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M2005-0053

IDA/M2005-0053

IFC/M2005-0030

September 16, 2005

**For meeting of
Board: Tuesday, October 4, 2005**

FROM: Vice President and Corporate Secretary

**Minutes of Joint Meeting of the Executive Directors of the Bank and IDA,
and the Board of Directors of IFC,
held in the Board Room on Thursday, August 4, 2005, at 12:36 p.m.**

1. There were present:

CHAIRMAN:

Paul Wolfowitz, President

EXECUTIVE DIRECTORS AND ALTERNATES ACTING AS EXECUTIVE DIRECTORS:

M. Amr (Alternate)	L. Marti
Y. Alyahya	E. Miagkov (Alternate)
G. Alzetta	A. Nador (Temporary Alternate)
O. Canuto	M. Nulman (Temporary Alternate)
J.K. Choi	Y. Okubo
E. Deutscher	D. Ostojic (Temporary Alternate)
P. Gomes	A. Requin (Alternate)
A. Hamid (Temporary Alternate)	T. Scholar
R. Holland (Alternate)	S. Shah (Alternate)
T. Ingolfsson	M. Sinamenye
S. Khare (Temporary Alternate)	C.M. Vasudev
K. Luniku (Temporary Alternate)	J. Zou

ALTERNATES NOT ACTING AS EXECUTIVE DIRECTORS:

M. Nemli	T. Oya
T. O'Brien	J. Paul

OFFICERS AND STAFF PARTICIPATING:

W.P. Ofosu-Amaah, Vice President and Corporate Secretary	L. Frigenti, AFC09
S. White, Deputy General Counsel, LEGVP	B. Horton, AFTP3
G. Nankani, Vice President, AFRVP	C. McDonough, ACTDR
F. Choudhury, Vice President & Controller, CTRVP	J. Oikawa, CLASC
J. Wilton, Vice President, SFRVP	R. Johnston, Deloitte & Touche, LLP
J. Armitage, Director, LCC2C	M. Symons, Deloitte & Touche, LLP
M. Baroudi, Director & Chief Credit Officer, SFRCR	L. Dicks-Mireaux, IMF
J. Herlihy, Director, SFRCF	V. Haksar, IMF
V. Nehru, Director, PRMED	P. Mathieu, IMF
L. Obeng, Director, LCRVP	P. Young, IMF
A. Ballivan, LCCNI	A. Bezeredi, Corporate Secretariat

Minutes of Previous Meetings

2. The Executive Directors approved the minutes of the meetings held on June 14 (M2005-0038[IDA/M2005-0038]), June 23 (M2005-0041[IDA/M2005-0041]), July 7 (M2005-0045[IDA/M2005-0045]), and June 23, 2005 (M2005-0046[IDA/M2005-0046]).

Report of the Audit Committee to the Executive Directors – Audited Financial Statements for the Year Ended June 30, 2005

3. The Executive Directors considered the report entitled "Report of the Audit Committee to the Executive Directors – Audited Financial Statements for the Year Ended June 30, 2005" (R2005-0179/1 [IDA/R2005-0175/1], dated August 2, 2005), approved the audited financial statements attached thereto, and adopted the following resolutions:

**RESOLUTION NO. 2005-0007
RESOLUTION NO. IDA 2005-0005**

Financial Statements as of June 30, 2005

Resolved that the audited financial statements of the Bank and IDA as of June 30, 2005, be approved and be submitted to the Board of Governors to be considered at its next annual meetings.

Annual Audits of Bank, IDA, and Trust Funds for FY2006: Nomination of a Firm of External Auditors

4. The Executive Directors considered and approved the resolutions contained in paragraph 3 of the report from the Chairman, Audit Committee, entitled "Annual Audit of IBRD, IDA, and Trust Funds for FY2006: Nomination of a Firm of External Auditors" (R2005-0184[R2005-0176]; /1, dated July 28 and August 9, 2005, respectively):

RESOLUTION NO. IBRD 2005-0008
RESOLUTION NO. IDA 2005-0006

Audit of Financial Statements

RESOLVED:

THAT the President, and the Vice President and Controller of the Bank and the Association be and each of them is hereby authorized to engage Deloitte & Touche LLP to conduct the annual audit of the financial statements of the Bank and the Association for the year ending June 30, 2006, and of trust funds administered by them for the fiscal year ending in 2006 and, with the prior approval of the Executive Directors, such other audit-related services as may be required during that year.

FY05 Credit Risk and Loan Loss Provisioning – Final Assessment

5. The Executive Directors considered the President's Memorandum entitled "FY05 Credit Risk and Loan Loss Provisioning – Final Assessment" (R2005-0173/1, dated July 25, 2005), and approved the recommendation in paragraph 51 of the memorandum that the single borrower limit be increased by \$1 billion to \$14.5 billion.

