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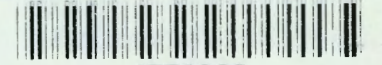
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McNamara Papers

Contacts
African Caucus (1978-1981)

A1993-01

The World Bank Group
Archives



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A1993-012 Other #: 1

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Contacts with member countries: African Caucus - Correspondence 01

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AFRICAN CAUCUS

AFRICAN CAUCAS

1. 9/27/78
(Annual Meeting)
2. 1/23/79 African Governors: Marcel Yondo, Minister of Finance, Cameroon
G.B.B.Mbulo, Resident Director, Central Bank, Zambia
D. Franklin Neal, Minister of Planning, Liberia
Mohamed Aissaoui, Director of the Treasury, Morocco
Ms. E. Jonson-Sirleaf, Mr. Foalem
3. 3/20/79 Romeo HOrton, Economic Union of West African States
4. 4/24/81 Minister Tipoteh, Liberia, Chairman of the Group
Rakotovao Razakaboana, Madagascar
Amb. Malek (Algeria)
Messrs. Razafindrabe, Soglo, Abdulai, Smith,
Zerhouni (African EDs)

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OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
(through Mr. Ernest Stern)

DATE: February 26, 1979

FROM: Roger Chaufournier *RC*

SUBJECT: Your Response to the Memorandum Presented by
the African Governors at the 1978
Annual Meetings

1. I am attaching a final draft of your response to the African Governors' memorandum. This draft has been delayed since December, awaiting comments from the Executive Directors. Although we have not received their comments directly, I believe that your meeting with the African Contact Group, at which time you essentially summarized the memorandum's points, can replace formal clearance.
2. The original draft was cleared by the responsible Regions/ Departments. Minor revisions were needed to update timing information and to reflect your meeting with the African Contact Group.
3. May we have your approval of the attached memorandum?

Attachment

cc: Messrs. Wapenhans
Benjenk
Koch-Weser ✓

CSMiller/ss

M E M O R A N D U M

TO: The Governors of the African Group Countries

FROM: Robert S. McNamara

SUBJECT: Reply to Your Memorandum Delivered at the 1978 Annual Meetings

1. As always, it was my pleasure to meet with you on the occasion of the 1978 African Caucus and to study the memorandum you distributed prior to that meeting. My colleagues and I have carefully reviewed the points raised in your memorandum as well as questions voiced during the Caucus. This memorandum endeavors to respond to each of the issues presented by you.

2. As proposed by your Chairman in his introductory statement, I was happy to have had the opportunity of meeting with an African Contact Group in January. I believe the quite candid discussion was useful in summarizing the Bank's progress in responding to the issues raised in your Caucus memorandum. Needless to say, these issues will be kept under constant review during the coming year.

Volume of Bank/IDA Financing

3. Your memorandum correctly indicates that the financing requirements of developing countries, and in particular Africa, far exceed available external aid resources. I welcome all the comments made in your paper on the need to ensure an adequate replenishment of Bank Group resources.

4. As you know, I fully share your views on this matter and just want to reiterate that I believe it is both realistic and necessary to obtain formal agreement from the Board of Executive Directors on the size of the general capital increase early in calendar 1979. In addition, in order to reach a timely negotiated agreement on the Sixth Replenishment of IDA, one meeting of donors has taken place and another is scheduled for mid-March. I am sure that both you and I share the conviction that IDA VI must be supported by an increase large enough to fully offset inflation and provide for a substantial increase in real terms.

5. I recognize that in view of present limitations on the volume of Bank/IDA lending, the determination of criteria for the distribution of these resources among member countries has become particularly critical, and we understand your concern that Africa should receive an adequate share of total Bank loans and IDA credits. With respect to the criteria for allocation of Bank/IDA resources, you made two comments in your memorandum. You point out that non-economic considerations should not be allowed to influence our lending programs, and you make specific suggestions on some of the cri-

teria which you think should be taken into consideration in the overall distribution of IDA funds.

6. I fully agree with you on the first point. As I said during our meeting, I have been encouraged by evidence of a lessening pressure in this area. I am very hopeful that the forthcoming discussions on IBRD and IDA financial resources will be held in an atmosphere conducive to the development aims of our institutions.

7. On the IDA allocations, you recommend that we should not base our lending programs solely on per capita income, but should also take into consideration such other factors as the geographic location of each country, literacy rates, and dependency on expatriate personnel. Like you, I realize that present statistics on per capita income do not always reflect adequately the real level of poverty and development requirements of some of our member countries. Although it is very difficult to make an appropriate use of some of the criteria mentioned in your memorandum, we recognize that IDA allocations should take into account the specific needs of each country and the particular difficulties encountered by each member government in its efforts to promote growth, improve income distribution and remove existing constraints to the development of the country's economic potential and human resources.

8. In this regard, I believe that we have in fact taken into consideration the special nature of the development problems of our African member countries. As you know, Africa receives a volume of IDA assistance which far exceeds the levels which would correspond to the size of its population. In FY78, IDA commitments to Africa equalled about \$3.10 per capita compared to about \$1.70 per capita to IDA recipients world-wide. Also, the exceptionally rapid progress in recent years of IDA lending to the Sahel and other landlocked and very poor African countries indicates our desire to adapt our assistance to the particular circumstances of these nations, which have been severely handicapped by poor ecological conditions, the recurrence of disastrous droughts, the embryonic nature of their basic infrastructure, their low literacy rates and their serious domestic savings problems.

9. Concerning the share of Africa in past, present and future Bank/IDA lending, I should like to emphasize several points. As I have often said, you should not attach too much importance to annual variations in the volume of Bank/IDA lending to specific countries or continents. In particular, our operations in Africa include not only a wide variety of small to medium-size projects, but also a smaller number of very large operations, the timing of which influence considerably, and perhaps somewhat distort, the results of a given year. For FY78, a decrease in IBRD commitments to Africa was largely offset by a corresponding increase in IDA commitments. However, as you correctly noted in your memorandum, Africa's share in world-wide commitments was lower than in past years. I should like to examine this issue by discussing IBRD and IDA funds separately.

10. As you know, lending on IBRD terms is based on creditworthiness

considerations, economic performance and project availability. Since these criteria are applied on a country basis, Africa's share of IBRD resources does not represent a Regional share, but rather a sum of country allocations. Several African countries experienced severe financial and economic problems during this past year - problems which made it difficult to maintain levels of lending achieved in previous years. While the World Bank continues to give whatever economic and technical advice requested by these member countries, the most difficult initiatives must be taken by the Governments involved. I am hopeful that these problems are of a temporary nature, and that the Bank can resume past levels of lending during the coming year.

11. IDA lending to Africa in FY78 totalled \$705 million - a 57 percent increase over FY77 and a 38 percent increase over the previous record high achieved in FY75. However, Africa's share of global IDA lending fell to 30.5 percent in FY78 from the high 34.4 percent received in FY77. This percentage share decrease was due to the skewed effect caused by abnormally low lending to India in FY77 followed by a sharp rise in IDA lending to this country in FY78.

12. Far more important than these annual fluctuations in Regional lending is the overall trend of Bank/IDA lending to Africa during the past fifteen years. During each of the three 5-year periods since FY64, Bank/IDA lending to Africa has increased faster than in any other Region of the world and the share of Africa in IDA lending which was 21 percent during FY64-68 and 26 percent during FY69-73 reached 31 percent during the past five years.

13. Africa's proposed share during the next five-year period will remain at a high level although it may be slightly lower than that received between FY74 and FY78 for the following reasons. As a result of a marked improvement in its creditworthiness following the increase in oil prices, Indonesia was graduated from access to IDA's resources during the Fourth Replenishment period. However, in view of the large increase in its development program, the sharp rise in its external debt, and the rapid expansion of Bank exposure in the country, the Bank will resume some IDA financing in Indonesia during the coming five years. In addition, a new member country - Vietnam - will need an IDA allocation in the FY79-83 period.

14. To conclude my remarks about the volume of Bank/IDA lending to Africa, I should like to deal with the points you made concerning co-financing. As you correctly point out in paragraph 13 of your memorandum, the co-financing of Bank Group projects by other lenders has become an important source of additional resource transfer. The level of resources obtained from co-financing for projects in Africa (\$958.6 million in FY78) increased the volume of external resources extended by the Bank Group for these same projects by 40 percent. This proportion, which is much higher than in any other part of the world, has been steadily increasing over the past few years and shows our determination to maximize the financial resources available to African borrowers.

15. We will certainly continue to actively seek co-financing for our projects. Two recent examples of this interest are IDA's agreement to administer the Special Action Fund's credits for the European Communities, and the Bank's cooperation agreement with the International Fund for Agricultural Development. Both of these financial flow instruments are directed at helping to meet the needs of the poorest developing nations - a matter of special importance to the African continent which has 18 of the 26 Bank-member countries designated as "least-developed".

Terms and Conditions of Bank/IDA Lending

16. Since the adoption of a new interest rate policy during FY77, the interest rate on Bank loans has decreased from 8.85 percent in June 1976 to 8.20 percent in June 1977 to 7.50 percent in June 1978 and to 7.35 percent during the last quarter of 1978. It is true that pending the proposed general increase in the capital of the Bank, grace and amortization periods on Bank loans had to be shortened, and in some cases may prove to be harder than would be justified by the nature of the project and the situation of the country. However, the impact of these new lending policies on the poor countries in Africa was minimized by providing them with loans on the most favorable terms available.

17. Concerning onlending policies, the Bank attempts to encourage the adoption of an interest rate structure in member countries which will (1) induce a greater flow of capital for development, while (2) pricing the use of this capital to ensure that it does not artificially favor capital-intensive investments over those which would create more employment. In applying these principles, we have tried to be pragmatic and have taken into account the circumstances prevailing in particular countries and groups of countries.

18. For example, last year the Chairman of the Council of Ministers of the Union Monetaire Ouest Africaine (UMOA) pointed out a conflict between the Organization's legislation and the Bank's practice in interest rate matters. Their legislation which set low preferential discounts on onlending rates to small-scale enterprises was in conflict with the higher onlending rates set by the Bank for sub-loans to such enterprises under loans and credits we were granting to development banks. Following discussions of the matter with the authorities of the Central Bank of the Monetary Union (BCEAO), we agreed to accept their lower onlending rates for small-scale enterprises as defined by the Central Bank for an interim period. This action enabled both the Central Bank and us to determine the best way of promoting small-scale enterprises, while allowing us to proceed with a number of loans and credits in this sector which will contribute to the growth of small-scale African enterprises. We believe that this type of dialogue and accommodation can best meet the interests of all parties concerned.

19. I understand your desire to ensure a more adequate distribution of the burden that some countries face in the disbursement of hard currencies. As noted in your memorandum, a paper on this subject was

finalized and discussed by the Board in February. We are hopeful that the "currency pooling scheme" which emerged from this discussion will resolve any previous inconsistencies.

20. Because of their high dependence on imports, African countries were particularly hard hit by the acceleration of world-wide inflation during the 1974-77 period. A large number of Bank Group projects in Africa, which were financed in the period immediately before the acceleration of inflation, experienced large cost overruns which could not possibly be covered by the governments. In consideration of these special circumstances, the Bank Group provided more supplementary loans and credits to African countries than to any other part of the world. In addition, several new operations financed by the Bank Group during the past several years included the refinancing of project components that had been approved in earlier Bank projects, but had to be dropped to adapt project costs to available financial resources. Since all projects presented to our Executive Directors during the past four years include larger price contingencies, the need for cost overrun financing has decreased sharply. While we hope to avoid the necessity for supplementary financing in the future, we will continue to evaluate cases of cost overruns should they arise and attempt to meet the particular needs of the countries concerned.

21. I can assure you that the Bank is very sensitive to the issues you have raised regarding recurrent cost financing. Like you, we realize that the development process can be most seriously hindered when governments are unable to provide the resources required to operate and maintain existing investments. The Bank has in recent years devoted much time in its operational work to defining and refining forecasts of recurrent cost needs associated not only with Bank-financed projects, but also with the overall capital investment plans of your countries. Secondly, we have consistently tried to adapt the scope and design of our projects to the financial resources which the country and the agency can realistically allocate to operation and maintenance.

22. Finally, many of our operations include incremental maintenance and operating costs whenever they are required to achieve the purposes of the project. For instance, several of our transport, public utilities and agricultural projects involve the rehabilitation and maintenance of existing facilities that have suffered from neglect due to the lack of foreign exchange and budgetary resources, or inadequate technical and financial performance of the project authority. Maintenance absorbs a substantial proportion of our highway lending, and most of our rural development projects include the training and salaries of operating staff, input supply and credit facilities, maintenance of feeder roads and water supply systems, and other operating expenditures during the project implementation period.

23. While we shall continue to give the highest priority to this aspect of our economic and project work, particularly in the case of the neediest African countries, our objective in this area is essentially to develop the maintenance capacity and upgrade the operational performance of our borrowers, and to help set up effective cost recovery mechanisms to deal with future recurrent cost financing problems.

24. I share your concern regarding lower than anticipated levels of disbursements in FY78. This is an area that the Bank has been studying for sometime and will continue to review in the immediate future. Not only do disbursement shortfalls mean a reduced resource transfer to your countries, but such shortfalls also make it more difficult to justify increased IBRD and IDA commitments which we all feel are so greatly needed.

25. There are several sometimes conflicting dimensions to this problem which need to be emphasized. Since we are planning to discuss this issue at length with the Executive Directors during the FY80 Budget exercise, I shall only summarize our points of reference here.

26. We are investigating several factors in this area. Some relate to the Bank - its financial, operational and administrative policies and practises; and some to country factors - budget constraints, foreign exchange shortages and administrative capacity. While all of these factors have been reviewed in the Bank in the context of our monitoring of implementation work, we are currently preparing a systematic, Bank-wide review. Initial indications show that changes in project design, sectoral composition and country distribution were the primary causes of the slower disbursement patterns at the Bank. However, we also hope that corrective measures can be identified so that disbursements can proceed on schedule, and indeed be accelerated.

27. In your memorandum, you suggest that restrictive lending policies in the area of program loans and local cost financing may be responsible for slow disbursements of Bank loans and IDA credits. Quickly changing conditions concerning terms of trade, export growth and import volumes have had in recent years a very serious impact on the balance of payments and public savings situation of a number of African countries which may justify program lending. We are presently working on a number of cases, in cooperation with the International Monetary Fund and other aid donors who are willing to provide debt relief and program aid to assist governments in implementing well-conceived stabilization programs.

28. With respect to local cost financing, I should like to emphasize that a high proportion of our loans and credits in FY78 are financing local costs. Under three-fourths of IDA credits to the least-developed countries of Africa, the Bank Group and its co-donors are financing local cost expenditures. This financing amounted to 37 percent of the total local costs of those projects - a significant increase from 22 percent in FY77.

Sectoral Composition of Bank/IDA Programs

29. We have attempted through the past five years to alleviate the acute problems created by the natural environment in Africa in several different ways. Emergency drought relief was financed by the Bank Group in FY74 in Ethiopia and the six Sahelian countries of Western Africa through quickly prepared and quickly disbursing IDA credits.

We believed that the magnitude of that drought and the resulting famine necessitated this type of assistance.

30. Since that time, we have focused our agricultural project work on preventive rather than curative measures in those countries affected by recurring droughts. A large proportion of the agricultural projects in these countries have contained irrigation, grazing control and grain production/storage components. Beyond direct project assistance, the Bank as one sponsor of the Consultative Group on International Agricultural Research is attempting to promote and maintain research directed towards solving a wide range of problems associated with agricultural production in African countries.

31. One of the Bank's major technical assistance efforts continues to be the Onchocerciasis Control Program. Since the Program's first six-year phase will end in 1979, WHO and the Bank have begun a comprehensive review of the Program's health and economic development aspects. Evaluation reports on these two aspects were submitted to the meeting of the Joint Coordinating Committee which was held in Lome in December, the proceedings of which augur well for a successful continuation of the Program.

32. Our concern about the recent invasion of desert locusts in several countries prompted us to send staff from our Central Projects Department to evaluate the problem. We are currently ascertaining what role the Bank can play in addressing this problem. A report detailing the dimensions of the problem and making recommendations for Bank intervention in this area is now being discussed within the Bank.

33. The decision to phase out the Tourism Department and to reorganize our work in this sector does not reflect dissatisfaction with the benefits obtained from financing projects in this sector. It is true that tourism is or could be an important source of foreign exchange earnings and employment in some developing countries - but this is not the case for many others. Faced with a wide variety of requests for development assistance, we had to make difficult choices and concentrate our efforts on those activities which are of highest priority in the majority of our member countries. Beyond this consideration, the high manpower costs of processing tourism projects, especially at a time when we are trying to contain the growth of our administrative budget, and the continuing availability of private capital for commercially profitable hotel ventures in the developing countries supported the decision.

34. We will continue the processing of several projects which were already under consideration last year. Thereafter, we will continue to take tourism requirements fully into account as we design our regular infrastructure, IFC and DFC operations. The latter operations will assist the mobilization of local private capital for promising tourism projects while minimizing Bank staff involvement in the project process. Moreover, a Tourism Advisory Group will be established to offer advice to member governments on policies and investment strategies in this sector.

