THE WORLD BANK
ANNUAL REPORT 1993

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The World Bank
Washington, D.C. 20433

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Cover:
A scene from the Sonapur rice market in the Noakhali district of Bangladesh. Bangladesh liberalized grain-trading arrangements in 1992, thereby increasing incomes of smallholder farmers.

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ISSN: 0252–2942
ISBN: 0–8213–2490-X

Letter of Transmittal

This Annual Report, which covers the period July 1, 1992, to June 30, 1993, has been prepared by the executive directors of both the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) in accordance with the respective by-laws of the two institutions. Lewis T. Preston, president of the IBRD and IDA and chairman of the boards of executive directors, has submitted this Report, together with accompanying administrative budgets and audited financial statements, to the board of governors.

The directors are keenly aware that this has been a year of extraordinary challenge to the staff of the Bank. They have been called upon to respond to an exceptional volume and range of issues faced by an expanded, indeed a now almost universal, membership while maintaining commitments to ongoing programs. The board is grateful to the staff and expresses its profound appreciation.

Annual reports for the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID) are published separately.

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August 5, 1993

The World Bank, the IFC, and MIGA

The World Bank is a multilateral development institution whose purpose is to assist its developing member countries further their economic and social progress so that their people may live better and fuller lives. The term "World Bank" refers to two legally and financially distinct entities: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The IBRD and IDA have three related functions: to lend funds, to provide economic advice and technical assistance, and to serve as a catalyst to investment by others.

The IBRD finances its lending operations primarily from borrowings in the world capital markets. IDA extends assistance to the poorest countries on easier terms, largely from resources provided by its wealthier members. Funds from such other sources as governments, commercial banks, export-credit agencies, and other multilateral institutions are increasingly being paired with World Bank funds to cofinance projects. The World Bank also provides loans to help developing countries adjust their economic policies and structures in the face of structural problems that threaten continuing development.

The International Finance Corporation (IFC), an affiliate of the World Bank, seeks to promote growth in the private sector of developing countries by mobilizing foreign and domestic capital to invest alongside its own funds in commercial enterprises.

The Multilateral Investment Guarantee Agency (MIGA), also an affiliate of the World Bank, was established in 1988 to encourage foreign direct investment in developing countries by protecting investors from noncommercial risk, especially risk of war or repatriation.

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Glossary

Agenda 21 The main operational product of the United Nations Conference on Environment and Development (UNCED), Agenda 21, is an ambitious action plan covering over 100 program areas (climate, desertification, sustainable agriculture, for example) integrating environment and development, to be supported by new and additional financial resources, improved access on favorable terms to environmentally sound technology, and strengthened institutional capacity in developing countries. States were called upon to prepare national sustainable development plans outlining their own environmental problems as well as their strategies, programs, and priorities for implementing Agenda 21. UNCED agreed that financing should be assembled to support these programs through a variety of existing, rather than new, funding mechanisms.

Central-bank facility A facility used by the IBRD to raise short-term United States-dollar debt by offering to central banks and other government organizations of member countries a one-year, United States-dollar denominated variable-rate instrument. The interest rate is adjusted monthly on the yield of the one-year U.S. Treasury bill plus a spread.

Committee of the Whole The Committee of the Whole is a committee made up of all executive directors; it has traditionally served as a forum in which preliminary discussion of issues takes place before they are taken up by the executive board. It is also the forum in which the executive directors act as a preparatory body for the work of the Development Committee.

Currency swaps Currency swaps are used by the IBRD as a liability-management tool and essentially involve an exchange of a stream of principal and interest payments in one currency for a stream in another currency. The IBRD uses currency swaps to obtain borrowings in the ultimately desired "target" currency at below cost of a market borrowing in that currency.

Development Committee This committee is known formally as the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources to Developing Countries. Established in October 1974, the committee currently consists of twenty-two members, generally Ministers of Finance, appointed for periods of two years by one of the countries or a group of countries that designates a member of the Bank's or the International Monetary Fund's board of executive directors. The committee is required to advise and report to the boards of governors of the two institutions on all aspects of the broad question of the transfer of real resources to developing countries and to make suggestions for their implementation.

Dublin Statement The January 1992 "International Conference on Water and the Environment: Development Issues for the 21st Century" in Dublin called for new approaches to the assessment, development, and management of freshwater resources. The conference report set out recommendations for action at local, national, and international levels based on four guiding principles. First, the effective management of water resources demands a holistic approach linking social and economic development with protection of natural ecosystems, including land and water linkages across catchment areas or groundwater aquifers; second, water development and management should be based on a participatory approach, involving users, planners, and policymakers at all levels; third, women play a central part in the provision, management, and safeguarding of water; and fourth, water has an economic value in all its competing uses and should be recognized as an economic good.

"Enhanced" Toronto terms A menu of Paris Club concessions for low-income countries, initiated in 1991, comprises two options providing for deeper debt reduction plus the nonconcessional option from the old Toronto terms. The concessional options amount to 50 percent forgiveness in present-value terms on

debt-service payments falling due during the consolidation period. Enhanced Toronto terms also provide for a third nonconcessional option: consolidation at market rates, with a repayment period of twenty-five years, including a fourteen-year grace period. This option was adopted by the United States and some smaller creditor countries that were, at the time, unable to adopt debt cancellation for non-ODA debt.

Foreign Investment Advisory Service (FIAS) FIAS was established in 1986 by the International Finance Corporation. It is now jointly operated by the IFC, the Multilateral Investment Guarantee Agency, and the World Bank. FIAS advises developing countries, at the request of their governments, on how to attract productive foreign direct investment. After studying the investment climate in a country, FIAS helps officials or agencies responsible for foreign investment define their objectives and develop the policies, regulations, and institutions needed to encourage foreign direct investment that will be beneficial to the country. FIAS also conducts research on issues raised in the course of its advisory work and organizes seminars and conferences that bring together officials, foreign investors, and experts to discuss issues related to foreign investment.

G-7 countries Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

Headroom The IBRD's Articles of Agreement require that total debt outstanding and disbursed, including guarantees, not exceed the total value of subscribed capital, reserves, and surplus. This defines the IBRD's statutory lending limit. The difference between that limit and actual total debt outstanding and disbursed is known as "headroom." The adequacy of the IBRD's headroom is reviewed every three years under current policy.

Houston terms These refer to the major change, introduced by the Paris Club at its September 1990 meeting, in the treatment of severely indebted middle-income countries. Debtor countries are able to repay consolidated ODA loans with twenty-year maturity, including a ten-year grace period. Consolidated export credits and official loans other than ODA will be repaid with fifteen-year maturity, including up to eight years' grace.

IDA deputies Representatives of IDA donor countries at the negotiations on replenishments of IDA funds. Each of IDA's donor countries appoints a deputy, who is usually a top-level civil servant from the country's Ministry of Finance, Foreign Affairs, or from its bilateral aid agency. The replenishment agreements negotiated among the deputies are presented to the executive directors of IDA, who, in turn, submit a report to the board of governors for final decision. The IDA deputies meet as often as necessary to discuss IDA replenishments and related matters.

LIBOR (London Interbank Offered Rate) LIBOR is the rate at which major banks in London are willing to lend in a specific currency or currency unit to other banks. It is used as a base rate for many international interest-rate transactions.

Low-income countries Countries with a GNP per capita of $635 or less as of 1991.

Middle-income countries Countries with a GNP per capita of more than $635 but less than $7,911 as of 1991.

Negative-pledge clause Negative-pledge clauses are concerned with the granting of security interests by a borrower over its assets to its creditors. By the terms of such a clause, the borrower agrees with a creditor or group of creditors to restrictions on its granting, or otherwise permitting to exist, security interests in favor of other creditors. Negative-pledge clauses are usually standard in Bank loan documents. They may be waived on a case-by-case basis, however.

Official development assistance (ODA) Financial aid to developing countries and multilateral institutions provided by official agencies, or by their executive agencies. ODA is administered with the promotion of the economic development and welfare of developing countries as its main objective, is concessional in character, and contains a grant element of at least 25 percent.

Paris Club The Paris Club is the name given to the *ad hoc* meetings of creditor governments that, since 1956, have arranged, when necessary, for the renegotiation of debt owed to official creditors or guaranteed by them. (Debts to commercial banks are renegotiated with committees of the banks involved.) The World Bank is not a member of the Paris Club.

Social-action programs Social-action programs and social funds consist of multisectoral operations that mobilize several sources of financing to fund special interventions and targeted

projects seeking to alleviate the social costs of adjustment, as well as poverty in general. The project components that typically get financed include public works, severance payments, retraining, and schemes in nutrition, primary health, and primary education. While the objectives and project content of social-action programs and social funds are similar, they differ in their institutional set-up. Social funds finance small, demand-driven subprojects and often bypass existing bureaucratic systems and procedures; funding commitments are often based on the evaluation of project proposals prepared according to predetermined selection criteria. Social-action program subprojects are typically appraised by the World Bank. Whereas social funds are most often parastatal quasi-financial institutions, social-action programs generally cover a broader array of institutional arrangements, such as quasi-autonomous project units or integration into sectoral ministries.

Social fund (See social-action programs)

SPA-eligible country Country eligibility is determined on the basis of poverty (countries cannot be eligible for IBRD loans), indebtedness (countries have to have projected debt-service ratios of 30 percent or more), and efforts to adjust (countries have to be currently implementing a policy-reform program that is endorsed and normally supported by the Bank and the International Monetary Fund, and agreement has to be reached on a policy framework paper).

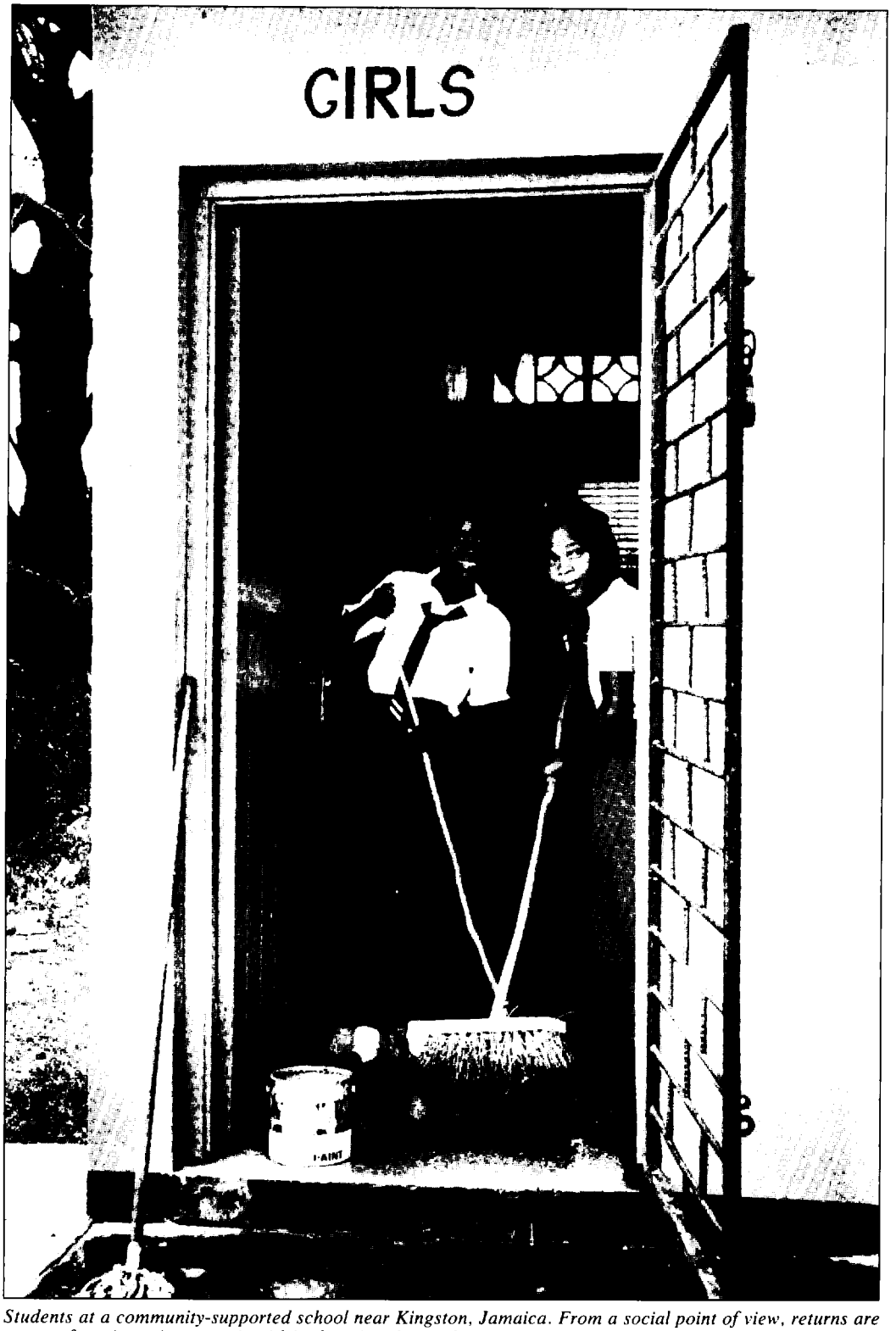
Special drawing rights (SDRs) The special drawing right is a reserve asset created in 1968 by the International Monetary Fund for use by its members and certain prescribed institutions, among which are multilateral development banks and the Bank for International Settlements. Its value is calculated daily by using a weighted basket of the currencies of the G-5 countries (France, Germany, Japan, the United Kingdom, and the United States).

