

Attachment

**Bank Representative Offices in Donor Countries:
Establishment of a North American Office**

January 1995

ABBREVIATIONS

ADF	Asian Development Bank
DMC	Developing Member Country
IDB	Inter-American Development Bank
MFI	Multilateral Financial Institution
NARO	North American Representative Office
NGO	Nongovernment Organization
OECD	Organization for Economic Cooperation and Development
SPO	Strategy and Policy Office
TD	Treasurer's Department
UN	United Nations

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I. INTRODUCTION

1. A working paper on Bank representative offices in donor countries was discussed by the Board on 1 December 1994.⁴ On the basis of that paper and comments made by Board members, an issues paper providing further information and explanation was prepared and circulated to the Board on 20 December 1994.⁵ After careful consideration of the concerns expressed by Board members about these two documents, the present Paper summarizes the main issues and sets out for Board consideration specific recommendations regarding Bank representation in donor countries including early establishment of a North American office.

2. This Paper defines the Bank interests that would be served by strengthened Bank representation in donor countries and describes the purpose and responsibilities of representative offices in donor countries. It proposes a North American representative office and explains why such an office should be established in Washington, D.C. in 1995. It further proposes that the Bank plan for the establishment of representative offices in Europe and Japan in 1996. The specific terms of reference and required Bank resource allocations as regards the establishment of the office in Washington, D.C. are indicated. The performance of the North American representative office in terms of benefits realized and actual costs should be assessed at the end of the first two years of its operation.

II. STRENGTHENED BANK REPRESENTATION IN DONOR COUNTRIES

A. Meaning of Strengthened Bank Representation

3. The Bank's strengthened representation in donor countries refers to substantially increased, more varied, and more direct interaction by the Bank with relevant constituencies in those countries.⁶ Such interaction would include activities initiated by representative offices in donor countries as well as those originating from the Bank's Headquarters.

4. There are four critical elements of strengthened Bank representation in donor countries:

- (i) the articulation and dissemination of the achievements of the Asian and Pacific region and of the Bank, as well as of the Bank's views and positions on priorities and policies, reflecting an emphasis on the interests of the Bank's developing member countries (DMCs), while keeping Headquarters informed of the views, concerns, and interests of the Bank's major constituencies in donor countries;

⁴ Doc. Working Paper 10-94, Bank Representative Offices in Donor Countries: Establishment of a North American Office, dated 25 October 1994.

⁵ Issues Paper on Bank Representative Offices in Donor Countries: Establishment of a North American Office, dated 20 December 1994.

⁶ Strengthened Bank representation in donor countries includes Bank representation with other international organizations located in those countries and concerned with development of the Asian and Pacific region.

- (ii) mobilizing support for the Bank among constituents in donor countries through strengthened, more accessible and demonstrable (to donor constituents) accountability and transparency in Bank operations;
- (iii) assistance by the Bank in policy and decision-making processes concerning development assistance in donor countries, and in a manner that provides for the Bank's timely involvement and provision of information required from it; and
- (iv) explanation by the Bank of why it is in the interests of concerned constituencies in donor countries to support the Bank.

B. Need for Strengthened Bank Representation

5. Given the competing demands for official development assistance in the 1990s, each region and each multilateral financial institution (MFI) must make a compelling case for continued donor support. The MFIs are expected to meet more rigorous standards of performance and will be subject to closer scrutiny and accountability.⁷ The support of member governments and the general public in donor countries is therefore necessary for sustaining confidence in the MFIs, including the Bank.⁸

6. While located in the region, the Bank is a multilateral institution. It draws strengths from its multilateral character. At a time of competing demands for limited official development assistance, combined with an enhanced and firm Bank commitment to accountability and transparency, the opportunity cost to the Bank of not strengthening its representation in donor countries is perceived to be very high. A reduction in donor support would be equivalent to a loss in the Bank's multilateral character a loss it simply cannot "afford." Moreover, the environment in which decisions on development assistance are made in donor countries has become increasingly complex, involving a wide range of constituencies from the government and nongovernment sectors, the media, and the general public. Therefore, the Bank should strengthen its representation in donor countries and with multilateral organizations in them, and build relevant constituencies. Strengthened representation would facilitate and sustain the appropriate engagement and participation of donors countries in Asia through the Bank, while maintaining the essential multilateral character of the Bank.