35. You mentioned the beginnings that the Bank has made in lending

for afforestation and urged us to provide increased assistance in this area. I am pleased to note that the Bank's activity in forestry projects in Africa is evolving quite rapidly.

36. During FY78, the Bank prepared a Forestry Sector Paper which was published in February following circulation to the Executive Directors. The Paper concluded that a larger share of resources must be allocated to rural afforestation programs designed to bring a halt to dwindling forest resources and directly benefit small farmers.

37. During this year, the Bank is processing 8 forestry projects in Africa - 3 of which are in Sahelian countries. These projects are aimed at addressing a wide array of problems in the sector: establishment of pulpwood plantations and village woodlots for fuelwood; institution-building; training and research; as well as the exploitation and transformation of wood production.

38. During the next several years, another 11 forestry projects throughout Africa are scheduled for consideration. This represents a substantial expansion over past levels of forestry lending to Africa. Moreover, beyond these projects specifically focussing on forestry, many rural development projects address the issue in countries where forest denudation poses a problem.

39. As I am sure you can appreciate, the changing direction of Bank lending in this sector necessitates a flexible, evolving series of pilot projects. Thus, while the share of forestry in total agricultural and rural development lending will remain modest, the developmental impact of these projects/components can be great.

40. As stated in your memorandum, the training of project personnel is indeed a crucial matter and one to which the Bank has given increasing attention. We are approaching the problem by emphasizing technical assistance, specific project lending and direct training.

41. The inclusion of training components within projects is a growing aspect of technical assistance. One-third of total technical assistance included in FY78 projects was again committed to overseas training under the technical assistance components of 44 projects. This represented a total of \$31 million in FY78.

42. As examples of this type of lending in FY79, a highways project to Comoros provided for on-the-job training and fellowships to assist Comorians in establishing and implementing a road improvement and maintenance program. In Kenya, the financing of a rural water supply project included provision for a training officer who would assess the manpower requirements of the Ministry of Water Development and set-up training programs accordingly.

43. While the need for training components exists in virtually all sectors, project management is often the most difficult problem facing agricultural/rural development projects. In response to this

problem, the Western Africa Region established a task force last year to examine the issues and present recommendations for increasing the supply of agricultural project managers. The task force drew up terms of reference for a consultant study to be undertaken in FY79. This study which is designed to be carried out in close cooperation with African governments and institutions will identify the essential skills required to manage the different facets of agricultural projects, and will recommend the most appropriate mode of in-service and formal management training.

44. As examples of specific project lending in this area, the FY77 Mauritania SONADER technical assistance project included a special training component to provide both formal and on-the-job training to Mauritanian staff working with SONADER. In Senegal, the government organizations overseeing the para-public sector will be strengthened through an FY78 IDA credit to that country. During the current year, we hope to complete processing of a project which will establish an agricultural and rural development management training institute in Nigeria.

45. Direct Bank-sponsored training has been provided and is being provided through Economic Development Institute courses and on-the-job training. The courses offered by EDI in Washington have had an increasing number of participants from African countries. Since FY55, 889 or about 28 percent of the total number of participants from all member countries have come from Africa. In recent years, the number of Africans attending EDI courses in Washington has increased from 32 in FY70 to 89 in FY78. In addition, EDI conducted 38 courses in Africa between FY67 and FY78 which included a total of 916 participants.

46. The Bank is also providing a growing amount of on-the-job training to African men and women working for national or regional organizations. During the past year, 10 officials from 6 African countries received special training, ranging from two weeks to six months in duration, primarily at the Bank headquarters.

47. Thus, we are trying in various ways to meet your expressed needs in the area of training. If you believe that there are other appropriate mechanisms for providing training, I would welcome your suggestions.

International Finance Corporation

48. In regard to IFC, we were glad to note the satisfaction expressed in your memorandum concerning the growth of IFC's operations in Africa. We are giving high priority to expanding the country coverage of IFC's activities in African member countries and to diversifying the range of its financial and technical assistance. For FY79, IFC's operations are proceeding in accordance with the objectives established in the Five Year Program.

49. You referred in your memorandum to the Corporation's objective of increasing the share of Africa in the total volume of its invest-

ments from 7 percent in FY73-77 to 18 percent during the period FY79-83. However, this estimate should be read in conjunction with the target of undertaking over the same period 27 percent of all investments, by number, in Africa. In other words, because of the early stage of economic development, and the smaller market size of many African economies, the average size of IFC investments in African member countries will tend to be lower than that in other Regions. Indeed, it is precisely because of these considerations that IFC expressed its willingness to finance, where necessary, smaller projects than was customary in the past. This greater flexibility in IFC's policies should be particularly helpful in expanding IFC activities in the smaller and least-developed countries of Africa.

50. IFC will, of course, continue to seek ways of assisting its African members in the identification and development of larger projects as well, whenever such investments are consistent with the country's strategy of economic development. Such opportunities should arise, in particular, in the field of natural resources development, such as energy, mining and agriculture, where many African countries have considerable potential.

51. IFC has already embarked on major efforts to increase its role in Africa and intends to expand its promotional activities in African member countries in cooperation with the World Bank and other international institutions. IFC's promotional work will be focussed on the one hand on project preparation and development so that an adequate pipeline of projects can be developed and, on the other hand, on developing a more effective dialogue with its member countries so that priority investments are identified and implemented effectively. In this task, IFC's staff will need the strong and continuing support of its African member governments. Early action by your Governments to contribute to the Corporation's capital increase, for which you have already expressed your support, will also be helpful in providing IFC with the resources that are essential to the achievement of its Five Year Program.

Support of Regional Cooperation

52. The Bank has been actively supporting the aims of Regional cooperation and economic integration for many years, certainly through the period of my tenure, and in many different ways. The most visible, perhaps, has been Bank lending to the East African Community through the years. It is with deep regret that I have watched the erosion of this extraordinary institution.

53. The Bank has lent its support to various Regional bodies, currently exemplified by the Onchocerciasis Control Program. In addition, we maintain a constant dialogue with and on occasion provide technical assistance to Regional institutions such as the African Development Bank, BOAD, BCEAO, BDEAC and others.

54. In terms of project lending, the CIMAO project in Western Africa is an integration effort for Togo, Ghana and the Ivory Coast. This past year, the Bank helped fund a railway project jointly

sponsored by the Ivory Coast and Upper Volta. In the coming years, there are several other rail and highway projects which join the infrastructure of two countries. And, of course, many of the infrastructure projects in the coastal countries are directed at improving access for the neighboring land-locked countries, such as the improvement and expansion of the port of Dar es Salaam in Tanzania.

55. The expansion and strengthening of sub-Regional development banks provides a further avenue for the development of Regional projects. We certainly stand ready to continue our discussions with Regional institutions concerning any practical way in which the Bank can support their efforts in developing Regional programs/projects.

Employment of Africans at the World Bank

56. Your memorandum expresses concern regarding three aspects of employment of Africans in the Bank Group: (a) the total number of African staff members, (b) the number of African staff in senior level grades, and (c) the career prospects of African staff. I share your concern about these matters for the same reasons. Better Regional representation in our recruitment serves to both enrich the institution and strengthen its international character. Here, I want to reiterate and expand upon my remarks made during the Caucus.

57. Between June of 1974 and June of 1978 - during which time we made special efforts to increase the recruitment of Africans for professional staff positions in the Bank - the number of African staff members increased from 74 to 113. In FY78, alone, 17 Africans joined the World Bank Group. Moreover, an additional 13 Africans have reported for duty since July 1, 1978.

58. We have increased our promotional efforts to obtain qualified candidates from African countries through recruitment missions and advertising. Thus far in FY79, twelve countries have been visited specifically for recruitment purposes and an additional official recruitment contact was established. As in previous years, I want to stress the importance of your help in identifying qualified candidates and continue to ask for your help in strengthening our activities and supporting our progress in this area.

59. Beyond the total number of African staff, you expressed concern about the "one or two" African staff in the Division Chief and above levels. Here, my numbers are different from those you mention. There are 8 African staff at Senior Management levels and 7 at the "N" level (Division Chief or equivalent) from those countries representing the African Caucus. The recruitment of three senior level African nationals this past year was evidence of progress in this area. We were unfortunately not successful in persuading other senior officials to whom we made offers in the course of the year. However, I can assure you that we will continue to seek senior level African staff, and I propose to keep in touch with your Executive Directors on this matter.

60. The alternative of staffing senior positions through outside recruitment or promotion from within the Bank will always be a delicate issue, as it affects Bank staff members who look forward to satisfactory career development opportunities based on varied experience and superior performance in the service of the Bank. As I indicated previously, its staff is the Bank's most valuable resource, and I am determined to both maintain a compensation structure which will attract qualified staff and provide optimum career development opportunities which will encourage all staff to pursue a career in the service of the Bank.

Western Africa Region
February 1979

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Memorandum for the Record

March 9, 1979

Roger Chaufournier *aching R/K*

Confidential

Meeting with the African Contact Group,
January 23, 1979

Present: Messrs. McNamara, Chaufournier, Wapenhans, Benjenk, Koch-Weser (Bank); Razafindrabe, Abdulai, Muttardy (Executive Directors' Offices); Yondo, Mbulo, Ouattara, and Bindzi (Contact Group).

- 2/16
1. This was Mr. McNamara's first meeting with an African Contact Group. The concept of periodic meetings with Mr. McNamara by a group of African representatives to discuss items of interest was introduced by Mr. Yondo during the 1978 African Caucus. The agenda, as proposed by Mr. Yondo, consisted of four points as follows: (1) the Sixth Replenishment of IDA, (2) the General Capital Increase of IBRD, (3) the distribution of Bank Group resources to Africa, and (4) the recruitment and promotion of Africans in the Bank.
 2. Mr. Yondo expressed his wish that the growth of IDA VI in real terms would equal that of the Fourth and Fifth Replenishments - 12 percent - totalling \$14 billion. After thanking Mr. McNamara for his efforts in trying to realize this growth, Mr. Yondo specified the Group's interest in the following questions: what actions have been taken thus far?, what difficulties are being encountered?, what assistance can be given by African representatives in the process?.
 3. Mr. McNamara reported that one meeting of donors had taken place and that another meeting was scheduled for mid-March. He emphasized the importance of this second meeting since it was hoped that a consensus could be reached on the total level of the Sixth Replenishment at that time. He noted that the Bank has written to donors, stressing the need for a constructive dialogue on the matter, and suggested that the Africans use their diplomatic ties to convince Western Europe, Japan, and North America of the importance and urgency of a satisfactory Replenishment. The importance of an international consensus on the Replenishment was especially important in a period when donor countries are faced with many demands on scarce resources during a period of economic uncertainty.
 4. Moving to the point concerning the General Capital Increase of IBRD, Mr. Yondo said that he had been given indications that there was a consensus for a doubling of IBRD resources. He was interested in obtaining more precise information on this point. Moreover, he understood that the Bank had prepared a study on Bank liquidity and was interested in the results, especially as they concerned the 10 percent requirement on paid-in capital.
 5. Mr. McNamara emphasized that there seemed to be a strong consensus now on a doubling of the Bank's capital. However, a number of subsidiary questions still had to be settled - questions covering shares,

votes, representation, etc. - before a formal agreement could be reached. A paper would be presented to the Board at the end of the following week which would present the pros and cons of alternative percentages of paid-in capital and would make recommendations for the Board's review. He stressed that the African governments, through their bilateral contacts with OECD nations, could help in bringing about a formal agreement on the capital increase.

6. Mr. Yondo expressed a major African concern regarding representation on the Board. He queried how a shift in country subscriptions and the possible entrance of China would affect the representation of smaller countries, like those in Africa, on the Board. He asked for Mr. McNamara's assurance that measures would be taken to ensure an equitable representation.

7. Mr. McNamara responded by emphasizing the importance of the number of seats rather than the number of votes on the Board. He said he favored increasing the size of the Board rather than decreasing the number of seats given to Africa and Latin America if the choice had to be made. He anticipated no change in the voting shares of Part II countries under the General Capital Increase.

8. The next area of interest suggested by the Group concerned the distribution of resources to Africa. Noting that 16 of the 20 least-developed countries were in Africa, Mr. Yondo believed that the allocation of resources to Africa by the Bank was insufficient. Due to the small size of many countries in Africa, he noted that allocation per capita was an inadequate criterion in that it hid a number of inequalities faced by Africa. He reiterated the need to increase the resources flowing to Africa through the World Bank.

9. Mr. McNamara prefaced his remarks by separating the point into three components: (a) total national and multinational aid to Africa, (b) level of IBRD resources and (c) level of IDA resources:

- (a) In referring to the overall flow of resources to developing countries, Mr. McNamara said that an impression was created in the donor community that the slowing down of disbursements reflected a limited absorptive capacity in these countries. Mr. McNamara said he did not share this view. The Bank's rate of disbursement was not as much below anticipated levels as in bilateral programs. However, the African governments had to examine rates of disbursements and had to take action to accelerate disbursements to an optimum level in the future. He emphasized that each country should review and explain the causes of this slow-down and take every possible measure to help accelerate disbursements;
- (b) Mr. McNamara noted that increases in IBRD lending to Africa depended solely on three criteria: creditworthiness, economic performance, and absorptive capacity. Therefore, it was inappropriate to look at percentages of total allocations. Since these criteria are applied on a country basis, Africa's share of IBRD resources did not represent a Regional share, but rather a sum of country allocations;

- (c) In the case of IDA, the constraints on country lending were due to the limited pool of resources. As countries enter the Bank, it by necessity means that the original recipients will obtain a smaller share of the total. He noted the entrance of Vietnam last year and the re-entrance of countries like Indonesia and Pakistan as exemplifying the causes of annual variations in Africa's share. However, he pointed out that Africa had received increasing amounts and shares of total IDA, and on a per capita basis, Africa received more than Bangladesh. Lending to Africa in 1968 totalled \$75 million, and lending now was \$750 million - a ten-fold increase. This relatively higher allocation per capita reflected the fact that income per capita was not the only guiding criterion, and that in the case of Africa IDA took into account the size of the small countries, their landlocked character and their earlier stage of development.

Moreover, Mr. McNamara thought that one should examine not only the financial flows to Africa, but also the Bank structures established to meet Africa's needs. In this regard, he pointed to the fact that the Bank has two Regional departments handling Africa, with two full-time Regional Vice Presidents and another Regional Vice President who devotes half-time to Africa.

10. Mr. Yondo reiterated his concern with decreasing amounts of foreign aid by noting that in 1977 the developed countries gave 0.3 percent of their GNP as opposed to the 0.7 percent recommended by the United Nations. He believed that the argument used in support of this slowdown - a limited absorptive capacity in the LDCs - was a poor one which certainly did not apply to Africa. He also believed that the slowing of disbursements had to be shared between the Bank and the countries - both Bank procedures and country weakness in project preparation. Regarding Mr. McNamara's comments on IBRD criteria, he believed that the Bank needed to adapt these criteria to the realities of the African situation. And while he recognized the gratifying increase in IDA flows to Africa during Mr. McNamara's tenure, they still were not sufficient. Noting the increase in IFC's activities in Africa, he wondered why the same could not be achieved in IBRD and IDA lending.

11. Mr. McNamara explained that one could not equate IFC and IDA activities since IFC lending was not fixed while IDA lending to one country had to be done at the expense of another. Demonstrating the dramatic increase in IDA resources to Africa - \$276 million in the 1964-68 period and \$2486 million between 1974 and 1978 - he again stressed the need to increase total IDA in order to increase the shares of all countries. He asked for the Group's assistance in persuading countries like Sweden, which was exhibiting some reluctance, to satisfactorily replenish IDA resources.

12. Mr. Yondo then turned the discussion to the question of the recruitment and promotion of Africans in the Bank. He thanked Mr. McNamara for the Bank's efforts in recruiting an increasing number of Africans. He believed that it was necessary to place Africans in senior positions in the Bank in order to adapt projects to the realities of the African situation. It was also good training for

African staff when they return to their own country. He stressed that the argument that there is a lack of qualified staff in the countries was not correct. In fact, there is a great deal of unemployment among trained nationals - university graduates and former government officials, for example, from which the Bank could draw. Mr. Yondo also felt that there should be no conflict between promotion from within and recruitment from outside for the "political posts." Finally, Mr. Yondo wanted to disassociate the Group from the recent rumors and current press campaign directed against the Bank.

13. Mr. McNamara noted that the Bank had made a special effort to recruit Africans, as in fact, an effort had been made to recruit staff from the developing world in general. The strengthening of the African presence on the Bank staff does not have a direct effect on the Bank program in Africa or on the allocation of resources, but it contributes to the overall strengthening of the institution by increasing its cultural diversity. He believed in the need to diversify the staff in order to strengthen the Organization. He gave several statistics indicating the progress made in recruiting Africans for the Bank: Africans represented 18 percent of Third World recruitments in 1968, but 32 percent in 1979; the absolute number of African staff had increased from 13 in 1968 to 112 today; in the past six months, 13 Africans had been recruited in comparison to 18 during the previous twelve months; the proportion of Africans to Third World staff (15 percent) is almost equal to Africa's proportion of Third World population (17.8 percent). In terms of promotional opportunities for Africans at the Bank, Mr. McNamara noted that an African had recently been promoted to the Division Chief level, and a senior level African from the outside had been offered a senior level position.