Technical Cooperation Agreement The agreement, approved in October 1991, between the Union of Soviet Socialist Republics and the Bank, the IFC, and MIGA provided the framework for technical cooperation between the Bank Group and the Soviet Union and its republics during the transitional period prior to membership. Technical cooperation, provided on a grant basis, was funded by a $30 million transfer from the IBRD's fiscal 1991 net income. Only Belarus, Kazakhstan, Kyrgyzstan, and the Russian Federation signed technical cooperation agreements. Commitments under the program ceased in fiscal 1992.

Toronto terms Toronto terms refer to a menu of options that can be chosen to reduce official debt in low-income, debt-distressed countries. The terms, agreed upon in September 1988 (following agreement in principle at the economic summit held in Toronto three months earlier), include reduced interest, very long grace and repayment periods (at commercial rates), or partial write-offs of debt-service obligations during the consolidation period (with the rest rescheduled at commercial rates and shorter maturities), or a combination of these options.

Trinidad terms Trinidad terms represent a deepening (over Toronto terms) of concessionality in existing debt-relief measures. Proposed by John Major, then United Kingdom Chancellor of the Exchequer, at the Commonwealth Finance Ministers' Conference in September 1990, these terms would reduce the stock of outstanding debt owed to Paris Club creditors by two thirds. An important aspect of the proposed terms is that they would apply to the entire stock of eligible debt rather than to the maturities falling due within a near-term consolidation period.

Vehicle currency A currency in which the Bank borrows and simultaneously enters into a currency swap in order to convert the "vehicle"-currency liability into a liability denominated in another currency (a so-called "target" currency).



Students at a community-supported school near Kingston, Jamaica. From a social point of view, returns are greater from investing more in girls' education than in boys'.

Overview of World Bank Activities in Fiscal 1993

"Poverty reduction," the president and chairman of the executive board of the World Bank said in April 1993, "must be the benchmark against which [the Bank's] performance as a development institution is judged." The Bank's poverty-reduction strategy remains unchanged: to promote a pattern of growth that enables the poor to participate through their labor and to support investment in the poor through expanded access to health, education, and other social services.

The international community confirmed the focus of the Bank's poverty-reduction strategy during the past year by reaching an agreement on a tenth replenishment of the International Development Association's (IDA) resources (IDA-10) for the period fiscal 1994–96. The replenishment, equivalent to SDR13 billion (or $18 billion equivalent) maintains the value of IDA's ninth replenishment in real terms. Donor negotiators agreed that IDA should continue to focus on three main objectives to support economic development in the poorest countries: poverty reduction, economic adjustment and growth, and environmental protection and improvement.

Working with its borrowers, the Bank is increasingly placing its two-part poverty-reduction strategy at the center of its overall country-assistance strategies. It is using all available instruments—the policy dialogue, lending operations, and analytical work—to ensure that the strategy is implemented.

As documented in a recent report to the executive directors, the Bank is making tangible progress in implementing its poverty-reduction strategy. A crucial element of its poverty-reduction efforts is the formulation of

Operational and Financial Overview, Fiscal 1989–93
(millions of US dollars unless otherwise noted; fiscal years)

Item	1989	1990	1991	1992	1993
IBRD					
Commitments[a]	16,433	15,180	16,392	15,156	16,945
Gross disbursements[a]	11,310	13,859	11,431	11,666	12,942
Net disbursements[a]	1,921	5,717	2,090	1,818	2,425
New medium- to long-term borrowings	9,767	11,481	10,883	11,789	12,676
Net income	1,094	1,046	1,200	1,645	1,130
Subscribed capital	115,668	125,262	139,120	152,248	165,589
Statutory lending limit	125,429	137,046	152,327	168,369	183,312
Loans outstanding	77,942	89,052	90,638	100,810	104,451
Keys ratios					
Loans outstanding as a percentage of lending limit	62	65	59	60	57
Interest coverage ratio	1.17	1.17	1.17	1.24	1.16
Liquidity ratio (percent)	52	47	51	48	48
Reserves-to-loans ratio	10.2	10.8	11.2	11.5	11.4
IDA					
Commitments	4,934	5,522	6,293	6,550	6,751
Gross disbursements[b]	3,597	3,845	4,549	4,765	4,946
Net disbursements[b]	3,404	3,628	4,274	4,441	4,580

a. Excludes loans to the IFC.
b. Includes disbursements from the Special Fund.

The Bank's Response to Changing Borrower Demands

In recent years, a growing number of countries have restructured their economies and administrations. Others are now in the process of implementing structural reforms. In addition, support to countries changing from command to market economies, as well as those in political transition, has entailed important shifts in the Bank's work. At the same time, the demand for Bank services has become more complex for many borrowers. The Bank's response to these changing circumstances can be illustrated in several ways.

- The comprehensiveness of Bank services has increased compared with a few years ago. Better linkages are being sought between macroeconomic and sector reform and poverty reduction, and new development challenges (the environment, for example) are being integrated into mainstream Bank operational work. Poverty assessments are new tools extensively used across the Bank to quantify the extent and nature of poverty and identify constraints to poverty reduction. Similarly, more comprehensive analyses of private-sector development requirements is being undertaken throughout the Bank.
- Regional approaches to development problems are beginning to be promoted, following the pivotal role of donor resources in launching such activities. The Mediterranean Environmental Technical Assistance Program, Asia's Metropolitan Environmental Improvement Program, and Africa's Agricultural Services Initiative are prime examples of this new approach.
- Bank lending has moved increasingly from clearly defined hardware activities (construction and irrigation, for example) into less tangible issues, such as institutional development, that lead to enhanced local capacity to face development problems. These issues typically require significant staff inputs at both the design and supervision stages, demand relatively small loan amounts (primarily to finance technical assistance), and thereby tend to be costly in terms of resources per dollar lent. Their potential impact on long-term sustainable development, however, can be significant.
- As the macro reforms have matured in many borrowers (Chile, Indonesia, Mexico, and Morocco, for example), there has been a sizable shift from adjustment lending with a commensurate need to build investment pipelines. Much of this effort has been placed on developing human-resource projects as a direct attempt to alleviate poverty.

country-specific "poverty assessments." The findings of poverty assessments are helpful in designing assistance strategies in support of government poverty-reduction efforts. During fiscal 1993, nine poverty assessments were completed, increasing their number to twenty-seven. Completed poverty assessments have caused a number of the Bank's country-assistance strategies to be modified in important ways that more effectively target assistance to the poor and disadvantaged groups.

World Development Report 1992 identified key linkages that exist between development and the environment. In line with the report's conclusions, efforts to encourage borrowers to capitalize on the positive links between poverty alleviation and sound environmental policies—while redressing the environmental damage arising from poorly conceived growth strategies—figure prominently among the priorities for the Bank.

During fiscal 1993, the Bank elaborated environmental strategies for several key regions and countries; expanded its research on a broad range of environmental topics; continued to integrate environmental concerns in its country-policy dialogue, economic and sector work, and lending operations; and undertook a series of internal reviews of its operations to improve its capacity to take account of social, cultural, resettlement, and rehabilitation issues in project design and implementation. Supervision missions were undertaken of approximately 135 projects in the Bank's active portfolio with resettlement components to ensure that project implementation was being carried out consistent with loan and credit agreements and with Bank guidelines.

One of the principal ways in which the Bank helps member countries to improve their environmental management is by assisting in the elaboration and implementation of national environmental-action plans (EAPs). EAPs, which provide a basis for the Bank's dialogue with borrowers on environmental issues, describe a country's major environmental concerns and problems and formulate policies and actions to address whatever problems are identified. By the end of fiscal 1993, a substantial number of IDA-borrowing countries had completed, or were in advanced stages of completing, their EAPs, as required under the terms of the ninth agreement to replenish IDA's resources (IDA-9); EAPs are under preparation in virtually all other IDA countries and are expected to be completed during fiscal 1994.

Investment in human resources is at the heart of the Bank's development-assistance

World Bank Adjustment Operations, Fiscal 1993
(millions of US dollars)

Country	Project	World Bank financing IBRD	IDA	Total
Sector-adjustment loans				
Albania	Agriculture-sector adjustment	—	20.0	20.0
Argentina	Public-enterprise reform II	300.0	—	300.0
Bangladesh	Industry-sector adjustment II	—	100.0	100.0
Bangladesh	Industry-sector adjustment II (supplement)	—	3.5	3.5
Honduras	Energy-sector adjustment (supplement)	—	33.1	33.1
India	Social safety nets	—	500.0	500.0
India	External sector and investment-liberalization program	300.0	—	300.0
Jamaica	Private-sector development	75.0	—	75.0
Kenya	Education-sector adjustment (supplement)	—	52.1	52.1
Madagascar	Public-sector adjustment (supplement)	—	1.4	1.4
Mauritania	Public-enterprise sector adjustment (supplement)	—	2.2	2.2
Peru	Privatization adjustment	250.0	—	250.0
Poland	Agriculture-sector adjustment	300.0	—	300.0
Sri Lanka	Public manufacturing enterprise adjustment (supplement)	—	5.8	5.8
Tanzania	Financial-sector adjustment (supplement)	—	11.3	11.3
Uganda	Financial-sector adjustment	—	100.0	100.0
Zambia	Privatization and industrial reform (supplement)	—	20.9	20.9
Zambia	Privatization and industrial reform II	—	100.0	100.0
Total		1,225.0	950.3	2,175.3
Structural-adjustment loans				
Argentina	Financial-sector adjustment	400.0	—	400.0
Bolivia	Structural adjustment (supplement)	—	11.1	11.1
Costa Rica	Structural adjustment III	100.0	—	100.0
Ethiopia	Structural adjustment	—	250.0	250.0
Ghana	Private investment promotion (supplement)	—	6.5	6.5
Guatemala	Economic modernization	120.0	—	120.0
Guinea	Structural adjustment II (supplement)	—	0.1	0.1
Guyana	Structural-adjustment (supplement)	—	3.5	3.5
Malawi	Entrepreneurship development and drought recovery (supplement)	—	5.9	5.9
Nicaragua	Economic recovery (supplement)	—	8.5	8.5
Peru	Structural adjustment (supplement)	150.0	—	150.0
Philippines	Economic integration	200.0	—	200.0
Poland	Enterprise and financial-sector adjustment	450.0	—	450.0
Sierra Leone	Reconstruction import (supplement)	—	0.3	0.3
Uganda	Structural adjustment (supplement)	—	1.4	1.4
Zimbabwe	Structural adjustment II	—	125.0	125.0
Total		1,420.0	412.3	1,832.3
Grand total		2,645.0	1,362.6	4,007.6

NOTE: Totals do not include $450 million to Argentina for debt and debt-service reduction.
— Zero.

strategy for the 1990s. It addresses the objectives of poverty reduction through intensified support of effective primary-level services and lays the foundation for efficient economic growth through investments in human capital and transfers of scientific and technological knowledge and practice. It is also essential to enhancing the contribution of women to development and building national capacity to design and implement sound environmental policies.

