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Senior Management Council

1983

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Senior Management Council - Memos - Correspondence 06





Record Removal Notice



File Title Senior Management Council - Memos - Correspondence 06		Barcode No. 1773316		
Document Date November 1, 1983	Document Type Report			
Correspondents / Participants N/A				
Subject / Title Senior Management Council - Minutes of September 9, 1983 Meeting				
Exception(s) Corporate Administrative Matters				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date 15-Feb-17</td></tr></table>	Withdrawn by Shiri Alon	Date 15-Feb-17
Withdrawn by Shiri Alon	Date 15-Feb-17			

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

RECORD
Senior Management Council

DATE October 31, 1983

TO Senior Management Council

FROM V. Roy Southworth *VR*

EXTENSION 73585

SUBJECT Retreat at Wye Plantation - November 17-19, 1983

Following Mr. Clausen's letter on the Management Retreat at the Wye Plantation this note provides some additional information on the arrangements.

1. Driving time to the Wye Plantation is about 1-1/2 hours from the Bank Headquarters. If you arrive at the Plantation between 6:00 and 6:30 p.m. on Thursday you will have time to check in before the cocktails scheduled for 7:00 p.m. Directions to Wye are attached.
2. On arriving at the Plantation, please check-in at the Registration Desk at the Conference Center (follow the signs on the road) where you will be greeted by Aspen Institute hosts who will show you to your room.
3. Accommodation is in single rooms, each with private bath and private telephone. All rooms are within walking distance of the Conference Center (the Center has a limited supply of umbrellas, therefore you may wish to take your own.)
4. The Retreat will start with cocktails on Thursday, November 17 at 7:00 p.m. in the Conference Center Lounge. Dinner will follow at 8:00 p.m. in the Center's dining room. After dinner drinks will be available in the Lounge.
5. On Friday, November 18, breakfast will be served from 8:00 a.m. in the dining room (buffet breakfast). The morning discussion session will start at 9:00 a.m. in the Center's Conference Room and will go until about 12:30 p.m. (with breaks for coffee). Lunch will be served at 1:00 p.m. The afternoon session will run from 2:30 p.m. until about 6:00 p.m. Cocktails will be served at 7:00 p.m. in the Lounge and dinner will follow at 8:00 p.m.
6. Saturday morning's schedule will be similar to Friday's. The Retreat will end after lunch.
7. Informal dress is suggested during the day. For dinner coat and tie would be appropriate.
8. For recreation Wye Plantation includes two tennis courts and a recreational room with a pool table.
9. The telephone number at Wye Plantation (Conference Center) is: (301)827-7400 or 827-7404 (Ms. Sue Turner is coordinator).

Attachment
Directions

Directions

The Wye Plantation is approximately 65 miles from Bank Headquarters.

- Take Route 50 East from Washington.
- Cross the Chesapeake Bay Bridge, continue on Route 50.
- 3 miles beyond the intersection of Route 50 and Route 301, turn right on Carmichael Road whose intersection with Route 50 is between the signs indicating mile 49 and mile 50.
- Follow the signs indicating Aspen Institute and Wye Plantation. At the intersection of Carmichael Road and Cheston Lane, about 3-1/2 miles from intersection with Route 50, take a right on Cheston Lane and follow signs indicating Conference Center and Registration. Distance from Route 50 to Conference Center is about 5 miles.

MONTHLY FINANCIAL REPORT
FOR SENIOR MANAGEMENT COUNCIL

OCTOBER 1983

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WBG ARCHIVES

A. HIGHLIGHTS (* flags a potential problem)

1. IBRD

- Borrowings: On target (Section B.1).
- Disbursements: Back on target because of substantial disbursements of \$273 million to Brazil (of which \$238 million resulted from SAP actions) (Section B.2).
- Overdue Service Payments: Overdue service payments continue to be high at \$67.2 million; \$11.2 million of this was 60+ days overdue--disbursements to Bolivia and Nicaragua have been suspended/halted (Section B.2).
- Investments: On target (Section B.4).
- Net Income: Net income to-date of \$174 million is \$8 million above the budget projection leading to \$550 million for the full year (Section C.1).

2. IDA

- *- Disbursements: Continue to be slow, in part due to bad weather in India; South Asia Region expects pick-up in disbursements to India in coming months; however, because of project delays elsewhere, it is highly unlikely that total IDA disbursements in FY 84 will exceed \$2,900 million (Section B.2).
- Overdue Service Payments: Considerable improvement in the overdue service payments position with only \$4.3 million still unpaid at November 14 (Section B.2).

B. STATUS OF FINANCIAL PROGRAMS

1. BORROWINGS

(a) October Borrowings:

Nine borrowings were completed during the month totalling US\$759.9 million equivalent with an average life of 10.1 years and an average cost of 9.60%. These borrowings were done in Guilders, Deutsche mark, Yen, US dollars, Swiss francs and Pound Sterling. In addition, seven swap transactions were completed. The net effect of these swaps reduced the cost of the October borrowings by 120 basis points to 8.40%.

(b) Cumulative FY84 Borrowings:

The cumulative borrowings by currency and their respective costs, adjusted to reflect swaps out of FY84 US dollars, Pound sterling and Canadian dollars into other currencies and compared to the FY84 Borrowing Program, are shown in the table on the following page:

Original FY84 Program						Cumulative to 10/31/83					Achieved In	
Amount	US\$ Equiv.	%	Average		Currency	Amount	US\$ Equiv.	Average		Cost	first three months of FY84 (%)	
			Life (yrs)	Cost (%)				Life (yrs)	Cost (%)			
(in millions)						(in millions)						
1,470	1,470	^{1/}	15	4.9	10.97	US Dollars	517.5	517.5	16	6.1	11.56	35
5,100	2,083		21	7.4	7.58	Deutsche Mark	1,530.9	587.3	18	5.6	8.24	28
5,020	2,510		25	5.5	5.70	Swiss Francs	1,884.5	883.5	27	5.8	5.96	35
360,000	1,565		15	9.5	8.20	Yen	130,000.0	539.4	17	10.4	8.47	34
2,850	1,020		10	6.4	8.88	Guilders	938.0	317.3	10	6.7	8.85	31
175	271		3	13.6	11.58	Sterling	179.7	272.4	9	13.2	11.61	101
-	120		1	9.7	10.82	Other	-	101.4	3	7.0	12.00	85
						Total FY84 Medium- and Long-Term Borrowings	3,218.8		100	7.4	8.65 ^{4/}	36
						US\$ Short Term: Net New FY84 Authority	-	-				-
1,000	1,000 ^{2/}		10		9.3							-
	10,039		100		8.07	Grand Total	3,218.8		100			32
						Memo Item: US\$ Short-Term Outstanding as of 10/31/83	1,973.3 ^{3/}			35 days	9.34	

^{1/} Net amount after taking into account planned swaps (gross FY84 US\$ borrowings: US\$3,067 million).

^{2/} Reflects new FY84 authority for short-term (discount note and central bank deposit facility) borrowings that, if used, could take total outstanding short-term borrowings at end of FY84 to US\$3 billion.

^{3/} US\$1,500 million was outstanding at the end of FY83 and carried forward, and US\$473.3 million has been borrowed in FY84 under old authority.

^{4/} Excludes cost effect of US\$235.2 million in FY84 swaps out of pre-FY84 borrowings, which swaps have lowered the marginal cost of FY84 borrowing and swap operations to 8.23%.

(c) November Borrowings:

Planned medium- and long-term borrowings for November would amount to approximately US\$500 million equivalent and would consist of ECUs, Swiss francs, Yen, Guilders and Deutsche mark.

(d) Outlook:

The U.S. and other major bond markets have been relatively stable and are expected to continue to be so with the current rate levels prevailing through November. The cumulative medium- and long-term borrowing cost (inclusive of swaps out of pre-FY84 borrowings) to-date is 8.23% and the full FY cost is projected at around 8.3%; with the projected cost of short-term borrowings (9.5%) included, the expected FY84 borrowing cost is 8.4% (the left portion of the table above shows the original FY84 program; next month's report will show the revised program with projected costs by currency).

2. DISBURSEMENTS AND LOAN SERVICE

(a) IBRD:

Disbursements to and loan service payments from members were as follows:

------(In US\$ millions)-----

	FY84 ACTUAL		FY84 BUDGET		FY83 ACTUAL		
	Month of October	Cumulative	Cumulative FY84 to October	Full year FY84	Month of October	Cumulative	
		FY84 to October				FY83 to October	Full year FY83
Disbursements <u>1/</u>	799	2,548	2,476	8,550	545	2,005	6,722
Service Payments:	478	1,726	1,757	5,997	398	1,446	4,728
Principal Charges <u>1/</u>	219 259	736 990	761 996	2,725 3,272	196 202	624 822	2,029 2,699
NET TRANSFER	321	822	719	2,553	147	559	1,994
	====	=====	=====	=====	====	====	=====

1/ Excludes front-end fee capitalizations.

Disbursements

Disbursements to countries during October were \$799 million, about \$200 million higher than the monthly average for the first three months of FY84. This surge was entirely due to increased disbursements to Brazil as a result of measures taken under the Bank's Special Action Program: disbursements to Brazil in October were \$273 million (of which \$238 million resulted from SAP actions).

Cumulative disbursements to countries in FY84 through end-October, without the effects of SAP, are \$2,076 million, or 27.5% of the FY84 budget forecast of \$7,550 million (net of SAP)-- the same percentage as in FY83. Project disbursements have picked up, and excluding SAP actions, stood at 29.2% of the FY84 budget forecast (in comparison to 26.5% at the same time last year). Non-project disbursements are still lagging, but according to current Regional estimates, the fiscal year target should be realized. With the inclusion of known SAP effects, the IBRD FY84 disbursements are on track towards \$8,550 million for the FY.

Overdue Service Payments

There was no appreciable change in the level of overdue service payments between end-September and end-October, but there was a slight improvement in the age profile. Brazil's overdue service payments still account for a large proportion (about 23%) of the total IBRD overdue service payments: virtually all of this was overdue 15 days or less. Jamaica is negotiating a stand-by agreement with the IMF. Disbursements to Nicaragua were informally halted in early November, because of the \$2.2 million which is 60+ days overdue. Disbursements to Bolivia were formally suspended effective midnight November 18. The 60+ days unpaid balance of \$7.8 million of "other" countries had been settled by mid-November.

IBRD - Overdue Service Payments

(\$ - millions)

Country	Overdues - October 31, 1983					Amount still Unpaid at Nov. 14, 1983
	60 Days+	45 Days	30 Days	15 Days	Total	
Brazil	-	-	*	15.6	15.6	5.5
Jamaica	-	5.6	-	1.1	6.7	6.7
Bolivia	1.2	-	3.1	1.1	5.4	5.4
Nicaragua	2.2	.5	2.4	.3	5.4	4.3
Others	7.8	3.6	13.1	9.6	34.1 ^{1/}	18.2
Total 10/31/83	11.2	9.7	18.6	27.7	67.2	40.1
	=====	=====	=====	=====	=====	=====
Memo as of 9/30/83	10.2	6.9	11.2	37.3	65.6	
	=====	=====	=====	=====	=====	

^{1/} Each less than \$5.0 million (35 countries).

* Less than \$.05 million.

(b) IDA:

Disbursements and credit service data for IDA were as follows:

----- (In US\$ millions) -----

	FY84 ACTUAL		FY84 BUDGET		FY83 ACTUAL		
	Month of October	Cumulative FY84 to October	Cumulative FY84 to October	Full year 1984	Month of October	Cumulative FY83 to October	Full year FY83
Disbursements	175	692	1,067	3,200	190	750	2,596
Service Payments:	18	76	82	247	24	57	187
Principal Charges	5 13	26 50	28 54	83 164	5 19	19 38	59 128
NET TRANSFER	157	616	985	2,953	166	693	2,409
	=====	=====	=====	=====	=====	=====	=====

Disbursements

IDA disbursements in October were \$175 million bringing the total for the first four months of FY84 to \$692 million, \$58 million less than the same point last FY. Disbursements to India in the first four months of FY84 were \$233 million, down by \$26 million (or about 10%) from the \$259 million disbursed to that country in the first four months of FY83, largely because of project implementation delays due to heavy monsoons. However, the South Asia Region anticipates

an acceleration in disbursements in the coming months. In addition, to India, there have been project delays elsewhere, accounting for about 50% of the drop from FY83 levels. Based on this current slow pace of IDA disbursements and past experience, it is highly unlikely that the FY84 total will exceed \$2,900 million.

Overdue Service Payments

Total overdue service payments to IDA have declined from \$8.5 million at the end of September to \$6.8 million at the end of October as Tanzania has reduced its overdue service payments from \$3.6 million to \$1.4 million. Chad's overdue service payments, some of which date back to 1979, currently stand at \$1.4 million. Bank and IMF missions to that country are expected in the next few weeks to resume the policy dialogue that was initiated earlier this year.

<u>IDA - Overdue Service Payments</u>						Amount still Unpaid at Nov. 14, 1983
(\$ - millions)						
Country	<u>Overdues - October 31, 1983</u>					
	60 Days+	45 Days	30 Days	15 Days	Total	
Tanzania	.5	.4	.4	.1	1.4	.9
Chad	1.4	*	-	-	1.4	1.4
Uganda	.3	.2	.1	-	.6	-
Madagascar	-	-	-	.5	.5	.5
Others	.8	.3	.9	.9	2.9 ^{1/}	1.5
Total 10/31/83	<u>3.0</u>	<u>.9</u>	<u>1.4</u>	<u>1.5</u>	<u>6.8</u>	<u>4.3</u>
Memo as of 9/31/83	<u>2.9</u>	<u>.4</u>	<u>1.3</u>	<u>3.9</u>	<u>8.5</u>	

^{1/} Each \$.4 million or less (31 countries).

* Less than \$.05 million.

3. IBRD CAPITAL SUBSCRIPTION/IDA COMMITMENT AUTHORITY

(a) IBRD Capital

Finance and Regional staff have been following up on establishing specific subscription targets against which to monitor performance for Part II member subscriptions to pre-GCI and GCI shares. Regions have undertaken to revert to member countries to obtain specific commitments for contributions on schedules which accommodate the budgetary circumstances of members and yet meet the closing date of June 30, 1986. It is unlikely that such schedules will be available until early 1984 and the establishment of firm targets will be delayed until then.

During October, U.K. subscribed to the first of its four instalments; and two Part II members--Saudi Arabia and Maldives--subscribed to their shares. Through October 31, 81% of Part I authorized shares had been subscribed (some under phasing arrangements) verses 56% for Part II members.

(b) IDA/Special Fund Commitment Authority:

In the month of October the IDA6/FY84 Account commitment authority increased by about SDR 148 million and the Special Fund Commitment authority increased by SDR 38 million. The table on the following page summarizes the status of IDA6/FY84 Account and Special Fund commitment authority as of October 31, 1983:

SDR million

IDA6 and FY84 Account

Carry-over from June 30, 1983	3
Add: Contributions released in FY84 to date:	
- IDA6	402
- FY84 Account	167
- Transfer to IDA from FY83 IBRD net income	95
Total resources released for FY84 credits through October 31, 1983	667
Less: FY84 Credits approved through October 31, 1983	476
Available <u>IDA</u> commitment authority as of October 31, 1983	191
	=====

Special Fund

Carry-over from June 30, 1983	38
Add: Contributions released in FY84 to date	104
Available <u>SF</u> commitment authority as of October 31, 1983	142
	=====

With the appropriation of the \$945 million U.S. IDA-6 contribution for FY84 and the pro-rata Release triggered by this action, together with the awaited FY84 Account notifications, we expect IDA to have additional commitment authority of SDR 1,716 million by the end of December, for a total IDA commitment authority in the first half of Fiscal year of SDR 2,383 million. Through the end of December, total Special Fund commitment authority is expected to amount to SDR 148 million.

4. INVESTMENTS

Relevant data on investments are as follows:

(a) By Currency:

(US\$ millions)

POSITION AT:

	September 30, 1983			October 31, 1983		
	Book Value	Yield (%)	Avg. Mat. 1/	Book Value	Yield (%)	Avg. Mat. 1/
Investments in:						
US Dollars	10,115.4	10.17	14.18	10,167.6	9.97	15.72
Non-US Dollars	3,570.2	9.99	12.44	3,612.9	10.37	10.56
	13,685.6	10.12	13.73	13,780.5	10.07	14.37
	=====	=====	=====	=====	=====	=====

1/ In months

(b) By Maturity:

(US\$ millions)			
POSITION AT OCTOBER 31			
	Book Value	Yield	Unrealized Gains/Losses
Up to 6 months	7,488	9.81	1
6 months to 1 year	522	10.58	3
Sub-total up to 1 year	8,010	9.86	4
Over 1 year	5,771	10.38	(24)
TOTAL INVESTMENTS	13,781	10.07	(20)
	=====	=====	=====
Add: Other Cash Balances	164		
TOTAL LIQUID ASSETS	13,945		
	=====		

(c) <u>Realized Returns:</u>	%
FY84 Budget Memorandum forecast	9.50
Month of October	11.00
FY84 Cumulative to date	9.77

So far this year, the U.S. as well as the other major bond markets have been less volatile than during the past three years. The lower volatility does not offer the opportunities that permitted the extraordinary capital gains of FY83. Nevertheless, with October's realized return of 11%, the cumulative realized for the FY-to-date rose from 9.33% to 9.77%.