7. It is also considered essential that donor countries particularly those outside the region understand and appreciate that multilateral development assistance has played and continues to play a useful catalytic financial and development role, being generally put to good use by the DMCs. The rate of return on multilateral development assistance, commercial, and other private international capital flows to the region has been high, with the Bank as an important and substantial mechanism for achieving those returns through success in fulfilling its financial, developmental, and regional roles. Donor countries need to be aware of and to understand and appreciate the mutuality of interests between them and the Bank's DMCs in 'the region's progress, as well as the DMCs' concerted efforts to serve those mutual interests. Therefore, it is in the long-term interest of the international community of nations to assist by various means, including Bank operations in DMCs, in the region's continued development.

⁷ The Bank's Medium- Term Strategic Framework (1994-1997).

⁸ Rating agencies consider the support of member governments as a key criterion for assessing the creditworthiness of a MFI.

8. In fulfilling its mission and strategic roles, the Bank frequently relies on its complementarity and/or direct cooperation with other international organizations concerned with investment of development funds in the region.⁹ Strengthened interagency collaboration is likely to play an increasingly important role in the Bank's own resource mobilization efforts. Many of the international organizations suitable for interagency collaboration are located in donor countries.

C. Responsibility Within the Bank for Strengthened Representation

9. Representation in donor countries and with the multilateral organizations in them is a Bankwide responsibility requiring the knowledge and expertise of the Bank. Therefore, strengthened Bank representation in donor countries and with concerned multilateral organizations should take a variety of forms, including Bank representative offices in donor countries as well as enhanced activities and services originating from Bank Headquarters. On matters relating to (i) co-financing, (ii) the Bank's financial operations, (iii) business opportunities, (iv) recruitment, and (v) use of the media, strengthened Bank representation in donor countries will be effected through specialized services originating from Bank Headquarters with the involvement of representative offices in donor countries only when appropriate and cost-effective.

10. The Bank's official channel of communication with member countries will continue to be through the Offices of the Executive Directors. Strengthened Bank representation in donor countries will take place in close coordination with the concerned Offices of the Executive Directors. However, in view of the real need to strengthen such representation substantially through more specialized Bank services from Headquarters, as well as the unique opportunities afforded by representative offices, there is no inherent conflict or perceived duplication with the responsibilities of the Bank's Offices of the Executive Directors.

III. BANK REPRESENTATIVE OFFICES IN DONOR COUNTRIES

A. Unique Opportunities Provided by Resident Representation

11. Representative offices in donor countries would provide the Bank with unique opportunities to strengthen representation. On important matters of Bank policy, operations and resource mobilization being considered within the donors' policy and decision-making frameworks would be handled through Bank representative offices in donor countries with support from Headquarters as appropriate. On these matters, representative offices are considered the most effective means of providing the Bank with (i) sustained and ready access to the widest range of donor constituents, while providing those constituents with timely information at low cost to them, (ii) high visibility by reflecting the Bank's commitment to accountability and transparency to donors, and (iii) an "early-warning system" on donors' and multilateral agencies' views, concerns, and interests in respect of the Bank, thereby enhancing the Bank's capacity to respond to them.

12. Representative offices would enhance and strengthen interaction by the Bank with relevant constituencies like governments, legislative bodies, opinion leaders, international nongovernment organizations (NGOs), and individuals in donor countries concerned with the investment of funds for the economic and social development of the region. In effect, all these groups are a constituency having a regional perspective on social and economic development in DMCs that should be kept regularly informed about the Bank's role, policy

⁹ Operational Instruction Statement on Interagency Collaboration, 14 October 1993.

agenda, and performance. In turn, the Bank should have access to their views in the course of planning and managing its own activities. Proximity through resident representation provides for sustained and multilevel interaction with a wide range of constituencies in donor countries and would facilitate the Bank's related resource mobilization efforts.

13. With greater coordination and commonality required in the development and policy agendas of MFIs, closer and more direct collaboration between the Bank and the other MFIs on these aspects becomes essential. Such collaboration would strengthen the Bank's developmental and resource mobilization roles. Maintaining regular personal contact with the MFIs would enable the Bank to become aware of new issues at an early stage, and to monitor consequent changes in operational policies in these institutions. The Bank could thus take a more proactive stance on new policy concerns. At the same time, the Bank could bring to the attention of the other MFIs its initiatives on development and policy issues. Enhancing cooperation with the MFIs and the relevant development and aid agencies in donor countries is important for the Bank's ongoing efforts in Asian Development Fund (ADF) replenishments and general capital increases. Furthermore, cooperation would facilitate co-financing arrangements with the MFIs.