The rapidly increasing involvement of the Bank in lending for social and human development provides a good indication of the growing

awareness of social programs as good investments. Bank lending for human-development programs increased from an average of $1.1 billion a year in fiscal 1987–89 to $3 billion in 1990–92, and to $3.8 billion in fiscal 1993. Investment lending for human-resource development accounted for 16 percent of total Bank lending in fiscal 1993, up from 5 percent in the early 1980s.

Three priority areas underlie the Bank's operations in support of private-sector development: systemic reform to improve the business environment and promote entrepreneurial activity; public-enterprise restructuring and privatization; and financial-sector development.

Together with member governments and the International Finance Corporation, the Bank is carrying out private-sector assessments that aim at improving Bank Group assistance to the private sector. By the end of the fiscal year, eleven assessments had been essentially completed. The Bank supports public-sector restructuring or privatization in the context of its broader goals of economic development and poverty reduction. During 1991 and 1992, some 110 investment operations and fifty-nine adjustment operations with components addressing privatization or the restructuring of public enterprises had been approved. Particularly noteworthy was assistance provided to Russia's mass privatization program, involving some 24,000 enterprises, through a $90 million Bank loan.

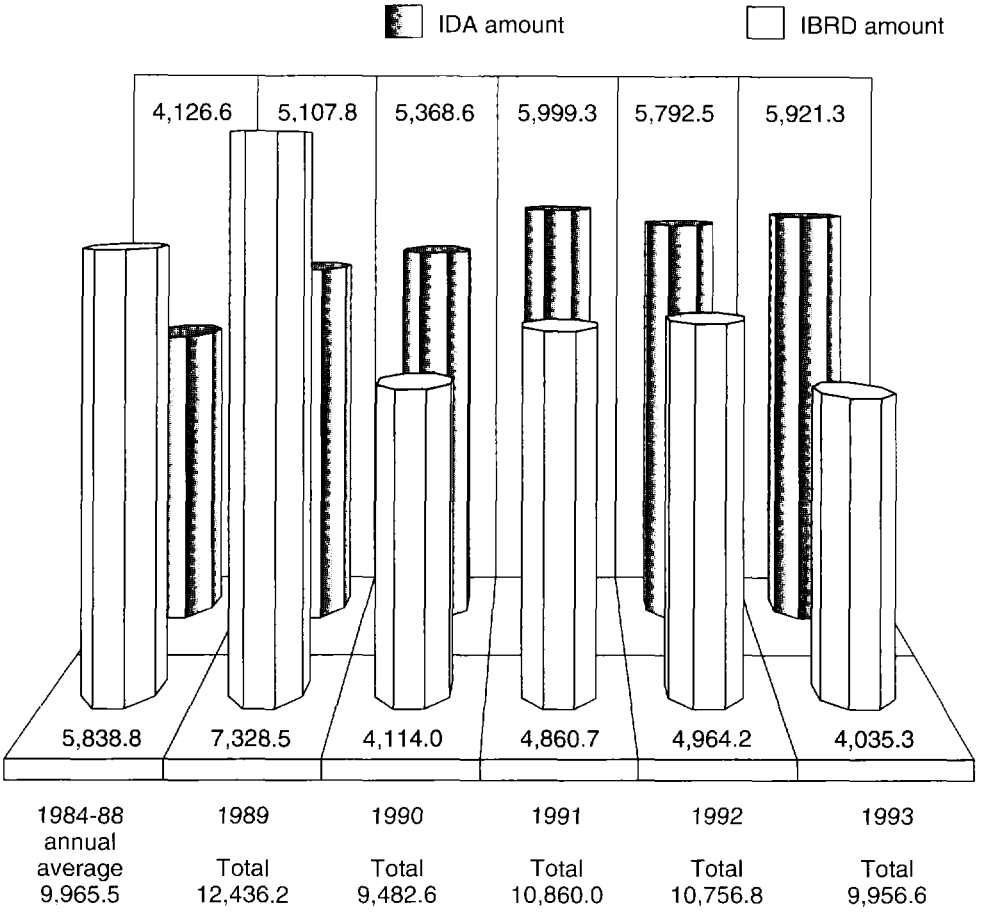
In fiscal 1993, a number of institutional assessments were conducted to enhance the Bank's potential to assist its members more effectively. Chief among them was an assessment of the Bank's portfolio by the Task Force on Portfolio Management, chaired by Willi Wapenhans, a senior manager of the Bank with many years of operational experience. The task force found that although more than 75 percent of Bank-assisted projects demonstrated good performance during implementation, there had been a decline in the quality of the portfolio over the past decade. The decline was caused in part, the task force concluded, by international economic and country-specific factors. It was also caused in part, however, by factors more specific to the Bank, chief among them being the strong attention the Bank paid to new lending commitments at the expense of effective implementation following project approval.

The task force concluded that the status of the Bank's portfolio could be improved and its services to borrowers strengthened through a wide variety of changes aimed at giving increased attention to the implementation of ongoing projects and at achieving an appropriate balance between implementation and the preparation of new operations. Following several discussions on the task-force report, the Bank's executive directors endorsed a program of actions designed to strengthen portfolio-performance management. The set of actions—some mandatory, some discretionary—is based on new and existing practices, supported by more efficient and client-oriented business practices and processes, and intended to progressively reorient the Bank culture towards more effective and consistent emphasis on the sustainable development impact of Bank-assisted operations.

Another assessment, this one of the Bank's deployment of professional skills, led to an organizational restructuring that aimed at providing enhanced support and leadership in key poverty-related thematic areas (human-resource development, finance and private-sector development, and environmentally sustainable development) and at consolidating research activities to improve their coordination across macroeconomic, thematic, and sectoral lines. Three new vice presidencies were established for the three thematic areas. They are charged with providing policy guidance, operational support, and the dissemination of "best practices" to the Bank's six operational regions, and with ensuring that the Bank is equipped to provide leadership—from a global perspective—on its thematic and sectoral objectives.

Fiscal year 1993 saw the Bank welcome eleven additional republics of the former Soviet Union, as well as the two remaining Baltic states, as members. The Bank geared up to face the challenges of assisting the countries of Europe and Central Asia in transition through additions to regional staff, including the establishment of resident missions in Albania, Kazakhstan, Latvia, Ukraine, and Uzbekistan (see accompanying box on the Bank's response to changing borrower demands). The Bank deployed its resources so as to maintain maximum flexibility. Project preparation, as well as economic and sector work, has been designed to promote reform and to mobilize resources rapidly in support of reform efforts. In Poland, for example, the Bank accelerated the preparation of adjustment operations in the areas of agriculture and financial-sector and enterprise reform. Financial-sector adjustment operations were being prepared in Romania and Bulgaria, and activities simultaneously addressing enterprise and financial-sector issues were initiated in Kazakhstan, Kyrgyzstan, Russia, and the Baltic countries. An important lending program was begun in Central and

IBRD and IDA Lending to the Poorest Countries, Fiscal 1984-93
(US$ millions)



Note: The poorest countries are defined as those with a per capita income of $635 or less in 1991 U.S. dollars.

Eastern Europe to support the system of social assistance, and a special "policy hub" was established in Budapest to focus on social safety net issues across countries.

Total lending to countries of the Europe and Central Asia region during fiscal 1993 amounted to $3,844 million and included initial loans to Albania, Armenia, Estonia, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, and Ukraine.

Lending by the Bank to all borrowers during fiscal 1993 amounted to $23,695.9 million: $16,944.5 million by the IBRD and $6,751.4 million by IDA. Adjustment lending totaled $4,008 million, or 17 percent of total commitments (see accompanying table). One loan, for $450 million, was approved in support of Argentina's debt and debt-service reduction program.

Assistance to the poorest countries—those with a per capita gross national product of $635 or less (in terms of 1991 United States dollars) totaled $9,956.6 million: $4,035.3 million from the IBRD and $5,921.3 million from IDA (see accompanying figure).

Net disbursements from the IBRD to member countries totaled $2,425 million, up $607 million from the previous year's total. IDA's net disbursements were up $139 million, to $4,580 million.

Fiscal 1993 saw the Debt-reduction Facility for IDA-only Countries, in partnership with

cofinancing assistance from a number of bilateral donors, sharply increase its operations. The facility was established in 1990 in recognition of the absence of adequate mechanisms for easing the burden of external commercial debt owed by IDA-only countries. The facility was financed by the transfer to it of $100 million of the IBRD's net income for fiscal 1989. Facility resources are made available on a grant basis—normally up to a limit of $10 million to any one country—to allow for the maximum possible impact in reducing a country's external commercial debt.

Five operations, totaling about $45 million in facility funds, have been completed—for Mozambique and Niger in fiscal 1991 and for Bolivia, Guyana, and Uganda in fiscal 1993. At an average cost of $0.12 per dollar of debt, these operations have extinguished 89 percent of the commercial debt of these countries. Facility operations are currently under preparation for Albania, Nicaragua, São Tomé and Principe, Sierra Leone, Tanzania, and Zambia.

The IBRD borrowed the equivalent of $12,676 million in the world's financial markets. Net income was $1,130 million.

Lithuania joined the IBRD on July 6, 1992, Belarus joined on July 10, 1992, Kazakhstan joined on July 23, 1992, the Republic of Georgia joined on August 7, 1992, Latvia joined on August 11, 1992, Moldova joined on August 12, 1992, Ukraine joined on September 3, 1992, Armenia joined on September 16, 1992, Azerbaijan joined on September 18, 1992, Kyrgyzstan joined on September 18, 1992, Uzbekistan joined on September 21, 1992, Turkmenistan joined on September 22, 1992, Tajikistan joined on June 4, 1993, and the Federated States of Micronesia joined on June 24, 1993. The Czech and Slovak Federal Republic (Czechoslovakia) ceased to be a member and was succeeded by the Czech Republic and the Slovak Republic effective January 1, 1993. The Socialist Federal Republic of Yugoslavia (Yugoslavia) ceased to be a member and was succeeded by Croatia and Slovenia effective February 25, 1993, bringing total membership in the IBRD to 176. At the end of the fiscal year, action was pending on membership in the IBRD for Bosnia-Herzegovina, Eritrea, Former Yugoslav Republic of Macedonia, and the Federal Republic of Yugoslavia.

Kazakhstan became a member of IDA on July 23, 1992, Latvia became a member on August 11, 1992, Kyrgyzstan became a member on September 24, 1992, Uzbekistan became a member on September 24, 1992, Portugal became a member on December 29, 1992, the Marshall Islands became a member on January 19, 1993, Tajikistan became a member on June 4, 1993, and the Federated States of Micronesia became a member on June 24, 1993. Czechoslovakia ceased to be a member and was succeeded by the Czech Republic and the Slovak Republic effective January 1, 1993. Yugoslavia ceased to be a member and was succeeded by Croatia and Slovenia effective February 25, 1993, bringing total membership in IDA to 152. At the end of the fiscal year, action was pending on membership in IDA for Armenia, Eritrea, Georgia, Moldova, Namibia, Turkmenistan, Ukraine, and the Federal Republic of Yugoslavia.

Section One
The Executive Board

Under the Articles of Agreement of the Bank, all the powers of the Bank are vested in a board of governors, consisting of one governor from each member country. With the exception of certain powers specifically reserved to them by the Articles of Agreement, the governors of the Bank have delegated their authority to a board of executive directors that performs its duties on a full-time basis at the Bank's headquarters. The size of the board was increased on November 1, 1992 from twenty-two to twenty-four executive directors to take into account the expanded membership of the Bank. As provided for in the Articles of Agreement, five of the executive directors are appointed by the five members having the largest number of shares of capital stock, while the rest are elected by the governors representing the other member countries. Each executive director appoints an alternate. Formal votes by the executive directors are rare since most decisions of the board are reached by consensus.

The president of the Bank is the chairman of the executive directors. The president is also the chief of the operating staff of the Bank and conducts, under the direction of the executive directors, the ordinary business of the Bank. The executive directors are responsible for the conduct of the general operations of the Bank, which includes deciding on Bank policy in the framework of the Articles of Agreement and approving all loan and credit proposals.

The executive directors are also responsible for presenting to the board of governors an audit of accounts, an administrative budget, the *Annual Report* on the operations and policies of the World Bank, and any other matters that, in their judgment require submission to the board of governors. Matters may be submitted to the board of governors at its annual meetings or at any time during the year.

