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THE WORLD BANK

Washington, D.C.

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The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

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CLAUSEN; ~~A~~ - General Correspondence -

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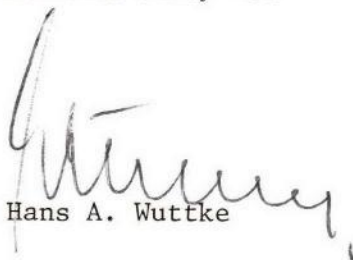
Boards of Governors



September 8, 1982

To: Mr. A. W. Clausen

Attached is a copy of the speech
at the traditional IFC luncheon today for
your information.



Hans A. Wuttke

cc: Messrs. Benjenk
Vogl



HANS A. WUTTKE
IFC LUNCHEON SPEECH
TORONTO, CANADA
SEPTEMBER 8, 1982

My Colleagues and I are pleased and honoured to have you with us today.

These Annual Meetings are the occasion for so many speeches that it hardly seems fair to have you sit through another. Especially as these meetings draw to a close, all of us must be slightly tired and, if it weren't for the superb way in which our Canadian hosts took care of us, I am sure that we would be, by now, exhausted. So I will keep my remarks short and especially refrain from talking about the world economic situation. The Chairman, as well as Mr. Clausen and Mr. De Larosiere, has given the essential message in his address on Monday.

Yet, I cannot pass up an occasion to express the appreciation of my Colleagues and myself to all of you and the institutions you represent for your continued support and, perhaps most of all, your cooperation in good times as well as slightly more difficult times. If this luncheon is a testimonial to anything, it is to the fact that other financial institutions play an important -- even vital -- role in helping the Corporation achieve its objectives.

Over the 20 years we have been coming together on this occasion, I can think of only a few upon which the

uncertainties of the immediate future have weighed as heavy. Enough is being said elsewhere about this and I needn't burden you further.

We in IFC do not question the severity or seriousness of today's difficult situation in a number of countries. After all, we are not immune. We too feel the effects of lackluster investment climates, volatile interest rates and difficult business conditions. Nevertheless, we have at the same time another perspective. It is a perspective based on a fundamental belief that this is an expanding world -- that there are now and will continue to be investment opportunities -- that times of adversity are times of opportunities. Not for the pessimists or doomsayers, but for entrepreneurs.

I believe our record of this past year goes some distance in supporting this belief. Even in these difficult times, we have been able to increase and broaden our activities.

Our Board of Directors approved 65 projects -- up about 15% from the previous year -- with a total capital cost of about \$3.0 billion. Of this, including amounts syndicated to commercial banks, we provided over \$600 million.

We continued to diversify our operations -- placing more emphasis on agribusiness and capital markets, providing new types of technical assistance to our member governments and stepping up our efforts in some of the least developed countries -- especially Africa.

But, as most of you are partners in one or more of our investments and have a special interest in what we are doing, I feel that I should not dwell on past accomplishments and concentrate instead on what we will be doing.

The first question before us is whether IFC will continue to expand. Looking to the immediate future, it would be wishful thinking -- or better: wishful non-thinking -- to expect the global investment climate to improve soon by very much. Nevertheless, we will continue to expand and diversify our activities.

Neither we nor our member governments can nor will overlook the fact that IFC, being a development institution, is bound to sustain its efforts assisting and promoting the private sector irrespective of the clouds or prevailing winds at any given moment. Indeed it could be said that the demand for our assistance is even greater in times such as these.

Although we will maintain this course, I assure you that the price of growth will not be quality. We are sufficiently prudent skippers not only to sail with our mainsail reefed in 1982, but to keep it reefed until the storm has abated.

As to the Corporation's longer-term prospects. And here I ask you to remember that nothing makes a business forecaster or a speaker more confident than the fact that nobody knows the future.

It is clear that not only the world's economies but also the international private capital markets are undergoing significant readjustments -- as well as retrenchments.

The unavoidable readjustments will take some time to sort themselves out and what will emerge will demand, for businesses and financial institutions alike, a different picture, new sets of facts, and different -- if I may call them -- strategies than those of the 1970's -- business will not continue as usual.

There are four differences, in particular, which have a direct bearing on IFC's future operations.

First, it is becoming clear that an increasing number of financial institutions and commercial banks are placing less emphasis on competitive short or long term money lending and will operate on more conservative criteria and provide more project related credits.

Second, while there is no doubt that in the short run the banking system will be preoccupied with critical credit situations, in the longer term we should see a resurgence of financing through private placements and the bond markets -- especially for the emerging industrial countries.

Third, new specialized financial institutions to mobilize domestic savings and facilitate investment will emerge in the third world, particularly in the more advanced developing countries.

Fourth, there is a very much related issue preoccupying IFC -- the increasing demand for equity. For a number of reasons there will be more and more need to strengthen the financial structure of enterprises in an increasing number of developing countries. Thus, equity will become an even more key element in the financing picture than it has been in the past.

In taking together these and other trends and the shifting needs of our developing member countries, I believe we cannot, just as others cannot, hold to our past course during the 1980's. While our main line of business will remain, there will be shifts in emphasis and new initiatives on our part to meet this quite different emerging business environment.

In particular, to strengthen our traditional catalytic role, our Board of Directors has asked us to place more emphasis on our intermediation role including -- stepping up efforts to bring firms in developing countries to the domestic and international capital markets wherever possible, increasing our underwriting operations and sponsoring schemes to package larger quantities of financing for private sector ventures -- including equity financing. We would also accelerate our activities in promoting capital markets in developing countries -- especially through merchant banks and security market institutions.

All this we will do in the closest possible cooperation with the banks and institutions you, our friends, represent.

Some of you may recall my stressing last year the "two-way street" relationship between us. I continue to have this conviction. The best thing we can do is to pull together -- to overcome present problems and develop new activities -- remembering the often repeated saying that: "If we don't hang together, surely we will hang separately."

If you agree with what I have very briefly outlined, there is a coincidence of interests, of events and of circumstances which I believe will demand more from IFC throughout this decade. We are now positioning ourselves to meet that demand. Of course, we realize that these and other new initiatives -- including additional programs targeted to the least developed countries -- can only be launched if the Corporation has an adequate financial base.