B. Roles and Responsibilities of Representative Offices in Donor Countries

14. There are two broad roles for a Bank representative office in a donor country: first, to demonstrate and effect the Bank's firm commitment to accountability and transparency for sustaining and facilitating resource mobilization; and second, to present information and express the Bank's positions, which are a reflection of the Bank's total membership with particular reference to the interests of the DMCs.

15. In light of these two broad roles, the critical or perhaps "core" responsibilities for a Bank representative office in a donor country would be:

- (i) to assist policy makers in donor governments and their agencies, as concerns the Bank, through the provision of timely information on the Bank, articulating the Bank's position on policy issues, responding to questions about Bank's policies and procedures, providing analysis, and undertaking dialogue regarding the mutuality of interests in Asia's continued development, the continuing need for external resources to be mobilized through the Bank to support development in the region, and the associated role and achievements of the Bank;
- (ii) to engage and interact directly with the media, NGOs, academic institutions, and other interested parties¹⁰ for the purpose of explaining to them the mutuality of interests in Asia's continued development, the continuing need for external resources to be mobilized through the Bank to support development in the region, the associated role and achievements of the Bank, and Bank operations and operational policies, and providing general information about the Bank;
- (iii) to assist in the decision-making processes of the MFIs and United Nations (UN) agencies in the donor country as regards strategic, policy, and resource mobilization issues that concern the Bank; given the Bank's size and

¹⁰ These may be expected to include organizations within the private sector. However, the exact role of a representative office would be determined with reference to the proposed allocation of responsibilities for representation in donor countries as stated in paragraph 9.

importance, there is not only a need for the Bank to interact directly with other MFIs, but the MFIs expect this of the Bank; and

- (iv) to keep Headquarters informed of the views, concerns, and interests of the Bank's major constituents in the donor country, and to provide advice on initiatives that may need to be taken by the Bank to influence those views as well as to respond to them.

16. Viewed against these roles and core responsibilities, the specific terms of reference of a representative office in a donor country would depend on its location and on particular Bank needs that are to be met through its establishment.

17. It is not considered appropriate to delegate or contract out such responsibilities to external agents or organizations (though they may assist the Bank with specialized services from time to time, as appropriate). In particular, it would be inappropriate for the Bank to hire professional agencies to effect Bank representation in donor countries because (i) these professional agencies would not be professional about the Bank¹¹; (ii) the Bank should not depart from the practice of other multilateral financial institutions; and (iii) shareholders may not agree to Bank funds being used to hire professional agencies for these purposes.

C. Coordination and Support Services to Representative Offices from Bank Headquarters

18. Bank Headquarters would coordinate closely with and among representative offices in donor countries; this would ensure that Bank information and its positions on matters of policy are consistent and uniformly articulated and disseminated, albeit provided in a manner appropriate to each locale. Bank Headquarters would also provide the following support services to representative offices in donor countries: current and comprehensive data, information, and analyses concerning the Bank's operations, policies, and resource mobilization; computer-based and other telecommunication linkages; and assistance in the provision and/or preparation of audio-visual and other materials to be provided to various donor constituencies and MFI/UN agencies.

D. Performance Assessment of Representative Offices

19. Representative offices in donor countries would be assessed on the basis of (i) their utility and operational effectiveness for the Bank, (ii) their usefulness as viewed from the perspective of the major constituencies in the donor countries¹² and (iii) their ongoing efforts to improve effectiveness and minimize costs. In this regard, as the terms of reference of any individual representative office would be location specific, the results of assessments should be applied only to the representative office concerned. The preceding notwithstanding, performance assessments should be planned and conducted so as to provide a substantial basis for Bank decisions on continued operation of representative offices.

¹¹ It is considered essential that a Bank representative office in a donor country have staff knowledgeable and experienced in Bank operations.

¹² For offices responsible for more than one donor country, such an assessment would include the views of the major constituents from all the donor countries served by the representative office.

IV. BANK RESIDENT REPRESENTATION FOR EUROPE, JAPAN, AND NORTH AMERICA

20. Europe, Japan, and North America provide substantial policy leadership and financial resources to the Bank. Moreover, while the various donor members often share or hold similar positions in respect of Bank policy and operations, each has a distinctive view on the role of the Bank as an appropriate and effective means for addressing or serving its interests in the Asian and Pacific region. In this context, there is a need for balance in Bank resident representation in donor countries. Therefore, it is considered appropriate that the Bank should prepare for its resident representation in North America and plan for similar representation in Europe and Japan, with allowance for variation in the scope and scale of resident representation in each, as appropriate.