The executive board exercises its authority, under the Articles of Agreement, in three general areas. First, through its annual oversight of the financial and operating programs, and administrative budgets, the board determines the allocation of financial and staff resources for the coming year. Second, through its review of evaluations of completed Bank projects and the Bank's experience in individual sectors and with particular policies, the board ensures that the Bank and member countries can benefit from the lessons of experience. Finally, through its review of specific policy proposals, either annually (for example, the allocation of net income, staff compensation, the environment) or periodically (for example, the Bank's financial policies, lending terms, sectoral priorities), the board determines the direction of Bank policies.

In addition, through its approval of lending operations and its review of the Bank's country-assistance strategies, the board oversees the Bank's lending program.

Since December 1992, the board has worked under new procedures that are intended to strengthen its role in policy matters while, at the same time, allowing for more lending operations to be adopted under streamlined procedures.

Oversight of Financial and Operating Programs

In fulfilling its responsibilities to oversee the IBRD and IDA financial and operating programs, the executive directors approved, at the start of the fiscal year and against the background of a borrowing plan, resolutions authorizing borrowings and liability management for the full fiscal year. This program, which was reviewed by the board on a quarterly basis, was carried out according to agreed broad parameters. In accordance with the simplified budget-review cycle endorsed by the board in fiscal 1992, the executive directors met on three occasions to deal with various aspects of the budget process. In mid year, the executive directors met as a Committee of the Whole to discuss the medium-term planning directions (fiscal 1994–96) for the Bank. Near the end of the fiscal year, the board approved the fiscal year 1994 operating budget and set indicative IBRD lending for fiscal 1994 at between $17 billion and $19.5 billion, with an indicative IDA lending program of 5.2 billion in special draw-

ing rights (SDRs). They also participated in a colloquium with senior management during which views were exchanged on the constraints faced by the Bank in its lending program.

The executive board also considered the allocation of net income from fiscal year 1992 and approved the addition of $250 million of net income of the IBRD to the general reserve so as to achieve the IBRD's reserves target and to cover the estimated cost of a waiver—for all payment periods beginning in fiscal 1993—of thirty-five basis points on the interest rate charged to those borrowers that have serviced all their loans from the IBRD in a timely manner. The executive directors also recommended to the governors that the equivalent of $300 million in SDRs be transferred to IDA during the year. The remaining $1,095 million was allocated to the surplus account, including a further $375 million equivalent to be transferred to IDA when the tenth replenishment of the association becomes effective.

Operations Evaluation and Project Implementation

In order to fulfill its responsibility to review project evaluations and proposals for future evaluation activities, the board continued to give particular attention to the Operations Evaluation Department (OED). The OED, under the direction of a director-general, is linked administratively to the Bank's president, but is directly responsible to the executive directors. The board considered the OED report on its work program and staff budget for fiscal 1993, the current status of the department's work, and the report on operations evaluation. The executive board also discussed the OED's annual review of evaluation results and agreed that the review should be published for distribution outside the Bank.

In addition, the executive directors considered the "Annual Report on Portfolio Performance" for fiscal 1992, which has replaced the "Annual Report on Project Implementation and Supervision".[1] There was broad agreement that the country focus of the report was useful in assessing operations under implementation. It was agreed that future analysis of operations under implementation would be deepened further and that an approach paper for the following year's report would be taken up by the executive board's Joint Audit Committee.

Review of Policy Proposals

The executive board reviewed several policy proposals during the fiscal year covering most areas of Bank activities, including finance, operations, sector policies, development economics, and administration.

Finance. In fiscal year 1993, the board was particularly concerned with issues related to IDA, especially those related to the association's tenth replenishment (IDA-10). In the months preceding the final agreement on IDA-10, the board received four briefings on the status of the IDA deputies' negotiations. When the negotiations were completed, the board approved the final report—Additions to IDA Resources: Tenth Replenishment—and submitted it, without meeting, to the board of governors of the association for a vote.[2] The report was subsequently approved by the Bank's governors. The executive board also reviewed the status of ongoing IDA operations in a report on the association's policies, operations, and finances in the second year (fiscal 1992) of the ninth replenishment.

The board considered a proposal to introduce a pilot program of single-currency loans to respond to the needs expressed by some borrowers for a choice of terms to help reduce the currency and interest-rate risks attached to their IBRD loans.[3] Although the currency-pool loan would remain predominant, the board approved the pilot program, limited to the equivalent of $3 billion over two years, that would offer borrowers single-currency loans in United States dollars, yen, deutsche mark, French francs, pounds sterling, or in a combination of these currencies.

As in recent years, the board continued to be concerned with issues related to the IBRD's practices with respect to managing its portfolio and to countries in arrears. In a series of meetings, the executive directors considered the IBRD's fiscal 1993 provisioning and reserve requirements and approved raising provisions to 3 percent of disbursed and outstanding loans and the present value of guarantees, accumulating provisions at 3 percent of the growth in the overall portfolio, and increasing the reserves-to-loans target to the 13 percent-to-14 percent range for fiscal 1994–95, subject to annual reviews.[4]

In addition to considering these specific financial policies, the executive directors followed closely the status of the IBRD's borrowing program through regular market briefings and quarterly reviews of funding-operations reports.

Operations. In fiscal year 1993, the executive board dealt with several issues fundamen-

[1] For details, see page 63.
[2] For details, see pages 56–60.
[3] For details, see page 65.
[4] For details, see page 65.

tal to the Bank's operational priorities and strategies. A central concern of the board was the status of the management and performance of the Bank's portfolio. Beginning with consideration of an internal task-force report on portfolio management, the board considered, over a period of many months, different elements of the Bank's portfolio management—effective implementation, portfolio performance and country-assistance strategies, internal staffing and budgetary issues, the evaluation function, and concrete steps for follow-up action.[5]

The board reaffirmed the importance of poverty reduction as an integrating theme in nearly all Bank assistance in its discussion of a progress report on implementing the Bank's poverty-reduction strategy.[6]

In the area of private-sector development, the executive directors met as a Committee of the Whole to discuss a report on the legal framework for the treatment of foreign investment. This document, which was prepared by an internal task force established by the Bank's president in response to a request of the Development Committee, was aimed at providing host countries with information on the essential legal requirements of a secure and predictable investment climate. In order to further strengthen the Bank Group's activities in promoting foreign direct investment, the executive directors of the Bank (and the IFC and MIGA, as well) approved the business plan and fiscal 1993 budget for the Foreign Investment Advisory Service (FIAS) as a program jointly administered by the three institutions that make up the World Bank Group. The directors also discussed, as a Committee of the Whole, the role, activities, and priorities of the Bank's Cofinancing and Financial Advisory Services (CFS), whose mission is to strengthen the Bank's role in catalyzing financial resource flows to developing countries from external sources, both official and private.

The board examined the Bank's negative-pledge policy with respect to lending for investments and, given the special situation of the countries in transition to a market economy approved a proposal permitting the Bank to grant a general waiver of the negative-pledge clause on a country-by-country basis for all transactions falling within prescribed parameters.[7]

In the area of adjustment lending, the board built on its consideration, in fiscal 1992, of the third report on adjustment lending by reviewing staff operational directives on adjustment lending that provide an overview of adjustment lending and its general rationale and set out in detail operational processes and procedures.

The role of the environment in the Bank's operations remained an important issue for the board. The executive directors discussed the annual report on the Bank's environmental activities covering fiscal year 1992 and agreed that the report, as modified at the meeting, would be transmitted to the Development Committee for information and would be published. The board also held a seminar on the first annual review of the experience with the environmental-assessment process, which was formally initiated by the Bank in October, 1989.[8] The board was also briefed on the participants' meetings held in December 1992 and May 1993 of the Global Environment Facility. The board considered in a series of informal meetings, briefings, and board meetings the status of the implementation of the Bank-assisted Sardar Sarovar (Narmada) Projects in India and subsequent actions related to environment and resettlement issues on which continued Bank involvement hinged.[9]

The board carefully followed the developments in the international economic and political environment. Throughout the year, the board held briefings, seminars, and regular meetings on developments in the countries of the former Soviet Union and the Bank's assistance strategies to those countries, was briefed on energy work and the development of new aid-coordination groups for countries in the Europe and Central Asia region, and held a seminar on trade issues affecting the countries of the former Soviet Union.

The board also followed the development strategies of many member countries by, among other things, reviewing the country-assistance strategies of fifty-one IBRD and IDA borrowers. The directors were also regularly provided information on the activities and progress of the increasing number of consultative and aid groups chaired by the Bank at the request of the recipient countries (see Table 1-1) and on the meetings of the Consultative Group for International Agricultural Research. The board also took up the membership issue of the former Czechoslovakia and former Socialist Federal Republic of Yugoslavia and recommended the succession of membership of new states. In addition, the board held a seminar on Argentina's successful privatization program. Directors also approved a special emergency-assistance grant to aid relief efforts in Somalia that included an exceptional

[5] For details, see pages 60–64.
[6] For details, see page 37.
[7] For details, see page 66.
[8] For details, see page 48.
[9] For details, see page 48.

Table 1-1. **Aid Coordination Group Meetings Chaired by the World Bank in Fiscal 1993**
(consortia, consultative groups, and aid groups)

Date	Country	Location
1992		
July 16–17	Indonesia consultative group	Paris
October 28–30	Bolivia consultative group	Paris
November 23–24	Ethiopia consultative group	Paris
December 2–3	Zimbabwe consultative group	Paris
December 8–10	Mozambique consultative group	Paris
December 14	Kazakhstan consultative group	Paris
December 15	Kyrgyzstan consultative group	Paris
December 16	Azerbaijan pre-consultative group	Paris
December 16	Uzbekistan pre-consultative group	Paris
1993		
January 28–29	Jordan consultative group	Paris
April 1	El Salvador consultative group	Paris
April 2	Nicaragua consultative group	Paris
April 6–7	Zambia consultative group	Paris
April 27–28	Bangladesh aid group	Paris
May 10–11	Romania consultative group	Brussels
May 12–13	Bulgaria consultative group	Brussels
May 14	Caribbean Group for Cooperation in Economic Development ad hoc advisory committee	Barbados
May 24	Belarus pre-consultative group	Paris
May 25	Armenia pre-consultative group	Paris
May 27–28	Uganda consultative group	Paris
June 1–2	Papua New Guinea consultative group	Hong Kong
June 8–9	Russia consultative group	Paris
June 18	Sri Lanka aid group	Paris
June 21–22	Peru consultative group	Paris
June 24–25	Ghana consultative group	Paris
June 29–30	Indonesia consultative group	Paris

NOTE: The meeting of the Pakistan consortium, scheduled for April 22–23, was postponed.

contribution of $10 million to the World Food Programme to make more effective efforts to reduce loss of life and provide the basis for economic recovery, as well as a contribution of $7 million to the United Nations Children's Fund and $3 million to the World Health Organisation for medicines, medical services, equipment, and logistical support.

In addition to approving all IBRD loans and IDA credits, the board monitored the progress of the Bank's overall lending program through regular briefings with senior management. In addition, the board held semiannual discussions of its own work program, as recommended by the Executive Directors' Steering Committee, covering fiscal year 1993.

Sector policies and development economics. In regular board sessions, meetings of the Committee of the Whole, and in seminars, a number of sector reports covering Bank policies and "best practice" were reviewed. These included reports on the Bank's role in the electric-power sector,[10] in housing,[11] and in water-resources management,[12] and on implementation experience of the "training-and-visit" agricultural-extension system.

In recognition of the importance of the international economic environment on development prospects, the board discussed reports on the global economic prospects of developing countries, was briefed on the contents of the Bank publication, *World Debt Tables*, and sponsored a two-day colloquium on the lessons of development that could be learned from the experience of the East Asian economies. The board also considered the outline and final draft of *World Development Report 1993*,

[10] For details, see page 49.
[11] For details, see page 54.
[12] For details, see page 50.

which examined the interplay between human health, health policy, and economic development.[13]

Administration. The board continued to be active in terms of setting major policies for the Bank's administration. In fiscal year 1993, it was involved in issues of staff benefits, including eligibility for expatriate benefits and a review of the tax allowance. As it does each year, the executive directors considered a review of staff compensation and approved an annual salary adjustment. The board was also briefed on a United Nations report on policy coordination among UN agencies.