Finally, on a more personal note, I would like to go back to one of my opening remarks for another reason why IFC not only has a mandate to grow, but is bound to grow. I said earlier that these times of adversity are also times of opportunities.

Be it in industrial countries or in many of the developing countries, I am convinced that there are entrepreneurs who are far-sighted enough and have the initiative and drive to grasp these opportunities. We in IFC could not call ourselves a development institution if we were not in the position to join with them and support them in the wider interests of the world community.

We shall be facing risks and we are fully aware of it. This we will do in the interests of our clientele in the developing countries. Only if we are able to meet this challenge do we have the right to exist in this changing world and justify the contributions of our shareholders, our partners and the confidence of our friends in all places -- in the developing as well as the industrial countries.

Until we meet again, my Colleagues and I will continue to work towards these goals.

Thank you.

1. RESULTS: FIRST FIVE-YEAR PLAN

NOT EVEN
LABELED
IFC

	<u>FY73-77</u>	<u>FY79-83</u>	
	<u>ACTUAL</u>	<u>PLAN TARGET</u>	<u>CURRENT ESTIMATE</u>
° <u>DOUBLING OF INVESTMENT PROGRAM:</u>			
- PROJECTS	159	275	288
- NET INVESTMENT	\$0.7 B	\$1.8 B.	\$2.1 B.
° <u>WIDER RANGE OF COUNTRIES:</u>			
- TOTAL COUNTRIES COVERED	47	70	60+
- INCREASED % OF INVESTMENT IN POOREST COUNTRIES	19%	36%	42%
- AFRICA, PERCENT OF TOTAL PROJECTS	20%	27%	24%
° <u>EXPANSION AND BROADENING OF CATALYST ROLE:</u>			
- INCREASED PARTICIPATIONS	\$0.4 B	\$0.8 B	\$1.3 B
- MORE FINANCIAL INSTITUTION PROJECTS	33	36	57
° <u>BROADER SECTORAL COVERAGE:</u>			
- INCREASE IN AGRO-BUSINESS SHARE	6½%	10%	12%
- DECREASE IN MANUFACTURING SHARE	68%	55%	60%
° <u>GREATER STAFF PRODUCTIVITY:</u>			
- PROFESSIONAL STAFFYEARS PER PROJECT	3.94	3.81	3.60

1B. BALANCE SHEET AS OF JUNE 30, 1982

US\$ MILLIONS

ASSETS

GROSS INVESTMENTS	\$1,835
LESS: UNDISBURSED	\$575
RESERVE FOR LOSSES	<u>84</u>
NET INVESTMENTS	1,176
OTHER ASSETS	<u>57</u>
<u>TOTAL ASSETS</u>	<u>1,233</u>

LIABILITIES AND CAPITAL

BORROWINGS	531
OTHER LIABILITIES	24
CAPITAL AND ACCUMULATED EARNINGS	<u>678</u>
<u>TOTAL LIABILITIES AND CAPITAL</u>	<u>\$1,233</u>

2. FY84-88 PLAN OBJECTIVES

GOAL - TO INCREASE THE CATALYTIC IMPACT OF IFC THROUGH:

- ° CONTINUED GROWTH IN PROJECTS, INVESTMENTS AND SYNDICATIONS
- ° CONTINUED BANK GROUP SUPPORT OF COUNTRIES GRADUATING FROM CONCESSIONAL AID
- ° AN INVESTMENT-MIX FEATURING SIGNIFICANTLY MORE EQUITY
- ° FASTER THAN PROPORTIONATE GROWTH OF INVESTMENT IN THE LEAST DEVELOPED COUNTRIES, ESPECIALLY AFRICAN PROJECTS
- ° EXPANDED EMPHASIS ON ENERGY
- ° ASSISTANCE TO PRIVATIZATION PROGRAMS OF MEMBER COUNTRIES

INSTRUMENTS INCLUDE:

- ° INCREASED PROMOTION EFFORTS IN HARD-TO-REACH COUNTRIES
- ° INCREASED INVESTMENTS AND TECHNICAL ASSISTANCE IN CAPITAL MARKETS
- ° STEPPED UP POLICY AND TECHNICAL ASSISTANCE TO IMPROVE CLIMATE FOR PRIVATE INVESTMENT
- ° NEW PROGRAM IN OIL AND GAS EXPLORATION
- ° ASSISTANCE TO NEW TYPES OF FINANCIAL INSTITUTIONS

3. QUANTITATIVE TARGETS

	<u>FY78-82</u> <u>ACTUAL</u>	<u>FY84-88</u> <u>TARGET</u>
<u>OVERALL TARGETS:</u>		
° 60% INCREASE IN NUMBER OF <u>PROJECTS</u>	265	430
° NEARLY THREE-FOLD INCREASE IN <u>INVESTMENT:</u>		
- IFC OWN ACCOUNT	\$1.7 B.	\$4.7 B.
- <u>SYNDICATED</u> FOR OTHERS	1.2 B.	3.3 B.
- TOTAL	2.9 B.	8.1 B.
° AVERAGE ANNUAL INCREASE:		
- NUMBER OF PROJECTS	11%	8%
- NET INVESTMENT (CONSTANT DOLLARS)	12%	12%
<u>SELECTIVE TARGETS</u>		
° <u>EQUITY</u> INVESTMENT % OF TOTAL	12%	17%
° PERCENT OF PROJECT IN <u>AFRICA</u>	24%	27½%
° PERCENT OF INVESTMENT IN <u>ASIA</u>	21%	27%
° <u>FUEL AND NON-FUEL</u> MINERALS (% OF TOTAL)	12½%	24%
° NEW PROGRAM OF <u>OIL AND GAS</u> EXPLORATION:		
- NUMBER OF PROJECTS	NIL	25
- EQUITY INVESTMENTS	NIL	\$121 M.