(d) Outlook:

Given a very sharply sloped yield curve (from 9.30% for one day to 11.55% for five years), the portfolio is now positioned to reap the greatest benefit from falling yields but still achieve the revised projection of 9.75% return if yields do not change. While considerable insurance against rising yields is built into the portfolio—with \$7,500 million maturing within six months—the reinvestment of these short maturities at higher yields would not completely compensate for potential capital losses in a bear market. Depending on market conditions, the total investment return could be as low as 9% or as high as 10.5% with a resulting range of impact on net income of ± \$100 million.

C. IBRD NET INCOME

At \$58 million, net income in October was virtually the same as it was in September. Following capital gains of \$11 million in September, a further \$7 million were registered in October. Net income for FY-to-date now stands at \$174 million; marginally higher than that targeted.

SUMMARIZED FINANCIAL REPORT FOR OCTOBER 1983
(All amounts stated in millions)

	FY83			FY84				Full Year Budget (US\$)
	Cum. to Oct. 31 Actual (US\$)	Month of Oct.		Cumulative to October 31				
		Budget (US\$)	Actual (US\$)	Budget (US\$)	Actual (US\$)	Budget (SDR)	Actual (SDR)	
1. KEY ELEMENTS OF INCOME								
Income from Loans:								
- Interest	767	238	239	917	915	850	866	2,974
- Commitment Charges	69	20	21	79	80	73	75	245
- Front-end Fees	32	2	4	14	15	13	14	30
	<u>868</u>	<u>260</u>	<u>264</u>	<u>1,010</u>	<u>1,010</u>	<u>936</u>	<u>955</u>	<u>3,249</u>
Income from Investments:								
- Interest	416	116	118	427	454	396	429	1,421
- Trading gains/losses (-)	53		+ 7		-18		-17	
	<u>469</u>	<u>116</u>	<u>125</u>	<u>427</u>	<u>436</u>	<u>396</u>	<u>412</u>	<u>1,421</u>
Net Other Income	5	1	1	4	3	4	3	12
Total Income	<u>1,342</u>	<u>377</u>	<u>390</u>	<u>1,441</u>	<u>1,449</u>	<u>1,336</u>	<u>1,370</u>	<u>4,682</u>
Borrowing Expenses	941	300	301	1,165	1,167	1,080	1,103	3,736
Administrative Expenses	105	32	31	110	108	102	102	396
Total Expenses	<u>1,046</u>	<u>332</u>	<u>332</u>	<u>1,275</u>	<u>1,275</u>	<u>1,182</u>	<u>1,205</u>	<u>4,132</u>
NET INCOME	<u>296</u>	<u>45</u>	<u>58</u>	<u>166</u>	<u>174</u>	<u>154</u>	<u>165</u>	<u>550</u>
2. KEY ELEMENTS OF CASH FLOW								
Short-Term Borrowings	1,434		27		472		444	1,000
Long-Term Borrowings	3,670	1,145	609	4,007	3,026	3,691	2,849	9,238
Total Borrowings	<u>5,104</u>	<u>1,145</u>	<u>636</u>	<u>4,007</u>	<u>3,498</u>	<u>3,691</u>	<u>3,293</u>	<u>10,238</u>
Long-Term Debt Retirement	1,512	191	197	1,125	1,130	1,036	1,064	2,481
Project Disbursements	1,740	533	763	2,043	2,272	1,881	2,139	7,000
Non-Project Disbursements	265	193	36	433	276	399	260	1,550
Sub-Total (Disbursements to countries)	<u>2,005</u>	<u>726</u>	<u>799</u>	<u>2,476</u>	<u>2,548</u>	<u>2,280</u>	<u>2,399</u>	<u>8,550</u>
Front-End Fees Capitalized	27	2	4	30	31	28	29	40
Disbursements to IFC	12	19	7	30	20	28	19	180
Total Disbursements	<u>2,044</u>	<u>747</u>	<u>810</u>	<u>2,536</u>	<u>2,599</u>	<u>2,336</u>	<u>2,447</u>	<u>8,770</u>
Repayments of Loans	638	240	229	761	750	701	706	2,725
Usable Capital	163	26	86	79	139	73	131	400
3. SUMMARIZED BALANCE SHEET								
Liquid Assets	11,957			14,370	13,945	13,322	13,165	15,558
Loans Outstanding	29,295			35,138	35,286	32,575	33,311	39,408
TOTAL EARNING ASSETS	<u>41,252</u>			<u>49,508</u>	<u>49,231</u>	<u>45,897</u>	<u>46,476</u>	<u>54,966</u>
Borrowings	34,352			41,980	41,558	38,918	39,232	46,855
Usable Capital	2,755			2,965	3,029	2,749	2,860	3,286
Reserves and Due to IDA	4,660			5,135	5,146	4,760	4,858	5,406
Other	-515			-572	-502	-530	-474	-581
TOTAL LOANABLE RESOURCES	<u>41,252</u>			<u>49,508</u>	<u>49,231</u>	<u>45,897</u>	<u>46,476</u>	<u>54,966</u>
Memo: Undisbursed Loans	30,792				35,396		33,415	39,583
4. KEY RATIOS								
Statutory Lending Limit	51,753				56,866		53,684	
Ratio of Outstandings to Capital	57%				62%		62%	
Interest Coverage Ratio	1.31			1.14	1.15	1.14	1.15	1.15
Interest Rate on Current Loan Disbursements	8.9%				9.5%			9.3%
Cost of Short-Term Borrowings Outstanding	8.3%				9.3%			9.5%
Cost of Long-Term Borrowings Program	9.8%				8.7% ^{1/}			8.3%
Average Return on: Investments	14.0%				9.8%			9.75%
Outstanding Loans	8.9%				8.9%			9.0%

^{1/} Excludes cost effects of swaps out of pre-FY84 borrowings, which swaps lowered the marginal cost of FY84 borrowing and swap operations to 8.2%.

Controller's
11/22/83

SENIOR MANAGEMENT COUNCIL

October 20, 1983

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

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

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

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

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

5. Other Business

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

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

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WBG ARCHIVES

MONTHLY FINANCIAL REPORT FOR AUGUST 1983

A. HIGHLIGHTS (* flags a potential problem)

1. IBRD

- Borrowings: On target (Section B.1).
- *- Disbursements: August disbursements were \$585 million, slightly below that in July; for a two-month cumulative disbursements total of \$1,178 million - 14% of FY target. Project disbursements at \$1,042 million are on target, but SAL disbursements are off the pace (by about \$122 million) necessary towards achieving the full year target (Section B.2).
- *- Loan Service Payments: Overdue service payments at end-August were \$98.2 million, about \$27 million more than that at end-July, and some \$57 million higher than the monthly average for FY83; Brazil with \$38.9 million overdue settled its obligation and other countries settled some \$37 million by September 22 (Section B.2).
- Investments: August rate of return on investments was 8.66%, slightly higher than July's 8.51% (Section B.4).
- *- Net Income: At \$30 million for August, net income was only marginally higher than July's \$27 million. Cumulatively, the \$57 million for the first two months is \$25 million below the path of projected performance leading to \$550 million for FY84 (Section C.1).

2. IDA

- *- Disbursements: August disbursements amounted to \$170 million, slightly below that in July. Disbursements to India in the first two months were less than half of the \$223 million that should have been disbursed to achieve the 23% growth implicit in the FY84 Budget forecast (Section B.2).
- Loan Service Payments: Overdue service payments at end-August were \$5.6 million, compared to \$4.3 million at the end of July (Section B.2).
- IDA/Special Fund Commitment Authority: Receipt of US\$245 million FY83 "Supplemental" IDA6 contribution triggered sufficient commitment authority (SDR 371 million) to enable IDA to authorize signature for all FY84 credits made through end-August. Also, available Special Fund commitment authority increased to SDR 103 million, with a partial release by Canada (Section B.3).

B. STATUS OF FINANCIAL PROGRAMS

1. BORROWINGS

(a) August Borrowings:

Seven borrowings were completed in August totalling US\$ 842.7 million equivalent with an average life of 6.2 years and an average cost of 10.66%. These borrowings included guilders, Deutsche mark, Libyan dinars, yen and US dollars. In addition, four swap transactions were completed, one of which was done using US dollars borrowed prior to FY84. The net effect of all swaps done during the month reduced the cost of August borrowings to 10.08%. The status of FY84 borrowings at the end of August is provided in the table shown under (b).

There was some easing of interest rates in the US by the end of August. The yield on 5-year Treasury notes by the end of the month was around 11.60%, the yields on 7-year and 10-year notes were 11.72% and 11.83%, respectively. Moderating interest rates in the US did not appreciably affect the strength of the dollar in the foreign exchange markets. As the Swiss franc and yen remained relatively stable against the US dollar, the Deutsche mark and to a lesser extent the guilder continued to weaken during the month, mainly as a result of short-term capital outflows from both countries. Meanwhile, the major capital markets were calm but inactive due to the holiday season.

(b) Cumulative FY84 Borrowings:

The cumulative borrowings by currency and their respective costs, compared to the FY84 Borrowing Program, and adjusted to reflect swaps out of dollars and sterling into other currencies, are shown in the table below:

FY84 Program						Cumulative to 8/31/83					Achieved in
Amount	US\$ Equiv.	Average			Currency	Amount	US\$ Equiv.	Average		Cost (%)	first two months of FY84 (%)
		%	Life (yrs)	Cost (%)				%	Life (yrs)		
(in millions)					(in millions)						
1,470	1,470 ^{1/}	15	4.9	10.97	US Dollars	570.8	570.8	26	5.5	11.58	39
5,100	2,083	21	7.4	7.58	Deutsche Mark	1,180.9	455.5	20	5.4	8.17	22
5,020	2,510	25	5.5	5.70	Swiss Francs	325.2	154.6	7	6.6	5.89	6
360,000	1,565	15	9.5	8.20	Yen	40,000.0	166.0	7	10.3	8.26	11
2,850	1,020	10	6.4	8.88	Guilders	478.0	162.5	7	5.6	8.96	16
175	271	3	13.6	11.58	Sterling	79.7	122.6	6	5.0	11.45	45
-	120	1	9.7	10.82	Other	-	101.3	5	7.0	12.00	84
					Total FY84 Medium- and Long-Term Borrowings (MLT)	1,733.3		78	6.1	9.63	19
9,039		90	6.7	7.93	SwF Swaps out of pre-FY84 Borrowings	(235.2)		(11)	(10.0)	(10.66)	-
-	-	-	-	-		502.0	235.2	11	7.5	4.87	-
-	-	-	-	-	Adjusted FY84 MLT Total	1,733.3		78	5.8	8.84	19
9,039		90	6.7	7.93	US\$ Short Term: Net New FY84 Authority Done in FY84 under Old Authority						
1,000	1,000 ^{2/}	10									
-	-	-				499.3		22			
10,039		100			Grand Total	2,232.6		100			
					Memo Item: US\$ Short-Term Outstanding as of 8/31/83	1,999.3		33.5 days		9.51	

1/ Net amount after taking into account planned swaps (gross FY84 US\$ borrowings: \$3,067 million).

2/ Reflects desired FY84 authority for new US\$ short-term borrowings that would take total outstanding short-term borrowings at end of FY84 to US\$3 billion.

(c) September Borrowings:

Planned medium- and long-term borrowings for September would amount to approximately US\$640 million equivalent and would consist of yen, guilders, Swiss francs, Deutsche mark and Euro Canadian dollars.

(d) Outlook:

The US financial markets entered the month of September with growing confidence that interest rates may not be increased beyond current levels. Although some acceleration in money supply growth is anticipated, forecasts are already being revised downward. A pause in the rapid rate of economic growth in the US provided evidence that the short-lived expectation of renewed inflation would not materialize. Meanwhile, general world recovery is continuing at a slow but steady pace with production in most countries continuing to lag. As a result, conditions in most of the capital markets are expected to be slightly more buoyant, but activities will continue to reflect uncertainty about the direction of US interest rates. US dollar yields are expected to remain relatively stable. There is no reason to expect the US dollar to depreciate over the coming weeks.

2. DISBURSEMENTS AND LOAN SERVICE

(a) IBRD:

Disbursements to and loan service payments from members were as follows:

------(In US\$ millions)-----

	FY84 ACTUAL		FY84 BUDGET		FY83 ACTUAL		
	Cumulative		Cumulative		Cumulative		
	Month of August	FY84 to August	FY84 to August	Full year 1984	Month of August	FY83 to August	Full year FY83
Disbursements <u>1/</u>	585	1,178	1,316	8,550	569	982	6,722
Service Payments:	412	802	927	5,997	366	675	4,728
Principal	172	315	423	2,725	157	265	2,029
Charges <u>1/</u>	240	487	504	3,272	209	410	2,699
NET TRANSFER	173	376	389	2,553	203	307	1,994
	====	=====	=====	=====	====	====	=====

1/ Excludes front-end fees.

Disbursements

IBRD disbursements to countries in August 1983 were \$585 million. The cumulative disbursements of \$1,178 million for FY84 at end-August are about 14 percent of the FY84 Budget forecast of \$8,550 million, or \$138 million short of the \$1,316 million that should have been disbursed in the first two months of the fiscal year based on past experience. This means that in order to achieve the \$8,550 million, the disbursements in the remaining ten months of the fiscal year would have to average about \$740 million per month.

Project disbursements of \$1,042 million are only \$17 million short of the \$1,059 million that should have been disbursed to achieve the 20 percent growth (implicit in the FY84 Budget forecast) over the first two months of FY83. However, total non-project disbursements of \$136 million in July and August are about \$122 million short of the \$258 million that should have been disbursed toward achieving the \$1,550 million included for these disbursements in the \$8,550 million. To achieve the full \$8,550 million, it appears that large withdrawals under SALs and some acceleration in project disbursements should take place in ensuing months. The undisbursed balance of SALs at end-August was \$1,091 million, and nine new SALs, for a further \$1,235 million, are expected to be presented to the Board for approval in the remainder of FY84, as follows: 2nd Quarter, 3 loans for \$560 million; 3rd Quarter, 1 loan for \$80 million; and 4th Quarter, 5 loans for \$595 million.

Overdue Service Payments

Overdue service payments at the end of August were \$98.2 million (\$73.3 million under 30 days) compared to \$71.4 million (\$60 million under 30 days) at the end of July. Four countries, Brazil (\$38.9m), Zambia (\$14.5m), Tanzania (\$8.3m) and Jamaica (\$6.9m), accounted for approximately 71% of the end-August overdue service payments. Brazil alone accounted for about 40%, but its overdues were all less than 30 days old and by September 22 its obligation of \$38.9 million had been settled. Disbursements to Guyana were suspended from August 29 to September 5 due to its overdues situation, and the Liberia and Sierra Leone suspensions, in effect since July 19 and August 19, respectively, continue.

IBRD - Overdue Service Payments

(\$ - millions)

<u>Country</u>	<u>Overdues - August 31, 1983</u>					<u>Amount still Unpaid at Sept. 22, 1983</u>
	<u>60 Days+</u>	<u>45 Days</u>	<u>30 Days</u>	<u>15 Days</u>	<u>Total</u>	
Brazil	-	-	-	38.9	38.9	-
Zambia	-	9.9	4.1	.5	14.5	4.1
Tanzania	4.0	1.7	2.6	-	8.3	2.6
Jamaica	-	-	1.4	5.5	6.9	-
Others ^{1/}	6.9	2.4	7.3	13.0	29.6 ^{1/}	15.8
Total 8/31/83	10.9	14.0	15.4	57.9	98.2	22.5
	=====	=====	=====	=====	=====	=====
Memo as of 7/31/83	5.9	6.5	22.5	36.5	71.4	
	=====	=====	=====	=====	=====	

^{1/} Each less than \$5.0 million (33 countries).

(b) IDA:

Disbursements and credit service data for IDA were as follows:

------(In US\$ millions)-----

	FY84 ACTUAL		FY84 BUDGET		FY83 ACTUAL		
	Month of August	Cumulative	Cumulative FY84 to August	Full year 1984	Month of August	Cumulative	Full year FY83
		FY84 to August				FY83 to August	
Disbursements	170	347	473	3,200	183	351	2,596
Service Payments:	20	38	40	247	15	28	187
Principal Charges	8 12	14 24	12 28	83 164	6 9	10 18	59 128
NET TRANSFER	150	309	433	2,953	167	322	2,409
	====	====	====	=====	====	====	=====

Disbursements

IDA disbursements in July and August 1983 were \$177 million and \$170 million, respectively. Cumulative FY84 disbursements through the end of August are \$347 million, \$126 million (or 3%) short of the \$473 million that should have been disbursed based on the FY84 Budget forecast of \$3,200 million and past seasonal patterns for disbursements in the first two months of a fiscal year. Disbursements to India for July and August were \$109 million, less than half of the \$223 million that should have been disbursed to achieve the 23% growth (implicit in the FY84 Budget forecast) over the disbursements of \$181 million in the first two months of FY83.

Overdue Service Payments

Overdue service payments at the end of August were \$5.6 million from 25 countries, compared to \$4.3 million from 29 countries in July. Sudan, which has overdues of \$1.5 million, is expected to make a partial settlement (the \$.6 million July overdues) shortly, according to Country Programs staff. Chad overdues are unchanged from July at \$1.4 million and disbursements to that country remain partially suspended.