Allocation of FY05 Net Income and Waivers of Loan Charges for FY06 – Revised Final Text

6. The Executive Directors considered the President's Memorandum entitled "Allocation of FY05 Net Income and Waivers of Loan Charges for FY06 – Revised Final Text (R2005-0172/2, dated August 2, 2005), and approved the recommendations in paragraphs 46, 47 and 48 of the President's memorandum, namely, that:

- The pension reserve be increased by \$68 million, representing the excess of the SRP and RSBP contribution amounts over the accounting expense, which thereby reduces allocable net income correspondingly;
- The Cumulative FAS 133 Adjustments Account be increased by \$2,511 million, representing the positive FAS 133 Adjustment at June 30, 2005, which thereby decreases FY05 allocable net income correspondingly;
- \$589.5 million of FY05 net income, plus or minus any rounding amounts less than \$1 million, be added to the General Reserve;
- 50 basis points of the commitment charge for all payment periods commencing in FY06 be waived unconditionally for all borrowers with respect to eligible loans;
- 25 basis points of interest for all payment periods commencing in FY06 be waived for all eligible borrowers with respect to eligible loans for which the invitation to negotiate was issued on or after July 31, 1998;
- 5 basis points of interest for all payment periods commencing in FY06 be waived for all eligible borrowers with respect to eligible loans for which the invitation to negotiate was issued before July 31, 1998, provided that, pursuant to the December 1994 decision of the Executive Directors, such waiver with respect to VLR82 loans will be adjusted if the VLR82 rate is below the VLR89 rate so as to equalize the two lending rates;

- 75 basis points of the front-end fee be waived for all loans (other than Special Development Policy Loans) approved by the Executive Directors of the IBRD between July 1, 2005 and the date on which the Executive Directors decide upon any front-end fee waiver in connection with the Allocation of IBRD FY06 Net Income and Waivers of Loan Charges for FY07;
 - The VLR82, VLR89, Euro SCP and SCPD lending rates be reduced in FY06 by 111, 13, 1 and 8 basis points respectively;
 - \$400 million be transferred to IDA out of FY05 net income, to be drawn down immediately;
 - \$210 million be transferred as an immediate grant to the HIPC Debt Initiative Trust Fund out of FY05 net income;
 - \$52.5 million of FY05 net income be retained as surplus;
 - \$100 million of the \$400 million of net income previously retained as surplus in FY04 that was earmarked solely for subsequent transfers to IDA, HIPC, and/or reserves, be transferred to reserves, thereby reducing the earmarked portion of surplus to \$300 million.
7. Mr. Requin wished to be recorded as abstaining on the recommendation in paragraph 48 (iv) of the Memorandum.
8. The Executive Directors adopted the resolutions in Annex I and Annex III, both set out below, and approved for submission to the Board of Governors the report of the Executive Directors, together with a draft resolution, both in Annex II of the Memorandum (R2005-0172/2).

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Resolution No. 2005-0009

Addition of FY05 Net Income to Reserves

RESOLVED:

THAT \$589.5 million of the net income of the Bank for the fiscal year ended June 30, 2005 (FY05), plus or minus any rounding amount less than \$1 million, be added to the General Reserve; and

THAT \$68 million be added to the pension reserve, representing the excess of the SRP and RSBP contribution amounts over the accounting expense.

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Resolution No. 2005-0010
Resolution No. IDA 2005-0007**

**Transfer by the Bank to the Association;
Acceptance of Transfer by the Association**

WHEREAS the Executive Directors of the Bank are proposing to the Board of Governors to adopt a resolution authorizing the transfer by the Bank to the International Development Association of \$400 million out of the net income of the Bank for the fiscal year ended June 30, 2005, which amount would be usable by the Association to provide financing in the form of grants in addition to loans;

NOW THEREFORE it is hereby resolved, subject to adoption by the Board of Governors of the Bank of the proposed resolution:

1. THAT the transfer of \$400 million shall be drawn down by the Association immediately upon approval by the Board of Governors of the Bank; and
2. THAT the Association accepts the transfer on the basis set forth above

Nicaragua: Interim Strategy Note

9. The Executive Directors noted the Joint IDA/IFC Interim Strategy Note for the Republic of Nicaragua (IDA/R2005-0172[IFC/R2005-0191], dated July 14, 2005. The Chairman's Concluding Remarks were distributed as IDA/R2005-0172/1[IFC/R2005-0191/1], dated August 9, 2005.

Burundi: Enhanced HIPC Debt Initiative

10. The Executive Directors considered the President's Memorandum and Recommendation entitled "Assistance to the Republic of Burundi under the Enhanced HIPC Debt Initiative", together with the Completion Point Document attached thereto and prepared jointly by the staff of IDA and the IMF (IDA/R2005-0174, dated July 21, 2005), and approved the recommendations in paragraphs 10 and 11 of the President's Memorandum. The Chairman's Summing-Up was subsequently distributed as IDA/R2005-0174/1, dated August 9, 2005.

Loan to the United Mexican States – Modernization of the Water and Sanitation Sector Technical Assistance Project

11. The Executive Directors approved the loan to the United Mexican States for a Modernization of the Water and Sanitation Sector Technical Assistance Project in the amount of US\$25 million equivalent on the payment terms and other terms and conditions set out in the President's Memorandum (R2005-0175; dated July 14, 2005).

Burundi: Poverty Reduction Strategy Paper – Preparation Status Report and Joint Staff Advisory Note

12. The Executive Directors recorded their approval of the report entitled “Burundi: Poverty Reduction Strategy Paper – Preparation Status Report and Joint Staff Advisory Note” (IDA/SecM2005-0389, dated July 14, 2005) and agreed that the Status Report provided a sound basis for development of a full PRSP, and a context for IDA assistance and Fund concessional lending.

Date of Next Meeting

13. It was agreed to hold a meeting of the Executive Directors of the Bank and IDA on Tuesday, August 23, 2005.

Adjournment

14. The meeting recessed at 12:47 p.m., reconvened at 2:05 p.m., and adjourned at 3:19 p.m.

Distribution:

Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC and MIGA
Secretary, IMF