4A. CUMULATIVE FIVE-YEAR INVESTMENTS

NET BY SECTOR

	<u>FY78-82</u>		<u>FY84-88</u>	
	<u>\$ MILLIONS</u>	<u>(%)</u>	<u>\$ MILLIONS</u>	<u>(%)</u>
AGRICULTURE AND AGRO-INDUSTRIES	209	(12)	608	(13)
• MANUFACTURING	1,009	(59)	2,273	(48)
NON-FUEL MINERALS	155	(9)	477	(10)
• FUEL MINERALS	60	(4)	673	(14)
FINANCIAL INSTITUTIONS	170	(10)	519	(11)
SERVICE INDUSTRIES	106	(6)	191	(4)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	1,710	(100)	4,740	(100)

4B. CUMULATIVE FIVE-YEAR INVESTMENTSNET BY REGION

	<u>FY78-82</u>		<u>FY84-88</u>	
	<u>\$ MILLIONS</u>	<u>(%)</u>	<u>\$ MILLIONS</u>	<u>(%)</u>
• AFRICA	314	(18)	880	(19)
• ASIA	370	(22)	1,256	(27)
EUROPE/MIDDLE EAST	348	(20)	784	(17)
LATIN AMERICA/CARIBBEAN I	213	(12)	574	(12)
LATIN AMERICA/CARIBBEAN II	465	(27)	1,125	(24)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
SUB-TOTAL	1,710	(100)	4,619	(100)
OIL EXPLORATION	-		121	
	<u> </u>		<u> </u>	
TOTAL	1,710		4,740	

5. RATIONALE FOR CAPITAL INCREASE

° PROGRAM GROWTH

- NEEDS OF DEVELOPING COUNTRIES BECOMING LARGER
- CONCESSIONAL AID DECLINING
- PUBLIC OPINION SHIFTING TO PRIVATE SECTOR AS ENGINE OF GROWTH
- IFC THE BANK GROUP' S CHOSEN INSTRUMENT FOR DEALING WITH PRIVATE SECTOR WITHOUT GOVERNMENT GUARANTEE

° LIMITS ON GEARING RATIO

- FOCUS ON ACTIVITIES WITH LONG PAYBACK PERIODS
- COST OF PROMOTION IN HARD-TO-REACH COUNTRIES

° THE NEED FOR EQUITY INVESTMENTS

- DICTATED BY UNDEVELOPED CAPITAL MARKETS
- NEEDS ACCENTUATED BY BALANCE OF PAYMENTS DIFFICULTIES
- IFC UNIQUELY ABLE TO SPREAD RISKS THROUGH PORTFOLIO DIVERSIFICATION
- BASIC TO IFC'S CATALYST ROLE

° NEW INITIATIVES

- OIL DRILLING PROJECTS
- INCREASED POLICY AND TECHNICAL ASSISTANCE AS PART OF CATALYST ROLE
- INNOVATIVE PROMOTION EFFORTS AND TECHNIQUES FOR AFRICA

° GRADUATION

- PACE OF GRADUATION FROM IBRD ASSISTANCE CREATING LARGER NEEDS FOR IFC ASSISTANCE IN GAINING ACCESS TO INTERNATIONAL CAPITAL MARKETS

DECLASSIFIED

Mr. Clausen

E1227

APR 03 1981

WBG ARCHIVES

Managing Committee

*Approved
9-13-82*

CONFIDENTIAL

September 1, 1982

WA
FROM: William S. Humphrey

SUBJECT: Minutes of August 30, 1982 Meeting

Members Present: Messrs. Clausen, Qureshi, Stern, Benjenk
Paijmans, Thahane.

Also Present: Mr. Southworth.

Members Absent: Mr. Chenery.

1. IFC - The Last Five Years' Results and Planning
for the Future

Discussion introduced by Mr. H. A. Wuttke
Attending: J. Kassum

Presentation

Mr. Wuttke described IFC's results for the last five years (see attachments 1 and 1B). He noted that most of the targets in the five-year plan had been achieved or exceeded. However there had been a slight deterioration in the quality of the portfolio and equity investments had been lower. With higher investment volumes, arrearages had increased and, in the last two years particularly, there had been a marked slowing down in disbursements under committed loans. This meant that net investment had grown only slowly in the last two years. These problems arose largely because of the external environment of rising oil prices, inflation and falling commodity prices which in turn had meant sluggish growth, payments imbalances and the reluctance of companies to invest. Nonetheless, IFC remained financially strong and now had the important additional asset of better trained staff and a very high "esprit de corps".

Mr. Wuttke then outlined the plan for 1984-88. (See attachments 2 to 5.) The new plan was based on the assumption that the requirements for productive investments in developing countries would be large. In addition to its financial contribution, IFC had the project development, appraisal and technical skills to be able to provide increased levels of assistance in close association with the World Bank. The plan assumed that FY83 would continue to be a difficult one for the global economy but that economic growth would resume in FY84. It made the, perhaps, optimistic assumption that balance of payments burdens and debt servicing problems would stabilize and that the investment climate would improve. He noted the plan's major objectives and quantitative targets as shown in attachments 2 and 3. He then went on to describe the plan's cumulative five-year investment by sector and region (attachments 4A and 4B) and also the rationale

for the proposed capital increase (attachment 5.) He added that IFC was now thinking in terms of a capital increase of \$750 million to be paid in over four years beginning in FY85. In addition IFC planned to borrow about \$315 million a year from IBRD and others. Amongst the negative financial implications of future activities, he noted that IFC's non-earning services were increasing and that it would probably be necessary to raise the general provision against loan losses from 2% to 2-1/2% of disbursed loans. IFC's lending spread would also probably have to be reduced to remain competitive with other lenders. IFC's financial position would be helped by increased productivity and a planned increase in project size.

Mr. Wuttke concluded by noting that it had been agreed with Mr. Clausen, in consultation with Mr. Qureshi, that IFC should proceed with its long-term plan and seek the proposed capital increase of \$750 million. It was acknowledged that this was the right moment to obtain the necessary support from the U.S. and it was recognized that, in view of the Bank's own capital needs, this would inevitably lead to the Bank and IFC discussing and securing capital increases over the same period. IFC's long-term plan would be considered by the new Board of Directors after November 1, 1982.

