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THE WORLD BANK
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ROLE OF THE BANK

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* Original of letter to Eugene Rotberg signed by: representative of Salomon Brothers, Managing Director of Morgan Stanley, and Senior Vice President of First Boston Corporation (all signatures illegible).
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MEMORANDUM TO THE EXECUTIVE DIRECTORS

September 21, 1977

Subject: Discussion of the Future Role of the Bank

Several months have now passed since the Executive Directors accepted my recommendation to seek agreement on a further Capital Increase for the IBRD before the end of FY78. During the past few months a consensus appears to have developed in favor of an increase in the Bank's resources sufficient to permit a continuation of growth in commitments in real terms. You will recall that this was one of the points of agreement reached in the concluding session of the Conference on International Economic Cooperation.

In order that this general consensus on the need for a further Capital Increase may be translated into a specific agreement, the Executive Directors will need to deal with a number of critical and complex issues in the months ahead. It would be highly advantageous to the Bank if these discussions could be completed early in calendar 1978 so that the preparation of the budget for FY79 and decisions on other financial and operating matters requiring long lead times could proceed in an orderly fashion. Because of the importance of these discussions to the future of the Bank, it would be undesirable to impose arbitrary restrictions either on their scope or duration. But what can and should be done is to organize the discussions in such a way as to make the best possible use of the time available between the Annual Meeting and the early months of calendar 1978.

Accordingly, I propose that the discussions begin as soon after the Annual Meeting as is practical, possibly on October 18th. As a first objective, the Executive Directors might aim to establish the rate of growth in IBRD commitments which should form the basis for the
Capital Increase. While many of the issues raised in my memorandum on the Future Role of the World Bank (R77-18) have some tangential bearing on the rate of growth which is appropriate for the Bank, I would hope that the Executive Directors would confine their attention at this stage to those few issues which would, as a practical matter, affect significantly the level of IBRD lending.

Assuming that agreement -- or at least a convergence of views -- can be achieved with respect to the appropriate real rate of growth of IBRD commitments, a second objective might then be to settle the other parameters which govern the overall size of Capital Increase required. In this category would be included the assumptions to be adopted regarding: (a) the rate of inflation; (b) the repayment terms for future IBRD loans; (c) the appropriate interval between capital increases for the IBRD; and (d) the interpretation given to the notion of "non-disruptive" adjustment.

A third objective would be to reach an understanding on the terms of the Capital Increase. Here the principal issues are likely to involve the Board representation and voting power of developing countries. It is possible that the IMF will make enough progress on these issues in the next few months to facilitate agreement within the Bank. To allow for this possibility I propose waiting until later in the year before commencing our own discussion. Apart from the voting rights and Board representation questions, it will also be necessary to determine the proportion of the Capital Increase which is to be paid-in.

Rather than attempting to fix a specific schedule of meetings at this stage, I suggest that the scheduling for each of the three broad subject areas be determined in light of the particular issues raised at the initial meeting on each topic. The initial meeting on the future rate of IBRD growth could take place on October 18th. An initial meeting on the other factors affecting the size of the Capital Increase might tentatively be scheduled for November 15th, and discussion of the terms of the Increase could commence on December 13th.

May I suggest an informal meeting of the Executive Directors on the afternoon of October 4th to consider these proposals?
## Proposed Schedule for Initial Discussions of "Future Role of the Bank"