New board members were briefed on the major issues facing, and initiatives being undertaken by, the Bank's main organizational units. The board was also briefed on the status of the Bank's operational work in the six regions.

Development Committee

The executive directors were actively involved with the Development Committee, assisting committee members in preparing for their meetings, considering the draft provisional agenda, and discussing the president's reports and background papers that were used as the basis for the ministers' discussions. In addition, several months prior to each meeting, the executive directors met as a Committee of the Whole to discuss the preliminary agenda and the outlines for the background papers in order to ensure that the main issues and concerns of committee members were reflected in the documentation.

In preparing for the committee's semiannual meetings, the board discussed a range of papers and reports that touched on many issues of importance to the Bank, including resource flows, trade policy, the environment, and private-sector development. Papers for the September meetings included one on resource flows to developing countries, one on trade-policy developments, and a report on the outcome of the United Nations Conference on Environment and Development. The papers for the meetings that began in late April 1993 included one on developing-country access to private capital flows and a progress report on private-sector development.[14] The Executive Directors' Steering Committee reviewed the *communiqués* released by the Development Committee following its semiannual meetings and made suggestions to ensure that the board's work program was responsive to the directions set out by the committee.

Committees of the Executive Directors

Joint Audit Committee. Established in 1970, the Joint Audit Committee represents shareholders in overseeing the soundness of the Bank's financial practices and the adequacy of the work of the operations-evaluation and internal-audit units. The committee provides a channel through which the internal and external auditors can communicate with the executive directors.

In pursuing its responsibilities during fiscal 1993, the committee nominated a firm of private, independent, internationally established accountants to conduct the annual audits of the Bank. The committee reviewed the scope of the independent accountants' examination and their annual audited financial statements. The committee also held its annual executive session with the external auditors without management participation to discuss the auditors' findings and recommended actions.

Through regular meetings with the Bank's senior financial officers, the committee helped to provide assurance to the executive board that the financial affairs of the Bank were properly conducted. In this regard, the committee reviewed and endorsed recommendations pertaining to the fiscal 1993 implementation of the IBRD's policy on loan-loss provisioning. It was also briefed on the status of the current IBRD loan portfolio. The committee also reviewed and endorsed preliminary recommendations regarding the annual allocation of IBRD net income. In this connection, the committee engaged in in-depth discussions concerning the principles for the use of IBRD surplus. As part of its continuing review of the situation of countries in arrears, the committee discussed both the approach to workouts in countries in arrears and also the application of the IBRD's exposure guidelines. Further, the committee endorsed two proposals prior to their approval by the board: one to introduce single-currency loans as an additional IBRD loan instrument and another to revise the IBRD's policy relating to the granting of waivers to eligible borrowers under the negative-pledge clause.

As part of its oversight responsibility for the Internal Audit Department (IAD), the committee held its second annual executive session with the auditor general. In addition, it undertook its annual review of the work program of the IAD. Through its informal Subcommittee on IAD Reports, it examined specific audit reports to determine whether the department had performed its functions adequately and efficiently. The committee reviewed and endorsed the recommendations of the subcommittee.

[13] For details, see page 46.
[14] For details, see page 52.

Further to its oversight function, the committee also undertook its annual review of the work program of the OED. In addition, the committee reviewed numerous papers issued by the OED as part of an ongoing effort to identify problems or policy issues for consideration by the executive directors. Its informal Subcommittee on OED Reports examined specific products of the department to determine whether the department had performed its functions adequately and whether appropriate systems were in place to ensure that its findings were being disseminated and utilized. The subcommittee's recommendations were subsequently reviewed and endorsed. In light of the recommendations of the portfolio-management task force, the committee also addressed the issue of a broadened mandate for the OED and submitted its recommendations to the executive directors.[15]

The committee consists of eight executive directors. Pedro S. Malan has served as chairman of the committee since January 1993.

Committee on Cost Effectiveness and Budget Practices. The committee was established in 1986 to examine aspects of the Bank's business processes, administrative policies, standards, and budget practices that significantly affect the cost-effectiveness of its operations.

For the second time since its inception, the committee reviewed the Bank's operational-travel policy. It concluded that, in order to reduce travel costs, a number of changes in the policy were called for. Its recommendations to this effect made up part of a report forwarded to the president, who, in August 1992, announced changes in the policy that incorporated several of the committee's main recommendations. The changes became effective on January 1, 1993.

In 1992, the committee endorsed a revised budget system for the Bank. The revised system took effect with the fiscal 1994 budget cycle, which began immediately following approval of the fiscal 1993 budget. Under the revised system, the committee was given by the board the additional responsibilities of reviewing the planning-directions paper (the first document for discussion by the executive directors in the budget cycle) and the mid-year review of the World Bank's programs and budgets. Accordingly, during the year the committee reviewed both the planning-directions paper and mid-year review and subsequently submitted its reports thereon to the executive directors. In line with its work program, the committee also reviewed the preceding year's work program and budget retrospective.

The Committee on Cost Effectiveness and Budget Practices consists of eight executive directors. Angel Torres has served as chairman of the committee since December 1992.

Committee on Personnel Policy Issues. The committee, which was established in 1980, is charged with keeping under continuing review, and, where appropriate, advising the executive directors on, staff compensation and other significant personnel-policy issues. It also maintains close liaison with the executive directors of the International Monetary Fund (IMF) on these issues, bearing in mind the general practice of parallelism between the two institutions.

During the course of the year, the committee issued a report on eligibility for expatriate benefits in which a majority of committee members recommended a change from the current visa-based policy to one based on nationality. Bank management is in the process of reviewing the current policy.

The committee was instrumental in initiating a pilot program for the temporary employment of nationals from developing countries. Under this program, a small number of officials from developing countries would be recruited to work in the Bank for a fixed term, at the end of which they would be expected to return to their countries. The program will provide officials with hands-on experience working in the Bank, allow them to become familiar with Bank practices and procedures, provide the Bank with staff with practical experience with the problems of developing countries, and enhance the Bank's multicultural nature. It is expected that the pilot program would employ ten to fifteen people in its first year. The first candidates are scheduled to be recruited during the first half of fiscal 1994.

Addressing concerns that have arisen about the effect of fluctuation in the value of the United States dollar on Bank pensions that are converted into "home" currencies, the committee reviewed the results of a study of the current pension-conversion formula. At the committee's request, management is currently conducting an in-depth review of a proposal that would dampen exchange-rate volatility and produce smoother, more stable home-currency pension growth over time.

Other significant matters considered by the committee were the Bank's work-family agenda, the recruitment process, procedures for senior appointments, and the 1993 compensation review.

The committee consists of eight executive directors. Jean-Pierre Le Bouder has served as chairman since January 1993.

[15] For details, see page 63.

Committee on Directors' Administrative Matters. The Committee on Directors' Administrative Matters was established in 1968 to consider administrative matters relating to executive directors, alternates, advisers, and their staff. The committee submits its reports and recommendations to the board of executive directors for its decision.

The committee is responsible for assisting executive directors in the formulation and implementation of new administrative policies and changes in existing policies. Matters taken up during the fiscal year included official representation of executive directors at the 1992 annual meetings; regulations relating to executive directors and alternates adopted pursuant to section 13 of the by-laws of the Bank; remuneration of advisers; compensation of executive directors' assistants; executive directors' travel to member countries outside their constituencies; staffing in executive directors' offices; projected moves of executive directors' offices; the status of the main complex rehabilitation project; progress of the IFC's headquarters-building project; travel policy for executive directors, alternates, and directors' advisers and assistants; smoking in Bank Group buildings; and parking policy.

The committee coordinates many of its recommendations with a similar committee established by the executive directors of the IMF.

In making its recommendations, the committee tries to maintain a balance between the organizational and administrative objectives of the institution and the unique circumstances faced by the executive directors in discharging their dual responsibilities.

The committee consists of six executive directors. John Cosgrove has served as chairman since December 1992.

Ad Hoc Committee on Board Procedures. The ad hoc committee was established in February 1991 to review the functioning and procedures of the executive board and to report on ways to conduct the board's work more efficiently so as to enable the board to perform better its role in making Bank policy. In August 1992, the executive directors approved the committee's report, and subsequently, the extensive, far-reaching changes that were recommended were phased in and put into effect on December 1, 1992. The changes cover five main areas:

1. General and sector-policy reviews. For all general policy and sector-policy papers, the board is now involved earlier in policy formulation. A two-step formula is now applied, for example, for papers with complex or potentially controversial proposals: discussion of an "approach" paper in a Committee of the Whole meeting, followed by the setting of Bank policy at a regular board meeting. A summing-up by the chairman would reflect the board's decision on the recommendations.

The board also decided to systematically review policies in each sector, taking stock of experience and providing new policy directions where needed. The Executive Directors' Steering Committee is working with Bank management to develop an inventory and a board-review schedule.

2. Board reviews of the Bank's assistance strategies for its borrowing countries. The Bank's country-assistance strategies for each of its borrowing members will be reviewed regularly (approximately once every two years) by the board. Specific proposals for each year's discussions are developed in consultation with the Executive Directors' Steering Committee.

Documentation for country-assistance strategy discussions covers the country's historical perspective and recent economic performance, its external environment, and the Bank's assistance strategy for the country. It reports on how the Bank's strategy relates to the country's development objectives and policies and on the main objectives of the strategy. Past and current lending programs are summarized, and potential future trends in lending are projected.

3. Coverage of the external environment in board reports and discussions. The board agreed that the impact of the external economic environment on developing countries should be given greater emphasis in board reports and deliberations. This emphasis is to go beyond major annual publications, such as *World Development Report* and *Global Economic Prospects*, and is to be included in sector reviews, country-assistance strategy papers, and, where relevant, individual operations.

4. The use of streamlined procedures in approving lending operations. In the light of increased board attention to policy formulation and implementation, and the initiation of country-assistance strategy discussions for all Bank borrowers, the board has expanded the use of streamlined project-approval procedures. Under these procedures, lending operations would normally be approved without board discussion on the basis of a prior board discussion of a country-assistance strategy. Adjustment, debt-reduction, and lending operations deemed by Bank management to have particular policy interest, special features, or which significantly deviate from a previously discussed country-assistance strategy framework are approved under existing regular procedures. Although executive directors retain the right to request that any item be considered

under regular procedures, all other lending operations are intended to be taken up under streamlined procedures allowing for their approval without board discussion.

The committee also looked at the increasing number of documents regularly provided to the directors for information or discussion and found that many could be issued less frequently, be provided electronically, or be discontinued without impairing the board's oversight responsibility.

5. The conduct of board meetings. Given the number of board meetings that are possible in a given year, as well as the number and variety of issues that were previously taken up by the board, the ad hoc committee concluded that no improvement in the board's effectiveness was possible without reducing the number of agenda items that are formally—and extensively—discussed under the previous arrangements and without rationalizing board practices. The recommendations summarized above were designed to address some of the constraints to effectiveness.

The ad hoc committee consisted of four executive directors. Jonas H. Haralz served as chairman until August 1991 when he was succeeded by Moises Naim, who served as chairman until the conclusion of the committee's work program.

Executive Directors' Steering Committee. The Executive Directors' Steering Committee, an informal advisory body of executive directors composed of the dean, Frank Potter, and the codean, Ibrahim Al-Assaf, of the board, and the chairpersons of the other standing board committees, meets monthly to consult on, and review with the Bank's management, the executive directors' work program. The committee also provides a consultative framework on various board issues. In addition, the committee reviews the Development Committee's *communiqués* to ensure that the implications for the executive directors' work program are fully considered. The committee has also taken a leading role in ensuring the efficient implementation of the recommendations of the Ad Hoc Committee on Board Procedures. The committee consists of six executive directors. Frank Potter, has served as chairman since February 1993.

The meetings of committees of the executive board are open to participation by all executive directors.

Section Two
The Economic Scene: A Global Perspective

The world economy began to show signs of recovering from the recent slowdown in 1992, as the overall gross domestic product (GDP) growth rate rose a modest 1.3 percent, up from the feeble 0.5 percent of the previous year. Growth in the developing countries (excluding the special case of the Central and East European and former Soviet Union (FSU) economies in transition) led the way. For the second year in a row, their rate of growth (4.5 percent in 1992) outpaced that of the major industrialized countries by three percentage points.