14. Mr. McNamara expressed his concern that there was at present a serious morale problem with African staff because many felt that they were being discriminated against on racial grounds. He said he would discipline any discrimination, but he did not believe that there was discrimination. The Bank had found no proof of discrimination to date. In fact, if anything, he noted a reverse discrimination in favor of Africa and African staff. However, the charge had also led to accusations by U.S. blacks of racial discrimination, and more specifically, the lack of Black Americans at the Bank. He wanted to emphasize that the Bank did not have a policy to recruit Black Americans, or for that matter, Flemish Belgians or French Canadians. He feared the reactions in Congress to these charges and asked for the Group's assistance through their ambassadors.

15. Mr. Yondo expressed his pleasure with the increasing number of African staff appointments and promotions. Regarding the charges of racial discrimination, which he understood had led to a panel of inquiry in the Bank, he urged Mr. McNamara to take action against any cases of discrimination. However, when charges were proven to be unsubstantiated, the Group would communicate this fact to the African staff. While the Group had no desire to become involved in the internal affairs of the United States, they would agree to help dispel rumors whenever possible.

16. Mr. Yondo stressed the importance of open dialogue between Mr. McNamara and the Group in communicating full and direct information. He said that the information gained during this meeting would be reported to the African members.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: January 23, 1979

FROM: Roger Chaufournier *R*SUBJECT: Your Meeting with African Representatives
January 23, 1979 - 4:30 pm

I met last night with Marcel Yondo, Minister of Finance of Cameroon and Chairman of the African Caucus, who confirmed that discussions with you would focus on the issues listed in my briefing note.

- . IDA replenishment and future allocation
- . Bank Capital increase
- . Recruitment and Promotion of African Staff

1/23
Minister Yondo made it clear that the purpose of his visit was to explore with you ways in which the African Governors could be of assistance to the Bank and IDA in respect to the increase in our resources. The major concern he expressed, and on which he is likely to place emphasis, related to the dilution of the African share in any capital increase and their fear that African representation on the Board will be affected.

Privately (although he is not going to make a parochial plea in your meeting with a broad African representation) he was expressing the fear of francophone African countries concerning their representation.

No new issues emerged from the meeting. Mr. Wapenhans told me that Mr. Abdulai (Alternate Executive Director) had mentioned to him that some of his countries were concerned with the lack of continuity in assignments, but Mr. Yondo did not raise the issue.

You should keep in mind that Minister Yondo will leave Washington for Paris to attend the Conference of the Finance Ministers of the Franc Zone convened by President Giscard, on very short notice.

This will be a good opportunity for the Minister to express views to the French Government on issues of interest to the Bank and IDA.

Mr. Razafindrabe will also attend the conference.

cc: Mr. Stern

TABLE I

DESIGNATION OF COUNTRIES
WITHIN GROUPINGS USED FOR TABLES II-IV

<u>Africa</u>	<u>Black Africa</u>	<u>Arab League</u>	<u>Caribbean</u>
Algeria	Africa, ex-	Algeria	Bahamas
Botswana	cluding:	Bahrain	Barbados
Burundi		Djibouti	Belize
Benin	Algeria	Egypt	Dominica
Cameroon	Egypt	Iraq	French Guiana
Central African Empire	Libya	Jordan	Grenada
Chad	Mauritania	Kuwait	Guyana
Comoros	Morocco	Libya	Haiti
Congo	Rhodesia	Lebanon	Jamaica
Egypt	Sudan	Mauritania	Trinidad & Tobago
Eq. Guinea	Tunisia	Morocco	
Ethiopia		Oman	
Gabon		Qatar	
Gambia		Saudi Arabia	
Ghana		Somalia	
Guinea		Sudan	
Guinea Bissau		Syria	
Ivory Coast		Tunisia	
Kenya		United Arab Emirates	
Lesotho		Yemen Arab Republic	
Liberia		Yemen Peo. Dem. Rep.	
Libya			
Madagascar			
Malawi			
Mali			
Mauritania			
Mauritius			
Morocco			
Niger			
Nigeria			
Rhodesia			
Rwanda			
Senegal			
Sierra Leone			
Somalia			
Sudan			
Swaziland			
Tanzania			
Togo			
Tunisia			
Uganda			
Upper Volta			
Zaire			
Zambia			

TABLE II
IBRD
NUMBER OF AFRICAN, BLACK AFRICAN, ARAB LEAGUE AND CARIBBEAN NATIONALS RECRUITED
BY FISCAL YEAR AND LEVEL

		Total	Q	P	O	N	M	L	K	J	U(YP)	Other ^{a/}	Total	as % of Total Recrmt.	Of Whic Fixed- Term ^d
Africa ^{b/}	FY76	17	-	-	-	-	1	7	4	-	2	3	17	5.1	4
	FY77	23	-	-	-	-	-	7	5	-	6	5	23	8.2	5
	FY78	18	-	1	-	-	1	9	1	-	3	3	18	6.8	6
	FY79 ^{c/}	13	-	-	1 ^{e/}	-	1	3	2	-	3	3	13	8.8	2
Black Africa	FY76	11	-	-	-	-	1	4	3	-	1	2	11	3.3	3
	FY77	16	-	-	-	-	-	3	5	-	5	3	16	5.7	3
	FY78	13	-	1	-	-	1	6	1	-	1	3	13	4.9	6
	FY79 ^{c/}	6	-	-	1 ^{e/}	-	-	1	1	-	3	-	6	4.1	-
Arab League	FY76	10	-	-	-	-	1	4	2	-	1	2	10	3.0	2
	FY77	9	-	-	-	-	-	5	-	-	3	1	9	3.2	2
	FY78	8	-	-	-	-	-	4	1	1	2	-	8	3.0	1
	FY79 ^{c/}	9	-	-	-	-	-	3	1	-	-	5	9	6.1	2
Caribbean	FY76	4	-	-	-	-	-	2	-	1	1	-	4	1.2	-
	FY77	2	-	-	-	-	1	1	-	-	-	-	2	0.7	-
	FY78	10	-	-	-	1	-	2	2	-	1	4	10	3.8	2
	FY79 ^{c/}	4	-	-	-	-	-	2	-	-	1	1	4	2.7	2
Total Bank	FY76	335	-	1	-	2	14	157	34	14	62	51	335		37
	FY77	281	-	-	2	2	13	111	34	7	46	66	281		46
	FY78	265	1	1	-	1	7	107	30	10	50	58	265		40
	FY79 ^{c/}	148	1	1	1 ^{e/}	1	5	56	13	2	24	44	148		20

^{a/} Other includes consultants on authorized positions; staff movements from IFC, leave-without-pay status, sabbatical leave, secondment, and promotions from non-professional grades.

^{b/} Includes Rhodesia and excludes S. Africa.

^{c/} July 1 - December 31, 1978.

^{d/} Fixed-term only; excludes consultants, temporary and part-time staff.

^{e/} Kpognon, as of Feb. 1, 1979.

TABLE III
IBRD
NUMBER OF AFRICAN, BLACK AFRICAN, ARAB LEAGUE AND CARIBBEAN NATIONALS PROMOTED
BY FISCAL YEAR AND LEVEL

		Total	Q	P	O	N	M	L	K	J	Total	As % of Total Promotions
Africa ^{a/}	FY76	18	-	-	-	-	9	5	3	1	18	5.6
	FY77	15	-	-	-	-	4	5	5	1	15	4.9
	FY78	15	-	-	-	1	4	6	4	-	15	5.2
	FY79 ^{b/}	11	-	-	1	2	3	5	-	-	11	5.8
Black Africa	FY76	9	-	-	-	-	2	3	3	1	9	2.8
	FY77	10	-	-	-	-	3	4	3	-	10	3.2
	FY78	12	-	-	-	-	3	5	4	-	12	4.2
	FY79 ^{b/}	8	-	-	-	1 ^{c/}	3	4	-	-	8	4.2
Arab League	FY76	8	-	-	-	-	5	3	-	-	8	2.5
	FY77	8	-	-	-	1	1	3	3	-	8	2.6
	FY78	10	-	-	-	1	5	2	2	-	10	3.5
	FY79 ^{b/}	6	-	-	1	1	1	3	-	-	6	3.2
Caribbean	FY76	1	-	-	-	-	-	-	1	-	1	0.3
	FY77	3	-	-	-	-	1	1	1	-	3	1.0
	FY78	4	-	-	-	-	1	2	1	-	4	1.4
	FY79 ^{b/}	3	-	-	-	-	1	-	1	1	3	1.6
Total Bank	FY76	320	2	6	11	28	94	83	80	16	320	
	FY77	309	-	4	5	38	82	77	79	24	309	
	FY78	289	2	4	3	20	86	84	72	18	289	
	FY79 ^{b/}	189	-	2	3	22	69	54	31	8	189	

^{a/} Includes Rhodesia and excludes S. Africa.

^{b/} July 1 - December 31, 1978.

^{c/} Mr. Madavo

January 11, 1979

TABLE IV
IBRD
NUMBER AND PERCENTAGE OF AFRICAN, BLACK AFRICAN, ARAB LEAGUE AND CARIBBEAN NATIONALS ON BOARD
BY FISCAL YEAR AND LEVEL

<u>NUMBER OF STAFF ON DUTY</u>		<u>Total</u>	<u>Q</u>	<u>P</u>	<u>O</u>	<u>N</u>	<u>M</u>	<u>L + L(t)</u>	<u>K</u>	<u>J</u>	<u>U(YP)</u>	<u>Other^{a/}</u>
Africa ^{b/}	FY68	13	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	FY76	80	-	-	2	2	13	35	21	3	4	-
	FY77	94	-	-	2	4	16	41	24	2	4	1
	FY78	105 ^{c/}	-	1	2	5	20	51	21	1	3	1
	FY79 ^{d/}	112 ^{e/}	-	1	4	7	23	51	18	1	6	1
Black Africa	FY68	7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	FY76	51	-	-	-	-	4	24	18	2	3	-
	FY77	59	-	-	-	-	6	27	20	1	4	1
	FY78	67	-	1	-	-	10	35	18	1	1	1
	FY79 ^{d/}	69	-	1	1	1	12	34	15	1	3	1
Arab League	FY68	8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	FY76	51	-	-	2	3	11	22	7	3	3	-
	FY77	57	-	-	2	3	12	30	6	3	1	-
	FY78	60 ^{f/}	-	-	2	4	16	26	8	2	2	-
	FY79 ^{d/}	63 ^{g/}	-	-	3	6	16	28	6	3	1	-
Caribbean	FY68	2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	FY76	25	-	-	-	-	3	9	3	3	7	-
	FY77	18	-	-	-	-	5	7	3	2	1	-
	FY78	29	-	-	-	1	6	11	4	2	5	-
	FY79 ^{d/}	26	-	-	-	1	6	11	4	2	2	-
Total Bank	FY68	714	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	FY76	2066	14	52	72	188	396	846	316	100	67	15
	FY77	2202	15	53	71	213	435	907	339	100	56	13
	FY78	2290	17	49	67	224	475	953	339	100	53	13
	FY79 ^{d/}	2338	17	49	65	239	516	964	318	98	56	16

PERCENTAGE OF TOTAL BANK STAFF ON DUTY

Africa	FY68	1.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	FY76	3.9	-	-	2.8	1.1	3.3	4.1	6.5	3.0	6.0	-
	FY77	4.3	-	-	2.8	1.9	3.7	4.5	7.1	2.0	7.1	7.7
	FY78	4.6	-	2.0	3.0	2.2	4.2	5.4	6.2	1.0	5.7	7.7
	FY79	4.8	-	2.0	6.2	2.9	4.5	5.3	5.7	1.0	10.7	6.3
Black Africa	FY68	1.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	FY76	2.5	-	-	-	-	1.0	2.8	5.7	2.0	4.5	-
	FY77	2.7	-	-	-	-	1.4	3.0	5.9	1.0	7.1	7.7
	FY78	2.9	-	2.0	-	-	2.1	3.7	5.3	1.0	1.9	7.7
	FY79	3.0	-	2.0	1.5	0.4	2.3	3.5	4.7	1.0	5.4	6.3
Arab League	FY68	1.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	FY76	2.5	-	-	2.8	1.6	2.8	2.6	2.2	3.0	4.5	-
	FY77	2.6	-	-	2.8	1.4	2.8	3.3	1.8	3.0	1.8	-
	FY78	2.6	-	-	3.0	1.8	3.4	2.7	2.4	2.0	3.8	-
	FY79	2.7	-	-	4.7	2.5	3.1	2.9	1.9	3.1	1.8	-
Caribbean	FY68	0.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	FY76	1.2	-	-	-	-	0.8	1.1	0.9	3.0	10.4	-
	FY77	0.8	-	-	-	-	1.1	0.8	0.9	2.0	1.8	-
	FY78	1.3	-	-	-	0.4	1.3	1.2	1.2	2.0	9.4	-
	FY79	1.1	-	-	-	0.4	1.2	1.1	1.3	2.0	3.6	-

a/ Other staff consists of consultants on authorized positions and unclassified staff.

b/ Africa includes Rhodesia and excludes S. Africa.

c/ Reflects one change of nationality from Tunisian to US.

d/ First 6 months only, i.e., July 1 - December 31, 1978.

e/ Reflects one change of nationality from Egyptian to US, and Kpogon as of Feb 1, 1979.

f/ Reflects one change of nationality from Honduran to Jordanian and one from Tunisian to US.

g/ Reflects one change of nationality from Iraqi to US and Egyptian to US.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Roger Chaufournier *h*

SUBJECT: Information for Your Meeting with African Representatives - January 23

DATE: January 19, 1979

CONFIDENTIAL

1. On Tuesday, January 23, at 4:30 p.m., you will be visited by representatives of the African Governors. Mr. Marcel Yondo, Minister of Finance of Cameroon, whom you met as Chairman of the 1978 African Caucus, will head the delegation. He will be accompanied by Messrs. G.B.B. Mbulo, Research Director to Central Bank, Zambia, D. Franklin Neal, Minister of Planning, Liberia, Mohamed Aissaoui, Director of Treasury, Morocco, Ms. E. Johnson-Sirleaf, and Mr. Foalem.

2. It is my understanding that the discussion will focus on three major issues as follows:

- 1/22*
- (a) the Replenishment of IDA VI and its allocation to African countries;
 - (b) the Bank's capital increase -- exploring how the African Governors can be helpful in supporting Management's proposals, and
 - (c) the recruitment and promotion of African staff in the Bank.

3. I am attaching the following data as background to your January 23 meeting: (a) statistics supplied by the Personnel Department on the recruitment, promotion and staffing of Africans at the Bank, (b) statistics on Bank Group lending to Africa, and (c) a draft of your response to the African Governors' memorandum presented at the Annual Meetings.

Personnel Data

4. Tables I-IV attached present historical and current (through December 31, 1978) information on African staff at the Bank. These tables also detail staffing from the Caribbean for your use as background to your Trans-Africa meeting.

5. In terms of African staffing, the following points are significant:

- (a) The Bank recruited 13 Africans in the first six months of FY79. This number compares favorably with a total of 18 for FY78. More than half (7) of the 13 appointments came from African countries "South of the Sahara". (Countries "South of the Sahara" are those included in the Eastern and Western Regions of the Bank. In terms of the attached tables, these are countries covered within
- 8.829772 recruitment*

"Black Africa" plus Sudan and Mauritania.) One of the appointments occurred at Level "O" (Mr. S. Kpognon who is technically a staff member serving on the Development Committee but who will transfer to the Front Office of the Western Africa Region as a Special Advisor on February 1).

- (b) The Bank promoted 11 Africans in the first six months of FY79. This number is also favorable in comparison with 15 promotions during the entire year 1978. Eight of these promotions favored nationals of countries "South of the Sahara" (including Mr. Madavo, a black Rhodesian who was promoted to Division Chief, Urban Projects -- the first sub-Sahara African to be appointed Division Chief).
- (c) As of December 31, 1978, there were 112 African staff working at the Bank, of which 73 (65 percent) are nationals of countries in Africa "South of the Sahara". We have thus far in FY79 registered a slight increase in the African staff's share of total Bank staff: from 4.6 percent in FY78 to 4.8 percent in FY79. $\frac{4.8}{38} =$

6. Also, it should be noted that the five special positions for Africans have all been committed. *1/5 The Budget*

Bank Group Lending to Africa

7. Tables V and VI, originally included as text tables in the African Caucus Brief, have been updated to reflect the recent increases in IDA V and IDA VI resources. The increased allocations, resulting from exchange rate changes, proposed an additional \$247 million of IDA V and \$192 million of IDA VI funds for Africa.