Discussion

The discussion centered on a number of aspects of IFC's future program. The nature of IFC's new initiatives in oil exploration was considered and it was agreed that there would be further discussions between Mr. Stern and Bank staff concerned with oil development to insure a coordinated approach between IBRD and IFC. In discussing the way in which IFC assessed country creditworthiness, it was noted that IFC used IBRD's country risk analyses but took a more conservative approach since it looked particularly at the debt servicing performance of the private sector. There were also country portfolio limits which could not be exceeded. Mr. Wuttke noted that IFC was prepared to participate in debt rescheduling if this was necessary to keep a project with long-term viability alive. Mr. Wuttke informed the Meeting that although IFC and IBRD generally kept each other fully informed on all activities relevant to the other IFC had established new procedures to ensure that this was done as comprehensively as possible. Very close coordination would be needed in future between IFC and the Bank's financial complex to ensure that the two institutions capital raising and borrowing activities did not interfere with each other. Another area which required further discussion between IFC and the Bank was IFC's possible future role in helping governments to privatize existing parastatal corporations. The relations between IFC and the PAD complex were also discussed. There were not many problems here and those that arose tended to be the inevitable result of adapting the policies and procedures suitable for a large organization like the Bank to the much smaller organization of IFC. PAD in its approach to this is trying to be as flexible as possible. Finally, it was noted that IFC's relations with the Board of Directors are good. However the new Board would require educating on the nature of cooperation between IBRD and IFC and it would also be necessary to take steps to alleviate some Board members' concern about IFC's portfolio.

2. Minutes of August 23 Meeting

Committee Approved.
Action

3. Promotion of "IDA in Retrospect"

Attending: F. Vogl, J. Burki, P. Mistry, A. Shakow.

Documentation 3.1 Memo (Vogl) August 23, 1982 EXR/MC82-17: Promotion of "IDA in Retrospect."

Presentation Mr. Benjenk said that the note which had been distributed was an interim one. Its preparation had been hampered because complete consultation with all concerned had not been possible due to the absence of senior staff on leave. The program was much more comprehensive in the area of media activities than on government and parliamentary contacts which would need to be worked out in more detail in the period ahead. Mr. Vogl noted that he had brought the interim report the Managing Committee at this time because it had been decided to release "IDA in Retrospect" at the time of the Annual Meeting and that there was need to get the attention of the media as close to the release date as possible. Unlike the WDR and the Annual Report, editors would not be familiar with this type of document which would therefore need a far greater promotional effort. He added that the majority of events programmed were ones which would have taken place anyway and the promotion of "IDA in Retrospect" had been grafted on to existing events. The task was now, in each key area, to work out how best to approach the key opinion-formers and decision-takers.

Discussion In discussion it was agreed that the task ahead was to promote what was an excellent report in way that had the maximum influence, especially in the context of the IDA 7 negotiations starting this fall. The Committee endorsed the suggestion that the original steering group of Messrs. Burki, Mistry and Shakow should work with IPA to develop an approach targeted on those who would be most influential in member countries in supporting a satisfactory outcome for IDA 7.

4. Status of Capital Subscriptions and Releases

Attending: G. Gabriel

Documentation 4.1 Memo (Gabriel) August 26, 1982 FIS/MC82-55: GCI Capital Subscriptions and Releases, Status Report No. 4.

Presentation Mr. Gabriel noted that our efforts to accelerate local currency releases were now in jeopardy because Japan was now unwilling to use its freedom to accelerate its releases unless others followed and France was also pulling back because of general economic difficulties. If these countries did not release it would be very difficult to persuade Germany to do so. He also noted that Brazil had agreed to release the full amount of its local currency subscription tied to procurement in Brazil by third countries under Bank loans.

Discussion

It was agreed that contacts with Ministers at the Annual Meeting should be used to help accelerate local currency releases. It was noted that one year after the beginning of the subscription period for GCI capital, only half of what we had expected to come in as lendable funds had been received. This was because we had underestimated the effect on other countries of the US decision to stretch out its subscription over a six-year period.

5. Other Business

McNamara
Fellowship
Fund

Mr. Benjenk suggested that the meeting of the Development Committee could be used to encourage further contributions to the McNamara Fellowship Fund as well as to report on what had already been received. The procedures for identifying suitable universities and candidates were then briefly discussed.

P.A. Committee

Mr. Paijmans reported on a meeting of the Personnel and Administration Committee which had discussed papers on chargeback, financial assistance to staff, operational travel policy and "Performance Planning in Review." Proposals on chargeback would only come to the Managing Committee after specific proposals for charging units for services not now being charged for had been developed in collaboration with P&B. The review of the program of all types of financial assistance to staff had raised a number of issues which required consultation with the IMF. Maintaining parallelism in certain cases would be difficult since the IMF philosophy tended to view financial assistance as a staff benefit whereas we regarded it as a means of addressing specific needs. The proposals for revising the travel policy required further discussion by the PAC before being presented to the Managing Committee. Finally the paper on Performance Planning Review which had been distributed to the Managing Committee for consideration on September 13 now needed some further amendment in light of PAC comments designed to insure the fullest possible consultation on the program with staff prior to its introduction. Managing Committee consideration would therefore be delayed by a week or two.

Graduation
Papers

Mr. Stern reported that the Operations Policy Subcommittee had considered graduation papers on Uruguay and Yugoslavia. The substance of the Uruguay paper had already been discussed with the Government. Further discussions with Yugoslavia would now take place. The two papers would come to the Managing Committee for consideration in October or early November prior to distribution to the Executive Directors.



IMPORTANT

9.14.82

Hans Wudke

6 computers
system

short courses -

M. J. G. Borken

General Secretary Miss Mildred Nevile

3959

Mr A.W. Clausen
Director
The World Bank
International Finance Corporation
1818 H Street N W
Washington D.C.
2043 United States

Mr. Clausen
CIIR

Orig to J. Barnard
H. Wutts
for reply by 9/30
bi 9/24

Catholic Institute for
International Relations
22 Coleman Fields
London N1 7AF
Telephone 01-354 0883

September 15 1982

Dear Sir,

I am writing to ask the International Finance Corporation to reconsider its intention to invest in projects involving the National Development Company of the Philippines in the province of Agusan del Sur, in Mindanao, while the National Development Company maintains its present security policies.