IDA - Overdue Service Payments
(\$ - millions)

Country	Overdues - August 31, 1983					Amount still Unpaid at Sept. 22, 1983
	60 Days+	45 Days	30 Days	15 Days	Total	
Sudan	.1	.5	.8	.1	1.5	1.3
Chad	1.4	-	-	-	1.4	1.4
Tanzania	.2	*	.5	.1	.8	.6
Others	.5	.3	.3	.8	1.9 ^{1/}	.5
Total 8/31/83	2.2	.8	1.6	1.0	5.6	3.8
Memo as of 7/31/83	1.6	.5	1.1	1.1	4.3	

^{1/} Each less than \$.3 million (22 countries).

* Less than \$.05 million.

3. IBRD CAPITAL SUBSCRIPTIONS/IDA COMMITMENT AUTHORITY

(a) IBRD Capital:

In last month's Financial Report, we indicated that the status of subscriptions will be monitored against established targets starting with the September Report. Accordingly, the Regional staff has been asked to prepare such targets by early October. This will allow the staff to better reflect members' subscription intentions based on discussions during the Annual Meetings. Meanwhile, during August Canada subscribed to the second of its four instalments, raising the Part I members' subscribed capital as a percent of authorized capital to 79% (from 78% in July). There was a rather small subscription under the selective capital subscriptions by Trinidad and Tobago but the Part II members' subscribed capital as a percent of authorized capital remained virtually unchanged at 54%.

(b) IDA/Special Fund Commitment Authority:

Receipt of the US\$245 million FY83 "Supplemental" IDA6 contribution triggered sufficient commitment authority (SDR 371 million) to enable IDA to authorize signature for all FY84 credits made through August 31, 1983. As of the same date, there remained a balance of SDR 32 million for additional credit signings. Furthermore, the release in the month of August of a portion of Canada's contribution to the Special Fund increased available Special Fund commitment authority to SDR 103 million. There have been no Special Fund credits approved in the first two months of FY84.

The table below indicates the status of IDA/Special Fund commitment authority as of August 31, 1983.

FY84: IDA/Special Fund Commitment Authority as of August 31, 1983 a/

	<u>SDR million</u>
<u>IDA (IDA6 and FY84 Account)</u>	
Carry-over from June 30, 1983 (valued at August 31, 1983 exchange rates)	-1
Add: Contributions released in FY84 to date:	
- IDA6: United States	234.5
France	23.7
Germany	86.5
Japan	26.2
	<hr/>
	371
- FY84 Account: Luxembourg	0.5
Yugoslavia	1.3
	<hr/>
	2
	<hr/>
Total Resources released for FY84 credits through August 31, 1983	372
Less: FY84 Credits approved through August 31, 1983	340
	<hr/>
Available IDA commitment authority as of August 31, 1983	32
	<hr/> =====
 <u>Special Fund</u>	
Carry-over from June 30, 1983 (valued at August 31, 1983 exchange rates)	38
Add: Contributions released by: Sweden	60.1
Canada	5.1
	<hr/>
	65
	<hr/>
Available SF commitment authority as of August 31, 1983	103
	<hr/> =====

a/ Valued at August 31, 1983 exchange rates.

4. INVESTMENTS

Relevant data on Investments are as follows:

(a) By Currency:

(US\$ millions)

POSITION AT:

	July 31, 1983		August 31, 1983	
	Book Value	Yield (%)	Book Value	Yield (%)
Investments in:				
US Dollars	10,020.9	9.50	9,970.9	9.68
Non-US Dollars	3,144.9	10.83	3,220.9	10.80
	13,165.8	9.82	13,191.8	9.95
	=====	=====	=====	=====

(b) By Maturity:

(US\$ millions)

POSITION AT AUGUST 31

	Book Value	Yield	Unrealized Gains/Losses
Up to 6 months	7,516	10.12	(1)
6 months to 1 year	1,190	10.01	(5)
Sub-total up to 1 year	8,706	10.11	(6)
Over 1 year	4,486	9.66	(64)
TOTAL INVESTMENTS	13,192	9.95	(70)
	=====	=====	=====
Add: Other Cash Balances	99		
TOTAL LIQUID ASSETS	13,291		
	=====		

(c) Realized Returns:

	%
FY84 Budget Memorandum forecast	9.50
Month of August	8.66
FY84 Cumulative to date	8.60

After August 10, US interest rates, which had been rising since early May, stabilized. Foreign exchange rates and world-wide interest rates also stabilized during the past few weeks. The realized returns of the first two months of the FY reflect the capital losses incurred when the portfolio's life was reduced. In the meanwhile, the funds have been reinvested at higher yields.

(d) Outlook:

Substantial uncertainty about future interest rate movements dictates that the portfolio be positioned in a neutral stance. We still expect the portfolio to earn 9.5% for the FY; book rates are now well over this mark.

C. IBRD NET INCOME

1. NET INCOME

After taking capital losses of \$17 million arising from investment transactions, IBRD net income for August was \$30 million. This brings cumulative net income for FY84 so far to \$57 million, which is \$25 million below the Budget forecast. For FY84 as a whole, uncertainties surrounding prospective movements in interest rates and exchange rates point towards a range of possible outcome of between \$525 million and \$575 million.

SUMMARIZED FINANCIAL REPORT FOR AUGUST 1983
(All amounts stated in millions)

	FY83			FY84				Full Year Budget (US\$)
	Cum. to August Actual (US\$)	Month of August		Cumulative to August				
		Budget (US\$)	Actual (US\$)	Budget (US\$)	Actual (US\$)	Budget (SDR)	Actual (SDR)	
1. KEY ELEMENTS OF INCOME								
Income from Loans:								
- Interest	382	234	224	464	452	430	429	3,027
- Commitment Fees	34	20	19	41	38	38	35	245
- Front-end Fees	14	3	2	6	7	5	7	30
	430	257	245	511	497	473	471	3,302
Income from Investments:								
- Interest			113		224		212	
- Trading gains/losses (-)	211	111	-17	222	-36	206	-33	1,418
	211	111	96	222	188	206	179	1,418
Net Other Income	1	2	1	3	2	3	2	12
Total Income	642	370	342	736	687	682	652	4,732
Borrowing Expenses	461	298	289	593	576	550	547	3,786
Administrative Expenses	53	39	23	61	54	56	51	396
Total Expenses	514	328	312	654	630	606	598	4,182
NET INCOME	128	42	30	82	57	76	54	550
2. KEY ELEMENTS OF CASH FLOW								
Short-Term Borrowings	-		-		1		1	1,000
Long-Term Borrowings	1,576	1,059	856	1,731	1,707	1,594	1,616	9,223
Total Borrowings	1,576	1,059	856	1,731	1,708	1,594	1,617	10,223
Long-Term Debt Retirement	804	456	437	640	625	590	593	2,577
Project Disbursements	982	671	557	1,316	1,042	1,212	986	7,000
Non-Project Disbursements			28		136		129	1,550
Sub-Total (Disbursements to Countries)	982	671	585	1,316	1,178	1,212	1,115	8,550
Front-End Fees Capitalized	8	3	10	6	17	5	17	40
Disbursements to IFC	2	16	5	32	7	30	7	210
Total Disbursements	992	690	600	1,354	1,202	1,247	1,139	8,800
Repayments of Loans	268	179	172	423	315	390	299	2,725
Loanable Capital	57	2	5	10	28	9	27	400
3. SUMMARIZED BALANCE SHEET								
Liquid Assets	9,542			14,136	13,291	13,105	12,724	16,297
Loans Outstanding	29,515			35,269	33,487	32,697	32,057	40,413
TOTAL EARNING ASSETS	39,057			49,405	46,778	45,802	44,781	56,710
Borrowings	32,298			41,499	39,499	38,472	37,805	48,054
Loanable Capital	2,705			2,983	2,881	2,765	2,758	3,373
Reserves and Due to IDA	4,568			5,187	5,001	4,809	4,788	5,537
Other	-514			-264	-603	-245	-570	-254
TOTAL LOANABLE RESOURCES	39,057			49,405	46,778	45,802	44,781	56,710
Memo: Undisbursed Loans	31,560				35,743		34,216	39,705
4. KEY RATIOS								
Statutory Lending Limit					54,462		52,137	
Ratio of Outstandings to Capital					61%		61%	
Interest Coverage Ratio	1.28			1.14	1.10	1.14	1.10	1.15
Average Rate on Loan Disbursements	8.68%				9.28%			9.10%
Average Cost of Short-Term Borrowings	-				9.51%			8.75%
Cost of New Long-Term Borrowings	9.60%				8.84%			7.93%
Average Return on Investments	13.39%				8.60%			9.50%



Record Removal Notice



File Title Senior Management Council - Memos - Correspondence 06		Barcode No. 1773316
Document Date October 19, 1983	Document Type Memorandum with attachment	
Correspondents / Participants To: All Members of the Senior Management Council From: Martijn J.W.M. Paijmans, VPA		
Subject / Title Attitude Survey II		
Exception(s) Corporate Administrative Matters		
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.
		Withdrawn by Shiri Alon
		Date 15-Feb-17

Ninth Annual Review of Audit Performance Results

I will introduce a brief discussion of the Ninth Annual Review of Project Performance Audit Results. This report, which was discussed at the Joint Audit Committee October 19 and will be discussed by the Board November 8, reconfirms the overall effectiveness of Bank/IDA operations. But it also reveals a deterioration in outcomes over the last five reporting periods. The 1979 Review included 1 project in 11 adjudged not to be worthwhile. The corresponding ratio in the 1983 report was 1 in 5. As for the investments that were financed (total project costs), the proportion of disappointments was lower, but also rising: 1979 - 3%; 1983 - 11%. The disappointments have been concentrated in the agricultural sector and in the African Regions.

Numerous factors contributed to these disappointments: deficiencies in design and preparation, in implementation, in the sector institutional and policy context, and macro-economic and political adversity.

The issues for discussion are:-

- (i) what lessons do the operations managers draw from this 1979-83 overview of over 500 completed projects? Are the "avoidable" factors such as inappropriate project objectives, inadequate preparation, poor appraisal judgments of project costs, implementation capacities and sector policies, and weaknesses in supervision matters of the past? Or are there still steps to be taken to better reconcile program goals with country problems and with staffing and scheduling constraints?
- (ii) how are the lessons of this experience being disseminated to and discussed with staff?
- (iii) what are the present expectations of project outcomes in the next 2-3 years?

ATTENDANCE LIST FOR SENIOR MANAGEMENT COUNCIL - October 28, 1983

Jean-Loup Dherse
Munir Benjenk (but will not be at lunch)
K. Georg Gabriel
Masaya Hattori
Hans Hittmair
David Hopper
Shahid Husain
Attila Karaosmanoglu
Anne Krueger
Teruyuki Ohuchi
Moeen Qureshi
Eugene Rotberg
Ibrahim Shihata
Tim Thahane
Mervyn Weiner
Joe Wood
Jud Parmar (but will not be at lunch)
Warren Baum (But will not be at lunch)
Ernie Stern (But will not be at lunch)

Papmans
ABSENT: Willi Wapenhans
Nicolas Ardito-Barletta
Roger Chauffournier
David Knox
~~Martijn Paijmans~~
Hans Wuttke

NOTES: This is Mr. Dherse's first SMC meeting.

Lunch will be in the D Building Dining Room - Room "A"



Record Removal Notice



File Title Senior Management Council - Memos - Correspondence 06		Barcode No. 1773316		
Document Date October 25, 1983	Document Type Form			
Correspondents / Participants To: Executive Dining Room Manager From: A.W. Clausen				
Subject / Title Dining Room Reservation Request				
Exception(s) Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.		
		<table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date 15-Feb-17</td></tr></table>	Withdrawn by Shiri Alon	Date 15-Feb-17
Withdrawn by Shiri Alon	Date 15-Feb-17			

SMC - Oct. 28

Wapenhans - will not attend

Chaufournier - will be away -

Pajonans - will be away -

Knop - will be away

Baum - at mtg. / not lunch

Stern - at mtg. / not lunch

Ardite - Barketta - away

Baur - ~~at meeting~~ / not lunch

Benjak - no lunch

? Wottle

Primas - at meeting - no lunch

APPETIZERS

Chicken Consomme - Shrimp Gumbo	\$0.80
Fruit Juices - Fruit Cup	\$0.75
Stuffed Vine Leaves w/Rice - <u>Melon</u>	\$1.25
Duck Pate Bigarade - Seafood Cocktail	\$1.75

ENTREES

BOUCHEE A LA REINE	\$4.55
(Creamed Chicken in Pastry Shell)	
BROCHETTE DE AGNEAU MILANAISE	\$6.10
(Lamb Brochette)	
ESCALOPE DE VEAU OSCAR	\$6.90
(Veal Scallopine w/ Crabmeat)	
DARNE DE SAUMON DIPLOMATE	\$5.75
(Poached Salmon)	
FROM THE GRILL - COOKED TO ORDER R() M() W()	
LOW CALORIE RIBEYE STEAK	\$6.25
<u>TWO BROILED LAMB CHOPS</u>	\$6.15
CHOPPED SIRLOIN STEAK w/MUSHROOM SAUCE	\$4.40

Please Indicate if Salad is Desired

SALAD

VEGETABLES CHOICE OF TWO

Fried Potatoes	Broccoli with Cheese Sauce	<u>Vichy Carrots</u>
----------------	----------------------------	----------------------

COLD PLATES AND SANDWICHES

GREEK SALAD BOWL	\$4.00
PATE MAISON ON TOAST	\$3.85

DESSERTS

<u>Sherbert</u> - Ice Cream	\$0.85
Coupe aux Marrons - Peach Melba	\$1.05
Assorted Pastries - Tartlets	\$1.25
Cakes and Pies	\$1.10
Cheese and Crackers - Fresh Fruit	\$1.20

APERITIFS - BEVERAGES

Sherry Sweet or Dry	\$0.75	Dubonnet	\$0.75		
Coke	\$0.60	Ginger Ale	\$0.60	Milk	\$0.30
Perrier	\$0.95				
Coffee	\$0.30	Tea	\$0.30	Espresso	\$0.45

Friday
5

October 28, 1983

OFFICE MEMORANDUM

RECORD

Senior Management Council

DATE October 13, 1983

TO Senior Management Council

FROM Heinz Vergin, Director, PBD

EXTENSION 75456/7

SUBJECT FY84 Budget Implementation - First Quarterly Report

In its meeting of August 12 the Senior Management Council agreed to the need for added restraint in the implementation of the FY84 budget. With reference to the understandings reached in that meeting (see the minutes dated August 25) it would now be most helpful if your First Quarterly Report on Budget and Expenses were to reflect in the full year estimate of your FY84 expenses the specific steps that you are taking to contain your expenses below budgeted level.

Pending completion of the shift of the expense monitoring function from PBD to CTR/ACT we would appreciate your forwarding your first quarterly report for FY84 to PBD by c.o.b. October 26. The Budget and Expense Report for the month of September will be provided to your units by Monday, October 17.


HV:di

OFFICE MEMORANDUM

X

DATE October 13, 1983

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HV:di

OFFICE MEMORANDUM

DATE October 4, 1983

TO Members of the Senior Management Council

FROM Roy Southworth *RS*

EXTENSION 73585

SUBJECT

The next meeting of the Senior Management Council will take place on Friday, October 28 from 10:00 a.m. through lunch. An agenda and background papers will be distributed shortly.

OFFICE MEMORANDUM

RECORD

Senior Management Council

DATE September 9, 1983

CONFIDENTIAL

TO Members of the Senior Management Council

FROM V. Roy Southworth *VR*

DECLASSIFIED

FEB 15 2017

WBG ARCHIVES

EXTENSION 73585

SUBJECT Job Grading Program - A Reminder

In this morning's meeting it was agreed that members of the Council would provide Reg Clarke with the following by Friday, September 16, 1983:

- i) Copies of the draft memorandum to Managers (#23) and of the draft letter to the staff with your comments and revisions; and
- ii) A specific indication of which benchmark evaluations give you concern. You should note in each case the aspects of the job as it existed at the time which you feel have not been taken fully into account in arriving at the evaluation.

VRS:MH

MONTHLY FINANCIAL REPORT FOR JULY 1983

9/2
DECLASSIFIED

FEB 15 2017

WBG ARCHIVES

A. HIGHLIGHTS

1. IBRD

- Borrowings: About 10% (\$890 million) of the FY84 medium- and long-term borrowing program (\$9 billion) was completed in July. Current trends in interest rates signal probability that FY84 borrowing costs will be higher than budget--perhaps .50% over 7.9% weighted average assumed in FY84 Budget (Section B.1).
- Disbursements: July disbursements amounted to \$593 million, about \$50 million below the path of projected monthly performance leading to \$8,550 million, the Budget total for FY84 (Section B.2).
- Loan Service Payments: Overdue service payments at end-July were \$71.4 million, about the same dollar level as at the end of June and some \$30 million higher than the monthly average for FY83; \$46.2 million of this was settled by August 26 (Section B.2).
- Investments: July rate of return on investments was 8.51% compared with Budget target for FY of 9.5%; nonetheless, Budget rate may be low by perhaps .25% (Section B.4).
- Net Income: \$550 million (the Budget projection) remains "best" estimate for FY; probable upward tilt in borrowing costs may be offset by higher investment returns, and by rephasing of the Swiss franc component of the borrowing program, plus possible effects of a softening dollar (Section C.1).