8. The following points are significant:

- (a) The proposed total commitment of Bank Group funds to Africa in the next five years will be some 80 percent higher than the FY74-78 program in current dollars.
- (b) Africa's share of total Bank Group FY79-83 lending is expected to equal its FY74-78 share -- 22.5 percent (FY79-83) versus 22.6 percent (FY74-78).
- (c) The Western Africa Region's share of IBRD/IDA resources shows a significant increase between the two five-year periods (6.3 percent to 7.6 percent), largely due to the planned increase in the Nigeria program; North Africa maintains its share; but Eastern Africa's share decreases (8.2 percent to 6.9 percent).
- (d) IDA lending to Africa in the period FY79-83 is expected to be 90 percent greater than that in FY74-78. However, Africa's share will be less in FY79-83 (28.4 percent versus 31.2 percent) for reasons explained by you at the Caucus and reiterated in the attached draft response (page 4, paragraph 13).

9. You may want to stress the importance of the EEC Special Action Account being administered by the Bank. Of the 45 beneficiaries of these Credits, 30 are African countries. These credits are expected to increase lending to Africa in the next two years by about \$190 million.

Draft Response

10. The points you made verbally during the African Caucus have been summarized and expanded in the attached draft. The processing of this memorandum has been delayed a month since we hoped to obtain comments from the Executive Directors before sending a final draft for your approval. Some Directors have been away and they have asked us to wait until they have reviewed the response jointly. We may be able to obtain comments from them next week.

Attachments

cc & cleared: Mr. R. A. Clarke

cc: Messrs. Wapenhans
Benjenk
Koch-Weser

CSMiller/RChaufournier:pm

TABLE V
LENDING TO AFRICA, FY74-83

	FY74-78			FY79-83			Africa's Share in Total Bank Group Lending					
	<u>Bank</u>	<u>IDA</u>	<u>Total</u>	<u>Bank</u>	<u>IDA</u>	<u>Total</u>	<u>FY74-78</u>			<u>FY79-83</u>		
	(\$ Millions)			(\$ Millions)			<u>Bank</u>	<u>IDA</u>	<u>Total</u>	(<u>%</u>)		
Eastern Africa	1,244	1,394	2,638	1,522	2,547	4,069	5.1	17.5	8.2	3.6	15.3	6.9
Western Africa	1,319	739	2,058	3,015	1,473	4,488	5.4	9.3	6.3	7.1	8.9	7.6
South of the Sahara	<u>2,563</u>	<u>2,133</u>	<u>4,696</u>	<u>4,537</u>	<u>4,020</u>	<u>8,557</u>	<u>10.5</u>	<u>26.8</u>	<u>14.5</u>	<u>10.7</u>	<u>24.2</u>	<u>14.5</u>
North Africa	2,274	352	2,626	4,030	690	4,720	9.3	4.4	8.1	9.5	4.2	8.0
Total Africa	4,837	2,485	7,322	8,567	4,710	13,277	19.8	31.2	22.6	20.2	28.4	22.5
(Of which least-developed countries)	(328)	(1,341)	(1,669)	(437)	(2,547)	(2,984)	(1.3)	(16.9)	(5.2)	(1.0)	(15.3)	(5.1)

WANPC
1/16/79

TABLE VI

IDA LENDING TO AFRICA, 1972-83

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>Third Replenishment Period 1972-74</u>	<u>Fourth Replenishment Period 1975-77</u>	<u>Fifth Replenishment Period 1978-80</u>	<u>Sixth Replenishment Period 1981-83</u>
<u>IDA Lending to Africa</u>							
Amount (\$ million)	447.9	450.3	704.8	1,014.7	1,409.8	2,540.0	2,875.0
As % of IBRD/IDA Lending to Africa	30.5	27.1	43.1	43.4	30.6	40.0	33.6
As % of Global IDA Lending	27.1	34.4	30.5	29.4	31.1	28.2	29.0
<u>IDA Lending by Region</u> (\$ million)							
Eastern Africa	224.6	260.5	397.9	558.4	797.2	1,330.0	1,615.0
Western Africa	158.3	133.0	205.9	290.7	411.8	799.0	880.0
South of the Sahara	<u>382.9</u>	<u>393.5</u>	<u>603.8</u>	<u>849.1</u>	<u>1,209.0</u>	<u>2,129.0</u>	<u>2,495.0</u>
North Africa	65.0	56.8	101.0	165.6	200.8	411.0	380.0

WANPC
1/16/79

MEMORANDUM

TO: The Governors of the African Group Countries

FROM: Robert S. McNamara

SUBJECT: Reply to Your Memorandum Delivered at the 1978 Annual Meetings

1. As always, it was my pleasure to meet with you on the occasion of the 1978 African Caucus and to study the memorandum you distributed prior to that meeting. My colleagues and I have carefully reviewed the points raised in your memorandum as well as questions voiced during the Caucus. This memorandum endeavors to respond to each of the issues presented by you.

2. Needless to say, these issues will be kept under constant review during the coming year. I shall be happy to meet with your Executive Directors from time to time, or, as proposed by your Chairman in his introductory statement, with another contact group to further our discussion.

I. Volume of Bank/IDA Financing

3. Your memorandum correctly indicates that the financing requirements of developing countries, and in particular Africa, far exceed available external aid resources. I welcome all the comments made in your paper on the need to ensure an adequate replenishment of Bank Group resources.

4. As you know, I fully share your views on this matter and just want to reiterate that I believe it is both realistic and necessary to obtain formal agreement from the Board of Executive Directors on the size of the general capital increase early in calendar 1979. In addition, in order to reach a timely negotiated agreement on the Sixth Replenishment of IDA, preliminary discussions on this topic have already begun. I am sure that both you and I share the conviction that IDA VI must be supported by an increase large enough to fully offset inflation and pro-

vide for a substantial increase in real terms.

5. I recognize that in view of present limitations on the volume of Bank/IDA lending, the determination of criteria for the distribution of these resources among member countries has become particularly critical, and we understand your concern that Africa should receive an adequate share of total Bank loans and IDA credits. With respect to the criteria for allocation of Bank/IDA resources, you made two comments in your memorandum. You point out that non-economic considerations should not be allowed to influence our lending programs, and you make specific suggestions on some of the criteria which you think should be taken into consideration in the overall distribution of IDA funds.

6. I fully agree with you on the first point. As I said during our meeting, I have been encouraged by evidence of a lessening pressure in this area. I am very hopeful that the forthcoming discussions on IBRD and IDA financial resources will be held in an atmosphere conducive to the development aims of our institutions.

7. On the IDA allocations, you recommend that we should not base our lending programs solely on per capita income, but should also take into consideration such other factors as the geographic location of each country, literacy rates, and dependency on expatriate personnel. Like you, I realize that present statistics on per capita income do not always reflect adequately the real level of poverty and development requirements of some of our member countries. Although it is very difficult to make an appropriate use of some of the criteria mentioned in your memorandum, we recognize that IDA allocations should take into account the specific needs of each country and the particular difficulties encountered by each member government in its efforts to promote growth, improve income distribution and remove existing constraints to the

development of the country's economic potential and human resources.

8. In this regard, I believe that we have in fact taken into consideration the special nature of the development problems of our African member countries. As you know, Africa receives a volume of IDA assistance which far exceeds the levels which would correspond to the size of its population. In FY78, IDA commitments to Africa equalled about \$3.10 per capita compared to about \$1.70 per capita to IDA recipients world-wide. Also, the exceptionally rapid progress in recent years of IDA lending to the Sahel and other landlocked and very poor African countries indicates our desire to adapt our assistance to the particular circumstances of these nations, which have been severely handicapped by poor ecological conditions, the recurrence of disastrous droughts, the embryonic nature of their basic infrastructure, their low literacy rates and their serious domestic savings problems.

9. Concerning the share of Africa in past, present and future Bank/IDA lending, I should like to emphasize several points. As I have often said, you should not attach too much importance to annual variations in the volume of Bank/IDA lending to specific countries or continents. In particular, our operations in Africa include not only a wide variety of small to medium-size projects, but also a smaller number of very large operations, the timing of which influence considerably, and perhaps somewhat distort, the results of a given year. For FY78, a decrease in IBRD commitments to Africa was largely offset by a corresponding increase in IDA commitments. However, as you correctly noted in your memorandum, Africa's share in world-wide commitments was lower than in past years. I should like to examine this issue by discussing IBRD and IDA funds separately.

10. As you know, lending on IBRD terms is based on creditworthiness

considerations, economic performance and project availability. Several African countries experienced severe financial and economic problems during this past year - problems which made it difficult to maintain levels of lending achieved in previous years. While the World Bank continues to give whatever economic and technical advice requested by these member countries, the most difficult initiatives must be taken by the Governments involved. I am hopeful that these problems are of a temporary nature, and that the Bank can resume past levels of lending during the coming year.

11. IDA lending to Africa in FY78 totalled \$705 million - a 57 percent increase over FY77 and a 38 percent increase over the previous record high achieved in FY75. However, Africa's share of global IDA lending fell to 30.5 percent in FY78 from the high 34.4 percent received in FY77. This percentage share decrease was due to the skewed effect caused by abnormally low lending to India in FY77 followed by a sharp rise in IDA lending to this country in FY78.

12. Far more important than these annual fluctuations in Regional lending is the overall trend of Bank/IDA lending to Africa during the past fifteen years. During each of the three 5-year periods since FY64, Bank/IDA lending to Africa has increased faster than in any other Region of the world and the share of Africa in IDA lending which was 21 percent during FY64-68 and 26 percent during FY69-73 reached 31 percent during the past five years.

13. Africa's proposed share during the next five-year period will remain at a high level although it may be slightly lower than that received between FY74 and FY78 for the following reasons. As a result of a marked improvement in its creditworthiness following the increase in oil prices, Indonesia was graduated from access to IDA's resources during the Fourth Replenishment period. However, in view of the large increase

in its development program, the sharp rise in its external debt, and the rapid expansion of Bank exposure in the country, the Bank will resume some IDA financing in Indonesia during the coming five years. In addition, a new member country - Vietnam - will need an IDA allocation in the FY79-83 period.

14. To conclude my remarks about the volume of Bank/IDA lending to Africa, I should like to deal with the points you made concerning co-financing. As you correctly point out in paragraph 13 of your memorandum, the co-financing of Bank Group projects by other lenders has become an important source of additional resource transfer. The level of resources obtained from co-financing for projects in Africa (\$958.6 million in FY78) increased the volume of external resources extended by the Bank Group for these same projects by 40 percent. This proportion, which is much higher than in any other part of the world, has been steadily increasing over the past few years and shows our determination to maximize the financial resources available to African borrowers.

15. We will certainly continue to actively seek co-financing for our projects. Two recent examples of this interest are IDA's agreement to administer the Special Action Fund's credits for the European Communities, and the Bank's cooperation agreement with the International Fund for Agricultural Development. Both of these financial flow instruments are directed at helping to meet the needs of the poorest developing nations - a matter of special importance to the African continent which has 18 of the 26 Bank-member countries designated as "least-developed".

II. Terms and Conditions of Bank/IDA Lending

16. Since the adoption of a new interest rate policy during FY77, the interest rate on Bank loans has decreased from 8.85 percent in June 1976 to

8.20 percent in June 1977 to 7.50 percent in June 1978, and to 7.35 percent during the last quarter of 1978. It is true that pending the proposed general increase in the capital of the Bank, grace and amortization periods on Bank loans had to be shortened, and in some cases may prove to be harder than would be justified by the nature of the project and the situation of the country. However, the impact of these new lending policies on the poor countries in Africa was minimized by providing them with loans on the most favorable terms available.

17. Concerning onlending policies, the Bank attempts to encourage the adoption of an interest rate structure in member countries which will (1) induce a greater flow of capital for development, while (2) pricing the use of this capital to ensure that it does not artificially favor capital-intensive investments over those which would create more employment. In applying these principles, we have tried to be pragmatic and have taken into account the circumstances prevailing in particular countries and groups of countries.

18. For example, last year the Chairman of the Council of Ministers of the Union Monetaire Ouest Africaine (UMOA) pointed out a conflict between the Organization's legislation and the Bank's practice in interest rate matters. Their legislation which set low preferential discounts on onlending rates to small-scale enterprises was in conflict with the higher onlending rates set by the Bank for sub-loans to such enterprises under loans and credits we were granting to development banks. Following discussions of the matter with the authorities of the Central Bank of the Monetary Union (BCEAO), we agreed to accept their lower onlending rates for small-scale enterprises as defined by the Central Bank for an interim period. This action enabled both the Central Bank and us to determine the best way of promoting small-scale enterprises, while allowing us to proceed with a

number of loans and credits in this sector which will contribute to the growth of small-scale African enterprises. We believe that this type of dialogue and accommodation can best meet the interests of all parties concerned.

19. I understand your desire to ensure a more adequate distribution of the burden that some countries face in the disbursement of hard currencies. As you noted in your memorandum, a paper on this subject is now being finalized and, I hope, can be discussed by the Board of Executive Directors early in the next calendar year.

20. Because of their high dependence on imports, African countries were particularly hard hit by the acceleration of world-wide inflation during the 1974-77 period. A large number of Bank Group projects in Africa, which were financed in the period immediately before the acceleration of inflation, experienced large cost overruns which could not possibly be covered by the governments. In consideration of these special circumstances, the Bank Group provided more supplementary loans and credits to African countries than to any other part of the world. In addition, several new operations financed by the Bank Group during the past several years included the refinancing of project components that had been approved in earlier Bank projects, but had to be dropped to adapt project costs to available financial resources. Since all projects presented to our Executive Directors during the past four years include larger price contingencies, the need for cost overrun financing has decreased sharply. While we hope to avoid the necessity for supplementary financing in the future, we will continue to evaluate cases of cost overruns should they arise and attempt to meet the particular needs of the countries concerned.

21. I can assure you that the Bank is very sensitive to the issues you have raised regarding recurrent cost financing. Like you, we realize that the development process can be most seriously hindered when govern-

ments are unable to provide the resources required to operate and maintain existing investments. The Bank has in recent years devoted much time in its operational work to defining and refining forecasts of recurrent cost needs associated not only with Bank-financed projects, but also with the overall capital investment plans of your countries. Secondly, we have consistently tried to adapt the scope and design of our projects to the financial resources which the country and the agency can realistically allocate to operation and maintenance.

22. Finally, many of our operations include incremental maintenance and operating costs whenever they are required to achieve the purposes of the project. For instance, several of our transport, public utilities and agricultural projects involve the rehabilitation and maintenance of existing facilities that have suffered from neglect due to the lack of foreign exchange and budgetary resources, or inadequate technical and financial performance of the project authority. Maintenance absorbs a substantial proportion of our highway lending, and most of our rural development projects include the training and salaries of operating staff, input supply and credit facilities, maintenance of feeder roads and water supply systems, and other operating expenditures during the project implementation period.

23. While we shall continue to give the highest priority to this aspect of our economic and project work, particularly in the case of the neediest African countries, our objective in this area is essentially to develop the maintenance capacity and upgrade the operational performance of our borrowers, and to help set up effective cost recovery mechanisms to deal with future recurrent cost financing problems.

24. I share your concern regarding lower than anticipated levels of disbursements in FY78. This is an area that the Bank has been studying for sometime and will continue to review in the immediate future. Not only do disbursement shortfalls mean a reduced resource transfer to your countries,

but such shortfalls also make it more difficult to justify increased IBRD and IDA commitments which we all feel are so greatly needed.

25. There are several sometimes conflicting dimensions to this problem which need to be emphasized. Since we are planning to discuss this issue at length with the Executive Directors during the FY80 Budget exercise, I shall only summarize our points of reference here.

26. We are investigating several factors in this area. Some relate to the Bank - its financial, operational and administrative policies and practises; and some to country factors - budget constraints, foreign exchange shortages and administrative capacity. While all of these factors have been reviewed in the Bank in the context of our monitoring of implementation work, we are currently preparing a systematic, Bank-wide review. Whether this review will highlight Bank-wide trends, or merely serve to accentuate country/sector differences is not known. However, we hope that corrective measures will be identified so that disbursements can proceed on schedule, and indeed be accelerated.

27. In your memorandum, you suggest that restrictive lending policies in the area of program loans and local cost financing may be responsible for slow disbursements of Bank loans and IDA credits. Quickly changing conditions concerning terms of trade, export growth and import volumes have had in recent years a very serious impact on the balance of payments and public savings situation of a number of African countries which may justify program lending. We are presently working on a number of cases, in cooperation with the International Monetary Fund and other aid donors who are willing to provide debt relief and program aid, to assist governments in implementing well-conceived stabilization programs.

28. With respect to local cost financing, I should like to emphasize that a high proportion of our loans and credits in FY78 are financing

local costs. Under three-fourths of IDA credits to the least-developed countries of Africa, the Bank Group and its co-donors are financing local cost expenditures. This financing amounted to 37 percent of the total local costs of those projects - a significant increase from 22 percent in FY77.

III. Sectoral Composition of Bank/IDA Programs

29. We have attempted through the past five years to alleviate the acute problems created by the natural environment in Africa in several different ways. Emergency drought relief was financed by the Bank Group in FY74 in Ethiopia and the six Sahelian countries of Western Africa through quickly prepared and quickly disbursing IDA credits. We believed that the magnitude of that drought and the resulting famine necessitated this type of assistance.