The Catholic Institute of International Relations has received numerous reports during the last year from Church and other sources about the situation in this area, which a staff member visited in October 1981. We are extremely concerned by the link which has been admitted between the management of NDC-Guthrie Plantations Inc., the joint venture project established by the National Development Company and the Guthrie Corporation, and a para-military group called the "Lost Command", members of which are employed by the company as security guards. The "Lost Command" or Special Forces is known to have been responsible for many murders in Agusan del Sur and for atrocities in other parts of the Philippines. Several people have been murdered by members of the group within the plantation itself. I enclose a short report which CIIR has published on these matters and the issues they raise.

In our view, it would be quite wrong to advance funds towards any project involving the National Development Company, while these conditions prevail. We believe that the Commonwealth Development Corporation and the International Finance Corporation should suspend all consideration of projects in which the National Development Company is involved until the "Lost Command" is withdrawn from the area. We would like to see pressure brought to bear upon the Philippine government to disband this group.

We have written to Lord Kindersley, Chairman of the Commonwealth Development Corporation, and to the Minister for Overseas Development, expressing our concern. Lord Kindersley has kindly offered to arrange a meeting to discuss the issues involved, and we have been informed by the Minister of Overseas Development, Mr Neil Marten, that the Commonwealth Development Corporation has undertaken not to proceed on this project without his agreement.

May we make a similar appeal to you. The involvement of the International Finance Corporation in projects which make use of para-military terrorism must be at odds with the proclaimed purpose of the World Bank. We would be grateful if you would therefore investigate this matter and review your

relations with the National Development Company in the light of the evidence. We ask you to make it plain to the National Development Company and to NDC-Guthrie Plantations Inc. that the International Finance Corporation will not consider investing in projects in which they are involved until the "Lost Command" is removed from Agusan del Sur and replaced with an accountable security force answerable under the law.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Mildred Nevile". The signature is written in dark ink and is positioned above the typed name.

Mildred Nevile M.B.E.

General Secretary

September 20, 1982

Items of Concern

1. Timing of Deadlines. The primary reference point continues to be the travel departure date and return date of the EVP. For example, since July 1, 1982 the EVP was away from Headquarters 50% of the time. The attention to quality control appears to be slipping with the general attitude of "what will get by rather than what is right or wrong."
2. Loan Arrearages Continue. Other than a bit more talk about the portfolio, turn-around strategies have not been agreed upon or time frames set. (Monthly reports attached.)
3. Rivatex Rescheduling. The informal policy of rescheduling only when a viable financing plan has been developed is being violated if the Board approves this long pending rescheduling.
4. Board Approval of Rivatex. The IFC rescheduling package was accepted by the company and other major creditors over 1 1/2 years ago. So the deal was committed when U.S. dollar interest rates were about 11% and IFC has not gone to the Board (on circulation basis) for approval.
5. Cananea Status. IFC informed the Board that the Mexican Government wanted to place the project on "hold" (with a later final negotiation and signing). In fact, the Government representatives indicated that the project--if done--would be financed by the Mexican Government. Thus, IFC went to the Board without a private role, the \$550 million of equity was not real and two years (over 6,500 hours) of expenses were lost. (Monthly report noting unsigned Board approvals attached.)
6. Saudi Equity Fund. The IFC Special Representative for the Middle East believes that the EVP advised Mr. Clausen that this fund was to be available without approval restrictions. In fact, IFC has agreed to submit each equity project proposal to the Saudis so they can pick and choose. This may cause problems with other governments and prospective sponsors.
7. Variable Rate Lending. Before developing both variable rate borrowing and lending arrangements which will require clearance from the Bank and, of course, Board approval, IFC has notified a large Brazilian company that we are prepared to underwrite and purchase part of a new bond issue--with variable rates. (Cable attached.)
8. \$1 Billion Capital Increase. The EVP reported that Mr. Clausen has responded to the proposal by cutting the amount of "not over 750 million." We continue to run new numbers on the same program size and one fourth less from a capital increase. Thus, the net income is more dependent on a new oil exploration deal and the capital increase will run out faster.

not a representative period!

rescheduling to prevent foreclosure!

essentially this is a violation of policy, if not approved by the Board we go bankrupt

9. New Vice President for Africa. Several IFC department directors, including the Africa departments, were informed of the appointment from Executive Directors for African countries. The EDs had mentioned the subject as a protest to IFC since they had not been consulted about a person who reportedly had little experience in Africa.
10. Negotiations with Ex-IFC Senior Officers. At the present time IFC is considering both a sizeable equity expansion in a profitable copper mine (Montes Blancos - Chile), and a cost-overrun type rescheduling (Codemin - Brazil). The principal owner is represented by both a former IFC EVP and a former Chief Financial Officer. IFC does not have a special procedure or instructions to handle this unusual "closeness." These individuals have had an influence on the career development of several IFC employees involved and could conceivably have an impact in the future.
11. Minutes of Investment Committee Meetings. During the last two weeks, three decision-making meetings have been conducted without a representative from the Secretary's Department, a regular procedure. Also, the meetings were called to begin immediately, without benefit of background documentation for consideration.
12. Guarantee of Turkey Overseas Construction Contractors. IFC is concluding a \$240 million guarantee arrangement, with the Corporation accepting a \$25 million portion. Although IFC obtained an exception from Mr. Clausen for a \$.7 million guarantee for a hotel in Cyprus last spring, the Corporation has not developed a policy or discussed the subject with the Board.

van Hoffmann (ex EVP)
Eckridge
(ex Dir Budget)

THE 2ND
This is the 2nd
guarantee to be given

OFFICE MEMORANDUM

1635

TO: Mr. A. W. Clausen

DATE: November 9, 1982

FROM: Hans A. Wuttke

SUBJECT: IFC Operating Program - Quarter One of FY83

I. Investment Program

1. IFC's FY83 operating program calls for 64 Board approvals totaling \$800 million, of which \$550 million is for IFC's own account.

2. During the first quarter of FY83, the Board approved eight investments, including the Mexico - Cananea project (\$450 million) approved by the Board of Directors on July 15, 1982, and involving substantial syndications arranged by IFC. Marketing of the loan syndication has been postponed at the request of the Mexican authorities. Excluding the Cananea project total investment approved during the first quarter of FY83 was \$16.2 million, of which \$15.6 million was for IFC's own account.