2. IDA

- Disbursements: July disbursements amounted to \$177 million, about \$70 million below the projected Budget path leading to \$3.2 billion for FY84 (Section B.2).
- Loan Service Payments: No adverse trend in overdues; figure steady at about \$4 million (Section B.2).

3. SPECIAL TOPIC

- IDA FY83 Performance: A discussion of IDA's liquidity and its exchange shortfall under IDA5 is presented (Section D).

B. STATUS OF FINANCIAL PROGRAMS

1. BORROWINGS

(a) July Borrowings:

Nine borrowings were completed in July totalling US\$ 890.6 million equivalent with an average life of 6.0 years and an average cost of 9.58%. These borrowings included yen, guilders, Deutsche mark, pounds sterling, Swiss francs and US dollars. In addition, seven swap transactions were completed, four of which were done using US dollars borrowed in FY83; the net effect of all of these swaps would reduce the cost of July borrowings to 7.67%. The status of FY84 borrowings at the end of July is provided in the table shown under (b).

Interest rates in the US once again edged upward during the month of July. US Treasury yields increased by some 90 basis points from 10.87% at the end of June to 11.77% at the end of July. This upward move was attributed to the continued rapid money supply growth, the heavy Treasury funding requirements and the increasingly strong economic growth. Rising interest rates in the US, along with the strength of the dollar in the foreign exchange markets, pushed yields upward in various degrees in the other major financial markets, notably in Germany, Switzerland and the Netherlands, and to some extent also in Japan.

(b) Cumulative FY84 Borrowings:

The cumulative borrowings by currency and their respective costs, compared to the FY84 Borrowing Program, and adjusted to reflect swaps out of FY84 dollars into other currencies, are shown in the table below:

FY84 Program					Cumulative to 7/31/83					Achieved in First month of FY84 (%)
Amount	US\$ Equiv.	Average Life (%)	Average Cost (yrs)	Currency	Amount	US\$ Equiv.	Average Life (%)	Average Cost (yrs)		
1,470	1,470 ^{1/}	15	4.9	10.97	164.3	164.3	19	5.8	11.56	11
5,100	2,083	21	7.4	7.58	849.4	330.3	37	5.2	8.19	16
5,020	2,510	25	5.5	5.70	352.2	154.6	17	6.6	5.89	6
360,000	1,565	15	9.5	8.20	20,000.0	83.7	9	10.3	8.26	5
2,850	1,020	10	6.4	8.88	100.0	35.1	4	5.0	9.05	3
175	271	3	13.6	11.58	79.7	122.6	14	5.0	11.45	45
-	120	1	9.7	10.82	-	-	-	-	-	-
Total FY84 Medium- and Long-Term Borrowings					890.6	100	6.0	8.90 ^{2/}	10	
US\$ Short Term:										
1,000	1,000 ^{3/}	10			-	-	-	-	-	-
					1,998.9		42.7days	9.28		
<u>10,039</u>	<u>100</u>			Grand Total	<u>2,889.5</u>					

1/ Net amount after taking into account planned swaps (gross FY84 US\$ borrowings: \$3,067 million).

2/ Excludes interest cost effect of US\$190.0 million in swaps out of pre-FY84 borrowings which would lower the marginal cost of FY84 borrowings to 7.67%.

3/ Reflects desired FY84 authority for new US\$ short-term borrowings that would take total outstanding short-term borrowings at end of FY84 to \$3 billion.

(c) August Borrowings:

Medium- and long-term borrowings for August amounted to about \$800 million in Deutsche mark, guilders, US dollars, Libyan dinars and yen.

(d) Outlook:

Major US banks raised their prime lending rate on August 8 in response to the rise in their cost of funds. The recent rise in interest rates in the US, combined with continued economic weakness elsewhere in the world will continue to attract capital flows to the US and, thereby, further strengthen the US dollar against other major currencies. As a result, bond prices in other major capital markets are also likely to remain weak, since yields in the various currencies can be expected to drift upwards, in line with recent trends in the United States. This has been the case in the Netherlands and Germany where the average yield-spreads on bonds, relative to US dollar yields, have remained comparatively stable. By contrast, secondary-market yields and borrowing costs in Japan and Switzerland have lagged behind the recent escalation in US bond yields.

2. DISBURSEMENTS AND LOAN SERVICE

(a) IBRD:

Disbursements to and loan service payments from members were as follows:

------(In US\$ millions)-----

	ACTUAL	FY84 BUDGET		FY83 ACTUAL	
	Month of July	Month of July	Full year 1984	Month of July	Full year FY83
Disbursements <u>1/</u>	593	645	8,550	413	6,722
Service Payments:	390	495	5,997	270	4,728
Principal Charges <u>1/</u>	143 247	244 251	2,725 3,272	109 161	2,029 2,699
NET TRANSFER	203 ====	150 ====	2,553 =====	143 ====	1,994 =====

1/ Excludes front-end fees.

Disbursements

The FY84 Budget forecast for IBRD disbursements to countries provides for \$7.0 billion in project disbursements and \$1,550 million in non-project disbursements making a total of \$8,550 million, of which \$1.0 billion is expected to be generated as a result of measures under the Bank's Special Action Program.

Actual IBRD disbursements to countries in July 1983 were \$593 million, \$485 million in project disbursements and \$108 million under program and structural adjustment loans. This is already about 8 percent short of the \$645 million that were projected to be disbursed in July based on past experience. The shortfall of \$52 million is not significant, but if the monthly disbursements do not pick up then the full FY outcome is likely to fall short of the Budget forecast, as was the case in FY83. During August 1983, about \$540 million of disbursements to countries have been processed. The key to increasing disbursements to countries in FY84 is in the disbursements under SALs and other non-project loans and in the measures taken under the Bank's Special Action Program for accelerating disbursements to borrowers. As of July 31, there was approximately \$1.6 billion in undisbursed balances under non-project loans of which about \$1.3 billion was under SALs, and non-project lending in the remainder of the FY is expected to total about \$1.6 billion (of which \$1.4 billion is for SALs). In July 1983, there were no disbursements resulting directly from actions that can be clearly identified as measures under the Bank's Special Action Program.

Overdue Service Payments

Overdue service payments at the end of July were \$71.4 million (\$12.4 million over 30 days) compared to \$73.2 million (\$6.7 million over 30 days) at the end of June. The June figure was high due to Brazil (\$35.0 million) which has since substantially settled its overdues and had only \$3.8 million overdue at the end of July. Approximately 60 percent of the end-July overdues was accounted for by five countries, Zambia, Ivory Coast, Peru, Turkey and Tanzania. The Ivory Coast and Turkey have since settled their respective obligations. However, Zambia, Peru and Tanzania are having difficulties in meeting their debt service obligations due to shortage of foreign exchange. In the case of Zambia, the possibility of a suspension of disbursements arose again in July when that country's overdues crossed the over-60 days threshold. Though the Zambians settled the older overdues to avoid suspension, they still owed \$11.3 million at the end of July. Tanzania has had constant debt-servicing problems and has appeared on every month-end report of overdues over the last 12 months. Peru's problems are more recent; the country recently entered into a Club of Paris accord to reschedule its public foreign debt and is expected to settle its obligation shortly.

Looking at the overall situation, the June and July figures indicate a rising level of overdues. Whereas the average month-end overdues in FY83 were about \$43.0 million, the level of overdues has risen sharply to over \$70 million at the end of June and July. On the average during FY83, 8% of amounts billed each month were overdue at month-end. At the end of June, overdue amounts were 14% of the total amounts billed that month--this increased to 16% of the total amounts billed at the end of July. Analyses has shown that the deterioration is mainly in the under-30 day overdue category, reflecting perhaps the fact that borrowers faced with liquidity shortages may be taking advantage of the initial 30-day period after which overdue service payments are drawn to the attention of the Bank's Board of Executive Directors.

IBRD - Overdue Service Payments

(\$ - millions)

Country	Overdues - July 31, 1983					Amount still Unpaid at Aug. 26, 1983
	60 Days+	45 Days	30 Days	15 Days	Total	
Zambia	1.4	-	-	9.9	11.3	9.9
Ivory Coast	-	-	8.7	-	8.7	-
Peru	*	2.6	1.7	4.3	8.6	.4
Turkey	-	-	-	7.6	7.6	-
Tanzania	.9	-	4.0	1.7	6.6	5.7
Others <u>1/</u>	3.6	3.9	8.1	13.0	28.6	9.2
Total 7/31/83	5.9	6.5	22.5	36.5	71.4	25.2
Memo as of 6/30/83	4.9	1.8	26.7	39.8	73.2	

1/ Each less than \$5.0 million (28 countries).

* Less than \$.05 million.

(b) IDA:

Disbursements and credit service data for IDA were as follows:

----- (In US\$ millions) -----

	ACTUAL	FY84 BUDGET		FY83 ACTUAL	
	Month of July	Month of July	Full year 1984	Month of July	Full year FY83
Disbursements	177	246	3,200	168	2,596
Service Payments:	18	18	247	13	187
Principal Charges	6 12	6 12	83 164	4 9	59 128
NET TRANSFER	159	228	2,953	155	2,409

Disbursements

Actual IDA disbursements in July 1983 were \$177 million, 28 percent short of the \$246 million that were projected to be disbursed during the month based on past experience. During August 1983, about \$150 million of IDA disbursements have been processed. The FY84 Budget forecast for IDA disbursements is \$3,200 million, 23 percent higher than the actual FY83 disbursements of \$2,596 million. Disbursements to India, which have averaged about 46 percent of total IDA disbursements in the last two fiscal years should continue to be a major factor in determining the actual FY outcome.

Overdue Service Payments

Total overdue service payments at end of July were \$4.3 million from 29 countries, compared to \$4.0 million from 21 countries at the end of June. Excluding Chad, whose cumulative overdues of \$1.4 million are over 60 days, the end-July overdues of \$2.9 million are about 18 percent of the FY83 monthly average service payments from IDA borrowers. African countries constitute the majority on the overdues list, Tanzania and Chad prominent among these in that they have appeared consistently on this list during the last 12 months.

IDA - Overdue Service Payments

(\$ - millions)

Country	Overdues - July 31, 1983				Total	Amount still Unpaid at Aug. 4, 1983
	60 Days+	45 Days	30 Days	15 Days		
Chad	1.4	-	*	-	1.4	1.4
Others <u>1/</u>	.2	.5	1.1	1.1	2.9	2.6
Total 7/31/83	1.6	.5	1.1	1.1	4.3	4.0
	=====	=====	=====	=====	=====	=====
Memo as of 6/30/83	1.6	.4	.7	1.3	4.0	
	=====	=====	=====	=====	=====	

1/ Each \$.5 million or less (28 countries).

* Less than \$.05 million.

3. IBRD CAPITAL SUBSCRIPTIONS/IDA COMMITMENT AUTHORITY

(a) IBRD Capital:

As has been known for a while, capital subscriptions by Part II members have lagged behind those of Part I members. Member countries in East and West Africa have made no GCI subscriptions to date. To focus the efforts of Bank staff and management and of the EDs, there is a need to establish subscription and release targets for each region; regional staff is in the process of establishing such targets. Starting with the September Financial Report, the status of subscriptions will be monitored against established targets. Meanwhile, the rate of subscription at the end of July remained unchanged from that at the end of June (subscribed capital as a percent of authorized capital: Part I members 78%, Part II members 54%).

(b) IDA/Special Fund Commitment Authority:

IDA - At the end of June 1983, the value of IDA6 commitment authority for FY83 (SDR 3,001 million) fell short of total IDA credits approved in that year by SDR 30 million. As of July 29, 1983, due to exchange rate movements, the shortfall was reduced to SDR 3 million. The receipt of waiver notifications from Luxembourg and Yugoslavia, amounting to SDR 2 million further reduced the shortfall to SDR 1 million. As of the end of July 1983, total credits approved on a "contingent" basis amounted to SDR 300 million.

Special Fund - Receipt of Sweden's waiver notification increased the total available Special Fund commitment authority to SDR 100 million; there were no credits committed in July against the Special Fund available resources. The commitment authority position for IDA/FY84 Account and Special Fund (valued at July 29, 1983 exchange rates) was as follows:

<u>IDA (IDA6 and FY84 Account)</u>	<u>SDR million</u>
Carry-over from June 30, 1983 (valued at July 29, 1983 exchange rates)	(3)
Add: Contributions released in FY84 to date:	
- FY84 Account (Luxembourg & Yugoslavia)	2
Less: Total FY84 Credits approved in July	<u>(299)</u>
Shortfall in <u>IDA</u> commitment authority as of July 29, 1983	(300) =====
 <u>Special Fund</u>	
Carry-over from June 30, 1983 (valued at July 29, 1983 exchange rates)	39
Add: Contribution released by Sweden	<u>61</u>
Available SF commitment authority as of July 29, 1983	100 =====

4. INVESTMENTS

Relevant data on investments are as follows:

(a) By Currency:

(US\$ millions)

POSITION AT:

	June 30, 1983		July 31, 1983	
	Book Value	Yield (%)	Book Value	Yield (%)
Investments In:				
US Dollars	9,255.1	9.44	10,020.9	9.50
Non-US Dollars	3,627.7	10.30	3,144.9	10.83
	12,882.8	9.68	13,165.8	9.82
	=====	=====	=====	=====

(b) By Maturity:

(US\$ millions)

POSITION AT JULY 31

	Book Value	Yield	Unrealized Gains/Losses
Up to 6 months	7,303	9.96	(3)
6 months to 1 year	1,216	9.93	(5)
Sub-total up to 1 year	8,519	9.95	(8)
Over 1 year	4,647	9.57	(87)
TOTAL INVESTMENTS	13,166	9.82	(95)
	=====	=====	=====
Add: Other Cash Balances	209		
TOTAL LIQUID ASSETS	13,375		
	=====		

(c) Realized Returns:

%

FY84 Budget Memorandum forecast	9.50
Month of July	8.51

In the first month of the fiscal year, the rise of interest rates in the US that started in May accelerated and the average life of the portfolio was further reduced. As of August 10, one-year Treasury bills yielded 10.75% and five-year notes yielded 12%, both up by about 100 basis points since the end of June.

Internationally, the US dollar rose to multi-year record levels against most currencies. The strength of the dollar forced international interest rates up also, and practically precludes falling interest rates abroad until the dollar weakens--which in turn is linked to falling rates in the US.

(d) Outlook:

Despite the relatively low return in July, there is a strong probability that given current trends and the position of the portfolio, the investment return for the full year could exceed the Budget forecast of 9.50%, perhaps by as much as .25%. However, this early in the fiscal year uncertainties about interest rates obviously remain large, hence the budget estimate remains the "best" estimate with a rather wide range of variance probable.

C. IBRD NET INCOME

1. NET INCOME

In July, IBRD net income was \$27 million after taking \$19 million of capital losses arising from investment transactions. The projected FY84 net income of \$550 million is still the "best" estimate. Sensitivity analysis has been performed to assess the impact on net income of current trends and future outlook as mentioned in the borrowings and investment sections of this report. At the outside of the range of probable outcomes, it appears that net income could fall below the Budget estimate by some \$25 million; however, this could be offset by a softening of the US dollar of about 10%, well within the range of expectations currently being discussed.

D. SPECIAL TOPIC

1. IDA FY83 PERFORMANCE

(a) IDA Liquidity:

IDA's liquidity during FY83 plummeted from \$337 million at the start of FY83 to less than \$105 million in December 1982 before recovering to a level of \$275 million on June 30, 1983. The key elements that resulted in a reduction in liquidity were: (i) a faster pace of disbursement, and (ii) the decrease in value of member contributions due to exchange rate movements. This problem was exacerbated by some donors making contributions under fixed encashment schedules. The squeeze on liquidity in the first half of the FY necessitated increased calls on donors' contributions in the second half to restore IDA liquidity to a safe operating level. In circumstances when donor aid budgets are tight, this action has caused considerable concern and has resulted in requests by donors to defer portions of their calls. Despite these measures, IDA liquidity at the end of fiscal year 1983 was only equivalent to about one month of disbursements at the projected FY84

pace; a level which does not provide a sufficient margin of flexibility to meet sudden surges in disbursements between calls which are being made on a quarterly basis. We are currently examining carefully IDA's liquidity management practices to see how the present situation can be improved.

(b) Exchange Shortfall:

IDA's credit obligations for commitments made under IDA5 were denominated in US dollars while the contributions of countries other than the United States and Saudi Arabia were made in their respective non-dollar currencies. At the time of the Fifth Replenishment agreement (March 14, 1977), the value of IDA5 donors' contributions was \$7,732 million. By June 30, 1980, however, the dollar had depreciated sharply against other donor currencies resulting in an increase in the value of donor contributions of more than \$1 billion (to \$8,792 million). This amount was fully committed at the end of the IDA5 commitment period. Since then, exchange rates have reversed resulting in the present value (as of July 29, 1983) of available undrawn resources being about \$1.0 billion (after taking into account a \$146 million IDA4 surplus and the \$100 million transfer of Bank FY83 net income approved by the Board) less than undisbursed IDA5 commitments which as of July 29, 1983 stood at 44%. If in the future, exchange rate developments are again reversed, this shortfall would be reduced somewhat, but it would take an immediate depreciation in the value of the dollar in the order of about 38% to make the present shortfall disappear. In order to ensure the Association's ability to deal adequately with any exchange shortfall that might materialize, we have: (i) stopped committing against cancellations and regular repayments of IDA credits; and (ii) obtained approval from the Executive Directors to provide \$100 million toward a shortfall reserve. If exchange rates between the dollar and IDA5 donor currencies continue as at present, we expect these courses of action to be sufficient to meet the shortfall that would materialize. However, if the dollar continues to appreciate against IDA5 donor currencies and more exchange losses are "locked in" in the disbursements made, we may need to consider whether further measures are needed. Such measures will be proposed, if required, in the next year's budget review.