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<tr>
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<th>Relevant Sections in Board Memorandum</th>
<th>Tentative Timing</th>
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</thead>
<tbody>
<tr>
<td>Planning Assumptions for IBRD Commitments in FY78/79</td>
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<td>Timetable for Discussion on a Capital Increase</td>
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<th>Tentative Timing</th>
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<tr>
<td>Growth Prospects of LDCs and External Capital Requirements</td>
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</tr>
<tr>
<td>Prospective Pattern of External Finance</td>
<td>2</td>
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<td>IBRD Role in the Poorest Countries</td>
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<tr>
<td>IBRD and Private Finance</td>
<td>3</td>
<td></td>
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<tr>
<td>IBRD and the Regional Banks</td>
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<tr>
<td>&quot;Graduation&quot;</td>
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<tr>
<td>Sectoral Pattern of Lending</td>
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<tr>
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<th>Relevant Sections in Board Memorandum</th>
<th>Tentative Timing</th>
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<tr>
<td>Growth Rate for Future IBRD Lending</td>
<td>4</td>
<td>May 17</td>
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<tr>
<td>IBRD Borrowing Prospects</td>
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<td>Administrative Implications of Growth</td>
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<thead>
<tr>
<th>Size of Capital Increase, including</th>
<th>Relevant Sections in Board Memorandum</th>
<th>Tentative Timing</th>
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<tbody>
<tr>
<td>- Frequency and relation to IMF Quota Reviews</td>
<td>6</td>
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<tr>
<td>- Inflation assumptions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Repayment terms</td>
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<td></td>
</tr>
<tr>
<td>- Definition of &quot;non-disruptive&quot; adjustment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion of Increase to be Paid In</td>
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</tr>
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</table>

### Discussion #5

<table>
<thead>
<tr>
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<th>Relevant Sections in Board Memorandum</th>
<th>Tentative Timing</th>
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<td>July 19</td>
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**Record Removal Notice**

**File Title**
Board Actions - Role of the Bank - Board papers 01 (agendas, summary of discussions)

**Barcode No.**
1770712

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<th>Document Date</th>
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<td>Oct 28, 1977</td>
<td>Memorandum</td>
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**Correspondents / Participants**
To: Executive Directors  
From: P.N. Damry

**Subject / Title**
Schedule for Discussion of the Future Role of the Bank

**Exception No(s).**
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10 A-C
- 10 D
- Prerogative to Restrict

**Reason for Removal**

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Withdrawn by: Chandra Kumar  
Date: Aug 4, 2014

Archives 1 (May 2012)
# Record Removal Notice

**File Title**
Board Actions - Role of the Bank - Board papers 01 (agendas, summary of discussions)

**Document Date**
Nov 30, 1977

**Document Type**
Memorandum

**Correspondents / Participants**
To: Executive Directors  
From: P.N. Damry

**Subject / Title**
Informal Meeting on "Future Role of the Bank" - December 13, 1977 - 10:00 A.M.

**Exception No(s).**
- [ ] 1  
- [x] 2  
- [ ] 3  
- [ ] 4  
- [ ] 5  
- [ ] 6  
- [ ] 7  
- [ ] 8  
- [x] 9  
- [ ] 10 A-C  
- [ ] 10 D  
- [x] Prerogative to Restrict

**Reason for Removal**

**Additional Comments**
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Date: Aug 4, 2014

Archives 1 (May 2012)
**Record Removal Notice**

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Board Actions - Role of the Bank - Board papers 01 (agendas, summary of discussions)

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<td>Dec 27, 1977</td>
<td>Memorandum</td>
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**Correspondents / Participants**
To: Executive Directors
From: P.N. Damry

**Subject / Title**
Future Role of the Bank - Revisions to Technical Note #1

**Exception No(s).**
- [ ] 1
- [ ] 2
- [ ] 3
- [ ] 4
- [ ] 5
- [ ] 6
- [ ] 7
- [ ] 8
- [ ] 9
- [ ] 10 A-C
- [ ] 10 D
- [ ] Prerogative to Restrict

**Reason for Removal**
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Date: Aug 4, 2014

Archives 1 (May 2012)
Meeting of Executive Directors of the Bank, November 17, 1977

Capital Increase of the Bank

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Board Actions - Role of the Bank - Board papers 01 (agendas, summary of discussions)

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<td>Board Record</td>
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### Correspondents / Participants

### Subject / Title
Informal Meeting of Executive Directors of the Bank, December 13, 1977  
Future Role of the Bank

### Exception No(s).

- [ ] 1  
- [ ] 2  
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- [ ] 10 A-C  
- [ ] 10 D  

### Reason for Removal
Board Record

### Additional Comments
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<td>Aug 4, 2014</td>
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Informal Meeting of Executive Directors of the Bank, December 20, 1977
Future Role of the Bank (Continued)

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