3. IFC entered FY83 with a large number of projects under review. While this inventory of pending projects continues to be substantial, it has not matured as fast as might have been expected. We have observed some slippage primarily due to sponsor's unwillingness to proceed quickly in the current economic environment. A complete reassessment will be undertaken for the Mid-Year review in January and any revised estimates that are indicated will be made at that time.

II. Portfolio

4. Total arrears (principal and interest for IFC's own account) as of September 30, 1982, were \$64.9 million, or 6.3% of disbursed loans (vs. \$39.5 million, or 4.2% as of September 30, 1981). Out of the \$25.4 million net increase in arrears, about \$19 million occurred on problem investments which were already in arrears one year ago, while the net increase in arrearages due to new problems was \$8.8 million in the year ending September 30, 1982. According to the system used by IFC arrearages related to old problem projects continue to be reported because, as long as attempts are being made to work out these problems, the investments concerned have not been written off. However, on such projects, IFC has made specific provisions for losses and stopped income accrual as appropriate. Further analytical information on the portfolio is contained in IFC's regular annual portfolio evaluation study which is being sent to you separately.

III. Disbursements

5. Disbursements in FY83 have been estimated at \$380 million net for IFC's own account and \$610 million gross amount. Net IFC disbursements totaled \$57.3 million in Quarter I. Net disbursements for Quarter I were slightly under forecast levels made at the start of the fiscal year. Gross disbursements for the quarter ending September 30, 1982 were \$122.4 million, consistent with our earlier estimates.

VI. Planning, Technical Assistance and Special Projects

6. During the last six months IFC has developed a long-term program that has been distributed to the IFC Board. A number of operations were undertaken in collaboration with the Bank including a review of Turkish Government policies to promote private sector investment with the Programs Department, and support to IBRD financial sector work in Colombia, Indonesia, Ivory Coast, Kenya and Nigeria.

V. Personnel, Staffing and Budget

7. No significant personnel movements were recorded during Quarter I. At September 30, 1982, IFC had 226 higher level staff on duty, compared to 221 at the same time last year.

A handwritten signature in cursive script, appearing to read "Y. S. Lee", is written in the center of the page.

YSLee/PADickerson/JKassum:ssp

June 2, 1982

Ms. Alice Widener
Human Events
422 First Street, S.E.
Washington, D.C. 20003

Dear Miss Widener,

I share your concern about how your tax dollars are spent, but you are wrong to link U.S. contributions to the International Development Association (IDA) to the alleged high living of one African president.

IDA loans are not, as you suggest, "no-good loans and outright gifts". They are loans for no-nonsense, high priority investments, that contribute to the economic development of the world's poorest countries. These loans are strictly monitored and are only disbursed against receipts for the goods and services required to implement the project. The funds do not end up in the pockets of the leaders of the borrowing countries.

While you may not consider yourself affluent, the fact that you have lived long enough to have grandchildre, were able to read press reports of my Lagos speech and could write me a letter means that you are much better off than most of the people in the countries that receive IDA loans. In Sub-Saharan Africa, life expectancy is 47 years, and only 27% of the population can read or write. These are the people IDA helps, not their leaders.

But humanitarian arguments aside, improved developing country economies help to keep people employed in the United States. They account for more than a third of U.S. exports and industry here would grind to a halt if supplies of raw materials from developing countries were curtailed.

Poverty breeds internal chaos and political upheavals. Conversely, economic stability and social cohesion are the essential building blocks of increased global security.

United States contributions to IDA are cost effective. For every dollar the U.S. puts up, other industrialized countries give three. The United States contribution for 1982 is \$700 million,

which is about \$400 million less than the amount which the U.S. Government agreed to in negotiations with 32 other donor nations. As a percentage of Gross National Product, the originally negotiated figure of \$1.08 billion is less than that contributed by most industrialized nations. It's also about half a billion dollars less than Americans spent on chewing gum last year.

Another point worth noting is that last year the World Bank disbursed \$607.8 million to American companies which had won contracts to supply goods and services for World-Bank-financed projects in developing countries.

There is no denying that many Americans are suffering from hard economic conditions, but it is shortsighted to suggest cutting back on investments in developing countries because we all stand to benefit from the improvement of their economies and the reduction of global poverty.

Sincerely,



A. W. Clausen

TC:sm

3074

A wonderful way for administration to cut the national budget with which they are starving a people.

An Open Letter to the President of the World Bank

By ALICE WIDENER

Mr. Alden Clausen, President
World Bank
Washington, D.C.

Dear Mr. Clausen:

The press reports you are in Lagos, Nigeria, and complaining bitterly because the Reagan Administration has cut U.S. contributions to the International Development Association, an arm of your bank, down from the \$1,008,000,000 donated annually by the Carter Administration. You say the U.S. cutback is "deeply unfortunate" because the need is to expand, not cut back, our aid to the poor nations.

Being only one of millions of hard-working, tax-paying American workers, I wish to express to you my displeasure at your criticism of "our failure as an affluent nation" to give away more money to poor nations during these hard times at home.

I don't know too much about you personally except that you were head of the very rich Bank of America and *Fortune* magazine says you are quite affluent. I do know about myself.

Before the midnight April 15 income tax deadline, I paid out much more than last year, what with my being self-employed and the Social Security withholding tax being ever higher. My checking account at the neighborhood bank went down so low that I had to cut back on the very modest Easter gifts I usually give my children and grandchildren, all hard-working.

Probably you are too far away to know what's going on here in New York City where I live. Presently, President Mobutu Sese Seko of Zaire, a client of yours who owes not only our country but also many European countries billions of dollars he can't repay, is occupying the entire 35th floor of the Waldorf Astoria Hotel on Park Avenue. There are 80 persons in his regal democratic Socialist entourage, including 21 children whom he took sightseeing at wonderful Disney World in Orlando.

Mobutu had to request a special banquet table to seat his party in his presidential suite. He brought along from Kinshasa, capital of Zaire, three native chefs to learn how to make the kind of American griddle cakes he likes so much. Three Waldorf waiters and three Zairian butlers are serving his traveling party.