21. In light of the preceding and in recognition that the Bank has adopted the practice of establishing resident offices in the DMCs in a staggered manner, as well as on budgetary considerations, it is proposed to open a North American Representative Office (NARO) in Washington, D.C. in mid-1995. Subject to further consultation with Board members as well as Board approval, representative offices in Europe and Japan should be established in 1996. The proposed location for the office for Europe would be determined on the basis of further consultation with relevant members of the Board.

V. REPRESENTATION OF OTHER MULTILATERAL FINANCIAL INSTITUTIONS IN DONOR COUNTRIES

22. The World Bank maintains offices and external affairs staff in London, Paris, other European capitals, and Tokyo as well as in Washington, D.C. World Bank officials keep in regular contact with the government and members of the House of Commons in London and with various government officials in Paris and Tokyo. All external offices of the World Bank also handle extensive contacts with academe, NGOs, and the business community. These contacts are handled by resident office staff, who also develop proactive outreach programs for Washington-based staff. The World Bank and the Inter-American Development Bank (IDB), which are both located in Washington, D.C., have daily access to both the US Treasury Department and Congress. IDB maintains a special representative in Europe, based in Paris. Clearly, other MFIs consider it prudent and in their interest to establish representation in donor countries. Such representation has been helpful in keeping the public informed about issues with which these institutions are concerned. It has also facilitated their resource mobilization efforts.

VI. PROPOSAL FOR A NORTH AMERICAN REPRESENTATIVE OFFICE¹³

A. Importance of Early Resident Representation in Washington, D.C.

23. Considering Bank interests that would be served by representation in donor member countries and the stated roles and responsibilities of representative offices, it is considered timely for the Bank to establish a representative office for North America in Washington, D.C. This office would have the advantage of close proximity and access to governments and agencies of two principal donor countries, the Bretton Woods institutions, UN Headquarters, and several of the world's most prominent and influential NGOs.

¹³ For purposes of this paper, North America refers to Canada and the United States only.

24. It is important that the Bank move now to establish resident representation in Washington, D.C. The end of the Cold War has resulted in three interrelated changes in the external environment of the Bank. First, there is a significantly larger and more definitive role given to economic development in the interests of the DECD countries. Therefore, this has, in the Bank's view, increased America's stake in the Bretton Woods institutions and in regional development banks. Second, the governments of North America have a very substantial and important role in mobilizing policy leadership and resources for global multilateral development assistance. Third, and as a consequence of the first and second, the Bretton Woods institutions are currently making efforts toward improvements in the multilateral development assistance process, in part through much greater cooperation and collaboration with the regional development banks, with the World Bank Group assuming an expanded role in global aid coordination. The importance of these changes as influences on the future role and operations of the Bank cannot be overstated. Therefore, the Bank should now make provision for directly engaging through its presence, assistance, and support the policy and decision-making processes of North American governments and their agencies, and of the Bretton Woods institutions.

B. Responsibilities and Terms of Reference

25. A principal responsibility of NARD would be to provide the Bank with a critical means for effecting resource mobilization efforts with the American and Canadian Governments.¹⁴ NARD would also provide a service for various constituencies that is regular and easily accessible. It would serve as a center that legislators, NGOs, academicians, the media, and other interested parties could draw upon for timely information and dialogue on Bank policies and operations. The Bank's institutional presence in North America would provide an opportunity to establish working relationships on an ongoing basis with the relevant constituencies, and thereby enhance their support for and confidence in the Bank.

26. The proposed specific terms of reference for NARO are:

- (i) Bank-Government Cooperation
 - (a) to assist policy makers in the American and Canadian governments and their agencies through the provision of timely information and dialogue on matters that directly affect the Bank;
 - (b) to collect information of interest to the Bank on legislation relating to the Bank's capital subscriptions and ADF contributions and to respond directly and promptly to queries from the US Congress and relevant parliamentary committees in Ottawa; and
 - (c) to keep the Bank informed in a timely and comprehensive manner of the views, concerns and interests of the American and Canadian governments and their agencies, and to provide advice on initiatives that may need to be taken by the Bank to influence as well as respond to them.

