European countries might prefer to channel more of their concessional funds through arrangements linked to the Lome convention. The negotiations for Lome III would start in September 1983 to be in place by early 1985. Mr. Pisani had made the ambitious proposal that 0.1% of GNP of EEC members should be channelled as aid through the institutions of EEC to the African, Caribbean and Pacific countries which were eligible. Conditionality - called "contractuality" - would be emphasized more in the future than in the past. The whole process could make it more difficult to raise IDA funds from the EEC countries. More generally it was noted that it might be necessary to examine again the portfolio constraints on lending to India and China so that they could receive more IBRD funds thus releasing IDA funds for the less creditworthy countries, especially in Sub-Saharan Africa.

2. Principles of Staff Employment

Attending: R. Clarke

Documentation

Memo (Paijmans) February 17, 1983 PAD/SMC83-01: Principles of Staff Employment with draft paper.

Presentation

Mr. Clarke outlined the major changes made since the previous version of the Principles. The new version drew heavily on comments made by staff on the earlier version and a large number of changes had been made in response to these comments. The Executive Committee of the Staff Association now felt that the present draft fully met the widespread objections raised to the previous draft on all but one point. This was the fact that paragraph 1 of the Principles allowed the President to exclude specified categories of appointment from the application of certain principles. So far it had not been possible to find a formula to meet this point.

Discussion

It was generally agreed that the present draft was a great improvement over previous drafts. Members felt that efforts should continue to be made to find a formula on the exclusion of specified categories of appointment in the application of certain principles. The formula should recognize that the majority of principles applied to all regular staff. There was also some concern about the language on discrimination in Chapter 2 which stated that the World Bank and IFC "shall avoid discrimination in an unjustifiable manner between individuals or groups within the staff ...." It was suggested that a different formulation could be found which enjoined the institutions to act in a non-discriminatory manner avoiding the implication that there might be "justifiable discrimination." Subject to efforts to find a different formulation on these two points, it was agreed that the present version should be distributed to all staff and to the Board Committee on Compensation for further comments. Sufficient time - perhaps about six weeks - should be allowed for this comment. The document would then be sent to the Executive Directors for approval - probably in July.

3. Other Business

Viet-Nam

Mr. Karaosmanoglu said that the Government of Viet-Nam was pressing us to send an economic mission. Their Delegation to the Annual Meeting had been told that we would not send such a mission unless there was general support amongst our Executive Directors for resuming lending operations. Soundings with Executive Directors suggested that such general support did not exist at this time.

Civil Unrest in Assam

Mr. Hopper described the background for the bloodshed in Assam. He said that now the state election was over there was some prospect for these disorders to diminish but that the emigration from both Bangladesh and West Bengal into Assam had been sufficiently large to leave a very volatile situation. The problem could have a major impact on India°s oil production.

Board Seminar

Mr. Husain reported on the Board Seminar on the Economic Rate of Return. He said that many Executive Directors had emphasized that ERRs reflected a series of judgments and that it would be a mistake to try to refine the estimates too much and to expect too much precision. The qualitative aspects were also very important in assessing the justification of projects and in presenting rates of return, which should be put in proper context. While the treatment of similar problems should be reasonably consistent, it should be adapted to the circumstances of different projects and uniformity should not be expected. He and his staff were considering whether any action on these issues was needed and would discuss any recommendations with the Regions. He added that he had set up a working group, headed by Mr. Lejeune, to look at the OPS project review process and its interaction with the Regions, which also should help to avoid unwarranted variations in the treatment of similar problems.

Film on River Blindness

Council members were shown the new film on River Blindness which had been produced by IPA.

February 18, 1983

SENIOR MANAGEMENT COUNCIL

Agenda for Friday, February 25 Meeting at 11:00 a.m. in Room E-1227

1. Monthly Financial Report
   ** Financial Report for January 1983.

2. Current Financial Issues
   * Board document "Review of IBRD Loan Charges" dated February 10, 1983 (R83-38).
   * Board document "Review of IBRD Reserve Policy and Criteria for the Allocation of Net Income" dated February 10, 1983 (R83-39).

3. Principles of Staff Employment
   Memo (Paijmans) February 17, 1983 PAD/SMC83-01: Principles of Staff Employment with draft paper.

4. Other Business

5. Luncheon - E Building, Dining Room.

* Previously distributed by Secretary's Department.
** To be distributed.

CONFIDENTIAL

Senior Management Council

February 3, 1983

wmt

FROM: William S. Humphrey

SUBJECT: Minutes of January 28, 1983 Meeting

Members Present: A. W. Clausen, M. Qureshi, E. Stern, W. Baum, M. Benjenk, R. Chaufournier, G. Gabriel, M. Hattori, D. Hopper, S. Husain, D. Knox, A. Krueger, M. Paijmans, J. Parmar, E. Rotberg, T. Thahane, W. Wapenhans, M. Weiner.