I remember, dear Mr. Clausen, that when I was at Brussels International Airport a few years ago on the way to Athens, we passengers waiting to board a Sabena airplane were suddenly told, "We regret to announce your flight will be delayed for several hours due to lack of equipment." We waited five hours for a plane to arrive from Cairo.

Meantime, a Belgian government official explained to me that President Mobutu had unexpectedly arrived at the airport with 10 Zairian bureaucrats, had surveyed the planes ready for take-off, espied ours and declared, "I'll take that one." Be everything as it may about the starving Zairians and development aid to the Mobutu demo-

cratic Socialist government, I doubt that the King of Belgium or Queen Elizabeth II of England would arrive by limo at an international airport, take a look around at the planes, and say "I'll take that one."

To be perfectly frank, dear Mr. Clausen, I think you have unmitigated gall to lecture us Americans for being selfish in trying to cut down on our perennially extravagant foreign aid in the

form of no-good loans and outright gifts. Please save your remarks for your high-living, highly affluent associates among all leaders of all the poor nations. Not a single one practices any kind of self-denial.

As you go 'round the world attending lavish luncheons and gorgeous dinners in the poor nations' capitals, please quit trying to plunge your hands into my pocket; while I and millions of other

Americans not "affluent" try to figure out how we can pay 48¢ for a can of soup that used to cost only 16¢ at the supermarket.

I do hope this letter catches up with you on your travels, that's why I'm sending it to you via the press. Maybe lots of American readers will read it and send a copy to you to let their voices be heard.

Have a nice day.

Sincerely,
Alice

U.S.A. Syndicate

July 14, 1982

Dear Mr. Hair:

Many thanks for your recent letter about the establishment of the National Wildlife Federation Corporate Council. We in the Bank very much welcome this development, emphasizing as it does the need for a constructive dialogue between industry and the environmental community. In our own way, the Bank has, we believe, shown that industrial development can be undertaken in an environmentally responsible manner and at costs which have not proved to be an unacceptable burden to our member developing countries.

Regarding your invitation to the Bank to become a Charter member of the National Wildlife Federation Corporate Conservation Council and to make a financial contribution, we very much regret that as an international organization, it would not be possible for the Bank to participate.

The Bank would, however, be pleased to support the objectives and purposes of the Council and would wish you every success in your own personal efforts to effect a closer relationship between industry and the environment.

Sincerely,

A handwritten signature in black ink, appearing to be the initials 'A' with a horizontal line extending to the right.

Mr. Jay D. Hair
Executive Vice President
National Wildlife Federation
1412 Sixteenth Street, N.W.
Washington, D.C. 20036

cc: Dr. James Lee

DRClarke:js

Brochure returned to Mr. Clarke.



NATIONAL WILDLIFE FEDERATION, 1412 Sixteenth Street, N.W., Washington, D.C. 20036 (202) 797-6842

Office of the Executive Vice President

June 8, 1982

3147

Mr. A. W. Clausen
President
The World Bank
1818 H Street, N. W.
Washington, D. C. 20433

Dear Mr. Clausen:

All of us at the National Wildlife Federation are proud of The World Bank's efforts on behalf of a better environment. We are particularly grateful to you for your continued leadership in this field and to Jim Lee for the good advice and counsel he is giving to our Gomer Jones in his role as Senior Vice President for Corporate Relations.

I believe the reason we as a nation have some very enlightened environmental programs is attributed fundamentally to the free enterprise system. This system is what made this nation great and I firmly believe will make it even better in the future. All of us--as concerned parents, citizens and dedicated professionals--must work together to ensure that future generations of Americans have the full range of benefits that our society provides.

The National Wildlife Federation recognizes and supports the concept that natural resources can and must be developed in a manner that is both economically feasible and environmentally responsible. We recognize the need on the part of the Federation to understand what industry's needs are, and in return we want our views presented in a constructive manner to key corporate executives.

As evidence to our commitment to establish an active and effective dialogue between the corporate world and responsible conservation organizations, our Board of Directors has approved the formation of the National Wildlife Federation Corporate Conservation Council. The purpose of the Council is to establish a mechanism to provide the opportunities for informed and meaningful discussions of mutual problems and goals between industry and the National Wildlife Federation.

It is our intention to organize a select group of corporations who have demonstrated their concern for the conservation of natural resources by including environmental considerations in their decision-making process.

We are hopeful that The World Bank, itself being one of these companies, will accept our invitation to become a charter member of the National Wildlife Federation Corporate Conservation Council and will favorably consider a contribution of \$5,000 to support our corporate relations program as described in the enclosed material.

I am firmly committed to the belief that we can accomplish far more as a nation both economically and environmentally through cooperation and constructive dialogue than through confrontation. You can expect to see the National Wildlife Federation taking the lead in this endeavor. I sincerely hope The World Bank will join with us in this vital partnership.

Thank you and best regards.

Sincerely,



JAY D. HAIR
Executive Vice President

Enclosures

cc: Dr. James A. Lee
Director, Office of Environmental Affairs

JOINT BANK - FUND LIBRARY

To : Myra Holsinger

From : Blanche Moore

Myra,

I believe you asked one of our reference librarians for this. She is now at a conference in New Orleans - I was able to get a copy from Mr. McNamara's office.

Blanche

(As of October 15, 1982)

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 Kiso Yasui, *Former Chairman, Toray Industries, Inc.*
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Former Members in Public Service

Kiichi Miyazawa, *Minister of State, Chief Cabinet Secretary*

ROUTING SLIP		DATE: June 14, 1982	
NAME		ROOM NO.	
Mr. Clausen		E-1227	
<i>Telex never arrived</i>			
	APPROPRIATE DISPOSITION	NOTE AND RETURN	
	APPROVAL	NOTE AND SEND ON	
<input checked="" type="checkbox"/>	CLEARANCE	PER OUR CONVERSATION	
	COMMENT	PER YOUR REQUEST	
	FOR ACTION	PREPARE REPLY	
	INFORMATION	RECOMMENDATION	
	INITIAL	<input checked="" type="checkbox"/>	SIGNATURE
	NOTE AND FILE	URGENT	
REMARKS:			
<u>PDRY - Unresolved compensation claim</u>			
<p>Attached is a reply to Mr. Abs for your signature, and a copy of my reply to Mr. Besse for your information. The responsible programs division chief will be discussing the case with the Government during his mission this month.</p>			
FROM: R. Chaufournier, EMNVP		ROOM NO.: 74261	EXTENSION: E-723

THE WORLD BANK

ROUTING SLIP		Date June 7, 1982	
OFFICE OF THE PRESIDENT			
Name		Room No.	
Mr. Chaufournier			
Home.		Can we discuss.	
D.S.		Is there a way of	
involving legal in order		to dispense with this	
once and for all? Could I		see the file	
XX	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On
Remarks Please suggest appropriate action, There is a long history behind this  <p style="text-align: right;">Olivier Lafourcade</p>			
From			

June 14, 1982

Dear Mr. Abs,

Thank you for your letter of May 27, 1982 concerning the case of Mr. A.B. Besse and his claims for compensation against the People's Democratic Republic of Yemen.