FINANCIAL REPORT FOR JULY 1983

Summarized IBRD Financial Results

(In US\$ millions)



FY83 COMPARATIVES		FY84			
FULL YEAR	MONTH OF JULY	MONTH OF JULY			FULL YEAR
ACTUAL		BUDGET	ACTUAL	VARIANCE	BUDGET
1. KEY ELEMENTS OF INCOME					
2,797	213	254	252	-2	3,302
1,417	105	111	92	-19	1,418
11	1	1	1	-	12
4,225	319	366	345	-21	4,732
3,128	230	295	287	+8	3,786
345	28	31	31	-	396
3,473	258	326	318	+8	4,182
752	61	40	27	-13	550
2. KEY ELEMENTS OF CASH FLOW					
752	61	40	27	-13	550
10,647	934	672	852	+180	10,223
2,943	338	184	188	+4	2,577
7,704	596	488	664	+176	7,646
336	25	8	23	+15	400
8,792	682	536	714	+178	8,596
6,852	420	664	602	-62	8,800
2,058	109	244	143	-101	2,725
4,794	311	420	459	+39	6,075
25	-	-	-	-	118
3,995	357	96	236	+140	2,380
-22	14	20	19	-1	23
8,792	682	536	714	+178	8,596
3. KEY BALANCE SHEET ITEMS					
13,196	9,762	14,011	13,375	-636	16,297
33,748	29,457	34,658	33,656	-1,002	40,413
46,944	39,219	48,669	47,031	-1,638	56,710
39,407	32,421	40,896	39,594	-1,302	48,054
2,924	2,702	2,981	2,909	-72	3,373
5,026	4,536	5,145	5,015	-130	5,537
-413	-440	-353	-487	-134	-254
46,944	39,219	48,669	47,031	-1,638	56,710
4. NOTES					
2,487	190	230	228	-2	3,027
213	16	21	19	-2	245
97	7	3	5	+2	30
1,243	108		111		
174	-3		-19		
1,417	105	111	92	-19	1,418
24	-	2	-	-2	30
36	2	16	2	-14	210
28	-	4	1	-3	35
43	-	4	-	-4	43
95	5	3	7	+4	40
36,073	31,776		36,140		39,705
5. KEY RATIOS					
55,252			54,643		
61%			62%		
1.24	1.27	1.14	1.09		1.15

FINANCIAL REPORT FOR JULY 1983

Summarized IBRD Financial Results

(In millions of SDRs)

SDR

FY83 COMPARATIVES		FY84				
FULL YEAR ACTUAL	MONTH OF JULY	MONTH OF JULY			FULL YEAR BUDGET 1/	
		BUDGET	ACTUAL	VARIANCE		
1. KEY ELEMENTS OF INCOME						
2,582	195	Interest and other income on loans	239	237	-2	3088
1,308	96	Investment income	104	87	-17	1326
9	1	Net Other Income	1	1	-	11
<u>3,899</u>	<u>292</u>	Income	<u>344</u>	<u>325</u>	<u>-19</u>	<u>4425</u>
2,887	211	Borrowing expenses	278	271	+7	3540
320	25	Administrative expenses	29	29	-	370
<u>3,207</u>	<u>236</u>	Expenses	<u>307</u>	<u>300</u>	<u>+7</u>	<u>3910</u>
692	56	NET INCOME	<u>37</u>	<u>25</u>	<u>-12</u>	<u>515</u>
2. KEY ELEMENTS OF CASH FLOW						
692	56	Net Income	37	25	-12	515
10,007	856	New Borrowings	632	802	+170	9561
2,885	310	Less: Debt retirement	173	177	+4	2410
7,122	546	NET NEW BORROWINGS	459	625	+166	7151
360	23	New loanable capital	8	22	+14	374
<u>8,174</u>	<u>625</u>	TOTAL SOURCES	<u>504</u>	<u>672</u>	<u>+168</u>	<u>8040</u>
6,331	385	Disbursements	625	567	-58	8230
1,898	100	Less: Repayments	230	135	-95	2548
4,433	285	NET DISBURSED	395	432	+37	5682
24	-	Payments to IDA	-	-	-	110
3,693	327	Increase in cash and investments	90	222	+132	2226
24	13	Net increase in other assets	19	18	-1	22
<u>8,174</u>	<u>625</u>	TOTAL USES	<u>504</u>	<u>672</u>	<u>+168</u>	<u>8040</u>
3. KEY BALANCE SHEET ITEMS						
12,352	8,939	Liquid assets	13,273	12,670	-603	15,242
31,588	26,973	Portfolio assets	32,831	31,883	-948	37,798
43,940	35,912	EARNING ASSETS	46,104	44,553	-1,551	53,040
36,886	29,687	Borrowings	38,741	37,501	-1,240	44,944
2,737	2,474	Loanable Capital	2,824	2,756	-68	3,155
4,704	4,154	Reserves and other	4,874	4,751	-123	5,178
-387	-403	Other	-335	-455	-120	-237
43,940	35,912	TOTAL LOANABLE RESOURCES	46,104	44,553	-1,551	53,040
4. NOTES						
2,296	174	Breakdown of Loan income:	216	215	-1	2,831
196	15	- Interest	20	17	-3	229
90	6	- Commitment Charges	3	5	+2	28
		- Front-end Fee				
1,148	99	Income from Investments:		104		
160	-3	- Interest		-17		
1,308	96	- Trading Gains/Losses (-)				
		Total	104	87	-17	1,326
22	-	Contributions to Special Programs (included in admin. expenses)	2	-	-2	28
33	2	Net disbursements to IFC (included in net disbursements above)	15	2	-13	196
26	-	- Disbursements	4	1	-3	33
39	-	- Repayments	4	-	-4	40
		- Charges				
87	4	Front-end fee capitalized	3	7	+4	37
33,765	29,097	Undisbursed Loans		34,235		37,135
5. KEY RATIOS						
51,699		Statutory lending limit		51,763		
612		- ratio of outstandings to capital		622		
1.24	1.27	Interest coverage ratio	1.14	1.09		1.15

1 / Calculated based on June 1983 average exchange rate applied to US\$ Full Year Budget figures.

Controller's
08/26/83

MCR:IBRD.Compar. (SDRs)

SELECTED FINANCIAL DATA

(Dollar amounts expressed in millions of United States Dollars)

	Fiscal years ended June 30		
	1981	1982	1983
Balance sheet data—end of fiscal year:			
Cash and liquid investments (net of commitments for settlement and cash collateral received)	\$ 8,371	\$ 9,394	\$13,196
Loans:			
Disbursed and outstanding	25,958	29,168	33,747
Undisbursed	28,133	31,984	36,073
Borrowings (1):			
Short-term	—	—	1,488
Medium- and long-term	27,823	32,029	38,065
Capital and reserves:			
Paid-in capital, reserves and accumulated net income—unallocated	7,131	7,827	8,898
Callable capital	32,953	39,059	47,369
Subscriptions under 1980 general capital increase (cumulative) ..	—	\$ 7,245	\$15,514
Net income	\$ 610	\$ 598	\$ 752
Medium- and long-term borrowings outstanding—end of fiscal year:			
Placed with official sources	\$ 7,641	\$ 7,709	\$ 8,564
Placed with others	20,157	24,131	29,343
Cash and liquid investments as a percentage of borrowings outstanding—end of fiscal year	* 30.11%	29.50%	33.49%
Average cost of:			
New medium- and long-term borrowings drawn down during fiscal year	9.61%	11.25%	8.88%
Total borrowings outstanding during fiscal year	7.41	8.15	8.72
Short-term	—	—	8.51
Medium- and long-term	7.41	8.15	8.73
Total borrowings and other funds available during fiscal year	6.08	6.74	7.36
Average interest rate on:			
Disbursed and outstanding loans during fiscal year (2)	7.47%	7.64%	7.90%
Undisbursed fixed rate loans during fiscal year	8.10	8.75	9.54
Commitment charge on undisbursed loans	0.75%	0.75%	0.75%
Return on:			
Average liquid investments	9.30%	11.25%	12.15%
Average loans outstanding	8.09	8.45	8.89
Average earning assets	8.39	9.10	9.77
Average life of medium- and long-term borrowings outstanding—end of fiscal year (years):			
Placed with official sources	3.24	3.02	2.68
Placed with others	7.03	6.70	6.55
Total outstanding	5.99	5.81	5.68
Average life of loans—end of fiscal year (years)	9.00	8.78	8.54
Disbursed and outstanding loans as a percentage of subscribed capital and reserves—end of fiscal year (3)	64.76%	62.61%	61.08%

(1) Including contracts to borrow and net of unamortized discounts and premiums.

(2) Includes variable rate loans on which the interest rate is adjusted every six months. In addition, a front-end fee is payable on loans when they become effective. See "Loan Charges and Return on Average Earning Assets."

(3) Articles limit outstanding loans and guarantees to 100% of subscribed capital and reserves.

The above information is qualified by the detailed information and financial statements appearing elsewhere in this Information Statement.

SENIOR MANAGEMENT COUNCIL

September 6, 1983

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

1. Monthly Financial Report
 - * 1.1 Financial Report for July 1983 FIS/MC83-58
with Selected Financial Data as of June 30, 1983.
2. Job Grading, Reg Clarke, Gautam Kaji.
 - 2.1 Memo (Paijmans) September 5, 1983: Job Grading
Program with draft attachments.
3. Other Business.
4. Lunch (E Building, Dining Room No. 1)

* Previously distributed.



Record Removal Notice



File Title Senior Management Council - Memos - Correspondence 06		Barcode No. 1773316		
Document Date August 30, 1983	Document Type Board Paper			
Correspondents / Participants From: Vice President and Secretary				
Subject / Title Incentives for Encouraging Early Retirement				
Exception(s) Corporate Administrative Matters				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date 15-Feb-17</td></tr></table>	Withdrawn by Shiri Alon	Date 15-Feb-17
Withdrawn by Shiri Alon	Date 15-Feb-17			

OFFICE MEMORANDUM

RECORD
Senior Management Council

DATE September 5, 1983

STRICTLY CONFIDENTIAL

TO Members of Senior Management Council

FROM Martijn J.W.M. Paijmans, VPA

J

EXTENSION 76428

SUBJECT Job Grading Program

DECLASSIFIED
FEB 15 2017
WBG ARCHIVES

1. The "Benchmark" phase of the Job Grading Program has been successfully completed. Before going further, we need your views and those of your managers on our plans for the evaluation of the remaining approximately 5,600 positions in the Bank and IFC.
2. To initiate this process of consultations we have prepared two draft papers for consideration by Senior Management Council on September 9, 1983:
 - (a) a draft Information for Managers Memorandum #23 intended to remind managers of the objectives of the Job Grading Program, to inform them of the results of the "Benchmark" phase and to seek their views on the plans we have in mind for the next phase of the Program;
 - (b) a draft letter to all staff to report on the general progress of the Program and to provide reassurance on the concerns most frequently voiced.
3. We intend to distribute the memorandum to managers, amended as necessary in the light of discussions in Senior Management Council, during the week of September 12. The letter to all staff, also amended as necessary, would be issued during the following week.



Record Removal Notice



File Title Senior Management Council - memos - Correspondence 06		Barcode No. 1773316		
Document Date N/A	Document Type Memorandum			
Correspondents / Participants To: Vice Presidents and Department Directors, Bank and IFC From: Martijn J.W.M. Pajmans, VPA				
Subject / Title Personnel and Administration Issues: Information for Managers #23 - Job Grading Program				
Exception(s) Corporate Administrative Matters				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.		
		<table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date 16-Feb-17</td></tr></table>	Withdrawn by Shiri Alon	Date 16-Feb-17
Withdrawn by Shiri Alon	Date 16-Feb-17			

7/14
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Senior Management Council
Minutes of August 12, 1983 Meeting

CONFIDENTIAL
August 25, 1983

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

Also Present: H. Vergin, R. Southworth

1. Monthly Financial Report

- Financial Report for June 1983 FIS/MC83-52

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

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

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

Turning to FY83 borrowings it was noted that the \$10.3 billion reflected a shortfall of \$500 million over the revised program. This shortfall was due to a decision not to rollover short-term borrowings in June. In the early months of FY84 the emphasis would be on non-dollar borrowings and swaps because of the increase in dollar rates. In this context, the effects of the currency composition of borrowings on the exchange rate risk faced by borrowers were discussed. A recent paper circulated to the Board showed that savings from borrowings in multiple currencies as opposed to a notional dollar program totalled 418 basis points over the period between FY77 and FY83. The paper also demonstrated

that the effective cost of borrowing, including the cost of exchange rates movement, was much lower with the multiple currency program. If the dollar were to remain at current levels against the Swiss Franc, Deutschmark and Yen over the life of the outstanding debt the effective cost of non-dollar borrowings would be 5.7% compared to a cost of about 11-1/2% with a notional dollar borrowing program.

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

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

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

2. Cofinancing

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

Mr. Ohuchi reported on the Bank's cofinancing program. In the period FY74-83 projects with a total cost of \$141 billion had been cofinanced representing over 51% of total project volume during the period. The share of project costs covered by the borrower was about the same, at 51%, in both cofinanced and non-cofinanced projects. But the Bank's contribution to project finance was lower by more than half in cofinanced projects. Thus, the Bank achieved a greater degree of leverage through its cofinancing operations. In FY83 86 cofinanced projects were approved by the Board with a total project cost of \$5.7 billion. Fiscal year 1983 saw a steady level of official cofinancing, a rising trend in export credit cofinancing, and a temporary decline in the upward trend in private cofinancing. The latter was attributed to a sharp decline in commercial bank lending to developing countries because of the current economic

situation. In FY84 an annual project pipeline review would be initiated jointly by the Regions and the Advisory Unit for Cofinancing to assess the overall potential for cofinancing and to develop country strategies for each Region. Other activities would include continued testing of the B loan techniques, exploration of alternative methods of association with export credit agencies, and on strengthening the consultative process on official cofinancing.

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

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

3. Report on FY84 Budget and FY85 Budget Process

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

On the FY84 budget, Mr. Vergin said volume growth was 4.4% budget-to-budget and 5.3% FY83 actual to FY84 budget. This rate of growth met stiff resistance in the Board and management was challenged to bring in actual expenditures at under 4.4%. This challenge came largely from those EDs who were supportive of management budget initiatives but who were hard-pressed to explain the increases to their authorities--many of whom were facing harsh fiscal constraints of their own. Mr. Vergin said that keeping actual growth below 4% would be a good signal of management's intention to control future budget growth. On the FY85 budget, Mr. Vergin said that the budget process over the past years had made it clear that an

earlier start was required and that more attention needed to be focussed on actual expenditures in the analysis. In developing the FY85 budget there would be a thorough analysis based on actual expenditures for FY83 and better estimates of actual expenditures in FY84. There was also a need to put the budget analysis in a multi-year perspective and the intention was to have a frame of reference for the FY85 budget that went back to FY83 and forward to FY87.

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

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

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

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

The discussion turned next to possible areas for savings in the FY84 budget. It was noted that a reduction of \$4-5 million would be required to

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

Other Business

Space Proposal

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

Selective Capital Increase

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

Ym

By (lower)

20

100

APPETIZERS

<u>Chilled Cream of Watercress</u> - Mussel Chowder	\$0.80
Fruit Juices - Fruit Cocktail	\$0.75
Avocados Vinaigrette - Melon	\$1.25
Roll Mops \$1.35 - Duck Pate Bigarade	\$1.75

ENTREES

QUICHE AUX CREVETTES \$3.80 (Shrimp Quiche)	
TOURNADO ROSSINI \$6.90 (Filet of Beef w/Liver Pate)	
MARYLAND CRABMEAT IMPERIAL \$5.75	
FROM THE GRILL - COOKED TO ORDER R() M() W()	
<u>DELMONICO STEAK</u> \$6.25	
<u>TWO BROILED LAMB CHOPS</u> \$6.15	
CHOPPED SIRLOIN STEAK BORDELAISE \$4.40	

Please Indicate if Salad is Desired

SALAD

VEGETABLES - CHOICE OF TWO
Braised Celery Hearts

Rice Pilaf

Squash Nicoise

COLD PLATES

CHICKEN SALAD PLATE \$4.00	FRUIT PLATE W/COTTAGE CHEESE \$4.00
ROAST BEEF SANDWICH \$3.65	TUNA SALAD SANDWICH \$3.65

DESSERTS

Sherbert - Ice Cream	\$0.85
Peach Melba - Coupe aux Marrons <i>Melon</i>	\$1.05
Assorted Pastries - Tartlets	\$1.25
Cakes and Pies	\$1.10
Cheese and Crackers - Fresh Fruit	\$1.20

APERITIFS - BEVERAGES

Sherry Sweet or Dry \$0.75	Dubonnet \$0.75	
Coke \$0.60	Ginger Ale \$0.60	Milk \$0.30
Perrier \$0.95		
Coffee \$0.30	Tea \$0.30	Espresso \$0.45

Friday
2

September 9, 1983

THE WORLD BANK

Office of the President

8/30

Booked DR E #1

for SMC for 20 people

menu given to Helen.

mg'

→ Roy Southworth
E-1227

Roy -

I will not be at the

Sept. 9 S.M.C. because

I will not be in the office

on that day.