Members Absent: N. Ardito-Barletta, A. Karaosmanoglu, H. Wuttke.

Also Present: H. Scott, R. Southworth

1. Monthly Financial Report

Documentation: Monthly Financial Report for December 1982

Mr. Clausen said that, starting with the present meeting, the Monthly Financial Report would be discussed at each meeting of the Senior Management Council. Mr. Qureshi then outlined the major features of the Report. He drew special attention to the substantial increase in projected IBRD net income for FY83 which was now expected to be US$ 810 million compared with the budget estimate of US$ 582 million. The main reason for this increase was capital gains resulting from the sharp drop in US$ interest rates. These gains through January 24,1983 totalled US$ 156 million. Mr. Rotberg then described these transactions in more detail and also noted the lower than expectedcost of borrowing and the reasons for it. On overdue payments Mr. Stern noted that there were now no threats of suspension outstanding. In further discussion the importance of securing releases of the local currency portion of capital subscriptions was emphasized. Mr. Clausen added that the Managing Committee on Monday would be discussing an appropriate response to the higher levels of net income in terms of an adjustment of lending charges and the level of transfers to IDA.

2. FY84 Budget Issues and Process

Attending: H Vergin

Documentation: "FY84 - Planning, Programming and Budgeting Issues" distributed to Executive Directors and Alternates under cover memorandum dated January 25, 1983.

Presentation

Mr. Vergin outlined the background work done by P&B to prepare the paper on the basis of which the Managing Committee decided to issue a guideline exploring the feasibility of up to 4% growth in real terms for the FY84 Administrative Budget. There had been a clear feeling that Operations, Economics and Research and Personnel and Administration had special needs which would probably call for increases of over 4%. P&B was ready to provide units with assistance in formulating their proposals and to help them make their requests as transparent as possible in order to develop viable FY84 budget options. Mr. Qureshi emphasized that in carrying out its task P&B was not making decisions. Its role is a supporting one and its responsibilityis to review proposals and to present choices to Management for decision. He then described the informal Board meeting on FY84 Budget Issues which had taken place the previousday on the basis of the note which had also been distributed to the SMC. On the planning assumptions, some Executive Directors had felt that the targets were too modest while others felt that a stronger case needed to be made for assuming a resumption of 5% real growth in IBRD commitments after FY84. The latter were mainly from Part I countries who were concerned about the implications for capital increases. Some Executive Directors thought that action on capital replenishment should be accelerated. On the growth of administrative expenditures a number of Part I country directors had questioned the 4% real growth rate referring to the 2% long-term trend which had been mentioned the previous year. Part II country directors had generally said that they would support whatever increase in administrative expenses that would be needed to expand assistance to borrowing countries. Some Part I countrieshad questioned the relative priorities for different units, especially the growth of Personnel and Administration and Economics and Research above the 4% benchmark.

Discussion

In discussion it was noted that the case for a resumption of 5% growth in IBRD commitments after FY84 should be made in connection with the planned presentation to the Board on future IBRD capital requirements. This would stress the possibility of a selective capital increase which is expected to result from the increases in IMF quotas. The resistence of certain Executive Directors to the needed increases in Personnel and Administration expenses would have to be overcome through special informal contact to educate individuals. The attitude towards research was a little puzzling since last year the Board had felt that insufficient attention was being given to research. The forthcoming paper on research in the Bank should help make the case. It was important to emphasize that we were the most important institution providing intellectual leadership in development and only through research which was practically oriented could this position be maintained. The consultation process with the Board on the Budget was discussed at some length. It was noted that the type of consultation being undertaken this year was helping to diffuse pressure for a Budget Committee of the Board. The process could be a very positive one if it was managed carefully. However it had to be recognized that the margin of flexibility left with Management tended to diminish with each encounter with the Board, however informally these were arranged. Nonetheless, Management had to maintain an open posture and be responsive to Board members' concern that they be consulted at the point at which budget options were being formulated.

January 25, 1983

SENIOR MANAGEMENT COUNCIL

Agenda for Friday, January 28 Meeting at 10:00 a.m. in Room E-1227

1. Monthly Financial Report
   Introduced by Moeen Qureshi
   ** "Financial Report for December 1982"

2. FY84 Budget Issues and Process, Heinz Vergin
   Introduced by Moeen Qureshi
   Background note "FY84 - Planning, Programming and Budgeting Issues" distributed to Executive Directors and Alternates under cover memorandum dated January 25, 1983.

3. Other Business

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

** To be distributed.

~~[illegible]~~