Developing-country growth was led by the countries of the East Asia region (up 8.9 percent and paced by China's leap in output of 12 percent) and the Middle East, which "benefited" from the stimulus of reconstruction efforts. In sharp contrast, output in the republics of the former Soviet Union plummeted by about 20 percent. Declines in Central and Eastern Europe abated, however, and Poland's economy actually grew for the first time since undergoing "shock therapy."

In other developments during the year:

- Debt stocks of developing countries (as expressed in United States-dollar terms) grew for the third consecutive year, although the debt-to-gross national product (GNP) and the debt service-to-exports ratios both declined. The increase in the stock of debt was primarily the result of active commercial borrowing by East Asian countries and a large influx of guaranteed export credits to the republics of the FSU.
- Debt and debt-service reduction operations were concluded with Nigeria and the Philippines, while agreements in principle were reached between commercial creditors and Argentina, Brazil, and Peru. Heavily indebted, middle-income countries were generally successful in restructuring their official debts.

Many heavily indebted low-income countries, however—despite a flurry of arrangements on their behalf—continued to have debt-service obligations that are well in excess of sustainable levels. The average ratio of actual to scheduled debt service was estimated at about 50 percent in 1992 (although it varies greatly from country to country), indicating debt distress.

- Aggregate net resource flows to developing countries increased sharply, led by a huge rise in private loans in the form of bond financing toward a number of countries. Official development assistance increased modestly in nominal terms, and advances in foreign direct investment (FDI) were both robust (up nearly 14 percent) and broadbased.
- In contrast with the generally encouraging trends in growth, debt, and resource flows, the primary-commodity arena was a dreary scene. Except for producers of tea, vegetable oil, or copper, 1992 was a bad year. In fact, the index of nonoil primary commodities fell to a post-World War II low.
- On the trade front, stagnation in the Uruguay Round negotiations stood in sharp contrast to the acceleration—for the first time since 1988—in the volume of merchandise trade, which received a boost from economic recovery in North America and strong import demand in the developing countries of Latin America and East Asia.

Industrialized Countries

The downturn in economic activity in the industrialized countries continued during 1992, with overall real growth in GDP among the twenty-four member countries of the Organisation for Economic Co-operation and Development (OECD) estimated at about 1.6 percent, up from the 0.2 percent figure of the previous year. Unemployment rates increased further during the year, to more than 8 percent.

There were distinct differences in the cyclical positions across OECD countries. In most of the countries that entered first into the current slowdown, such as Australia, Canada, New Zealand, Norway, the United Kingdom, and the United States, a slow recovery began during the year or appears to be imminent. In contrast, tentative signs that the Japanese economy may have stopped slowing have only just appeared. Most continental European countries went into the downturn later and are showing few signs of emerging from it quickly.

Against this background of weak activity and high and rising unemployment, the process of OECD-wide disinflation, which began in 1990, continued. One notable feature is that manufacturing producer prices in most countries are close to stability and have even fallen in Austria, Belgium, Denmark, France, Japan, and the Netherlands—countries that have recently experienced effective appreciations of their exchange rates. Prices of services and rents, however, have shown less deceleration.

The process of unwinding excessive debt positions acquired during the asset-market booms of the second half of the 1980s led households and firms in many countries, notably Australia, Canada, Japan, some Nordic countries, the United Kingdom, and the United States, to retrench their spending. In many countries, banks have been faced with a need to restore profitability and reserves in the wake of heavy losses, deteriorating asset quality, and new internationally agreed capital-adequacy requirements. This has prompted them to increase lending margins and to adopt a more cautious stance in respect of demands for credit.

Since the autumn of 1992, short-term interest rates have remained low in the United States and have fallen slightly in Japan to an historic low (see Figure 2-1). Following the floating of the lira and the pound sterling, interest rates have also fallen markedly in Italy and the United Kingdom, albeit in the former country only to around the levels prevailing before the European currency unrest in the summer of 1992. Within Europe, which experienced high short-term rates over the past two years, short rates in Germany began to fall during the second half of 1992.

Long-term interest rates began to fall during the second half of 1992 in most OECD countries, as inflation expectations receded and major medium-term fiscal-consolidation programs were unveiled in Germany and the United States. Nonetheless, while long rates of between 6 percent and slightly above 7 percent are below the averages that prevailed since 1980 in many countries, they remained relatively high when judged in a longer historical context.

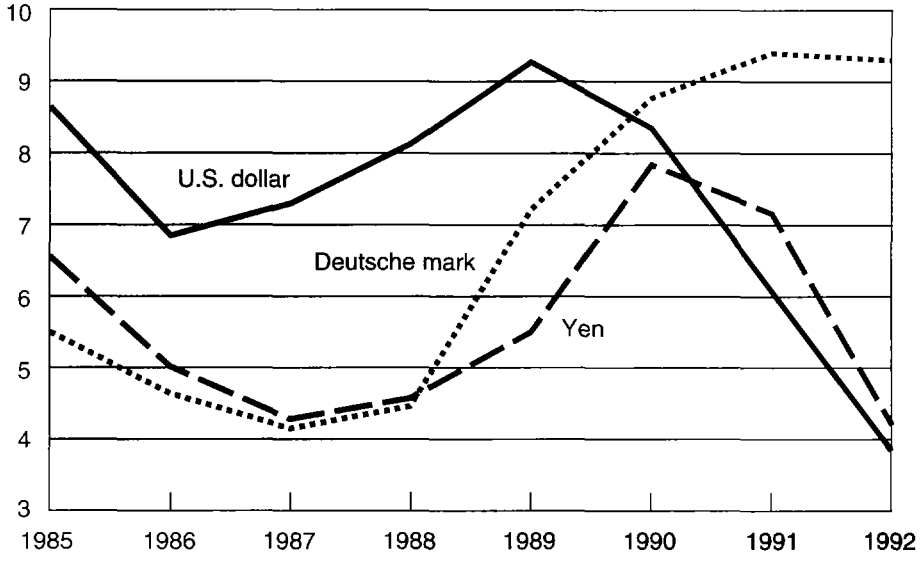
Events in the major industrialized countries. The GDP growth rate of the United States gradually accelerated during 1992 and reached 2.1 percent for the year (see Table 2-1). The initial sluggishness of the recovery was largely the result of restrained demand, as households and businesses sought to reduce the debts they had accumulated in the late 1980s. Depressed private-sector net worth, associated with weaknesses in housing and commercial property markets, and increasing unemployment, until early 1992, also contributed to significant consumer caution. By mid 1992, the lowering of interest rates had eased the debt burden significantly, thereby supporting progressively stronger growth in the third and fourth quarters. Growth also reflected the benefits of considerable restructuring in many sectors. The current-account balance of the United States again moved into large deficit in 1992, as cyclical factors and Gulf war-related transfers, which had contributed to a decline in the deficit during the previous year, were reversed or were no longer at work.

As in the United States, recovery in Canada was much weaker than in previous post-recession instances, and GDP rose by only 0.9 percent. Employment remained flat throughout the year, and the rate of unemployment rose to more than 11 percent, up one percentage point from the previous year. In contrast, until recently, recovery in the United Kingdom remained elusive, as economic activity eased by 0.6 percent and unemployment rose to nearly 10 percent.

In Japan, both investment and savings declined sharply as a result of a decline in asset prices and associated balance-sheet problems. Profits fell sharply, and bankruptcy rates rose as tight labor-market conditions eased considerably. Although falling interest rates and the fiscal-stimulus package of August 1992, with a larger one proposed in April 1993, are expected to help contain recessionary forces, substantial uncertainties (including those about the duration of the dampening effects of asset deflation) remain. Japan's current-account surplus increased steadily throughout 1992, reaching a record level in absolute terms, though not relative to GNP. Factors underlying this rise included sharp reductions in domestic demand, lower world commodity prices, and the appreciation of the yen in 1991–92, which induced a rise in the dollar value of the country's exports.

Developments in Germany were dominated by the increased strain brought about by the expansionary fiscal policy that followed unification and the tight monetary policies that were subsequently adopted. Domestic demand was restrained by high interest rates, which, along with cost pressures, also weakened the export-oriented manufacturing sector and affected competitiveness. Continuing strength in the construction and service sector supported activity in Germany's eastern Länder, but the recovery there of industrial output was much weaker than expected, in part because of the pressure on costs that resulted from rapid growth in wages relative to productivity. While

Figure 2-1. Nominal Six-month LIBOR Rates, 1985-92
(annual percentages)



Source: IMF and OECD.

Table 2-1. **G-7 Countries: Output, Inflation, Investment, and Unemployment, 1982–92**
(average annual percentage change; unemployment rates in percent)

G-7 country	1982–92	1991	1992[a]	1982–92	1991	1992[a]
	Real GNP or GDP[b]			GNP or GDP deflator[b]		
Canada	2.7	−1.7	0.9	4.2	2.7	1.0
France	2.2	0.7	1.3	5.5	3.0	2.3
Germany[c]	2.5	3.7	2.0	2.9	4.4	5.4
Italy	2.4	1.3	0.9	9.4	7.4	4.8
Japan	4.1	4.0	1.3	1.5	2.2	1.9
United Kingdom	2.2	−2.2	−0.6	5.8	6.4	4.4
United States	2.6	−1.2	2.1	4.1	4.0	2.7
Aggregate weighted average	2.8	0.7	1.6	3.4	3.9	2.9
	Gross fixed investment[c]			Unemployment rate[d]		
Canada	2.4	−3.7	−0.6	9.8	10.2	11.2
France	2.4	−1.5	−2.3	9.6	9.4	10.2
Germany	5.0	6.5	4.6	7.3	4.4	4.8
Italy	2.4	0.6	−1.4	10.8	9.9	10.5
Japan	5.7	3.0	−1.1	2.5	2.1	2.2
United Kingdom	4.2	−9.9	−0.6	9.2	8.7	9.9
United States	1.8	−8.5	5.5	7.1	6.6	7.3
Aggregate weighted average	4.4	−3.1	2.2	7.0	6.3	6.9

a. Preliminary.
b. GNP for Germany, Japan, and the United States; GDP for others.
c. Germany, western *Länder* through 1991; unified, 1992.
d. German data refer to western *Länder* only.
SOURCE: Organisation for Economic Co-operation and Development (OECD).

Table 2-2. **Low- and Middle-income Economies: Growth of GDP and GDP Per Capita, 1981–92**
(average annual percentage change unless otherwise noted)

Region or income group	GDP 1981–88	1989	1990	1991	1992[a]	1991 GDP (US$ billions)
Low- and middle-income economies	3.3	3.1	1.5	−0.2	−0.2	4,546
By regional group						
Sub-Saharan Africa[b]	1.8	3.8	1.6	1.8	1.8	178
East Asia[c]	8.7	6.1	6.4	7.1	8.9	1,059
South Asia[d]	5.4	5.1	5.5	1.8	4.8	335
Middle East and North Africa[e]	0.4	2.9	2.8	2.2	4.0	463
Europe and Central Asia[f]	2.9	2.2	−1.7	−8.5	−14.0	1,335
Latin America and the Caribbean[g]	2.1	0.9	0.0	3.3	2.3	1,176
By income group						
Low-income economies[h]	6.3	5.0	4.7	4.2	7.2	1,026
Middle-income economies[i]	2.5	2.5	0.4	−1.8	−3.9	3,520

a. Preliminary.

b. Excludes South Africa.

c. American Samoa, Cambodia, China, Fiji, Guam, Indonesia, Kiribati, Republic of Korea, Lao People's Democratic Republic, Macao, Malaysia, Mongolia, Myanmar, New Caladonia and Pacific Islands' Trust Territory, Papua New Guinea, the Philippines, Solomon Islands, Thailand, Tonga, Vanuatu, Viet Nam, and Western Samoa.

d. Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

e. Algeria, Bahrain, Egypt, Islamic Republic of Iran, Iraq, Jordan, Lebanon, Libya, Morocco, Oman, Saudi Arabia, Syrian Arab Republic, Tunisia, and Yemen.

unified Germany's growth rate rose to 2.0 percent from its 1991 level of 0.8 percent, activity in Germany's western Länder weakened sharply in 1992.

Other European countries were also adversely affected by tight monetary conditions and by a general deterioration in the economic climate. Economic growth in France was a weaker-than-expected 1.3 percent for 1992, and real fixed investment declined by more than 1 percent as a result of high real interest rates. Inflation was at record lows, and although the export sector showed improvement early in 1992, indicators of consumer confidence remained weak, and unemployment rose to historically high levels by the end of the year.