Henry L. Wiener

8/29.

SENIOR MANAGEMENT COUNCIL

August 8, 1983

Agenda for Friday August 12 Meeting at 10:00 am

1. Monthly Financial Report
 - 1.1 Financial Report for June 1983 FIS/MC83-52.
2. Report on FY84 Budget and FY85 Budget Process,
Heinz Vergin.
(Oral Presentation)
3. Cofinancing
 - 3.1 Memo (Ohuchi) August 2, 1983 OPS/MC83-30:
Co-financing Priorities in FY84 and Longer-Term
Approaches.
4. Other Business
5. Lunch (E Building, Dining Room No. 1)



Record Removal Notice



File Title Senior Management Council - memos - Correspondence 06		Barcode No. 1773316		
Document Date August 9, 1983	Document Type Form			
Correspondents / Participants To: Executive Dining Room Manager From: R. Southworth				
Subject / Title Dining Room Reservation Request				
Exception(s) Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.		
		<table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date 16-Feb-17</td></tr></table>	Withdrawn by Shiri Alon	Date 16-Feb-17
Withdrawn by Shiri Alon	Date 16-Feb-17			

ROUTING SLIP		DATE:
		August 3, 1983
NAME		ROOM NO.
Mr. Roy Southworth		E-1227
	APPROPRIATE DISPOSITION	NOTE AND RETURN
	APPROVAL	NOTE AND SEND ON
	CLEARANCE	PER OUR CONVERSATION
	COMMENT	PER YOUR REQUEST
	FOR ACTION	PREPARE REPLY
<input checked="" type="checkbox"/>	INFORMATION	RECOMMENDATION
	INITIAL	SIGNATURE
	NOTE AND FILE	URGENT
REMARKS:		
Please find attached copies of the Financial Report for the month of June 1983.		
FROM:	ROOM NO.:	EXTENSION:
Michael J. Gillette	I 4-174	61053

RECORD

SAC 3/2

FIS/MC83-52
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MONTHLY FINANCIAL REPORT FOR JUNE 1983

A. HIGHLIGHTS (End FY83 results against revised estimates in FY84 Budget Memorandum)

1. IBRD

- Borrowings: Including delayed deliveries, the actual outcome was \$10.3 billion, \$500 million less than the revised FY83 program; the shortfall was due entirely to short-term borrowings not rolled over during June (Section B.1).
- Disbursements: Disbursements to countries were \$6,722 million, very close to the revised estimate of \$6,700 million. June disbursements increased sharply to \$923 million, reflecting extraordinary efforts to facilitate disbursements under structural adjustment and program loans (\$245 million) and through project revolving funds in Brazil (\$124 million of which \$66.8 million in the last week of June) (Section B.2).
- Loan Service Payments: End-June overdues were very high in comparison with previous monthly averages, but the increase was due almost entirely to Brazil (which settled the bulk of its arrears within two weeks) (Section B.2).
- Investments: FY83 rate of return on investments was 12.15% versus 12.45% in the revised estimate (Section B.4).
- Net Income: \$752 million was realized, \$48 million less than the revised estimate (Section C.1).
- Liquidity: A significant rise in disbursements during June, coupled with a reduction in the volume of outstanding discount notes by US\$ 500 million, resulted in a liquidity ratio of 45% at year-end (Section C.2).

2. IDA

- Disbursements: Disbursements were \$2,596 million, in line with the revised estimate of \$2,600 million (Section B.2).

B. STATUS OF FINANCIAL PROGRAMS

1. BORROWINGS

(a) June Borrowings:

Three borrowings in SwF and DM were completed in June totalling US\$ 294.7 million equivalent with an average life of 4.8 years and an average cost of 6.66%. In addition, one swap transaction was completed and US\$ 8.6 million from the Interest Subsidy Fund was charged to the FY83 Program. The status of FY83 borrowings at the end of the fiscal year is provided in the table shown under (b).

(b) Cumulative FY83 Borrowings:

The cumulative completed FY83 borrowings by currency, compared to the FY83 borrowing program as revised in April 1983, are as follows:

<u>REVISED FY83 PROGRAM</u>				<u>COMPLETED FY83 PROGRAM</u>					^{1/}
<u>Amount</u>	<u>US\$ Equiv.</u>	<u>%</u>	<u>Currency</u>	<u>Amount</u>	<u>US\$ Equiv.</u>	<u>%</u>	<u>Average</u>	<u>Cost</u>	<u>Achieved</u>
<u>(in millions)</u>				<u>(in millions)</u>			<u>Life</u>	<u>(%)</u>	<u>In</u>
							<u>(years)</u>		<u>FY83 (%)</u>
1,955	1,955	18	US Dollars	2,036.2	2,036.2	20	8.1	11.71	104
3,769	1,537	14	Deutsche Mark	3,761.3	1,518.8	15	7.0	8.13	99
5,285	2,504	23	Swiss Francs	5,334.8	2,514.0	24	5.5	6.54	100
320,000	1,303	12	Japanese Yen	325,000.0	1,325.9	13	9.5	8.53	102
	1,503	14	Other		1,396.3	13	5.9	9.57	93
	8,802	81	SUB-TOTAL		8,791.2	85	7.0	8.79	100
			Short-term						
	2,000	19	Borrowing (US\$)		1,500.7	15	35.3days	8.51	75
	10,802	100	TOTAL		10,291.9	100	6.0	8.75	97
=====		=====		=====		=====	=====	=====	=====

^{1/} Throughout, swap transactions are reflected in the currencies into which they were swapped.

Swaps during FY83 were a significant factor in the total borrowings program. Of the \$8.8 billion in medium- and long-term borrowings, \$1.7 billion was swapped, principally in three currencies--Swiss francs (\$1.1 billion), Deutsche mark (\$.3 billion), and Guilders (\$.1 billion)--with other currencies accounting for the balance (\$.2 billion). The objective of the swap program was not only to gain additional flexibility in tapping the European capital markets, but also to improve the overall cost of our borrowings. In the FY83 Budget, the FY83 borrowing program was projected to cost 11.1%; the actual (considerably larger) program cost 8.75%--without swaps, it would have cost 9.59%.

Of the Bank's total medium- and long-term borrowings in FY83, 20% (\$1.8 billion) was from official sources (i.e. central banks)--the lowest level in recent years and down from 23% in FY82. We have been unable to reverse the declining contribution from this source of funding in relation to our total borrowings and, for the first time since 1976, have had an absolute fall in these borrowings. Moreover, our borrowings remain heavily concentrated in three central banks, namely, the Bundesbank, Bank of Japan and SAMA. These three institutions, accounted for 64% of our official borrowings in FY83.

Nevertheless, there have also been a number of positive factors. On a net basis, our borrowings in FY83 were the largest we have achieved since FY75, increasing the share of foreign exchange reserves directly placed by central banks in IBRD securities from around 1.6% to 1.8%. Secondly, a significant number of new subscribers were attracted to our general two-year SwF and dollar issues. Thirdly, considerable progress was made during the year towards establishing a new one-year deposit facility for central banks which would, hopefully, meet more effectively the investment objectives of these institutions.

An FY83 retrospective analysis by each of the four major currencies of borrowing follows:

United States Dollars: The most important points regarding the Bank's US dollar borrowings in FY83 were the dramatic decline in the spread that investors required the Bank to pay over US Treasury securities and the successful launching of the short-term borrowing program. Comparing FY83 borrowings to those of FY82, we note that there was a 12% increase in the gross amount borrowed, a decrease in average cost from 15.27% to 12.15% (11.71% inclusive of swaps) and an increase in the average life from 6.07 years to practically 7 years (8.1 years inclusive of swaps) as we locked in lower costs for a longer period. Due to a positive yield curve and narrow spreads for short-term maturities, the cost of the short-term borrowing program averaged close to 300 basis points below the cost of other U.S. borrowings.

Deutsche Mark: In FY83, the Bank's market transactions amounted to DM 3.1 billion, nearly reaching the all-time high of DM 3.2 billion in FY80. Including the official transactions of DM 700 million, total borrowings reached DM 3.8 billion. This compares to the all-time high of DM 4.1 billion in FY80. The background for this development was a relaxation of

the conditions in the capital market in the course of FY83. In particular, the bond market proved to be very productive. In the period July 1982 - March 1983, DM 104.4 billion of new funds flowed into the market, compared to DM 77.4 billion in the period July 1981 - March 1982. By the end of October 1982 the yields on bonds had gone down to little more than 8%, against 10-1/2% a year earlier. In the following months market sentiment changed on several occasions under the impact of international interest rate and exchange rate movements. After having reached the 7-1/2% level at the beginning of CY1983, yields came back to 8-1/4% for government bonds in late May.

Swiss Francs: In FY83 the total amount of Swiss franc transactions, including swaps, reached SwF 5.3 billion (\$2.5 billion) in 41 separate transactions. This is an historical high with Swiss francs representing 29% of the FY83 medium- and long-term borrowing program of \$8.8 billion. Of this program, swaps amounted to SwF 2.4 billion in 26 transactions representing 44% of the program. By comparison, in FY82 there were only eight swap transactions for SwF 1.1 billion. The volume of swap operations in FY83 has therefore more than doubled while the respective number of separate transactions has more than tripled.

The number of public issues has remained stable at three per year aggregating SwF 300 million. For the first time, in our May 1983 issue the syndicate was internationalized to include six foreign banks domiciled in Switzerland. The purpose of this was for market broadening. Whereas during FY83 private placements were about SwF 150 million less than in FY82, the volume of syndicated bank loans increased by SwF 200 million. Borrowings from OPEC also remained stable at over SwF 600 million, although we had only two transactions as compared to three in FY82.

It is noteworthy that the average cost of the FY83 Swiss franc borrowings was 6.58% with an average life of 5.6 years, whereas in FY82 the average cost was 8.06% for about the same average life--5.7 years. The heavy borrowings in Swiss francs, with the lowest interest rate structure of the main currencies, contributed to substantial debt servicing savings to the Bank in a context of a fairly stable Swiss franc hovering at \$1 = SwF 2.

Japanese Yen: Despite a late start in the Bank's yen program during discussions in the first quarter with Japanese authorities, we completed FY83 borrowings of Y 325 billion (\$1.36 billion at current exchange rates), which comprised approximately 13.2% of the Bank's overall program. While this represents an increase in absolute terms over our Y 320 billion FY82 borrowings, it is a relatively smaller share than the 16.2% level of FY82 and continues a trend of decline evident since at least FY80, when yen borrowings comprised 23.8% of the total. Reticence on the part of the Japan Ministry of Finance to further expand our market access reflects economic policy constraints relating to capital exports and the status of the yen as an international medium of exchange as well as, and perhaps more importantly, its outlook on Japan's position in the Bank as a whole.

The long maturities and comparatively low interest rates available in yen continued in FY83 to have a beneficial effect on the overall cost and maturity of the Bank's funding. There were several noteworthy transactions during the year. In the only transaction executed during the first quarter, we established a borrowing relationship with a group of approximately 35 regionally-based Japanese commercial banks led by the Bank of Yokohama.

We followed this up in the fourth quarter with a second transaction for an aggregate during the year of Y 30 billion. This represents an addition to and segmentation of the relationship we developed in FY82 with the commercial banking sector generally, and we now borrow from two distinct groups of commercial banks--the regional group just described and another comprised of twelve "city" banks. The latter half of the fiscal year has seen a notable improvement in the reception accorded our samurai issues in the Japanese domestic market. Our spreads over Japanese government bonds have tightened appreciably, particularly in the last two of the five issues we executed during the year. Ministry of Finance regulations governing the size of these issues (Y 20 billion each) remain of concern, however, inasmuch as they reduce our flexibility in this market.

(c) FY84 Outlook:

The financial markets continue to reflect uncertainties about the adequacy of the Federal Reserve response to increased money supply figures (M1). The prospects for real growth have been improving dramatically, well beyond the expectations of most analysts, and forecasts for GNP growth are being revised upward. Nevertheless, despite the favorable performance of the US domestic economy, the capital markets have still not reached the level of stability that might be expected in a strengthening economic environment.

Rising interest rates in the US have bolstered the dollar considerably against major currencies and have begun to exert new pressures on interest rates in some of the major markets. The Swiss capital market has stabilized after some upward movement in medium- and long-term rates during the first quarter of 1983. The Japanese rates, after rising somewhat have held steady since May. The capital account deficit of Japan has continued to be a source of concern to the Japanese authorities, although the Yen has become far more stable. Rates in Germany and Netherlands moved upward in June.

Interest rates in the US are likely to rise moderately during July, as increases in monetary aggregates are expected to appear during the coming weeks. There have been some fears expressed about the possible rise in the US prime rate and even the discount rate. Despite the unsettled mood in the financial markets, it is still uncertain whether conditions will warrant adjustments in the fundamental rate structure this month. The Federal Reserve Open Market Committee met in mid-July to decide on specific responses to increases in the money stock (the outcome of the meeting has not been announced to date). Other markets began the month quietly, awaiting decisions by the Federal Reserve in July but also because of the start of the holiday season.

2. DISBURSEMENTS AND LOAN SERVICE

(a) IBRD:

Disbursements to and loan service payments from members were as follows:

----- (In US\$ millions) -----

	FY83			FY82	
	ACTUAL		BUDGET	ACTUAL	
	Month of June	Full year FY83	Full year FY83	Month of June	Full year FY82
Disbursements ^{1/}	923	6,722	7,300	581	6,324
Service Payments:	452	4,728	4,966	384	3,994
Principal Charges ^{1/}	176 276	2,029 2,699	2,207 2,759	184 200	1,683 2,311
NET TRANSFER	471 =====	1,994 =====	2,334 =====	197 =====	2,330 =====

Disbursements

Disbursements to countries, excluding front-end fee capitalizations, for full FY83 were \$6,722 million; this was \$578 million (or 8%) below the original Budget forecast of \$7,300 million but was in line with the revised estimate of \$6,700 million shown in the FY84 Budget Memorandum. Disbursements in June were \$923 million compared to a monthly average of \$527 million for the previous eleven months of FY83. Disbursements of \$245 million under structural adjustment and program loans, and \$124 million in initial deposits to revolving funds in Brazil (of which \$23 million resulted directly from the Special Action Program and \$66.8 million alone in the week preceding the end of the FY), accounted for the sharp increase in June disbursements.

Analysis of disbursements on project loans in FY83 (\$5,934 million) shows an increase of only 10% over FY82, versus 17% in FY82 over FY81. The growth rate projected in the FY83 Budget held for the first half of FY83 but fell sharply in the second half; this pattern reflected efforts by governments to maintain foreign exchange receipts, but the effort was overtaken by a general slowdown in project implementation.

Identifiable measures taken through the Bank's Special Action Program generated about \$60 million in additional disbursements in Mexico and Brazil alone; the effect of such measures in other countries is not yet known. Non-project disbursements, excluding front-end fee capitalizations, were \$874 million in FY83 compared to \$954 million in FY82, an eight percent decline. This was mainly due to the fact that in FY83 there were few new program and structural adjustment loans until the last four months of the fiscal year.

^{1/} Excludes front-end fees.

Disbursements to IFC were \$36 million compared to the FY83 Budget Forecast of \$200 million. This shortfall was partly due to cancellations of loans previously approved by IFC's Board, to some IFC borrowers' preference for funds from other sources, and to IFC's having received additional resources in the form of further subscriptions to its capital.

Lending Rate

The lending rate on eligible Bank loans for interest periods starting after July 1, 1983 is 10.47% per annum. At the end of June 1983, the eligible loans amounted to \$9,871 million, of which \$357 million was disbursed and outstanding.

Overdue Service Payments

Overdue service payments on IBRD loans as of June 30, 1983 showed a significant increase to \$73.2 million from \$34.4 million as of the end of May. New overdues (those missed payments on the most recent due date) were \$39.8 million, representing 16% of the the total payments due, compared to 7% as of the end of the previous month and 6% six months earlier (December 31, 1982). But the increase was due almost entirely to Brazil, whose overdues were \$35.0 million compared to \$3.5 million a month earlier; Brazil's arrears were reduced to \$8.5 million in the ensuing two weeks, and overall overdues to \$24.5 million in the same period. The average month-end overdues for FY83 were \$43.0 million (\$13.1 million over 30 days) compared to \$21.7 million (\$8.6 million over 30 days) during FY82.