30. Since that time, we have focused our agricultural project work on preventive rather than curative measures in those countries affected by recurring droughts. A large proportion of the agricultural projects in these countries have contained irrigation, grazing control and grain production/storage components. Beyond direct project assistance, the Bank as one sponsor of the Consultative Group on International Agricultural Research is attempting to promote and maintain research directed towards solving a wide range of problems associated with agricultural production in African countries.

31. One of the Bank's major technical assistance efforts continues to be the Onchocerciasis Control Program. Since the Program's first six-year phase will end in 1979, WHO and the Bank have begun a comprehensive review of the Program's health and economic development aspects. Evaluation reports on these two aspects were submitted to the meeting of the Joint

Coordinating Committee which was held in Lome in December, the proceedings of which augur well for a successful continuation of the Program.

32. Our concern about the recent invasion of desert locusts in several countries prompted us to send staff from our Central Projects Staff to evaluate the problem. We are currently ascertaining what role the Bank can play in addressing this problem. A report detailing the dimensions of the problem and making recommendations for Bank intervention in this area is now being discussed within the Bank.

33. The decision to phase out the Tourism Department and to reorganize our work in this sector does not reflect dissatisfaction with the benefits obtained from financing projects in this sector. It is true that tourism is or could be an important source of foreign exchange earnings and employment in some developing countries - but this is not the case for many others. Faced with a wide variety of requests for development assistance, we had to make difficult choices and concentrate our efforts on those activities which are of highest priority in the majority of our member countries. Beyond this consideration, the high manpower costs of processing tourism projects, especially at a time when we are trying to contain the growth of our administrative budget, and the continuing availability of private capital for commercially profitable hotel ventures in the developing countries supported the decision.

34. We will continue the processing of several projects which were already under consideration last year. Thereafter, we will continue to take tourism requirements fully into account as we design our regular infrastructure, IFC and DFC operations. The latter operations will assist the mobilization of local private capital for promising tourism projects while minimizing Bank staff involvement in the project process. Moreover, a Tourism

Advisory Group will be established to offer advice to member governments on policies and investment strategies in this sector.

35. You mentioned the beginnings that the Bank has made in lending for afforestation and urged us to provide increased assistance in this area.

I am pleased to note that the Bank's activity in forestry projects in Africa is evolving quite rapidly.

36. During FY78, the Bank prepared a Forestry Sector Paper which was published in February following circulation to the Executive Directors. The Paper concluded that a larger share of resources must be allocated to rural afforestation programs designed to bring a halt to dwindling forest resources and directly benefit small farmers.

37. During this year, the Bank is processing 8 forestry projects in Africa - 3 of which are in Sahelian countries. These projects are aimed at addressing a wide array of problems in the sector: establishment of pulp-wood plantations and village woodlots for fuelwood; institution-building; training and research; as well as the exploitation and transformation of wood production.

38. During the next several years, another 11 forestry projects throughout Africa are scheduled for consideration. This represents a substantial expansion over past levels of forestry lending to Africa. Moreover, beyond these projects specifically focussing on forestry, many rural development projects address the issue in countries where forest denudation poses a problem.

39. As I am sure you can appreciate, the changing direction of Bank lending in this sector necessitates a flexible, evolving series of pilot projects. Thus, while the share of forestry in total agricultural and rural development lending will remain modest, the developmental impact of these projects/components can be great.

40. As stated in your memorandum, the training of project personnel is indeed a crucial matter and one to which the Bank has given increasing attention. We are approaching the problem by emphasizing technical assistance, specific project lending and direct training.

41. The inclusion of training components within projects is a growing aspect of technical assistance. One-third of total technical assistance included in FY78 projects was again committed to overseas training under the technical assistance components of 44 projects. This represented a total of \$31 million in FY78.

42. As examples of this type of lending in FY79, a highways project to Comoros provided for on-the-job training and fellowships to assist Comorians in establishing and implementing a road improvement and maintenance program. In Kenya, the financing of a rural water supply project included provision for a training officer who would assess the manpower requirements of the Ministry of Water Development and set-up training programs accordingly.

43. While the need for training components exists in virtually all sectors, project management is often the most difficult problem facing agricultural/rural development projects. In response to this problem, the Western Africa Region established a task force last year to examine the issues and present recommendations for increasing the supply of agricultural project managers. The task force drew up terms of reference for a consultant study to be undertaken in FY79. This study which is designed to be carried out in close cooperation with African governments and institutions will identify the essential skills required to manage the different facets of agricultural projects, and will recommend the most appropriate mode of in-service and formal management training.

44. As examples of specific project lending in this area, the FY77 Mauritania SONADER technical assistance project included a special training component to provide both formal and on-the-job training to Mauritanian staff working with SONADER. In Senegal, the government organizations overseeing the para-public sector will be strengthened through an FY78 IDA credit to that country. During the current year, we hope to complete processing of a project which will establish an agricultural and rural development management training institute in Nigeria.

45. Direct Bank-sponsored training has been provided and is being provided through Economic Development Institute courses and on-the-job training. The courses offered by EDI in Washington have had an increasing number of participants from African countries. Since FY55, 889 or about 28 percent of the total number of participants from all member countries have come from Africa. In recent years, the number of Africans attending EDI courses in Washington has increased from 32 in FY79 to 89 in FY78. In addition, EDI conducted 38 courses in Africa between FY67 and FY78 which included a total of 916 participants.

46. The Bank is also providing a growing amount of on-the-job training to African men and women working for national or regional organizations. During the past year, 10 officials from 6 African countries received special training, ranging from two weeks to six months in duration, primarily at the Bank headquarters.

47. Thus, we are trying in various ways to meet your expressed needs in the area of training. If you believe that there are other appropriate mechanisms for providing training, I would welcome your suggestions.

IV. International Finance Corporation

48. In regard to IFC, we were glad to note the satisfaction ex-

pressed in your memorandum concerning the growth of IFC's operations in Africa. We are giving high priority to expanding the country coverage of IFC's activities in African member countries and to diversifying the range of its financial and technical assistance. For FY79, IFC's operations are proceeding in accordance with the objectives established in the Five Year Program.

49. You referred in your memorandum to the Corporation's objective of increasing the share of Africa in the total volume of its investments from 7 percent in FY73-77 to 18 percent during the period FY79-83. However, this estimate should be read in conjunction with the target of undertaking over the same period 27 percent of all investments, by number, in Africa. In other words, because of the early stage of economic development, and the smaller market size of many African economies, the average size of IFC investments in African member countries will tend to be lower than that in other regions. Indeed, it is precisely because of these considerations that IFC has expressed its willingness to finance, where necessary, smaller projects than was customary in the past. This greater flexibility in IFC's policies should be particularly helpful in expanding IFC activities in the smaller and the least-developed countries of Africa.

50. IFC will, of course, continue to seek ways of assisting its African members in the identification and development of larger projects as well, whenever such investments are consistent with the country's strategy of economic development. Such opportunities should arise, in particular, in the field of natural resources development, such as energy, mining and agriculture, where many African countries have considerable potential.

51. IFC has already embarked on major efforts to increase its role in Africa and intends to expand its promotional activities in African member countries in cooperation with the World Bank and other international

institutions. IFC's promotional work will be focussed on the one hand on project preparation and development so that an adequate pipeline of projects can be developed and, on the other hand, on developing a more effective dialogue with its member countries so that priority investments are identified and implemented effectively. In this task, IFC's staff will need the strong and continuing support of its African member governments. Early action by your Governments to contribute to the Corporation's capital increase, for which you have already expressed your support, will also be helpful in providing IFC with the resources that are essential to the achievement of its Five-Year Program.

V. Support of Regional Cooperation

52. The Bank has been actively supporting the aims of Regional cooperation and economic integration for many years, certainly through the period of my tenure, and in many different ways. The most visible, perhaps, has been Bank lending to the East African Community through the years. It is with deep regret that I have watched the erosion of this extraordinary institution.

53. The Bank has lent its support to various Regional bodies, currently exemplified by the Onchocerciasis Control Program. In addition, we maintain a constant dialogue with and on occasion provide technical assistance to Regional institutions such as the African Development Bank, BOAD, BCEAO, BDEAC and others.

54. In terms of project lending, the CIMAO project in Western Africa is an integration effort for Togo, Ghana and the Ivory Coast. This past year, the Bank helped fund a railway project jointly sponsored by the Ivory Coast and Upper Volta. In the coming years, there are several other rail and highway projects which join the infrastructure of two countries. And, of course, many of the infrastructure projects in the coastal countries

are directed at improving access for the neighboring land-locked countries, such as the improvement and expansion of the port of Dar es Salaam in Tanzania.

55. The expansion and strengthening of sub-Regional development banks provides a further avenue for the development of Regional projects. We certainly stand ready to continue our discussions with Regional institutions concerning any practical way in which the Bank can support their efforts in developing Regional programs/projects.

VI. Employment of Africans

56. Your memorandum expresses concern regarding three aspects of employment of Africans in the Bank Group: (a) the total number of African staff members, (b) the number of African staff in senior level grades, and (c) the career prospects of African staff. I share your concern about these matters for the same reasons. Better Regional representation in our recruitment serves to both enrich the institution and strengthen its international character. Here, I want to reiterate and expand upon my remarks made during the Caucus.

57. a/ Between June of 1974 and June of 1978 - during which time we made special efforts to increase the recruitment of Africans for professional staff positions in the Bank - the number of African staff members increased from 74 to 113. In FY78, alone, 17 Africans joined the World Bank Group. Moreover, the Personnel Department has informed me that an additional 8 African candidates have reported for duty since July 1, 1978.

58. We have increased our promotional efforts to obtain qualified candidates from African countries through recruitment missions and advertising. During calendar year 1978, seven countries were visited spe-

a/ Data to be updated through December 31, 1978 before final distribution.

cifically for recruitment purposes and an additional official recruitment contact was established in one country where none existed previously. As in previous years, I want to stress the importance of your help in identifying qualified candidates and continue to ask for your help in strengthening our activities in this area.

59. a/ Beyond the total number of African staff, you expressed concern about the "one or two" African staff in the Division Chief and above levels. Here, my numbers are different from those you mention. There are 7 African staff at Senior Management levels and 6 at the "N" level (Division Chief or equivalent) from those countries representing the African Caucus. The recruitment of two senior level African nationals this past year was evidence of progress in this area. We were unfortunately not successful in persuading other senior officials, to whom we made offers in the course of the year. However, I can assure you that we will continue to seek senior level African staff, and I propose to keep in touch with your Executive Directors on this matter.

60. The alternative of staffing senior positions through outside recruitment or promotion from within the Bank will always be a delicate issue, as it affects Bank staff members who look forward to satisfactory career development opportunities based on varied experience and superior performance in the service of the Bank. As I indicated previously, its staff is the Bank's most valuable resource, and I am determined to both maintain a compensation structure which will attract qualified staff and provide optimum career development opportunities which will encourage all staff to pursue a career in the service of the Bank.

a/ Data to be updated through December 31, 1978 before final distribution.

Western Africa Region
December 1978

1/
WORLD BANK: POPULATION OF MEMBER COUNTRIES
 (Millions)

Part I Members	648.6
Part II Members	1,997.6
of which:	
East Africa	141.3
West Africa	146.2
North Africa	77.8
Total Africa	<u>365.3</u>
 Total Bank Members	 2,646.2

% Africa of Total
World Bank

~~13.8%~~ 13.52

% Africa of Part
II Members

~~18.3%~~ 17.82

1147 2113 2113 2113 2113 2113
 4.82 1.82
 372 = 152 or 1968 $\frac{1.82}{182} = 102$

1/ Mid-1975 data.

15
 3√14.82
 3√
 160
 160

WANPC
1/23/79

13 ac, 1st 6 mos '79 - 5.827 total ac.
 or 18 total '78

BA promoted "Africa" 1st 6 mos '79
 or 15 total '78
 5 Septin 1978

as of 12/31/78

VIH. IBRD/IDA & IFC: "PROFESSIONAL" STAFF ON DUTY AND PROMOTIONS BY NATIONALITY AND GRADE LEVEL^{a/}

QUARTERLY REPORT AS OF SEPTEMBER 30, 1978

IFC

NUMBER OF STAFF ON DUTY	Actual						FY79 Situation as of 09/30 : Composition by Grade Level										
	FY68	FY73	FY74	FY75	FY76	FY77	FY78	Total	Q	P	O	N	M	L	K	J	Other ^{b/}
PART I: U.S.	28	21	32	31	35	38	42	40	1	5	-	11	6	10	5	2	-
U.K.	10	8	9	12	12	10	17	19	-	1	1	1	3	11	2	-	-
Japan	1	1	1	1	-	-	1	1	-	-	-	1	-	-	-	-	-
France	2	6	5	6	8	8	10	11	-	-	-	-	3	6	2	-	-
Germany	5	10	9	8	8	6	6	6	-	1	-	1	3	1	-	-	-
Other Pt. I	12	23	22	21	22	19	22	22	-	3	1	1	9	4	3	1	-
Subtotal	58	69	78	79	85	81	98	99	1	10	2	15	24	32	12	3	-
PART II: Africa	7	5	6	8	9	9	10	10	-	2	1	2	2	1	2	-	-
Asia	15	19	20	18	22	26	26	28	2	1	2	2	8	5	6	2	-
Europe	1	4	3	2	1	3	3	3	-	-	-	-	-	1	2	-	-
Wes. Hem.	4	11	11	12	14	16	18	21	-	1	-	-	3	11	5	1	-
Subtotal	27	39	40	40	46	54	57	62	2	4	3	4	13	18	15	3	-
GRAND TOTAL	85	108	118	119	131	135	155	161	3	14	5	19	37	50	27	6	-
Of which women	-	1	3	4	5	5	6	6	-	-	-	-	1	-	2	3	-
PERCENTAGES OF STAFF ON DUTY																	
PART I: U.S.	32.9	19.4	27.1	26.1	26.7	28.1	27.1	24.9	33.3	35.8	-	57.8	16.2	20.0	18.5	33.3	-
U.K.	11.8	7.4	7.7	10.1	9.2	7.4	11.0	11.8	-	7.1	20.0	5.3	8.1	22.0	7.4	-	-
Japan	1.2	0.9	0.8	0.8	-	-	0.6	0.6	-	-	-	5.3	-	-	-	-	-
France	2.4	5.6	4.2	5.0	6.1	5.9	6.5	6.8	-	-	-	-	8.1	12.0	7.4	-	-
Germany	5.9	9.3	7.7	6.7	6.1	4.4	3.9	3.7	-	7.1	-	5.3	8.1	2.0	-	-	-
Other Pt. I	14.1	21.3	18.6	17.7	16.8	14.1	14.1	13.7	-	21.5	20.0	5.3	24.4	8.0	11.1	16.7	-
Subtotal	68.3	63.9	66.1	66.4	64.9	59.9	63.2	61.5	33.3	71.5	40.0	79.0	64.9	64.0	44.4	50.0	-
PART II: Africa	8.2	4.6	5.1	6.7	6.9	6.7	6.5	6.2	-	14.3	20.0	10.5	5.4	2.0	7.4	-	-
Asia	17.6	17.6	17.0	15.1	16.8	19.3	16.8	17.4	66.7	7.1	40.0	10.5	21.6	10.0	22.3	33.3	-
Europe	1.2	3.7	2.5	1.7	0.7	2.2	1.9	1.9	-	-	-	-	-	2.0	7.4	-	-
Wes. Hem.	4.7	10.2	9.3	10.1	10.7	11.9	11.6	13.0	-	7.1	-	-	8.1	22.0	18.5	16.7	-
Subtotal	31.7	36.1	33.9	33.6	35.1	40.1	36.8	38.5	66.7	28.5	60.0	21.0	35.1	36.0	55.6	50.0	-
GRAND TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	-
Of which women	-	0.9	2.5	3.4	3.8	3.7	3.9	3.7	-	-	-	-	2.7	-	7.4	50.0	-
NUMBER OF PROMOTIONS																	
PART I: U.S.	4	5	11	3	4	7	3	-	-	-	-	2	-	-	1	-	-
U.K.	-	2	2	1	1	3	-	-	-	-	-	-	-	-	-	-	-
Japan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
France	1	1	2	1	2	-	2	-	-	-	-	-	-	1	1	-	-
Germany	-	1	3	4	-	-	2	-	-	-	-	1	1	-	-	-	-
Other Pt. I	6	2	4	4	2	4	1	-	-	-	-	-	1	-	-	-	-
Subtotal	11	11	22	13	9	14	8	-	-	-	-	3	2	1	2	-	-
PART II: Africa	1	2	3	3	1	2	-	-	-	-	-	-	-	-	-	-	-
Asia	4	2	8	4	5	5	5	-	-	-	-	2	2	-	-	1	-
Europe	-	1	1	-	2	-	-	-	-	-	-	-	-	-	-	-	-
Wes. Hem.	2	3	2	5	3	3	-	-	-	-	-	-	-	-	-	-	-
Subtotal	7	8	14	12	11	10	5	-	-	-	-	2	2	-	-	1	-
GRAND TOTAL	18	19	36	25	20	24	13	-	-	-	-	5	4	1	2	1	-
Of which women	-	-	2	1	2	-	-	-	-	-	-	-	-	-	-	-	-
Promotion Rate ^{c/}	17%	16%	30%	19%	15%	15%	32%										

a/ Data shown for staff on duty are as of end of fiscal year or date indicated; for promotions they are totals for fiscal years or period indicated.

b/ Other staff consists of consultants on authorized positions.

c/ Promotion rate is the number of promotions divided by the number of staff on duty at end-year.