Increasing unemployment and declining consumer confidence were features of developments in 1992 in Italy, as well. Weakening domestic demand was somewhat offset by improved competitiveness of the export sector in the second part of the year, which stemmed from the elimination of wage indexation and the lira's withdrawal from the exchange-rate mechanism (ERM). Industrial production remained weak, however, and overall output growth for 1992 was only 0.9 percent. In the smaller industrial countries, average growth remained below 1 percent, partly the result of faltering demand in Germany (and elsewhere in most of Europe) that weakened key export markets for a number of countries.

Since the turmoil in the European exchange market at the end of 1992, the pound sterling and the Italian lira were suspended from the ERM, four other currencies realigned under market pressure, and three Nordic currencies that had been pegged to the European currency unit began to float. This crisis led to increases in the latter part of 1992 in short-term interest rates in many European countries in support of their currencies. Generally, however, both short-term and long-term interest rates tended to decline in most industrial countries as a result of weak growth, declining inflation, and growing expectation of fiscal deficit reduction in some industrial countries.

Developing Countries

In 1992, aggregate growth of the developing countries—excluding the countries in transition in Central and Eastern Europe and the FSU, which form a unique group—was 4.7 percent, some three percentage points higher (for the second consecutive year) than the growth of the major industrial countries. Growth of almost 5 percent in the traditional universe of developing countries can be attributed to continued rapid growth in East Asia and reconstruction in the Middle East following the abatement of hostilities there. In addition, significant amounts of private external capital flows into a number of Latin American countries allowed domestic demand to grow

1991 population (millions)	GDP per capita 1982–88	1989	1990	1991	1992[a]	Region or income group
4,502	1.3	1.2	−0.4	−2.1	−2.0	Low- and middle-income economies
						By regional group
489	−1.2	0.7	−1.5	−1.3	−1.2	Sub-Saharan Africa[b]
1,668	6.9	4.4	4.7	5.4	7.2	East Asia[c]
1,153	3.1	2.9	3.4	−0.3	2.8	South Asia[d]
245	−2.8	−0.2	−0.4	−0.9	1.0	Middle East and North Africa[e]
501	2.0	1.4	−2.5	−9.2	−14.6	Europe and Central Asia[f]
446	0.0	−1.0	−1.9	1.5	0.5	Latin America and the Caribbean[g]
						By income group
3,127	4.2	2.9	2.7	2.2	5.2	Low-income economies[h]
1,375	0.7	0.9	−1.2	−3.4	−5.4	Middle-income economies[i]

f. Republics of the former Soviet Union, republics of former Yugoslavia, Albania, Bulgaria, Czechoslovakia, Gibraltar, Greece, Hungary, Isle of Man, Malta, Poland, Portugal, Romania, and Turkey.

g. All American and Caribbean economies south of the United States, except Cuba.

h. Economies with a GNP per capita of $635 or less in 1991.

i. Economies with a GNP per capita of more than $635 but less than $7,910 in 1991.

substantially, and some of these countries experienced their fastest growth in GDP since the onset of the debt crisis in 1982. Although terms of trade in 1992 were not favorable to commodity-exporting developing countries, lower interest rates in major currencies tended to offset this negative effect in countries with large external debt. Overall, however, growth of all developing countries, including those of Central and Eastern Europe and the republics of the former Soviet Union, was slightly negative in 1992 (see Table 2-2).

Growth of GDP in East Asia of 9 percent in 1992 reflected mainly an increase in China's growth rate of 12 percent. Rapid growth has been a result of the shift to China, since 1989, of many production facilities from more mature economies in the region that are seeking to take advantage of lower production costs. In addition, there has been a strong increase in China's fixed capital formation, the result of the government's move toward market mechanisms that have boosted the confidence of foreign investors. With China serving as a "growth pole" and with a strong recovery of import growth in the United States, the traditional East Asian exporting economies were also able to accelerate their growth in 1992. There were a few exceptions, notably in the Philippines, where a stabilization program aimed at correcting severe external imbalances was the main cause of virtual stagnation.

In South Asia, GDP grew by 4.8 percent, compared with a meager 2.4 percent in 1991. Growth in India accelerated in response to a number of adjustment policies aimed at stimulating private-sector activity. India's turnabout was a remarkable achievement in that the country had experienced its lowest growth in a decade only twelve months earlier. Sound financial policies and ongoing structural reforms also produced high growth rates in Pakistan and Bangladesh; a devastating flood—the worst in many decades—that struck Pakistan in September 1992 inflicted widespread damage to crops and infrastructure and will undoubtedly slow the country's growth in 1993.

The abatement of hostilities in the Middle East and the ensuing reconstruction efforts have allowed the economies in that region to regain some growth momentum—even as growth rates were decelerating in most of Europe and the price of oil was declining. Growth in GDP was particularly high in Jordan, which had performed dismally in 1991 in the wake of the Gulf war. Structural reforms and liberalization in trade and exchange systems also resulted in continuing strong growth in Iran. In many North African countries, however, growth was slow for a variety of reasons: Egypt was in the process of adjusting its fiscal imbalances, and Algeria continued to be plagued by political instability. Although Morocco suffered from a poor harvest, it was

able, due to the success of its adjustment process over the past few years, to declare full convertibility of its currency.

Sub-Saharan Africa's growth performance continued to be poor. Among the reasons were a severe drought in the southern tier of countries, extremely poor world prices for coffee and cocoa, and an escalation of hostilities in Angola, Liberia, Somalia, and Zaire. Most countries in the region continued to endure declining per capita incomes. Decline was particularly pronounced in Malawi, Zambia, and Zimbabwe, where the drought was the worst in a generation, and in Somalia and Zaire, where levels of civil strife escalated. The decline in coffee and cocoa prices to their lowest levels since 1975 adversely affected a number of countries that are heavily reliant on the export of these commodities. In Burundi, for example, earnings from coffee exports dropped by 30 percent despite virtually unchanged volume.

Latin America's GDP growth decelerated to 2.3 percent from 3.3 percent in 1991, mainly the result of Brazil's poor performance. The aggregate growth rate accelerated in the rest of Latin America as countries' stabilization and reform efforts bore fruit, and Argentina, Chile, and Venezuela experienced their fastest GDP growth rates in a decade. External private capital flowed into these three countries and Mexico in the amount of about $40 billion, allowing imports to grow rapidly (by as much as 40 percent in Venezuela) even as their reserve assets also grew at high rates. The rapid growth of imports by Latin American countries significantly strengthened the regional ties between North and South America.

In sharp contrast with the rest of the developing world, the decline of income in the Europe and Central Asia region accelerated further (to 14 percent) as many economies pursued dramatic structural adjustments following the disintegration of the Soviet Union; in addition, some countries were entangled in regional and civil conflicts. In the Russian Federation, all but a few prices (energy, certain medicines, precious metals, and freight and transportation tariffs were exceptions) were liberalized in early 1992. However, the effects of liberalization were somewhat blunted because production of many goods remained highly concentrated. The wholesale price of oil, which was raised sevenfold in May 1992, doubled again in September. Despite significant progress in the area of privatization, formidable legal, regulatory, and other obstacles to the emergence of an efficient private market economy persisted. Steps were also taken to liberalize trade and foreign-exchange regimes—although the government continued to control most imports through a system of administrative allocations of scarce foreign exchange, usually at highly subsidized rates. Developments in other republics of the FSU were not more encouraging, and their aggregate output is estimated to have contracted by about 20 percent. The decline in the output of other countries in transition in Central and Eastern Europe was less than in 1991; in Poland, positive real growth took place during 1992.

Trends in External Debt and Progress of Debt Strategies

Long-term external debt of the developing countries, expressed in United States-dollar terms, increased by about $80 billion from its 1991 level to reach $1.4 trillion, continuing the three-year trend of rising debt stocks in nominal terms (see Table 2-3). The increase in debt stock was caused primarily by active borrowing in the financial markets by East Asian countries and by a large influx of guaranteed export credits to the countries of the FSU, combined with a deferment of their principal repayments. To a lesser extent, the depreciation of the United States dollar also contributed to the increase in the debt stock. Despite the increase, the debt-to-GNP ratio for developing countries in the aggregate remained at around 31 percent, and the debt service-to-exports ratio actually declined from its 1991 level by more than three percentage points to reach 18 percent. This brightening picture was a continuation of the downward trend in the two ratios of the past few years—a trend resulting from improved export performance and successful debt and debt-service reduction (DDSR) operations.

Aggregate figures, however, mask significant differences across regions. In East Asia and the Pacific, external debt continued to grow quickly, mainly the result of continued access by many countries in the region to world capital markets. The external debt of the various republics of the FSU is also estimated to have increased, by around 20 percent. In other regions, debt levels grew relatively slowly as lending, especially by private sources, was limited and as the urge for any increase was constrained by already substantial debt-service obligations.

Official forgiveness of developing-country debt, including forgiveness by Arab creditors, totaled about $6.5 billion. The reduction in private debt was due mostly to officially supported comprehensive DDSR operations, market buybacks, and debt-equity swaps. Officially supported DDSR operations in Nigeria and the Philippines reduced the face value of their debt by about $4.7 billion. Market buy-

Table 2-3. **Low- and Middle-income Economies: Long-term Debt and Debt Service, Selected Years, 1987–92**
(billions of US dollars and percentages)

Item	All low- and middle-income economies			Severely indebted, middle-income economies			Sub-Saharan Africa		
	1987	1991	1992[a]	1987	1991	1992[a]	1987	1991	1992[a]
Debt outstanding	1,160.3	1,288.1	1,367.0	466.6	469.0	469.4	135.0	160.9	162.6
Official (%)	45.2	51.7	51.9	38.0	47.5	49.2	59.3	68.5	71.8
Private (%)	54.8	48.3	48.1	62.0	52.5	50.8	40.7	31.5	28.2
Debt as % of GNP	34.4	31.2	30.8	59.0	41.1	37.3	59.9	59.8	58.4
Debt service	143.6	154.3	153.8	45.2	46.4	52.0	9.4	11.4	12.3
Interest payments	58.7	63.8	58.8	24.2	20.6	17.7	4.3	5.8	6.2
Official (%)	28.3	35.7	41.7	20.7	35.1	46.8	40.1	47.0	42.6
Private (%)	71.7	64.3	58.3	79.3	64.9	53.2	59.9	53.0	57.4
Principal repayments	84.9	90.5	95.0	21.0	25.7	34.3	5.1	5.5	6.1
Official (%)	27.3	30.9	32.5	37.1	36.6	31.8	28.7	42.7	42.9
Private (%)	72.7	69.1	67.5	62.9	63.4	68.2	71.3	57.3	57.1
Debt-service ratio (%)[b]	24.6	21.7	18.2	37.9	31.4	33.2	20.2	16.8	15.7
Average interest rate on new commitments (%)[c]	6.4	6.6	n.a.	7.0	7.4	n.a.	4.5	3.8	n.a.
Official (%)	5.0	5.7	n.a.	5.9	7.0	n.a.	3.4	3.5	n.a.
Private (%)	7.6	7.7	n.a.	7.8	8.0	n.a.	8.0	7.5	n.a.
Disbursements	121.6	132.9	151.8	35.1	27.7	35.1	11.1	8.4	9.3
Official (%)	41.4	42.2	40.7	43.7	45.0	47.7	63.1	69.8	75.2
Private (%)	58.6	57.8	59.3	56.3	55.0	52.3	36.9	30.2	24.8
Net resource flows on long-term lending[d]	36.7	42.4	56.8	14.1	2.0	0.9	6.0	2.9	3.1
Net transfers on long-term lending[e]	−21.9	−21.4	−2.0	−10.1	−18.7	−16.9	1.8	−2.9	−3.0

n.a. Not available.
a. Preliminary.
b. Debt service as a percentage of exports of goods and services.
c. Covers the countries reporting to the World Bank Debtor Reporting System.
d. Disbursements minus (actual) principal repayments.
e. Net resource flows minus (actual) interest payments.
SOURCE: World Bank.

backs are estimated to have reduced developing countries' external debt by as much as $7.9 billion, an amount almost entirely accounted for by Mexico's $7.1 billion DDSR operation. Debt-equity swaps, which had plunged from a peak of $9 billion in 1990 to $2 billion in 1991, are estimated to have remained at that level in calendar 1992, despite a $1 billion swap arrangement in Argentina as part of its privatization program.

