

OFFICE MEMORANDUM

CO-USSR-00

DATE: January 14, 1992

TO: Mr. Ernest Stern

FROM: Russell J. Cheetham, ^{ex}Director, EC3DR

EXTENSION: 32552

SUBJECT: A Program For the Former Soviet Union

1. Further to our recent conversations, attached is a paper which sets out a possible Bank program for the former Soviet Union. We will need early guidance on the broad parameters of the program for FY93 and the budget envelope.

2. In preparing the paper, we have received comments and assistance from all Bank organizational units connected with the program. However, the specific work program, budget and staffing proposals are those of the Region. An earlier version of this paper has been discussed with and agreed upon by Mr. Thalwitz. There is not necessarily agreement with nor acceptance of specific numbers by other organizational units of the Bank at this stage.

3. To facilitate discussion, I have set down the main points on which we need guidance at this stage.

4. Membership

- Do we work with a timetable based on membership by December 1992? Or do we assume this will occur for all 15 republics by the time of the Annual Meetings (the IMF assumption)?
- Do we have separate capital increases for the Baltics and the other republics? Or do we submit a single proposal for all 15 republics?
- Do we use about \$5 million from the Technical Cooperation Fund for pre-membership work in FY92 in the four republics that acceded to the Agreement? Do we propose a supplementary administrative budget for about \$5.3 million to cover the FY92 pre-membership work in the other eight republics?

5. Technical Cooperation Facility

- Do we restrict the use of the Facility to the four republics that acceded to the agreement in 1992 (i.e., exclude Armenia)?

- Do we stop all new commitments against the Facility at the end of FY92 and cancel the uncommitted balance (estimated to be about \$5 million)?

6. Work Program

- Do you agree to the broad outlines of the proposed work program, including in particular, the fast start with lending operations in FY93, with 12 projects and \$1.9 billion of commitments?
- Should a high proportion (some 60%) of this program be in the form of quick disbursing assistance?

7. Budget

- Do you agree on a budget resource envelope of about \$60 million for FY93 as a basis for work program and budget planning? (Excluding the Baltic States, the budget envelope for the other 12 republics would be about \$55 million.)

8. Staffing and Recruitment

- Do you agree that the staffing requirements of the entire program should be incremental to the existing staff complement?
- Do you agree with the proposal to create approximately 170 new higher level positions at the beginning of FY93? (This figure includes the need to convert the existing 39 special positions for the Technical Assistance Program to regular status.)
- Can we expect redeployment of Bank staff to the program, especially those with experience as task managers?

9. Subject to receiving some guidance on the foregoing agenda, the next steps would include:

- continuation of work by the membership working group chaired by Basil Kavalsky;
- creation of a Bank-wide working group to prepare a more specific work program and budget plan for FY93;
- preparation of a proposal for a supplementary budget for FY92 that could be attached to the Board Paper on the Technical Cooperation Agreement that is to be circulated in February for Board discussion on March 4; and

- creation of a special personnel team to plan and implement an agreed staff recruitment program for FY92.

10. We are available to discuss these proposals at your convenience.

cc: Messrs. Thalwitz (o/r), Summers, Lynn, Kavalsky, Rao, Golan, Vorkink, Forget, Hasan, Fox, de Capitani, Nichols, Clift

RC:cb