1/
WORLD BANK: POPULATION OF MEMBER COUNTRIES
(Millions)

Part I Members	648.6
Part II Members	1,997.6
of which:	
East Africa	141.3
West Africa	146.2
North Africa	77.8
Total Africa	<u>365.3</u>
Total Bank Members	2,646.2

% Africa of Total World Bank	13.8%	13.5
% Africa of Part II Members	18.3%	17.8

1/ Mid-1975 data.

WANPC
1/23/79

MEETING WITH AFRICAN REPRESENTATIVES

4:30 PM

List of Participants

- Yants*
- Mr. Ouatarara, Executive Secretary
OAU, United Nations
New York
(Rank of Ambassador)
 - Mr. G. B. B. Mbulo, Research Director
Central Bank
Zambia
 - Mr. Mohamed Aissaoui, Director of the Treasury
Morocco
 - Mr. Foalem, Adviser
Cameroon

1/23
The four Executive Directors representing African Countries
will also attend:

Messrs. Razafindrabe
Abdulai
El Naggar
Muttardy (Temporary Alternate in the absence of
Mr. Belkhodja)

3

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: March 20, 1979

FROM: Roger Chaufournier

SUBJECT: Visit by Mr. Horton, Managing Director, ECOWAS Fund

1. We do not know the purpose of Mr. Horton's visit. It might be to apprise you of recent developments in ECOWAS, to request further technical assistance to the Fund, or to request financial assistance from the Bank.
2. The memorandum attached summarizes what we know of the current situation in ECOWAS, and what our relations with this organization are. A biographical note on Mr. Horton is attached also.
3. In the event that Mr. Horton would request financial support for the Fund you may wish to indicate that the multiplication of regional and subregional financial intermediaries in West Africa, all of which tend to request financing from the Bank Group, raises problems of additionality of resources, will soon create serious coordination problems, and it puts increasing claims on scarce managerial and technical talents. As you know, we have resisted so far acquiescing to repeated requests for financing by the Banque Ouest Africaine de Développement -- BOAD, an affiliate of the central bank of six francophone countries (five of which are IDA or soft blend countries) on the grounds that IDA money to BOAD would simply be diverted from country allocations and Bank money, the absorption of which is limited principally by creditworthiness considerations (Ivory Coast and Senegal), may as well be lent directly by us whether for national or multi-national projects (e.g. CIMA0).
4. In the particular case of the ECOWAS Fund, as explained in the memorandum attached, the whole future of the institution is, at this time, uncertain.

Attachments

ECOWAS

General

The Economic Community of West African States is a grouping of 15 countries (16 since Cape Verde joined in 1978): Benin, Cape Verde, the Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo and Upper Volta.

Politically as well as economically the moving force behind this effort since the early seventies has been Nigeria. The francophone countries have initially been rather resistant except for Togo and to a lesser extent Benin, two countries which have long undertaken to make the best of their neighborhood with the West African giant and have also sought to escape somewhat the polarisation around the Ivory Coast and Senegal, the heavy weights of francophone Africa.

The community became a potentially viable undertaking when finally President Houphouet-Boigny of the Ivory Coast gave it its full backing, and the Treaty establishing ECOWAS was signed in Lagos, Nigeria on May 28, 1975.

It is intended that the Community shall by stages -- broadly, over a period of 15 years -- work towards:

- a) the elimination between the Member States of customs duties and other charges of equivalent effect on imports and exports;
- b) the abolition of quantitative and administrative restrictions on trade among Member States;
- c) the establishment of a common customs tariff and a common commercial policy towards third countries;
- d) the abolition as between Member States of the obstacles to the free movement of persons, services and capital;
- e) the harmonization of agricultural policies and the promotion of common projects in the Member States notably in the fields of marketing, research and agro-industrial enterprises;
- f) the implementation of schemes for the joint development of transport, communication, energy and other infrastructural facilities as well as the evolution of a common policy in these fields;
- g) the harmonization of the economic and industrial policies of the Member States and the elimination of disparities in the level of development of Member States;
- h) the harmonization of the monetary policies of the Member States.

Organization

The two arms for implementing these goals are the Fund -- formally Fund for Cooperation, Compensation and Development -- and the Secretariat. While the latter is established in Lagos, the Fund's headquarters are in Lomé, Togo. The supreme body of the organization is the Council of Ministers which met for the first time, after signature of the Treaty, in July 1977. The Secretariat was physically established in the course of 1976 and the inaugural meeting of the Fund Board of Director took place on July 25-29, 1977.

The Secretary General is Mr. Aboubakar Diaby Ouattara, an Ivorian national; the Managing Director of the Fund is Mr. A. Romeo Horton, from Liberia.

While, as the titles suggest, the Secretariat is supposed to be the executive branch and the Fund its financial arm, the treaty appears to be somewhat ambiguous as to their respective roles and their mutual relationship. Thus, the Secretariat seems to have taken the view from the beginning that the Fund would act as a channel for finance and an accounting agency with powers to approve particular projects, whereas the formulation of policies in all areas, as well as studies and the preparation of all decisions under the jurisdiction of the Council of Ministers, would be the Secretariat's responsibilities. This interpretation of the arrangement would clearly put the Fund in a subordinate position vis-à-vis the Secretariat.

Not surprisingly, the managing director of the Fund viewed his organization rather as a sort of independent development Bank, with responsibilities towards the Council of Ministers but as a partner equal to and independent from the Secretariat.

The Fund is (a) to guarantee foreign investments made in member-states, (b) to provide financing for development projects in less developed member states of the Community, (c) to provide grants for feasibility studies and Community research activities, (d) to provide compensation to member states which have suffered losses as a result of the application of the provisions of the ECOWAS Treaty, (e) generally to study and promote development and investment opportunities within the member states.

The Fund would engage in two types of operations: ordinary operations financed from ordinary capital resources and "special" operations supported by special facilities obtained from outside and to be managed by the Fund.

Current Situation

We do not know exactly where each organization stands to-day. The Secretariat, Mr. Ouattara informed us a couple of years ago, was to quickly build up a staff of 50 professionals and a budget for further expansion as needed. We gather that recruitment has been slower than predicted. Through its own staff and more effectively through arrangements with research institutes in Nigeria and the Ivory Coast, the Secretariat has undertaken a number of studies on transportation and trade problems in the Community.

The Fund was to have an initial capital of \$50 million shared among member countries more or less in proportion to their economic importance, with 31 percent for Nigeria, 16 percent for the Ivory Coast, 12 percent each for Ghana and Senegal, 1 percent for Cape Verde, etc. The \$50 million was to be paid in within a year after the first Board meeting but subscriptions have been slow and we believe this modest level has not been reached yet. The Board of the Fund also proposed to the Council of Ministers that the nominal capital be established promptly at no less than \$500 million.

Differences between the Secretariat and the Fund have not been resolved over the last eighteen months, quite the contrary. According to indirect information we have received and a recent article in a respectable magazine (West Africa of February 26, 1979 - copy attached) the situation has reached the proportion of a major crisis.

The reason for this unfortunate situation are, first, as noted earlier the ambiguities in the Treaty and the Protocol establishing the Fund. Secondly, the respective (strong) personalities of the two main actors has only made things worse. While Mr. Ouattara is a young (37), "modern" technocrat and successful banker, with degrees in economics from French Universities and from the Harvard Business School; Mr. Horton is older (55) also endowed with academic degrees, and, we understand, a very wealthy businessman. Mr. Ouattara clearly belongs to the Ivorian establishment and he is close to President Houphouet-Boigny. Possibly, of course, antagonism between the two officials may reflect some unresolved differences between the "Francophones" and the "Anglophones." Finally some particular actions by one or the other may have been aggravating factors: for example, Mr. Horton's haste to recruit several Liberians as his close associates in the Fund (whereas Liberia represents less than 2 percent of the Community's population).

Relations with the Bank

We have from the beginning indicated our interest in the efforts towards establishing a broad economic community in West Africa, in particular one that would more closely associate the large and the dynamic economies (Nigeria, Ivory Coast) with the smaller or more sluggish ones. We particularly welcomed the prospects for real cooperation between anglophone and francophone countries.

Our relations with both the Secretariat and the Fund have been excellent and positive. Mr. Ouattara has visited the Bank several times since mid-1977. We have exchanged views with him on the nature and content of the Secretariat's program of economic and sector work and given advice on the detailed terms of reference of a transportation study. We have made available to him documentation on particular countries. Professor Onitiri, Director of the Nigerian Institute of Economic and Social Research (Ibadan) who is consultant to the Secretariat has also been with us twice last year. Our office in Lagos is in close touch with the Secretariat.

Our intervention has been even more concrete in the case of the Fund. At Mr. Horton's request, we have seconded for several weeks Messrs. Fowler,

Delaume and Subramanian to assist in setting up the Fund in the course of 1977. We have thus provided technical assistance on legal and personnel matters and made proposals for an accounting system. Our assistance has been fully recognized by Mr. Horton (e.g. his letter to Mr. Knapp of May 11, 1977). Personal relations between Bank staff and Mr. Ouattara and Horton respectively have always been most cordial. We have never met them together.

Attachments (1) Biographical Note on Mr. Horton
(2) Article from West Africa

A. ROMEO HORTON

Biographical Note

Dr. A. Romeo Horton, born August 20, 1923 in Monrovia, Liberia, former President of Bank of Liberia and former Dean of the College of Business and Public Administration of the University of Liberia is presently the Managing Director of the ECOWAS Fund for Cooperation, Compensation and Development.

Dr. Horton is a graduate of Morehouse College in Atlanta, Georgia and holds a Master of business administration degree from the Wharton School of Finance and Commerce of the University of Pennsylvania, United States of America. He was awarded the LL.D. degree from Morehouse.

He promoted the founding of the Bank of Liberia in 1953 and served as its President since the Bank's inception until 1976. He was Liberia's first assistant economic advisor to the President of Liberia. The first Secretary of Commerce, Industry and Transportation, first Dean of the College of Business and public administration of the University of Liberia.

He was Chairman of the Committee of nine African countries responsible for the Negotiation, Planning, and drafting of the chapter culminating in the establishment of the African Development Bank. He currently serves as chairman and member of the Board of Directors of several Liberian and foreign based corporations, and just prior to his nomination to Head the ECOWAS fund was Executive Secretary of the Librarian direct Baptist Missionary conference.

Why ECOWAS is short of staff

K. Roy Stevens, an African journalist who has recently visited Lomé and Lagos investigating ECOWAS affairs, gives his personal — and controversial — assessment of the organisation's position.

ECOWAS is now heading for its fourth anniversary since it became operational in 1976. Even though one may say that it is still in its embryonic stage, it is not too early to take stock of its activities. One major question that arises is this: has ECOWAS been functioning within the objectives of its founding and if so how?

Two people were appointed to run the two divisions of the organisation — Dr. Ouattara of the Ivory Coast for the Secretariat and Mr. Romeo Horton of Liberia for the fund — and there have apparently been differences between the two of them, which may have been the root cause of the obstacles impeding the progress of the organisation. Mr. Horton, who incidentally had mooted the idea of an economic union of African states as far back as 1963, was asked after he had been appointed to set up office in Lomé and charged with the task of setting up the bureau. According to aides close to Mr. Horton, he arrived in Lomé with an initial staff of three Liberians and one of them was sent down to Lagos to act as liaison officer between the Fund and the Secretariat. It is alleged that this officer was not well received as Dr. Ouattara felt that Mr. Horton should have been in Lagos personally at least at the initial stages to work directly with the Executive Secretary. The officer was subsequently recalled to Lomé. Thus the first seed of discontent was laid between the two men.

Effective liaison between the two branches was during the initial stages virtually nil. This in turn inevitably led to the second "difference" between the two men — who was boss of the others? This issue was a major thorn in the flesh and continued to be so until the issue was finally

resolved in the summit meeting in Lagos last year when Dr. Ouattara was named executive head of the organisation and Mr. Horton managing director of the Fund only.

One would have thought that with this matter resolved, the organisation would settle down to the real business of seeking an economic integration of West African states. But from my investigation conducted while on a recent visit to both the Secretariat and the Fund's headquarters, this does not appear to be the case. It appears that apart from the problem of finance facing the Fund and the organisation as a whole, one major hurdle has been that of recruiting a permanent staff.

This problem apparently stems from two causes. One is the allegation constantly circulating along the African corridors of power that Mr. Horton had filled the fund with Liberians and did not use the proper bureaucratic procedures for recruiting. According to the organisation's protocols, the staffing should be on quota basis but to be done "within a reasonable period of time". The second arises from the case of a Nigerian recruited by Mr. Horton from the United States of America. According to reliable sources, difficulties arose and he was eventually dismissed by Mr. Horton. The officer then took the matter up with the Nigerian Government. At a subsequent Ministerial Council in Lagos it was ruled that Mr. Horton was to re-employ him retroactive from the day he was dismissed, but the officer would only receive his back pay for the period during which he was laid off, after which he would leave the Fund.

The Council also decided that because of the difficulties all current staff should be

laid off, pending the appointment of a permanent staff. This in effect meant that after the three months notice period given to the staff as it existed then, ECOWAS ceased functioning as an effective entity. The only people left on permanent employment were Dr. Ouattara, Mr. Horton, their deputies and the minor secretarial staff. All professional staff had to go. At the Fund, only the accountant and personnel officer were left on a temporary basis. The task of recruiting a new professional staff was entrusted to a committee comprising the managing director of the Fund, the executive secretary and other members nominated by the Council. The Committee was to interview a list of candidates already short-listed by their respective governments. They were to present the final list of candidates to the Ministerial Council meeting in Dakar last November. According to a report, the committee was unable to meet the deadline.

This thus brings us to the crucial question: what has been happening and where is the Organisation heading? What has emerged is that apart from the flowery rhetoric emerging from the secretariat not much in concrete terms is happening in the community. When I last spoke with the Secretary, Dr. Ouattara, concerning the plans of the community, he could only say: "I cannot discuss the plans of the Organisation now as it is confused and a very sensitive issue." He, however, promised that a press statement would be issued after the Dakar meeting (last

November) and this is yet to come. However, what is crystal clear is that the organisation has not done any work so far in terms of carrying out the implementation of projects or even embarking on feasibility studies. Dr. Ouattara said: "We have identified certain projects in certain areas; but I cannot disclose them now". A senior official at the fund, however, put it this way: "Listen, I am fed up to the teeth with the whole issue. How can you ask about projects when there is no staff to either conduct feasibility studies or implement them?"

He also told me that since the formation of the fund one of the major problems confronting it has been that of countries paying up their dues. Going through the financial records of the Fund I was able to see that only few countries had paid up in full.

Political differences have also been precipitating problems facing the organisation. One is the intense differences existing between President Senghor of Senegal, representing the French-speaking countries, and Nigeria, speaking for the English-speaking countries on the other. One school of thought contends that President Senghor sees ECOWAS as yet another channel through which Nigeria seeks to expand her wings over Africa south of the Sahara in her role as "Big Brother". Yet another thought which has been propounded by pundits is that the "Elysee" in Paris may be the source of the problem between Francophone countries and the English-speaking countries. The

reason could be that France is frightened of losing its dwindling hold over its ex-colonies where several billion francs have been invested. They believe that if ECOWAS succeeds, it may encompass the French-inspired sub-regional community French-speaking African countries (CEAO, The West African Economic Community). This idea seems to be gaining ground against a backdrop of CEAO's invitation to English-speaking African countries to join the community should they wish to. So far none has taken up the offer.

It is significant that while the ECOWAS Ministerial meeting was taking place in Dakar the CEAO was also holding a summit meeting in Bamako. This is reminiscent of the last OAU summit meeting in Khartoum, when a mini-summit of French-speaking countries was also held in Paris at the Elysée Palace. What the impact of the Bamako meeting would have on the future of ECOWAS is yet to be seen.

In the final analysis, it would appear that either through ignorance of the true state of affairs of ECOWAS or for some other reason the member Governments do not seem to be making efforts to transform ECOWAS from a toddler into walking man. If nothing is done urgently, the hope of seeing ECOWAS dealing with other communities like the EEC as West Africa's economic representative will remain a pipe dream. As it stands at the moment, the words of a senior official at the secretariat sum it up succinctly when he told me "ECOWAS now exists only because the governments want it to exist dead or alive."

4

OFFICE MEMORANDUM

TO: FILES

DATE: April 27, 1981

FROM: Stanislas Kpognon, WANVP *Straum.*SUBJECT: Mr. McNamara's Meeting with the Contact Group of the
African Governors, April 24, 1981In Attendance:

- Ministers Tipoteh (Liberia), Chairman of the Contact Group, Razakaboana (Madagascar), Vice Chairman, Ambassador Malek (Algeria);
- African Executive Directors: Messrs. Razafindrabe, Soglo, Abdulai, Smith, Zerhouni;
- Messrs. Stern, Wapenhans, Alisbah, Thahane, Païjmans, Lafourcade, Kpognon.