As you are aware from Mr. McNamara's letter of April 23, 1981, the World Bank has been, and continues to be, interested in seeing that the parties to the dispute reach a mutually satisfactory settlement.

The World Bank staff will again raise this matter in forthcoming discussions with the Government of the People's Democratic Republic of Yemen.

With best wishes,

Sincerely,



A.W. Clausen
President

Mr. Hermann J. Abs
Junghofstrasse 5-11
Frankfurt (Main)
West Germany

Cleared with and cc: Messrs. Steel, Hassan

cc: Messrs./Mmes. Chauffournier, Aiyer, Lafourcade, Hume,
Rangachar, Mangosing, Schaeffer

HGruss/DJSteel:ga

June 14, 1982

Dear Mr. Besse,

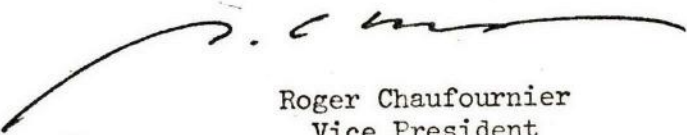
Thank you for your letters to Mr. Karaosmanoglu and myself of May 11, 1982. I am glad that you were able to arrange a meeting last October with the Charge d'Affairs of the PDRY Embassy in London.

As you know from our previous correspondence, the World Bank has raised the matter in question on several occasions with the representatives of PDRY. According to the information contained in your letter, you have submitted a fresh statement of your claims to the PDRY Government which has confirmed its receipt by December 2, 1981.

Now that you have renewed contact with the Government of PDRY, we think it is up to the parties concerned to initiate and proceed with concrete negotiations. Although the World Bank normally does not intervene in specific cases involving individual firms and cannot become directly involved in the negotiations between the parties, we will be discussing again with the Government its efforts to reach mutually satisfactory compensation settlements with outstanding claimants, including your own case, and will bring to its attention your latest letter to us. At that time, we will inform you of the outcome of the discussions.

In the meantime, we would appreciate your keeping us informed of the progress made in settling this dispute.

Sincerely yours,



Roger Chaufourier
Vice President
Europe, Middle East and North Africa Region

Mr. Antonin Besse
Chairman
Besse International S.A.
5, Regent's Park Road
London, NW1 7TL
England

HERMANN J. ABS

FRANKFURT (MAIN)
JUNGHOFSTRASSE 5-II
TELEFON 2141

May 27, 1982 '/ah.

3092

Mr. A.W. Clausen
President
International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

U.S.A.

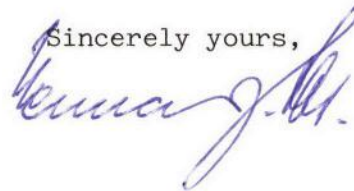
Dear Mr. Clausen,

May I today draw your attention to the case of Mr. A.B. Besse and his continuous efforts to settle his claims for compensation with the Government of the People's Democratic Republic of Yemen. The substance of the difference is concerning the damages which he suffered from the nationalization of some of his business interests in Aden at the time when the People's Democratic Republic came to power.

Mr. McNamara already looked into the matter during his presidency and I would therefore appreciate if you too could pay some personal attention to this case.

With very best personal regards I remain

Sincerely yours,



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OFFICE OF THE PRESIDENT

D. Steel -
Cher

APR 23 1981

Dear Mr. Abs:

Thank you for your letter of March 19, 1981 concerning the present attitude of the Government of the People's Democratic Republic of Yemen towards compensation for expropriation of foreign owned private property.

The World Bank has been kept closely informed by the Government on the progress made towards settlement of all such cases. During the last such discussion, the Government informed us that only three settlements remain outstanding, one of which is compensation owed to the Government by a private party.

The World Bank, while it does not attempt to pass judgement on the merits of each particular dispute, is interested in seeing that the parties to such disputes reach a mutually satisfactory solution. As indicated by the record above, the Government has resolved a number of such disputes to the mutual satisfaction of the parties concerned, and to the best of our knowledge remains committed to concluding the outstanding settlements to the mutual satisfaction of the parties concerned.

I hope that this answers your query satisfactorily.

With best wishes,

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Mr. Hermann J. Abs
6 Frankfurt (Main)
Junghofstrasse 5-11

cc: The Right Honourable Lord Shawcross, GBE QC
Morgan House
London EC2R AE

DJ

DJSteel/nbh
April 16, 1981

Cl. with and cc: Mr. Jabri (LEG)

HERMANN J. ABS

FRANKFURT (MAIN)
JUNGHOFSTRASSE 5-II
TELEFON 2141

March 19, 1981 /ah.

Mr. Robert S. McNamara
President
International Bank for
Reconstruction and Development
1818 H. Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Mr. McNamara,

Today I would like to submit to you a request in connection with the present situation in the Peoples' Democratic Republic of South Yemen and would appreciate, if you and the World Bank could kindly assist me in order to get a better grasp of the situation.

I heard that the Peoples' Democratic Republic of South Yemen is trying to set up new contacts with the Western world and I wonder whether you at the World Bank see any chance that the PDRY will become aware of its obligations arising from the nationalization wave, which took place there a decade ago. I also wonder whether the World Bank has such contacts with the PDRY and would be very interested to learn how the bank is assessing the likelihood of a settlement for such claims for compensation.

I am looking forward to hearing from you and remain with my best personal regards,

Sincerely yours,