<u>IBRD - Overdue Service Payments</u>					
(\$ - millions)					
<u>Country</u>	<u>45</u> <u>Days+</u>	<u>30-45</u> <u>Days</u>	<u>15-30</u> <u>Days</u>	<u>15</u> <u>Days-</u>	<u>Total</u>
Brazil	-	*	18.8	16.2	35.0
Ivory Coast	-	-	-	6.7	6.7
EA Community	-	-	-	4.2	4.2
Peru	.7	.5	-	2.7	3.9
Nicaragua	-	-	2.0	.7	2.7
Colombia	-	-	.1	2.5	2.6
Ghana	-	.5	-	1.9	2.4
Tanzania	1.5	-	.9	-	2.4
Kenya	-	.5	-	1.7	2.2
Liberia	-	-	1.5	.3	1.8
Zambia	-	-	1.8	*	1.8
Ivory Coast/Upper Volta <u>1/</u>	1.4	-	-	-	1.4
Guyana	-	-	*	1.1	1.1
Yugoslavia	-	-	-	1.1	1.1
Egypt	1.0	-	-	-	1.0
Others <u>2/</u>	.3	.3	1.6	.7	2.9
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Total June 30, 1983	4.9	1.8	26.7	39.8	73.2
	=====	=====	=====	=====	=====
Memo: May 31, 1983	8.0	2.1	10.0	14.3	34.4

* Less than \$.05 million.

1/ Joint guarantors of regional railway loan.

2/ Each less than \$1.0 million (16 countries).

(b) IDA:

Disbursements and credit service data for IDA were as follows:

----- (In US\$ millions) -----

	FY83		BUDGET Full year FY83	FY82	
	ACTUAL			ACTUAL	
	Month of June	Full year FY83		Month of June	Full year FY82
Disbursements	246	2,596	2,500	254	2,067
Service Payments:	17	187	186	14	156
Principal Charges	5 12	59 128	58 128	4 10	51 105
NET TRANSFER	229	2,409	2,314	240	1,911
	====	=====	=====	====	=====

Disbursements

Cumulative FY83 disbursements were \$2,596 million; this was \$96 million (or 4%) over the original Budget Forecast of \$2,500 million and almost exactly what was shown in the FY84 Budget Memorandum. While IDA disbursements in the first eight months of the fiscal year were about 4% over estimates based on past seasonal patterns, the disbursements in March 1983 were exceptionally high due to India. Disbursements then dropped off in April and May but picked up again in June.

Overdue Service Payments

Total overdue service payments at end of June were \$4.0 million from 21 countries, compared to \$3.9 million from 31 countries at May 31. In FY83, overdue service payments at month-end averaged about \$3.8 million, with those overdue more than 30 days averaging about \$2.1 million (or 55%); no discernible trend was evident as Chad and Tanzania accounted for approximately 50% of the overdues throughout the year.

IDA - Overdue Service Payments

(\$ - millions)

<u>Country</u>	<u>45 Days+</u>	<u>30-45 Days</u>	<u>15-30 Days</u>	<u>15 Days-</u>	<u>Total</u>
Chad	1.2	-	.2	-	1.4
Afghanistan	-	-	-	.5	.5
Ghana	-	.1	-	.3	.4
Tanzania	*	.1	-	.2	.3
Cameroon	-	-	-	.2	.2
El Salvador	.2	-	-	-	.2
Nicaragua	-	-	.2	-	.2
Uganda	*	-	.2	-	.2
Dominican Republic	-	.1	-	-	.1
Guinea	.1	-	-	*	.1
Others <u>1/</u>	.1	.1	.1	.1	.4
	<u>1.6</u>	<u>.4</u>	<u>.7</u>	<u>1.3</u>	<u>4.0</u>
	=====	=====	=====	=====	=====
Memo: As of May 31, 1983	1.9	.2	.8	1.0	3.9
	=====	=====	=====	=====	=====

* Less than \$.05 million.

1/ Each less than \$.1 million (11 countries).

3. CAPITAL SUBSCRIPTIONS/IDA COMMITMENT AUTHORITY

(a) Capital:

In FY83, IBRD members subscribed to 92,367 additional shares, of which 78,881 corresponded to increases authorized under the General Capital Increase (GCI). This was significantly higher than the amount subscribed in FY82 (76,973 shares with GCI subscriptions amounting to 66,334 shares).

The ratio of unsubscribed shares as a percentage of total authorized shares declined to 31.78%, from 44.68% in FY82. If the same annual pace of subscriptions continues, the Bank's presently authorized capital will be fully subscribed by FY86. Progress has been mostly in Part I subscriptions; special effort is now being directed at encouraging Part II members to subscribe.

(b) Rate of Subscription:

The following table shows the pace of subscription of allocated capital through June 30, broken down by Part I and Part II shareholders.

	<u>Allocated</u>	<u>Subscribed 1/</u>	<u>Subsc. as % of allocated</u>
Part I Members	428,186	333,315	78%
Part II Members	287,112	154,246	54%
Unallocated	1,202	-	-
	<u>716,500</u>	<u>487,561</u>	<u>68%</u>
	=====	=====	=====

(c) FY83: IDA-6/Special Fund Commitment Authority Available as of June 30, 1983

IDA6 contributions released in FY83 totalled SDR 2,634 million, increasing IDA's commitment authority for FY83 to SDR 3,001 million, but falling short of total IDA credits approved in the FY by SDR 30 million. Some credits were thus carried over into FY84 unsigned, pending the availability of additional commitment authority. France made available a Special Fund contribution for use in FY83 amounting to SDR 77 million, of which SDR 36 million was committed.

The commitment authority position as of June 30, 1983 for IDA6 and the Special Fund was as follows:

1/ Includes agreed arrangements for the phasing of subscriptions.

<u>IDA-6:</u>	<u>SDR million</u>
Carry-over from July 1, 1982	155
<u>Add:</u> Contributions released in FY83 to date	2,634
Other resources (transfers, repayments)	<u>212</u>
Total IDA Commitment Authority for FY83	3,001
<u>Less:</u> IDA credits approved in FY83	3,031
Shortfall	(30)
	=====
 <u>Special Fund:</u>	
Total SF commitment authority for FY83 (Contributions released by France)	77
<u>Less:</u> SF credits approved in FY83	36
Balance to be carried forward to FY84	41
	=====

4. INVESTMENTS

Relevant data on investments are as follows:

(a) By Currency:

(US\$ millions)

	POSITION AT:			
	<u>May 31, 1983</u>		<u>June 30, 1983</u>	
	<u>Book</u>	<u>Yield</u>	<u>Book</u>	<u>Yield</u>
	<u>Value</u>	<u>(%)</u>	<u>Value</u>	<u>(%)</u>
Investments in:				
US Dollars	10,147.4	9.23	9,255.1	9.44
Non-US Dollars	<u>3,466.3</u>	<u>10.87</u>	<u>3,627.7</u>	<u>10.30</u>
	13,613.7	9.65	12,882.8	9.68
	=====	=====	=====	=====

(b) By Maturity:

The table below compares the investment portfolio at the end of FY82 and of FY83:

(in US\$ millions)

	POSITION AT:					
	JUNE 30, 1982			JUNE 30, 1983		
	Book Value	Yield	Unrealized Gains/Losses	Book Value	Yield	Unrealized Gains/Losses
Up to 6 months	3,541	15.32	(14)	5,896	9.76	(3)
6 months to 1 year	1,419	12.36	(30)	1,263	9.76	(3)
Sub-total up to 1 year	4,960	14.47	(44)	7,159	9.76	(6)
Over 1 year	4,128	12.21	(201)	5,724	9.58	(36)
TOTAL INVESTMENTS	9,088	13.44	(245)	12,883	9.68	(42)
	=====	=====	=====	=====	=====	=====
Add: Other Cash Balances	306			313		
TOTAL LIQUID ASSETS	9,394			13,196		
	=====			=====		

(c) Realized Returns:

	FY82	FY83
Original Budget	11.10%	10.75%
Month of June	8.87%	9.69%
FY Cumulative	11.25%	12.15%

In FY83 interest rates in US and most other markets first declined sharply until November, then stabilized within a narrow trading range until April, and then started rising again in May. The investment portfolio earned 12.15% in FY83 because it was positioned long to benefit from capital gains as rates fell. Rising rates in the last two months of the FY effectively precluded realizing the revised estimate of return on investments of 12.45%.

FY84 Outlook

During the first 20 days or so of the new FY, trading losses of \$19.2 million have been realized in the US dollar portfolio because of a desire to reduce the average life of the portfolio in anticipation of continuing increases in interest rates. The book yield increased for the dollar portfolio by 7 basis points to 9.51% and unrealized losses increased from \$50.1 million to \$71.1 million because of continuing market weakness.

C. IBRD NET INCOME AND LIQUIDITY

1. NET INCOME

The FY83 Budget Memorandum projected net income for the FY at about \$580 million, while the revised estimate in the FY84 Budget Memorandum was \$800 million; the actual outcome was \$752 million. In comparison with the original estimate, borrowing costs during the year were much lower than projected and return on investment much higher:

	FY83 Net Income Key Rates (%)	
	<u>Projected</u>	<u>Actual</u>
Borrowing costs	11.10	8.75
Return on investment	10.75	12.15

The front-end fee was adjusted twice during the FY, to 0.75% from 1.50% in December and to 0.25% in February. Actual income from front-end fees in FY83 was \$97 million versus \$155 million in the original budget projection.

2. LIQUIDITY

The level of Cash and Investments at the end of FY83 was US\$ 13.2 billion--a liquidity ratio of 45%. The outcome would certainly have been above 45% but for a reduction in the volume of outstanding discount notes (by about US\$ 500 million) and a surge in IBRD disbursements in June.

FINANCIAL REPORT FOR JUNE 1983

Summarized IBRD Financial Results

(In US\$ millions)

US\$

FY82 COMPARATIVES		FY83						
MONTH OF JUNE	CUM. TO JUNE 1982	MONTH OF JUNE			CUMULATIVE TO JUNE			MAY OUTLOOK
		ORIGINAL BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	ACTUAL	VARIANCE	
1. KEY ELEMENTS OF INCOME								
222	2,391	314	250	-64	2,965	2,797	-168	2,799
69	955	94	110	+16	1,200	1,417	+217	1,416
3	27	2	3	+1	25	19	-6	17
294	3,373	410	363	-47	4,190	4,233	+43	4,232
Income								
227	2,462	348	286	+62	3,246	3,135	+111	3,137
42	313	33	16	+17	362	346	+16	346
269	2,775	381	302	+79	3,608	3,481	+127	3,483
25	598	29	61	+32	582	752	+170	749
NET INCOME								
2. KEY ELEMENTS OF CASH FLOW								
25	598	29	61	+32	582	752	+170	749
Net Income								
662	8,029	437	-50*	-487	9,902	10,647	+745	10,628
109	2,829	123	57	-66	2,967	2,943	-24	2,941
553	5,200	314	-107	-421	6,935	7,704	+769	7,687
NET NEW BORROWINGS								
33	278	179	59	-120	405	336	-69	310
611	6,076	522	13	-509	7,922	8,792	+870	8,746
TOTAL SOURCES								
584	6,374	564	935	+371	7,655	6,852	-803	6,615
185	1,709	154	177	+23	2,236	2,058	-178	2,079
399	4,665	410	758	+348	5,419	4,794	-625	4,536
-	174	-	-	-	35	25	-10	25
246	1,188	68	-832	-900	2,388	3,995	+1,607	4,296
-34	49	44	87	+43	80	-22	-102	-111
611	6,076	522	13	-509	7,922	8,792	+870	8,746
TOTAL USES								
3. KEY BALANCE SHEET ITEMS								
9,394					11,783	13,196	+1,413	13,566
29,168					35,587	33,748	-1,839	33,708
38,562					47,370	46,944	-426	47,274
EARNING ASSETS								
31,840					39,602	39,407	-195	39,589
2,680					3,158	2,924	-234	2,922
4,469					5,099	5,026	-73	5,067
-427					-489	-413	+76	-304
38,562					47,370	46,944	-426	47,274
TOTAL LOANABLE RESOURCES								
4. NOTES								
189	2,161	275	221	-54	2,576	2,487	-89	2,489
16	191	35	19	-16	234	213	-21	213
17	39	4	10	+6	155	97	-58	97
Breakdown of Loan income:								
- Interest								
- Commitment Charges								
- Front-end Fee								
10	23	4	12	+8	24	24	-	24
Contributions to Special Programs (included in admin. expenses)								
2	48	16	3	-13	200	36	-164	40
1	26	3	1	-2	29	28	-1	29
5	41	4	7	+3	41	43	+2	41
Net disbursements to IFC (included in net disbursements above)								
- Disbursements								
- Repayments								
- Charges								
1	2	13	9	-4	155	95	-60	90
Front-end fee capitalized								
31,984					35,906	36,073		36,361
Undisbursed Loans								
5. KEY RATIOS								
1.11	1.24	1.08	1.21		1.18	1.24		1.24
		Statutory lending limit				55,252		
		- ratio of outstandings to capital				61%		

* New medium- and long-term borrowings in June were \$435 m, but there was a reduction in short-term borrowings of \$485 m, resulting in an overall decline of \$50 m in new borrowings.

FINANCIAL REPORT FOR JUNE 1983

Summarized IBRD Financial Results

(In millions of SDRs)

SDR

FY82 COMPARATIVES		FY83						
MONTH OF JUNE	CUM. TO JUNE 1982	MONTH OF JUNE			CUMULATIVE TO JUNE			MAY OUTLOOK
		ORIGINAL BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	ACTUAL	VARIANCE	
1. KEY ELEMENTS OF INCOME								
201	2,104	261	234	-27	2,668	2,582	-86	2,519
63	839	76	103	+27	1,080	1,308	+228	1,274
3	23	1	2	+1	22	16	-6	15
267	2,966	338	339	+1	3,770	3,906	+136	3,808
Income								
206	2,166	289	267	+22	2,921	2,894	+27	2,822
38	279	26	15	+11	325	320	+5	312
244	2,445	315	282	+33	3,246	3,214	+32	3,134
23	521	23	57	+34	524	692	+168	674
NET INCOME								
2. KEY ELEMENTS OF CASH FLOW								
23	521	23	57	+34	524	692	+168	674
Net Income								
600	7,054	308	-47*	-355	8,910	10,007	+1,097	9,562
99	2,494	84	53	-31	2,670	2,885	+215	2,646
501	4,560	224	-100	-324	6,240	7,122	+882	6,916
30	245	160	55	-105	364	360	-4	279
554	5,326	407	12	-395	7,128	8,174	+1,046	7,869
NET NEW BORROWINGS								
New loanable capital								
530	5,610	450	874	+424	6,888	6,331	-557	5,952
168	1,505	121	165	+44	2,012	1,898	-114	1,871
362	4,105	329	709	+380	4,876	4,433	-443	4,081
-	151	-	-	-	31	24	-7	23
223	1,027	39	-778	-817	2,149	3,693	+1,544	3,865
-31	43	39	81	+42	72	24	-48	-100
554	5,326	407	12	-395	7,128	8,174	+1,046	7,869
TOTAL USES								
3. KEY BALANCE SHEET ITEMS								
8,601					10,602	12,352	+1,750	12,207
26,704					32,021	31,588	-433	30,330
35,305					42,623	43,940	+1,317	42,537
EARNING ASSETS								
29,151					35,633	36,886	+1,253	35,622
2,454					2,842	2,737	-105	2,629
4,091					4,588	4,704	+116	4,559
-391					-440	-387	+53	-273
35,305					42,623	43,940	+1,317	42,537
TOTAL LOANABLE RESOURCES								
4. NOTES								
175	1,901	229	207	-22	2,318	2,296	-22	2,240
15	168	30	18	-12	211	196	-15	192
11	35	2	9	+7	139	90	-49	87
Breakdown of Loan income:								
- Interest								
- Commitment Charges								
- Front-end Fee								
8	20	3	11	+8	22	22	-	22
Contributions to Special Programs (included in admin. expenses)								
2	43	13	3	-10	180	33	-147	36
1	23	2	1	-1	26	26	-	26
5	36	3	6	+3	37	39	+2	37
Net disbursements to IFC (included in net disbursements above)								
- Disbursements								
- Repayments								
- Charges								
1	2	10	8	-2	139	87	-52	81
Front-end fee capitalized								
29,283					32,308	33,765		32,717
Undisbursed Loans								
5. KEY RATIOS								
1.11	1.24	1.08	1.21		1.18	1.24		1.24
Statutory lending limit - ratio of outstandings to capital								
		51,699 61%						

* New medium- and long-term borrowings in June were 407 million SDR's but there was a reduction in short-term borrowings of 454 million SDR's, resulting in an overall decline of 47 million SDR's in new borrowings.

Controller's
07/18/83

OFFICE MEMORANDUM

SMC - RECORD

DATE August 2, 1983

TO Members of Managing Committee

THROUGH: Mr. Ernest Stern, Senior Vice President, Operations

FROM Teruyuki Ohuchi, Vice President, Co-financing

EXTENSION 78801

SUBJECT Co-financing Priorities in FY84 and Longer-Term Approaches

Attached for the information of the Committee is a note which briefly reviews co-financing activities in FY83 and outlines the priorities for FY84. Considerable groundwork has been done in FY83 for the future development of co-financing activities, such as the introduction of the new "B" loan instruments. In the meantime, the actual results of co-financing achieved this year stayed at roughly the same level as the average of the past three years, mainly due to the present uncertainty which the world financial community faces. The same uncertainty, however, has created a strong interest in co-financing on the part of co-lenders, both public and private. A Bank-wide project pipeline review has been undertaken with a view to establishing country strategies for each region and setting up priority programs for each of the coming few years.