1. Minister Tipoteh opened the discussion and briefed Mr. McNamara on the Contact Group's earlier meetings with Congressmen, State Department and Treasury high officials. The Minister said that the US officials met were very positive about IDA 6 and promised to do their utmost for quick ratification. The US Treasury officials had not acquainted themselves yet with the Energy Affiliate scheme and questioned the timing for consideration and financing of the scheme. Minister Tipoteh focussed on the following issues with Mr. McNamara:

- Bank/IMF Coordination and Increased Resources

2. The Minister saw the need for a coordinated operational effort between the Bank and the Fund designed to achieve increased financial and technical assistance to African countries. He felt that joint Bank/Fund efforts which had worked well in some cases should address more carefully the timing of resource disbursement as countries all often suffered from cash squeeze. Mr. McNamara stated that Bank/Fund cooperation had been working well both at the Senior Management and working staff levels. The problem, he said, was the expansion of resources in each institution to satisfy developing countries' needs. In the Bank, he had recommended to the Board of Executive Directors an expanded lending program beyond previously planned operations; he stressed that the paid - in resources required from Part I countries would be small in relation to the tremendous benefits expected. The Energy Affiliate, if adopted, should free up important resources for financing of other sectors. As regards IDA 6, Mr. McNamara indicated that the US will stick to its pledge as negotiated, but will rephrase its initial payment plan. He added that US legislative approval was behind schedule. He urged the African Governors to make a case for Bank expanded lending, for the approval of the Energy Affiliate and for US legislative approval of IDA 6, at the Meeting of the Development Committee in Libreville in May and at the next Bank Annual Meeting here in Washington.

He stressed that African Ambassadors should initiate the move and the G24 Ministers should make of these subjects the center piece of their debate and Communiqué in September.

- Africa Study

3. The Minister inquired about the status of the study. Mr. McNamara indicated that the study was progressing very well and that, due to time constraint, the matter would not be fully discussed before he leaves the Bank. He announced that plan for distribution of the study to the Board of Executive Directors was early summer, distribution to the Development Committee in August for consideration in September/October at the Bank Annual Meeting in Washington. Minister Razakaboana, Vice Chairman of the Group urged that the special action in the study be as specific as possible; Mr. McNamara said he had not seen the draft study yet.

- Mr. Clausen's Views on Issues Confronting the Bank

4. The Contact Group was keen to know Mr. Clausen's stance on problems facing the Bank and expressed their desire to meet with him at the earliest to fill him in on some of the Africa's preoccupations. Mr. McNamara indicated that Mr. Clausen will come to the Bank as early as May for a full briefing and that everything Mr. Clausen said points to the need to increase the financing capability of the international organizations including of course the World Bank. Mr. McNamara stressed that the main danger for the Bank's future were the negative forces at play domestically in the developed countries whose support to the institution was critical and that joint action by the Management and the African nations should be undertaken to minimize the impact of such forces.

- SAL and Conditionality

5. The Contact Group welcomed the new facility and hoped that stringent conditionalities similar to those required for IMF higher tranches would not apply. Mr. McNamara stressed that the current account deficits of LDCs was unlikely to be sustained indefinitely, that the level of those deficits should be reduced through restructuring of the economy of oil importing developing countries. The World Bank was prepared to assist in such an adjustment and the so called conditionalities of SAL were no more than policy measures imposed by internal or external circumstances. Mr. McNamara said that it was up to the country to mount a program for Bank support. The country might not be ready to present a comprehensive program; if a "sectoral" program such as the one presented by Tanzania recently on export promotion was put forward, the Bank will consider it as a worthwhile first step in the country overall structural adjustment and will support it.

- Other Matters Raised by the Contact Group

6. Minister Tipoteh wanted to be reassured that China potential claims on IDA would not be made at the expense of African countries and that IDA allocation to Africa would be made according to the needs.

Mr. McNamara said Bank lending to China would not jeopardize lending to Africa, notably to the poorest African countries.

The Contact Group, having noted progress made by the Bank in the employment of African staff, expressed concern at the absence of Africans at the management position in the Program Departments/Divisions. Mr. McNamara said he would consult with PMD on the matter.

cc: Messrs.	Stern	Knox (o.r.)
	Wapenhans	Chaufournier
	Alisbah	Merriam
	Thahane	
	Paijmans	
	Lafourcade	
Prof.	Berg	

OFFICE MEMORANDUM

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TO: Mr. Robert S. McNamara
 (Through Mr. Ernest Stern, SVPO) *ES*
 FROM: Bilsel Alisdah, Acting RVP, WANVP

DATE: April 22, 1981

SUBJECT: LIBERIA - Mr. McNamara's Meeting with Mr. Tipoteh

1. I understand that Mr. Tipoteh, Minister of Planning and Economic Affairs of Liberia, will be seeing you on Friday, April 24, in his capacity as Chairman of the African Caucus to discuss Bank Group relations with Africa. Minister Tipoteh is due to see me later today about Bank Group operations in Liberia and in this context he has indicated that he will wish to discuss with me the question of a possible structural adjustment loan to Liberia. Just in case Mr. Tipoteh refers to this during your meetings with him, you may wish to be aware of the position we propose to take in our talks with him.
2. The government first raised with us the possibility of lending for structural adjustment at the time of the Annual Meeting last year and we discussed the question again with them here in Washington last month with the new Governor of the National Bank of Liberia (the central bank) and the Deputy Minister of Finance. In our response we have made a number of points to them. Firstly, a prerequisite for any Bank Group lending operation for structural adjustment would be the formulation of a medium term program comprising a balanced public sector investment program with supporting macro economic policies. The new government is still quite some way from completing preparation of such a medium term program; work on a Second National Development Plan was initiated under the former government but preparation was delayed as a result of the April 1980 coup. We have seen a draft Plan document but we have serious reservations about the feasibility of financing the proposed public investment program; in addition, perhaps the major weakness of the document is that there is no discussion of the macro economic framework, e.g. GDP growth rates, investment/savings, balance of payments and public finance projections. It seems unlikely that an acceptable Plan will be completed until towards the end of the current calendar year.
3. Secondly, we have pointed out to the Liberians that in per capita terms, the country has been one of the highest recipients of Bank Group lending in recent years. It would be difficult therefore to envisage Bank Group resources being made available to Liberia for structural adjustment in addition to the existing level of lending. No additional resources have so far been forthcoming to underpin the Bank's lending for structural adjustment; IDA resources remain extremely scarce whilst the country's liquidity and external debt problems in any case presently constrain the level of lending to Liberia on Bank terms. We have pointed out to the government that we feel that our existing and future program of project lending will assist government in achieving many of the goals of the structural transformation of the economy and that in our view limited Bank Group resources will be probably most effectively utilized in support of project rather than program

04/23

April 22, 1981

type lending. We would, of course, be prepared to review with the government our pipeline of new projects to see whether there are any of lower priority which could be dropped in favor of a structural adjustment loan (assuming other conditions for structural adjustment lending could be met); however, when it comes down to individual cases we doubt whether the government will wish to sacrifice any of the new operations in the program.

4. Thirdly, we have reminded government that the IMF should be their first recourse for balance of payments assistance. In July 1980 Liberia negotiated with the IMF a Two-Year Standby Arrangement of SDR 65 million covering the period July 1980 to June 1982. It would be possible for Liberia to obtain substantial additional resources from the IMF under the Extended Fund Facility (EFF) which would entitle Liberia to draw up to SDR 185 million. However, the Fund would also require Liberia to have formulated a medium term development program to justify going forward with an EFF operation. This underlines the importance of government concentrating on completion of the work already in hand on its Second National Development Plan.

cc: Messrs. Knox, WANVP (o/r)
de Azcarate, WANVP
Iserman, WAI
Husain, WAI
Abdi, WAI (o/r)
Ms. Lowenstein, WAI

AJClift:pr

OFFICE MEMORANDUM

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TO: Mr. Robert S. McNamara

FROM: Ernest Stern, SVP, Operations *ES*

SUBJECT: African Study

DATE: April 23, 1981

No doubt the contact group will be interested in a progress report on the Sub-Saharan Africa Study. A very first draft is available and I have left it with Olivier, in case you have time to glance at it. It is very long and still needs considerable work but has the basic raw material for quite a good report in my view. However, it is also clear that it will take until mid-June to get a final version done, with publication then possible in August for the Development Committee at the end of September.

You might tell the contact group the status of the work and indicate the proposed schedule for its completion. You can mention of course that the late start was due to the protracted delay in establishing contact with them after the original request was made. In addition you might make the following points:

- 04/23
- A. The report will recognize the special requirements of the Continent and the extraordinary depth of its economic crisis.
 - B. It takes the line that resolution of this crisis will require the joint efforts of African countries and donors, both in raising additional domestic and foreign resources and in undertaking substantial policy changes.
 - C. The report carefully analyses the causes of the slow economic growth in Africa, the current economic crisis and the relatively poor prospects for the future. It is very clear that a major set of reasons relates to the domestic policies followed in many African countries which have provided an inadequate incentive for agricultural growth; strongly discouraged the private sector from making the contribution it is capable of; placed an undue burden on government and the public sector in the face of limited administrative and managerial talent; and have spent an undue share of their investments on low priority projects.
 - D. These internal problems have been compounded by the current external situation, including petroleum prices and slow growth in industrialized countries. However, changes in the terms of trade were not a major cause of the economic crisis prior to 1978.
 - E. In addition to these international economic factors which affect all developing countries, Africa has also faced some very special problems, such as prolonged adverse climatic conditions, an unusual amount of civil and military strife leading both to direct expenditures and to large-scale refugee movements.

- F. These problems have also been compounded by donor policies which have supported domestic strategies which were inappropriate, which have financed budgetary expenditures without adequate planning of long-term consequences, which have promoted projects which are inappropriate, and which often have provided advice which exacerbates specific problems, such as the creation of additional public sector enterprises or adding generally to governmental responsibility.
- G. We believe that a substantial improvement in the prospects for growth and development in Africa is possible, but this will require governments individually coming to grips with the distortions of price and resource allocation and the operational responsibility assigned to the public sector and making necessary changes. Even with increased aid flows, the prospects do not improve in the absence of such changes.
- H. With appropriate changes domestically, substantially increased aid flows are necessary, plus significant changes in donor policies to make aid flows more responsive to African needs, including more emphasis on training, administration, transfer of technology, and supplementing government revenues. A much better coordination among donors is necessary to avoid promotion of uneconomic projects for political and other reasons.
- I. The Bank would be prepared, after the report is completed and broadly discussed, to take a lead in assisting governments to undertake the changes indicated on the one hand and to raise the resources and strengthen donor coordination on the other.

EStern:ls

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
through: Mr. Ernest Stern, SVPO
FROM: A. David Knox, RVP WAN

DATE: April 15, 1981

SUBJECT: Your Meeting with the Africa Contact Group

1. The Contact Group of the African Governors will call on you on Friday, April 24 at 6:10 PM. Dr. Tipoteh, Minister of Planning for Liberia will head the Contact Group which will also include Mr. Razakaboana, Minister of Finance of Madagascar, His Excellency Mr. Malek, Ambassador of Algeria to the United States and a senior representative of Kenya; (at this moment we don't know whether Mr. Kibaki, Minister of Finance of Kenya will come).

2. Our consultation with the African Executive Directors of the Bank suggests that the focus of the Contact Group's Discussion with you might be on the following points:

IDA 6

- 04/16
- (a) Outcome of the Paris donors' meeting on the effectiveness of IDA 6;
 - (b) Implications of the proposed rephrasing of US contributions on IDA lending to African countries;
 - (c) Implications for Africa of China potential claims on IDA resources.

Energy Affiliate

The Contact Group may like to know how the IDA-only African countries would benefit from the proposed Energy Affiliate scheme through concessional funds.

The Africa Study

African Executive Directors would like to share the findings of the Study with the Senior Management before the Contact Group arrives in Washington. They feel that it would be highly desirable that the Contact Group be given the opportunity to react to the findings and conclusions of the Study before the Libreville meeting.

Mr. Stern is planning to meet either with the African Executive Directors or the members of the Contact Group itself for a briefing on the main findings of the Study next week.

African Staff Employment in the Bank

The Contact Group would like to follow-up on progress made in that area. Attached is a note prepared by the Personnel and Management Department on the status of African staff employment, which was included in your reply on the Chairman of the African Caucus.

3. Please let us know whether you need additional information on the four above mentioned issues.
4. I attach a copy of your reply to the memorandum of the Chairman of the African Governors.
5. Attached also for your information is bio data of Ministers Tipoteh and Razakaboana.

cc: Mr. Wapenhans
Mr. Chauffournier
Mr. Thahane
Mr. Paijmans
Mr. Lafourcade

S.Kpognon/yb

BIOGRAPHICAL NOTE

Dr. Togba-Nah TIPOTEH

IBRD Governor for Liberia
Chairman of the African Caucus

Dr. Tipoteh is Minister of Planning and Economic Affairs in Liberia. In 1965, under UNDP technical assistance financing, the Harvard Advisory Group sent him to U.S. universities for training in economics and development planning. He got a Ph.D. in economics from the University of Nebraska. In 1970, he became Director of Budget; then served as Professor of economics at the University of Liberia. He went into politics and created his own party (Movement of Justice in Africa). He emerged after the April military take-over as one of the prominent technocrats who will be instrumental in charting the Liberian development course.

BIOGRAPHICAL NOTE

Rakotovao RAZAKABOANA

IBRD Governor for Madagascar
Vice Chairman of the African Caucus

Professor Rakotovao Razakaboana is 46 years old. He graduated in France after his high school studies and holds a doctorate in economics. He worked for the Planning Department (1962-1965), for the University (1965-1972), and again for the Planning Department (1972-1975) before being appointed Minister of Finance and Planning in mid-1975. He is now also "Minister to the Presidency", which makes him, if not a Vice Prime Minister, at least a "super" Minister for economic affairs.

Mr. Razakaboana has always been very cooperative towards the Bank Group. He has been instrumental in fostering the recent and significant improvement of relations between the Bank and Madagascar.

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OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
through Mr. Ernest Stern *ES*

DATE: March 3, 1981

FROM: A. David Knox

SUBJECT: Your Reply to the Memorandum of the African Governors

Attached for your approval is the proposed reply to the Memorandum of the African Governors. Mr. Stern has cleared this reply and the African Executive Directors have seen it. A transmittal letter of the reply to the Chairman of the African Group is also attached for your signature.

03/06

3/9
Approved
ES

- cc: Messrs. Baum, CPSVP
- Benjenk, VPE
- Chaufournier, EMNVP
- Chenery, VPD
- Gabriel, PBPVP
- Golsong, VPG
- Paijmans, AOPVP
- Qureshi, SVPFI
- Thahane, SECVP
- Wapenhans, EANVP
- Merriam, Dir. IPA

THE WORLD BANK
Washington, D.C. 20433
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Office of the President

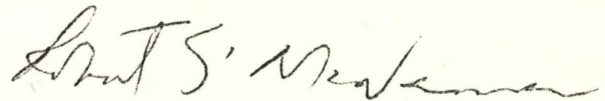
March 10, 1981

Dear Mr. Chairman:

I am pleased to send you the attached reply to the Memorandum prepared by the African Governors which you presented to me during the 1980 Annual Meetings. I have addressed those issues raised in the Memorandum, emphasizing those points reiterated in our discussions.

I welcome these opportunities to exchange views on our mutual development concerns and look forward to our continuing dialogue.

Sincerely,



Robert S. McNamara

The Honorable Togba-Nah Tipoteh
Chairman of the African Group
Ministry of Planning and Economic Affairs
Monrovia, Liberia

M E M O R A N D U M

TO: The Governors of the African Group Countries

FROM: Robert S. McNamara

SUBJECT: Reply to Your Memorandum Delivered at the 1980 Annual Meetings

1. I had great pleasure in meeting with you at the 1980 African Caucus. Following the discussions we had on that occasion, my colleagues and I have carefully reviewed the issues raised in your memorandum. As promised, I am responding now to each of these issues.

Development Prospects for Sub-Saharan Africa

2. Careful attention has been given to your proposal that the Bank prepare a study on the economic development problems of the sub-Saharan African countries and come up with a special Action Program. As you know such a study is now underway and it will take into account the underlying economic objectives of the discussions of the African Heads of State which took place in Lagos last year. The study team has also greatly benefitted from its extensive consultations with governments, African organizations and individual African scholars. We expect to have an opportunity to discuss the status and the main thrust of the study with the Contact Group in due course.

3. I have had the opportunity to exchange views on the Lagos Plan of Action with the Secretary General of the OAU on the occasion of his visit to the Bank last September. A Bank mission visited Addis Ababa in October 1980 and discussed with OAU staff possible areas of future collaboration.