¹⁴ Given the exceptional nature of the budgetary approval process of governments in North America, and in consideration of the "trigger mechanism" that affects actual Bank access to other donors' contributions, this role of NARD would be critical for Bank operations.

(ii) Bank-MFI/UN Cooperation

to assist the decision making processes of the Bretton Woods institutions and UN agencies located in North America as regards strategic, policy, and resource mobilization issues that directly concern the Bank.

(iii) Bank-NGO Cooperation

to keep the Bank informed of the views, concerns, and interests of the major NGOs (including the media, academia and other interested parties) in respect of the Bank, and of initiatives that the Bank may need to take to influence as well as respond to them.

27. The governments of both Canada and the United States have indicated their desire for Bank resident representation in North America.

VII. COST OF THE BANK'S REPRESENTATIVE OFFICE IN NORTH AMERICA

28. The Appendix provides details on the estimated full costs of NARO and the associated budgetary impact for 1995. In this regard, it has been assumed that professional staff positions will be redeployed from Headquarters.¹⁵ The full costs for NARO are estimated to be about \$1 million, with a budgetary impact of approximately \$450,000 in 1995.¹⁶ Management will make every effort to keep these costs to a minimum.¹⁷

VIII. ORGANIZATIONAL ARRANGEMENTS

29. The Office would be headed by a Resident Representative who would be assisted by a professional staff member and two locally hired staff members. The Office would report directly to the Vice President, Finance and Administration. Management would be assisted by the Treasurer's Department (TD) and the Strategy and Policy Office (SPO). This would be congruent with these offices' respective responsibilities for resource mobilization, and SPO's responsibility for liaison with other multilateral and bilateral development agencies and other international organizations, both intergovernmental and nongovernmental. SPO would be responsible for ensuring necessary coordination among representative offices and with Information Office, Office of Computer Services, Office of Environment and Social Development, and Treasurer's Department in support of the operations of representative offices.

¹⁵ It is expected that staff for the representative offices for Europe and Japan would also come out of redeployment.

¹⁶ Some costs have been amortized over three years.

¹⁷ It is not considered that the costs of representative offices in donor countries would detract from the Bank's ability to effect operations in DMCs. Indeed, a strategic role of such offices is to work towards strong and continued financial support from donor members for Bank operations in DMCs.

IX. RECOMMENDATIONS

30. It is recommended that the Bank open a representative office for North America in Washington, D.C. in mid-1995 along the lines outlined in this paper. Its performance should be assessed at the end of the first two years of its operation. The Bank should prepare, including further consultations with Board members, for the establishment of representative offices in Europe and Japan in 1996. The establishment of these offices should be subject to Board approval.

31. The professional staff positions for the NARD should be redeployed from Headquarters. Management should make every effort to keep the costs of the representative office to a minimum.

32. NARC would report directly to the Vice President, Finance and Administration. Furthermore, Management would be assisted by SPO and TD in respect of NARC operations.

FULL COSTS OF WASHINGTON OFFICE

	<u>Annualized Cost in \$</u>
One time Fitting-out cost- amortized over 3 years	90,000
Salaries and Benefits for Both Professional Staff and Locally Hired Support Staff- on a full-cost basis	542,134
Travel and representation	80,168
Office space	120,000
Communication	60,000
Office supplies and others	50,000
Relocation Costs ^a 129,070	
Resettlement Costs ^a <u>70,185</u>	
	199,255
Relocation and Resettlement Costs amortized over 3 years	66,418
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Total Additional Annualized Costs	1,008,720
(say)	1,000,000

^a Includes airfares

Impact on the 1995 Budget

1. All positions in the proposed Representative Office are assumed to be redeployed from Manila.
2. The proposed Washington Office is assumed to begin operation in the middle of 1995.

Cost Elements	Estimated Incremental Costs	Explanation	Impact on 1995 Budget (\$)
One time fitting out cost	270,000	Amortized over 3 years- half of 1/3 cost will be expensed in 1996	45,000
Operating Expenses	259,588		129,794
Salaries & Benefits	179,588	Half the annual incremental cost	
Travel & Representation	80,168		
Administrative Expenses	230,000	Half the annual cost	115,000
Office Space	120,000		
Communication	60,000		
Office Supplies & Others	50,000		
Relocation Costs	129,070	Full cost of relocation will be expensed	129,070
Resettlement Costs	70,185		
Total			418,864