In order to fully explore the potential of co-financing, various policy and technical issues have to be rightly addressed. Whilst no decision is yet called for and considerable staff work will need to be done, the Committee's initial reactions would be helpful.

Attachment

ADVISORY UNIT ON CO-FINANCING

REVIEW OF FY83 AND PRIORITIES FOR FY84

AUGUST 2, 1983

ADVISORY UNIT ON CO-FINANCING
REVIEW OF FY83 AND PRIORITIES FOR FY84

SUMMARY

1. Summary of Results for FY83

(a) Official Co-financing

Continuing progress has been recorded in FY83 in the implementation of frame agreements for co-financing with official sources, and in consultations to achieve a broader understanding of objectives and priorities, and a sharing of functions in the project cycle.

(b) Export Credit Co-financing

Progress was made towards the improvement of parallel co-financing and the reintroduction of joint financing. Also, sub-participation techniques were explored to reduce sovereign risk.

(c) Private Co-financing

The new B loan co-financing instruments were finalized and introduced to the market. Discussions commenced with banking supervisors to obtain preferential supervisory treatment of co-financed assets. Co-financed loans were for the first time defended from rescheduling, with mixed results. Guidelines were developed and refined for the appointment of financial project advisers, for procurement, disbursement and drawdown under B loans. A new cross default clause was issued to the banking community for use in co-financing arrangements, and the traditional Memorandum of Agreement has been reviewed. Training and briefing sessions for staff have commenced, as have studies on the further evolution of co-financing techniques.

(d) Statistical Results

Table 1 records Board approval of projects for planned co-financing in FY83 compared to each of the two preceding years, and compares the average for those three years to the average for the preceding three years.

Table 1: Co-financing in FY83

	By number of operations					By value				
	FY			Average		\$bn				
	81	82	83	FY78-80	FY81-83	81	82	83	FY78-80	FY81-83
Official	68	79	77	76	75	1.6	2.3	1.8	2.0	1.9
Exp.Credit	8	26	20	18	18	0.7	2.1	2.9	1.2	1.9
Private	17	17	13	13	16	1.8	2.3	1.0	0.8	1.7
Total	81	103	86	94	90	4.2	6.6	5.7	4.0	5.5

The doubtful implementation of the private co-financing prospect for the Espoir oil project has caused the previously published total private co-financing prospects figure for FY83 to be reduced from \$3.3 bn to \$2.3 bn.

Although year to year trends can be distorted, as they were by the bunching of four large projects which accounted for \$1.6 bn out of the total of \$2.9 bn for export credit co-financing in FY83, the aggregate data indicate a steady level of official co-financing, a rising trend in export credit co-financing, and a temporary decline in the upward trend in private co-financing which may be attributed to the virtual cessation in lending to developing countries by banks that have withdrawn from this market. This reversal suffered by private co-financing is worse than the published figures indicate, as the timing and volume of private co-financing actually arranged and implemented in the market bears no relation to the expression of intention at the time of Board approval, which is the basis of the reporting method used by the Bank. How this anomalous reporting is being rectified is described below in Section 9(e).

2. Summary of Priorities for FY84

The present uncertainty in the world financial situation has created a quite different appreciation of co-financing on the part of the borrowers and co-lenders, both public and private. An extensive project pipeline review will be conducted jointly by the regions and AUC in early FY84 and repeated annually with a view to assessing overall potential of co-financing, setting up country strategy for each region and priority plan for each of the coming years. Various technical and policy issues also have to be addressed in an appropriate manner, if the potential of co-financing is to be realized.

(a) Official Co-financing

The Consultative process will be strengthened. Further frame agreements remain to be signed, and detailed discussions at project level will continue.

(b) Export Credit Co-financing

Alternative techniques of association with export credit agencies will be explored, particularly in the field of joint financing and sub-participation. If these look promising, they will be brought into operation in FY84.

(c) Private Co-financing

The testing of B loan techniques is the top priority with commercial banks and borrowers. On the internal front, the closest working relations between the AUC and the regional offices, as well as the financial complex, will be established and maintained so as to create the most efficient co-financing country strategy and the terms and conditions of B loans best suited to borrowers, co-lenders and the Bank. It seems to be essential that this office institute a uniform and consistent approach through the process of syndication in dealing with the numerous financial institutions. More defenses against rescheduling are likely, and more discussions with banking supervisors to obtain greater recognition of the quality of co-financed assets. Institutional investors will be assessed as possible partners in co-financing. Studies will continue on other co-financing instruments and broader ways in which co-financing might be expanded.

REVIEW OF FY83 AND PRIORITIES FOR FY84

1. Official Co-financing - Activities in FY83

(a) Implementing Frame Agreements

Following the signing of a frame agreement with Italy in late FY82, frame agreements were signed in the first quarter of FY83 with Belgium and the Nordic Investment Bank (NIB), and further agreements are under discussion with Australia and the Netherlands. Australia has committed funds for co-financing in advance of the agreement being finalized. In each case, extensive consultations have taken place to lay the groundwork for actual operations, particularly to meet the "Nordic interest" criterion of NIB and the tied procurement provisions of Italy and Belgium.

(b) Work Sharing in the Project Cycle

Consultations have also taken place outside the context of frame agreements with Arab agencies, OECF, SIDA and NORAD, to make it clear that we did not view the role of co-financing agencies as "gap filling", but were seeking a broader understanding on development objectives, investment priorities and a sharing of functions in the project cycle.

2. Official Co-financing - Priorities for FY84

(a) Strengthening the Consultative Process

Although regular contacts between officers in the Bank and co-financing agencies are the best means of building a co-financing association, the instances in which this occurs with the necessary frequency are still inadequate. More extensive working level and senior management consultations are envisaged this year with the Nordic agencies, KfW and BMZ, OECF and Switzerland. Feedback from AUC to the Regions on the operational and policy concerns of other agencies will be strengthened by updating the data book.

(b) Implementing the Frame Agreements

Experience with the Italian, NIB and Belgian agreements has shown that close and detailed discussions at the project level are necessary if progress is to be made towards achieving quantified co-financing objectives of the kind incorporated in these agreements. The role of AUC is expected to be much more central to the process than in cases where relationships rely on traditional contacts.

(c) Possible New Agreements

Two further agreements may be signed in early FY84 with the Netherlands and Australia. There may be further cases, or variations such as the possible "set aside" by OECF.

3. Export Credit Co-financing - Activities in FY83

(a) Techniques of Association

A meeting was held in Washington in December 1982 with government and export credit agency officials from 22 countries to discuss possible ways to improve the co-financing association and three areas were identified:

- the improvement of parallel financing;
- the re-introduction of joint financing;
- the mitigation of sovereign risk, particularly through the use of participation techniques.

Accordingly discussion papers in each of these areas have been prepared in consultation with LEG, PAS, and the Regional Coordinators and a series of bilateral consultations were concluded by the end of June, prior to convening a follow-up meeting of the Export Credit Agencies November, 1983.

4. Export Credit Co-financing - Priorities for FY84

(a) Extending the Techniques of Association

Alternative techniques of association with export credit agencies will be explored in the first half of FY84. The preparation of documentation will be undertaken over the summer for a second meeting of export credit agencies in October. If warranted, a report and proposals would then be transmitted to the Board. If the conclusions indicate the desirability of a resumption of joint financing techniques and sale of participation techniques with a pooling arrangement, cases would be selected for implementation from the second half of FY84 onwards.

5. Private Co-financing - Activities in FY83

(a) The New Instruments

It took over six months and two Board papers before approval of the trial program was obtained in January 1983.

(b) Promotion

The semi-annual mailing of co-financing opportunities and other material related to commercial bank co-financing (such as notes describing the new instruments and our policy on cross default) remains an effective channel to the international banking community and stimulates a regular flow of visits. Over 100 banks visited AUC in the three months following the February 1983 mailing. Since January 1983 a series of presentations on the new instruments and topics related to co-financing have taken place in New York, the Middle East, Hong Kong, Ottawa, Tokyo, London and Paris and at meetings of BAFT and ABA to prepare the ground for the first co-financings with the new instruments. Commercial co-lenders are now generally aware of the features of the new instruments, but their interest in specific lending opportunities is frequently linked to their national or corporate client exporting interest, i.e. to procurement patterns.

(c) Banking Supervisors

Following Board approval of the new instruments a new round of discussions was initiated with banking supervisors in the major financial centers to persuade them to recognize, in ways consistent with the style of supervision in each, the superior quality of co-financed assets. Discussions have taken place with banking supervisors or regulators in London, the Netherlands, the U.S., and Japan, and preliminary soundings were made in Germany. The response has been encouraging although the precise way in which recognition can be given by supervisors to co-financed assets varies from system to system.

(d) Rescheduling

We have succeeded in excluding traditional co-financings from rescheduling in Romania but not in Argentina, Brazil and Mexico. Ecuador and the Dominican Republic are still under discussion. The future attractiveness of co-financing arrangements to co-lenders generally will suffer if traditional co-financings are not defended wherever possible. Commercial banks have already commented unfavorably on the lower degree of protection in World Bank co-financing compared to Inter-American Development Bank co-financing, where not only are commercial participations invariably excluded from rescheduling, but not even is any compulsory "new money" called on refinancings that fall short of rescheduling, e.g. Panama.

(e) Other Activities

AUC has cooperated with Treasurer's Department in the study on loan sales and with Legal Department in preparing guidelines relating to financial project advisers which are now virtually completed. There has also been association with Finance and Legal in establishing procurement, disbursement and drawdown arrangements for B loans compatible with the requirements of the Bank's Articles and with market practices. Revision of the traditional Memorandum of Agreement linking the Bank loan with the co-lenders' loan is also under way.

6. Private Co-financing - Priorities for FY84

(a) B Loan Instruments

The implementation of the new instruments is the main target for the year and will require close consultation and detailed negotiation within the Bank, and with potential borrowers and co-lenders. An extensive project pipeline review will be conducted with regions for the purpose of establishing country strategy and a priority program, as well as of clearly setting out priorities in each of the coming few years. The new instrument calls for the Bank's portion to be priced on commercial terms if the borrowers so opt. The close coordination with our financial complex will become essential in a successful operation of B loans as regards necessary funding arrangements, particularly when the loan is denominated in currencies other than the US dollar and at a commercial interest rate. Greater familiarity through briefing sessions should provide the necessary confidence for loan officers to recognize and seize a greater number of prospective opportunities. Many borrowers too are not yet aware of the features of the new instruments, and presentations and consultations will ensure that the potential advantages are better recognized and understood.

(b) Banking Supervisors

Discussions with banking supervisors to obtain recognition of the higher quality of commercial co-lenders' co-financing assets will be held with the Swiss and, Canadian authorities, and will be developed further with UK, US, Japan, and Germany following the preliminary soundings made in FY83.

(c) Institutional Investors

Institutional investors in Japan can be tapped under existing techniques using the new instruments, but only limited soundings have so far been taken on the possibility of mobilizing pension, trust, insurance and similar funds in other major financial centers. An assessment of this market potential and the instruments needed will be completed in the second half of FY84.

(d) Portfolio Sales

The placing of the first B loans in the market in FY84 will raise in principle the possibility of sell-downs of part of IBRD's share. AUC will maintain close liaison with Treasurer's Department in this area. In addition, AUC will continue to contribute to the work undertaken by Treasurer's Department on Portfolio sales generally since areas of overlapping interest are involved.

7. Review of General Aspects of Co-financing

(a) Financial Project Advisers

The association of AUC with Legal Department, OPS and others in developing guidelines during late FY83 and which continues in FY84 is important as many institutions interested in private co-financing, such as investment banks e.g., First Boston Corporation, merchant banks e.g. N.M. Rothschild and Sons Limited, and the project finance arms of commercial banks e.g. Bank of Montreal, are also qualified to act as financial project advisers. The continuing involvement of AUC in this area, particularly with PAS, loan officers and borrowers would be appropriate as the private co-financing program gathers momentum.

(b) Staff Training and Familiarization

The training department has scheduled in FY84 three seminars on co-financing and two on procurement in co-financing, with which AUC is associated. In addition, briefing sessions in co-financing techniques for staff started in the second half of FY83 and will continue throughout FY84. Joint formal or informal presentations now cover the B loan instruments, procurement and disbursement aspects, commercial banks'

organization and syndicated lending practices, and B loan structure and documentation. Sessions arranged for groups of 10 to 25 are usually planned to last between one hour and three hours including discussion and question time. Detailed knowledge can however only be gained by a loan officer actually doing a B loan and it should be noted that very different problems will occur in different B loans, with which AUC is ready to assist.

In a wider sense familiarization is also involved in measures designed and now in place to give co-financing an institutional recognition and bring it into the mainstream of Bank activity: VPCOF will participate in CPP reviews; co-financing will be included as a topic in all project briefs, issues papers and Loan Committee memoranda. The Spring 1984 Project Implementation Review will focus on co-financing as a special topic; and an extensive review of the FY84 pipeline will take place and will be repeated annually.

(c) Improving Reference Material on Co-financing

Within the Bank, the data book, and in particular the section on export credit co-financing, will be reissued in a revised and improved form in the first half of FY84. The OMS on co-financing will be updated and reissued in the second half of FY84.

For external recipients, the semi-annual mailing list of potential co-financing opportunities has been revised and simplified for the August 1983 mailing. In FY83, for the first time a list was distributed to other official agencies indicating projects where borrowers were looking for co-financing from official sources. This proved useful and will be put on a semi-annual basis in FY84. Our information on the operational concerns of other agencies is not complete, particularly on their procurement interests which have become a central concern for most OECD aid agencies.

The improvement of information going to export credit agencies was one of the items discussed in the December 1982 meeting, and there was a broadly supported request for more procurement data at an early stage in the project cycle even if the data was necessarily speculative and tentative. This request (which is common also to data requests from official aid agencies and commercial banks) has been discussed with the Regions and a new reporting system is being tested to improve the quality of data in this area for the next mailing. The quality of project detail and procurement information will be improved further for the January 1984 mailing.

(d) External Relations

A program to publicize the Bank's role in co-financing to selective external audiences has been agreed with IPA who will assist AUC with the design and content of co-financing pamphlets and brochures, and with the preparation of press releases for specific events or operations.

(e) Statistics on Potential and Actual Co-financings

Statistics on co-financing refer to financing plans at the time when the project is approved by the Board. What actually happens thereafter and which agencies become co-financiers is not captured in co-financing reporting systems. The following table exemplifies the discrepancy between the Board approval figure for private co-financing and the succeeding developments for FY73-83:

CUMULATIVE CO-FINANCING WITH PRIVATE CO-LENDERS

Plan and Implementation

FY73-83

(in billion dollars)

Officially-published Figure for Co-financing (as approved by the Board):		8.7
Unrecorded Increases or Additions:		1.9
Total Potential Co-financing for Projects:		<u>10.6</u> (A)
Actually Implemented:		
Formal:	1.8	
Informal:	1.0	
		2.8 (B)
Unrecorded Cancellations or Doubtful:		3.3 (C)
Financed by Borrowers:		0.5 (D)
Net Total of the above (A-B-C-D)		<u>4.0</u>
Co-financing Projects Presently Outstanding:		
(Breakdown of the above)		
Co-financing being structured:	0.2	
Not yet needed:	2.8	
Postponed or delayed for project or market reasons:	1.0	
Total:		<u><u>4.0</u></u>

A thorough review of the statistics has already been undertaken and the focus of our publicity efforts over the coming months will consequently give equal emphasis to actual accomplishments in co-financed operations.

(f) Further Evolution of Co-financing Instruments and Vehicles

The new instruments under trial are intended to be only a part of a general broadening of the ways in which the Bank might associate itself with commercial lenders. Variations of instruments already approved are being studied, as will be other instruments within the existing conceptual framework of leveraging co-financed funds by usage of the Bank's lending or guarantee power.

(g) Broadening of the Interpretation on Guarantees

The B loan scheme provides borrowers with a guarantee option. If they continue to opt for this in future, there will be a problem of limitation in our guarantee capacity. Under the present interpretation of the Bank's articles, guarantees count in full against our lending limitation from the date of commitment. There is a need to explore, in cooperation with the Legal Department, the feasibility of restricting guarantees as to the period of callability in a manner that would yield head-room.

VPCOF
8/2/83

CO-FINANCING WITH WORLD BANK - FY74-83

Investment by	Cofinanced Operations No.806-34.67%		Other Operations No.1519-65.33%		Total Operations No.2325-100%	
	<u>/1</u> Amount (US\$bn)	%	<u>/1</u> Amount (US\$bn)	%	<u>/1</u> Amount (US\$bn)	%
IBRD/IDA	32.80	23.25	60.80	45.43	93.60	34.05
<u>/2</u> Other Co-financiers	36.08	25.57	-	-	36.08	13.12
Borrowers'/ Domestic Contribution	72.21	51.18	73.02	54.57	145.23	52.83
Total Project Costs	141.09	100.00	133.82	100.00	274.91	100.00
	(51.32%)		(48.68%)		(100.00%)	

/1 The amounts mentioned are aggregated from the Financing Plan figures in the President's Memoranda to the Board.

<u>/2</u>	(a) Official sources	<u>US\$bn</u> 16.29 19
	(b) Export credits	11.78
	(c) Commercial banks (and other private)	8.11
		<u>36.18 08</u>

As of June 30, 1983



Record Removal Notice



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