Structural Adjustment Lending (SAL)

4. We welcome that the Bank's Board of Executive Directors adopted a policy of structural adjustment lending (SAL) in March 1980. Since then, out of five SAL loan/credits approved by the Executive Directors, two, amounting to \$115 million, were made to Kenya and Senegal. Moreover, two other sub-Saharan African countries (Sudan and Uganda) were the beneficiaries of non-project assistance (totalling \$137 million) for agricultural rehabilitation and reconstruction efforts including elements of structural reform. Although it is difficult to estimate the volume of structural adjustment

lending in advance, the Bank will continue to lend, in support of soundly conceived structural programs that the African governments may wish to propose. In that connection, the Bank will work closely with the IMF, which has been equipped by the international community with substantial resources - especially under the Extended Fund Facility (EFF) - to help member countries adjust their balance of payments. We consider Bank lending for structural adjustment and expanded IMF lending to be complementary.

5. As regards conditionality of SAL, the types of programs we intend to support should have as their objective structural changes designed to reduce in the medium-term, the current account deficit of the country and to sustain, to the maximum extent feasible, its rate of economic growth and development. We would expect that, in formulating its adjustment programs, each government will consider policy measures and organizational changes aimed at improving efficiency and raising production, notably in the agricultural, industrial and energy sectors. These measures should help generate income and create employment opportunities in particular for the poorest.

6. We agree with you that structural adjustment lending should be based on programs worked out by the developing countries themselves. The Bank would be willing to provide or help governments obtain assistance for designing effective programs.

7. With respect to additionality of SAL operations, such additionality can be assured only through an increase of the Bank Group's resources beyond previously contemplated levels. As you know, I have placed before our Executive Directors proposals to that effect. I count on your active support in this regard.

Volume of Bank/IDA Financing

8. The gloomy growth prospects of the sub-Saharan African economies over the medium-term and the large net external financing requirements (\$74 billion) of oil-importing developing countries in 1980 suggest the need for an urgent response on the part of the international community including the World Bank.

9. Your memorandum stresses the very slow growth rate of total Bank lending world-wide. As you know I share your views. The proposals I have referred to above, and which our Board of Executive Directors has considered, are designed to correct this situation.

10. Your memorandum also expresses the concern that the provision of IDA funds to any new members should not be at the expense of Africa. I understand that you are referring to China's potential claims on IDA. I have little doubt that we ultimately will be lending to China on a scale that is commensurate with its large population, which represents an increase of 45 percent of the population that the Bank serves at present. However, in so far as IDA VI is concerned, China appreciates that these negotiations did not make any provision for China's requirements. Beyond IDA VI, as I mentioned to the African Caucus last October, we will try to protect lending programs that are planned especially for small and poor countries. In addition, we will carefully review the creditworthiness and the absorptive capacity for IBRD funds for all IDA recipients to ensure maximum use of the lending facilities of both institutions in an equitable and fair manner. Over the next five-year period, our objective is to expand the resource base for our lending program in such a way as to accommodate China, offset the impact of inflation, meet structural adjustment lending requirements and finance energy needs. As already mentioned, your strong continuing support in various international forums will be invaluable for the expansion of the IBRD/IDA lending program beyond currently planned levels.

11. Concerning the share of Africa in IBRD lending in FY80, your memorandum correctly points out the decline in both absolute and relative commitments (US\$1,290.7 million (16.8%) in FY80 as against US\$1,387.1 million (19.8%) in FY79). As I have often said, too much importance should not be attached to annual variations in the volume of Bank lending to specific countries or continents. In particular, our operations in Africa include not only a wide variety of small to medium-size projects, but also a smaller number of very large operations, the timing of which considerably influences, and perhaps somewhat distorts, the results in a given year. Furthermore, I should emphasize that IBRD lending is based on creditworthiness considerations in addition to criteria of economic performance and project justification. As a result of severe financial and economic problems confronting several African countries during this past year, significant shifts occurred between IBRD and IDA commitments because of deteriorating creditworthiness. Also, project processing was sometimes delayed or postponed because of political changes or the volatile political situation in a few countries.

12. As regards IDA lending to Africa in FY80, an increased level of commitment was achieved: \$1,172 million (30.5% of total IDA lending), which compares with \$759 million in FY79 (24.9%). We too are encouraged by this development, which reflects our willingness to pay special attention to the difficulties encountered by Africa and in particular by sub-Saharan African countries.

13. In a five-year perspective, total IBRD/IDA lending to Africa as currently planned would increase from \$9.3 billion (21.5% share of global lending) during 1976-80 to \$17.3 billion (23.4%) during 1981-85. Provided that requisite resources are available, IDA lending is planned to increase from \$3.5 billion to \$6.9 billion over these two five-year periods, resulting in a share of global lending of 29.1 percent and 31.6 percent, respectively. I hope that the adoption of our expanded Bank/IDA lending program will permit even greater absolute increases in the amount of our operations in Africa.

IDA VI Replenishment

14. I, too, share your concern that the Sixth Replenishment of IDA has not yet become effective. As you know, our efforts in obtaining advance contributions from donor countries have yielded positive results. Some 16 countries have pledged in excess of \$1.7 billion. However, the commitment authority resulting from the bridging arrangements will be used up soon and a very serious situation could arise unless legislative action is taken quickly in one of the major donor countries. You and I should combine our efforts to ensure that such legislative action is taken as soon as possible.

15. I fully share the point you made that the value of the \$12 billion pledged under this replenishment has already been much reduced by the prevailing high rate of inflation. But given IDA's difficulties in obtaining the level of resources already negotiated, it would seem unrealistic to expect from donor countries additional contributions during the IDA VI period that would restore the real contribution of the currently planned program for IDA financing.

16. Your suggestion to have representatives of Part II countries, beneficiaries of IDA resources, participate in future IDA negotiations could be helpful in enlightening donors on the financial needs of developing countries. At the same time, we must avoid adding to the complexity of an already very complex negotiation process. I will urge my successor to give careful consideration to the manner in which the beneficiaries can assist in the negotiations of future IDA replenishment.

International Finance Corporation (IFC)

17. I am pleased to note the satisfaction expressed in your memorandum concerning the growth of IFC's operations in Africa.

18. In FY80, 15 new investments were approved in Africa, amounting to a total of \$107.4 million (gross), compared to \$49.2 million in FY79; eleven countries were covered including, for the first time, Sierra Leone. IFC's emphasis on financial institutions was continued by investments in a

development finance corporation in Kenya and a housing bank in Senegal. In addition, non-project related technical assistance was provided to five countries (Nigeria, Zambia, Mauritania, Mauritius and Morocco).

19. As of the end of FY80, IFC had approved a cumulative total of 104 investments in 26 African countries (representing 81 percent of the 32 member countries) for an aggregate gross investment level of about \$297 million. In the five-year period FY76-80, the number of investments (56) more than doubled compared to the preceding five-year period FY71-75. In current terms, the absolute level of IFC's gross investments also increased from about \$36 million to about \$274 million over the same periods. More significantly, the Africa Region's share in the global volume of IFC approvals more than tripled from 4.6 percent in the FY71-75 period to 14.1 percent in the FY76-80 period. IFC's activities in Africa are thus receiving special and increasing emphasis and we will continue this effort.

20. Under the IFC's Five-Year Program for FY81-85, the total number of approvals is expected to almost double to 106; with a level of 23 commitments a year being achieved by FY85. Africa's annual net investment volume is also expected to double (in current terms), from about \$97 million in FY80 to about \$172 million in FY85, when this would represent 24 percent of IFC's projected global net investment activity. IFC will expand its investment activity to 36 African countries, including new member countries, by FY85.

21. The Corporation will continue its promotional and investment efforts in its African member countries and will need their strong and continuing support in this endeavour. In the same vein, IFC will continue to play its catalytic role in inducing other private investors to ensure a larger transfer of resources for productive projects in Africa.

Energy

22. I am heartened by the importance you attach in your memorandum to the activity of the World Bank Group in the energy sector. We will do our utmost to respond effectively to the needs of the African countries in this critical area.

23. Many African countries heavily depend on imported oil for their commercial supplies, and the effects on their balance of payments have been dramatic. Their energy potential needs to be explored further so as to reduce the dependence on oil or ensure self-sufficiency. The development of alternative sources of energy (fuel wood, biomass, solar energy, etc.) holds the promise of abundant energy in the poorest countries at lower costs. The Bank's support of oil exploration and production in Africa will gain momentum and as the Bank acquires operational experience in the field of renewable energy, its assistance should prove beneficial to African countries.

24. In FY80, the Bank Group lent \$191 million for petroleum resource development (notably oil, gas) in Africa as compared to \$75 million in FY79. Eleven projects are in preparation for consideration in FY81, totalling over \$220 million in power, oil and gas, plus 4 projects for fuelwood development. Exploration and development of both oil and gas potential have entailed assistance to governments efforts in energy planning, assessment of heavy oil deposits, geophysical and geological data collections and review, appraisal drilling, training of staff in local institutions etc. In the next several years the Bank Group will accelerate its petroleum exploration and exploitation efforts in Africa.

25. As you know, we are currently developing a detailed proposal for the creation of an Energy Affiliate to carry out this expanded energy program. We expect to submit a proposal to the Executive Directors for consideration at an early date. Work is under way examining all aspects of the feasibility of the Affiliate, and preliminary consultations including Saudi Arabia and Kuwait, are encouraging. I am glad you support this important initiative and I expect the African Executive Directors at the Bank Board to also support it.

26. Over the five-year period 1982-86, the Affiliate will need a lending capacity of about \$30 billion: \$16 billion will be incremental to the currently planned lending of \$13 billion. If the Energy Affiliate could mobilize new financing for the expanded program, \$13 billion of "additional" resources would be released to increase lending for other projects.

Africa's Representation on World Bank Group Board

27. I have had the opportunity to take up this matter with your Contact Group in January 1979 and I understand your concern that your representation might be reduced in number as a result of (a) the decline in the relative strength of African membership votes brought about by general capital increases, and (b) selective capital increases in favour of some Latin American and OPEC countries.

28. My view is that the issue of protecting the representation of the sub-Saharan African countries should be kept under constant and close watch. You will recall that in March 1979 the Board, in considering the IBRD General Capital Increase, agreed to protect the Board representation of the sub-Saharan African countries. Paragraph 14 of the report of the Executive Directors to the Board of Governors recommending the General Capital Increase states that "... The Directors have agreed that special efforts should be made to preserve a broad geographic pattern of representation and that all major groups of countries should be represented. The Directors therefore recommend that at the time of elections of Executive Directors, the Governors take special note of the risk that the representation of the

sub-Sahara African and Latin American countries could be reduced and take whatever steps are necessary to ensure that these countries along with other groups of countries, especially the Asian and Pacific countries, are adequately represented on the Executive Board".

29. As you are aware, the Board of Governors decided last October to increase the number of elected Directors from 15 to 16 in connection with China's participation in the 1980 regular elections. In a sense, this increase of seats is also to protect the representation of the sub-Sahara African countries.

Recruitment and Condition of Employment of African Staff in the Bank Group

30. This is a subject in which, as you know, I have taken a close personal interest. The enclosed note describes both the progress that we have already made and the procedures that we have developed to ensure that such progress is sustained.

Recruitment and Conditions of Employment of African Staff in the
World Bank Group

1. We very much appreciate the African Caucus Governors' supportive statement on our efforts to improve communications with African staff and to foster an internal environment in the Bank which treats all staff with equal sensitivity and appreciation of merit. The communication between Executive Directors representing African Caucus countries and management representatives of the Bank Group is a valuable means to ventilate issues and find understanding on matters which affect the situations and prospects of African staff as a group. Additionally, African staff themselves have, as you know, constituted an African Club which presents issues from a staff perspective on a regular basis to the administrative departments of the Bank including contacts at very senior levels concerned with organizational and personnel development.

2. The regular contacts between Bank managers and African Club representatives also provide an occasion to follow up where appropriate on the concerns expressed some years ago by several African staff members about the occurrence or possibility of inequitable treatment vis-a-vis that of other members of the Bank Group staff. Although our investigations have not yielded any evidence of discrimination against African staff as such, we are particularly watchful that no further occasion be provided to enhance such a perception among African staff. Our principal tools to overcome any perception of that kind are twofold:

- (a) one is the actual development of and advances made in the relative position of African Caucus staff in the Bank to which we revert in paragraphs 3 to 7 below;
- (b) the other is an active stance which translates into an active recruitment program in Africa, the use of the Young Professionals Program as an important channel for the recruitment of qualified Africans at a young age, and a continuous mandate on Bank group managers, to ensure that staff members, especially those from countries not strongly represented, be given appropriate opportunities for assignments with a view to enhancing their career development. The corollary to that mandate are standing instructions to Personnel Officers and Recruitment Officers to monitor and facilitate the actions taken by Bank line managers to foster the career development of such staff.

3. The representation in the Bank Group's professional^{1/} staff of nationals from African Caucus countries continued an upward trend in FY80, both in absolute terms and as a proportion of total staff. Thirty-two African Caucus countries are now represented:

	<u>No. of African Caucus Nationals</u>			<u>As % of total staff</u>		
	<u>End FY76</u> ^{2/}	<u>End FY79</u>	<u>End FY80</u>	<u>End FY76</u>	<u>End FY79</u>	<u>End FY80</u>
Bank Group	<u>96</u>	<u>126</u>	<u>141</u>	<u>4.2</u>	<u>4.8</u>	<u>5.1</u>

In the first quarter of FY81 the upward trend continued and the total number of African Caucus staff in the Bank is now 146, or 5.2%.

4. At senior levels of professional staff, i.e. Division Chief equivalent and above, the number and proportion of African Caucus nationals is still lower than the share occupied by African Caucus staff in the Bank Group's staff as a whole. But, as shown in the table below, significant gains were made in particular also in FY80 as to Africans in senior ranks, notably among them, one vice-presidential appointment:

	<u>No. of African Caucus Nationals at Division Chief equivalent and above</u>			<u>As % of total level Division Chief equivalent and above staff</u>		
	<u>End FY76</u>	<u>End FY79</u>	<u>End FY80</u>	<u>End FY76</u>	<u>End FY79</u>	<u>End FY80</u>
Bank Group	<u>10</u>	<u>17</u>	<u>22</u>	<u>2.7</u>	<u>4.0</u>	<u>5.0</u>

5. Generally the grade profile of staff from African Caucus countries has become increasingly aligned with that of total Bank Group staff. The development reflects the seasoning within the Bank of African Caucus staff of whom a substantial number was recruited at a relatively young age.

^{1/} For the purpose of this brief, figures refer to staff considered in a career relationship with the Bank Group: e.g. those on regular, fixed-term and part-time appointments regardless of whether their positions are funded by the Bank's budget or otherwise (e.g. IFAD).

^{2/} Fiscal year ends on June 30.

	Percent Distribution					
	African Caucus Nationals			Total Bank Group Staff		
	End FY76	End FY79	End FY80	End FY76	End FY79	End FY80
Working Levels	69	60	57	60	58	56
Sr. Working Level	17	22	21	19	23	25
Division Chief equivalent and above	10	13	16	16	16	16
Young Professionals	4	5	7	4	3	3
Total ^{1/}	100	100	100	100	100	100

As a result of the developments in FY80 referred to in paragraph 4, the trend has been most marked among African Caucus nationals at senior ranks, Division Chief equivalent and above. Over the years there has also been a growth in the proportion of African Caucus nationals at the senior working level, the staff position characterized by a high level of experience and responsibility. The slight FY80 drop of the African Caucus percentage is linked to the aforementioned promotions. Thus, the Bank needs to concentrate on replenishing the numbers of more junior African Caucus staff, especially the working level from which promotion to more senior levels normally occurs, which in turn is the main group for appointments to managerial levels.

6. Very importantly, the discipline profile of African Caucus staff is undergoing a significant change: of the 141 staff on board at end FY80, 28 or 20% are technical specialists, 18 or 13% are Project Economists, 14 or 10% are Loan Officers and 9 or 6% are Country Economists. Of the remainder 9 are presently in the Young Professionals Program and the others are scattered in various disciplines through the Bank. In FY76 only 13% of African staff were technical specialists and 18% were Loan Officers. Generally, the shift in African staff has been from Loan Officers and Economists to Technical Specialists.

7. As in past years, the Bank's primary recruitment needs have been for technical specialists, economists, and financial analysts normally for assignment to the Projects Departments. We continue to encounter problems among African Caucus countries due to constraints on the number of skilled personnel available in a number of them and competing recruitment interests from elsewhere. We will maintain our promotional efforts in FY81. While we will continue sending recruitment missions and advertise in appropriate journals, we are also giving our recruitment effort more focus with a view to achieving specific results in the near term. Rather than undertaking general recruitment drives, our Recruitment Division is devising a program which focusses its efforts on specific sources for qualified professionals such as for example, agricultural research institutes for certain agricultural specialists, with a view to "pin-point" recruitment for specific skills in Africa which are in line with specific attributes of professional vacancies in the Bank.

^{1/} Totals may not add due to rounding.

8. Success has been particularly noticeable in locating very qualified African candidates and in selecting participants from African Caucus countries for the Young Professionals Program. During FY80, over 13% of these young professionals selected were nationals from the African Caucus countries, the highest ratio ever. We are attempting to match this high ratio in the period ahead as the graduating young staff have proven to be highly qualified and successful in career growth.