Middle-income developing countries continued to make progress in debt restructuring, and substantial declines in their debt stock and debt-service ratios occurred: After several deferral agreements during 1992, the republics of the FSU reached an agreement with the Paris Club in April 1993 to reschedule $15 billion, an amount that covers almost all of the debt service due in 1993; Gabon signed restructuring agreements with both its private and official creditors; and Argentina and Brazil reached restructuring agreements with the Paris Club for a total of $6.3 billion under which the amortization schedule for restructured debt was extended, thereby reducing the need for further rescheduling. The severely indebted, lower-middle-income countries of Cameroon, Ecuador, Guatemala, Jamaica, Jordan, and Morocco continued to negotiate special agreements with the Paris Club for a con-

solidated amount of about $3.3 billion under the "Houston terms."

Commercial-bank DDSR operations in middle-income countries also continued in 1992. Operations in Nigeria and the Philippines (phase II) restructured a total of almost $10 billion in commercial debt. Argentina, supported by a World Bank commitment of $450 million, also reached a DDSR agreement with its commercial banks that will reduce its commercial debt by about $11 billion, or 37 percent of the face value of the eligible principal debt and past interest due. In addition, Bulgaria proposed a DDSR agreement to its commercial-bank creditors, and Brazil, the developing world's largest debtor, reached an agreement in principle with its creditor banks (an arrangement is expected to be concluded during 1993). Countries with protracted arrears also made some progress. The government of Peru, for example, signed an agreement for new borrowing from its commercial creditors of up to $1.5 billion, after having cleared existing arrears.

Severely indebted, low-income countries, however, continued to face grave debt-burden problems, and debt ratios remained unsustainably high for many. The aggregate debt-to-exports and debt-to-GNP ratios of this group of countries are estimated at 411 percent and 113 percent, respectively. Paris Club official creditors extended "enhanced Toronto terms" to Ethiopia, Guinea, Honduras, Mali, Mauritania, Mozambique, and Sierra Leone. In addition, the Debt-reduction Facility for IDA-only Countries saw a sharp increase in operations cofinanced with a number of bilateral donors. Five operations, involving about $45 million in facility funds, have been completed for Bolivia, Guyana, Mozambique, Niger, and Uganda. These operations extinguished $623 million of principal in external commercial debt, or about 89 percent of the commercial debt of these countries. Another six operations—for Albania, Nicaragua, São Tomé and Principe, Sierra Leone, Tanzania, and Zambia—are under preparation, and several other countries have expressed interest in using the facility for DDSR operations.

Net Financial Flows and Access to Capital Markets

In 1992, aggregate net resource flows to developing countries—that is, net flows of long-term debt and grants, excluding technical assistance, and equity investment (FDI and portfolio equity investment)—increased by about $20 billion, to reach $136 billion (see Table 2-4). Aggregate long-term net resource transfers to developing countries, including the service of external resources (interest on debt and profits on equity investment), increased by about $58 billion, up by more than $20 billion over 1991's total. Profit increases, which depressed net transfers on equity, were more than offset by a reduction—resulting primarily from falling United States-dollar interest rates—in interest payments on debt. Aggregate net transfers accounted for 1.2 percent of developing-country GNP as compared with 0.9 percent in 1991. While the rise in aggregate net flows was similar in magnitude to that of 1991, its composition was different:

Table 2-4. **Long-term Financial Flows to Developing Countries, 1985–92**
(billions of US dollars)

Item	1985	1986	1987	1988	1989	1990	1991	1992[a]
Long-term aggregate net resource flows	73.4	64.8	68.0	76.1	82.7	98.0	115.2	135.8
Official development finance	40.7	45.1	44.8	41.8	42.4	58.8	59.4	62.0
Official grants	16.1	16.7	17.5	19.1	19.9	28.2	31.3	31.1
Net official loans	24.6	28.4	27.2	22.7	22.5	30.6	28.2	30.9
Bilateral	11.8	13.3	12.7	11.6	10.7	15.8	13.8	13.4
Multilateral	12.8	15.0	14.5	11.1	11.8	14.8	14.4	17.5
Net private loans	21.8	9.8	9.5	14.5	13.5	11.4	14.2	25.9
Commercial banks	8.5	1.7	1.6	9.4	6.3	−4.1	3.9	n.a.
Bonds	6.0	1.5	1.0	3.9	4.5	3.2	7.6	n.a.
Others	7.3	6.6	6.9	1.2	2.7	12.3	2.7	n.a.
Foreign direct investment	11.0	9.9	13.7	19.7	23.3	24.0	33.9	38.3
Portfolio equity investment[b]	n.a.	n.a.	n.a.	n.a.	3.5	3.8	7.6	9.6
Long-term aggregate net transfers[c]	3.0	−3.2	−1.9	−2.9	8.1	24.4	37.7	58.0

n.a. Not available.

a. Preliminary.

b. World Bank staff estimates available since 1989 only.

c. Long-term aggregate net resource flows minus interest payments and reinvested and remitted profits.

SOURCE: *World Debt Tables, 1992–93.*

In 1991, the increase was caused mainly by the sharp rise in equity flows, both FDI and portfolio; the sole source of the increase in 1992 was private loans, particularly in the form of bond financing. Net transfers on equity and grants are estimated to have stagnated in 1992.

Official development assistance (ODA)—official loans and grants from bilateral and multilateral sources—continued its nominal upward trend over the past three years and reached an estimated $62 billion. In real terms, however, ODA has declined from its 1990 peak by over 3 percent; grants continued to decline, while official loans recovered slightly. ODA as a percentage of industrialized-country donors' GNP has remained at about 0.35 since 1985. Forgiveness of ODA debt in 1992, including further forgiveness by Arab creditors (which was substantial in 1990 and 1991), amounted to an estimated $4 billion.

Foreign direct investment in 1992 expanded beyond its traditional target of East Asia (Indonesia, Malaysia, and Thailand) as well as the historical (pre-1982) markets in Latin America (Argentina, Brazil, Mexico, and Venezuela) and reached other developing countries such as China, Egypt, and Nigeria. Factors contributing to the increase in FDI during 1992 included improved macroeconomic performance in many countries, more welcoming regulatory regimes, and privatization programs. Net flows of FDI in 1992 amounted to about $38 billion, 14 percent higher than in 1991 and about 60 percent higher than in 1990. The rapid increase in the stock of FDI, however, translated into larger profit remittances, resulting in a net FDI transfer of about $20 billion, which is about the same as that in 1991.

Portfolio equity flows, channeled mainly through external stock offerings in the form of depository receipts, as well as direct equity purchases and country funds, which had doubled in 1991, grew almost 30 percent in 1992 to stand at $9.6 billion. Portfolio debt flows, which had also doubled in 1991, continued to grow strongly as a result of bond issuances and reached an estimated $19 billion. In particular, Latin American companies, such as Mexico's state-owned oil company and several commercial banks in the region, continued to tap international financial markets. Private portfolio flows—both equity and debt—represented a major source of external financing. These gross portfolio flows are estimated to have reached $27 billion in 1992.

Trends in net resource flows, however, differed quite substantially among regions and income groups. Generally, middle-income developing countries managed to attract private equity financing in the form of FDI or portfolio flows. Most low-income countries, however, did not attract international investors and were thus unable to participate in the recent surge in private flows. As a result, their aggregate net resource flows stagnated, leaving them primarily dependent on official financing to meet their financing requirements.

Primary-commodity Market Developments

Deteriorating economic conditions in the industrial countries and the FSU set the stage for further declines in primary-commodity prices in 1992. The index of nonoil primary-commodity prices in nominal dollars in 1992, on average, was 4.5 percent lower than in 1991 (see Table 2-5). In terms of constant 1990 dollars (using as the deflator the unit-value index of exports of manufactured goods from the five largest industrialized countries to the developing countries), the 1992 index was at a level 50 percent below its long-term average—the lowest point in the post-war period. Most of the declines in primary-commodity prices took place during the latter part of 1992, particularly in the fourth quarter, when pessimism about the economic outlook in the industrial countries was at its peak. The index recovered slightly in the first quarter of 1993, but a clear upward trend is not yet visible. The downward pressure affected all commodity groups except for timber and some fats and oils. Timber prices soared in the early months of 1993.

Weaker demand and relatively good harvests resulted in a 1.7 percent decline in the cereals-price index in 1992. World grain production reached a record level by increasing an estimated 3.2 percent in 1992/93. In the beverages group, coffee and cocoa prices declined further from the already low levels of the preceding year; in contrast, tea prices rose. The decline in coffee prices during the first half of 1992 was caused mainly by increased production and exports from Brazil and Colombia in the wake of the July 1989 suspension of the quota system, which was operating under the International Coffee Agreement. Subsequently, prices rose on the expectation of a lower 1992/93 crop in several Central American countries and Mexico, a possible decline in the 1993/94 Brazilian crop, and restraints being exercised on exports by Colombia, Côte d'Ivoire, and Indonesia. Cocoa prices remained low because of generally good cocoa crops and reduced chocolate consumption in Europe and the United States. Drought and low producer prices reduced tea production in India, Kenya, Malawi, and Sri Lanka. Imports of tea by the republics of the FSU were somewhat higher than in the previous year.

***Table 2-5.* Commodity Prices, 1985–92**
(average annual percentage change)

Commodity price	1985–90	1990	1991	1992
In current-dollar terms				
Food and beverages	−1.0	−7.9	−2.8	−6.4
Nonfood agriculture	3.5	1.0	−0.9	−11.9
Metals and minerals	7.9	−7.1	−9.0	−2.4
Total nonoil	2.5	−6.4	−4.0	−4.5
Petroleum	1.5	30.7	−18.8	−0.2
In real terms[a]				
Total nonoil	−4.9	−11.4	−6.0	−8.4
Petroleum	−4.6	23.6	−20.4	−4.5
In special drawing rights (SDR)				
Total nonoil	−3.1	−11.5	−4.8	−6.1
Petroleum	−3.1	23.6	−19.4	−2.0

NOTE: Weights in the commodity price indexes are commodity exports of all developing countries.

a. Deflated by unit-value index of manufactures exports from the G-5 countries (France, Germany, Japan, the United Kingdom, and the United States) to the developing countries.

SOURCE: World Bank.

Prices of vegetable oils and meals exhibited divergent trends. Palm-oil and coconut-oil prices remained generally higher in 1992 because of weather-related production shortfalls, shortages of rapeseed oil (a substitute product), and low stocks of palm oil. The lower-than-expected oil content of the soybean harvest boosted vegetable-oil prices despite expectations of large crops in the United States and Brazil. Improved demand for vegetable meals, caused by increased demand for livestock feed in expectation of economic recovery, kept their prices steady. Sugar prices rose early in the year but subsequently declined to end the year little changed.

Cotton prices were kept at low levels during most of the year because of sluggish import demand from Europe and Japan and good prospects for production in the northern hemisphere. However, the market balance improved significantly towards the end of the year when adverse weather and insect damage reduced cotton production in Central Asia, China, and Pakistan, resulting in a 1 million-ton shortfall in world production for the 1992/93 crop year. Natural-rubber prices remained relatively stable, partly thanks to buffer-stock purchases by the International Natural Rubber Organization.

Metals and minerals prices collapsed during the second half of 1992 amid growing pessimism over worldwide economic prospects. Prior to the collapse, speculative activities—partly based on expectations of impending economic recovery—boosted prices temporarily. However, prices fell sharply when these expectations were not met. Throughout the year, metals markets were characterized by excess supplies to varying degrees. Excess supplies resulted from increased exports from the republics of the FSU, weaker demand resulting from the economic downturn, relatively uninterrupted production (except for copper), and the failure of major producers to cut production. Copper fared better than other base metals because of major supply problems in Zaire and Zambia, phenomenal demand growth in China, and occasional fears that a major labor strike would take place in Chile (it didn't). The large outflow of exports from the republics of the FSU particularly depressed aluminum and nickel prices. Weakness in the German and Japanese automobile industries contributed to lower prices for lead, zinc, iron ore, and steel.

Crude-oil prices, which generally moved upward during the first half of 1992, turned downward in the second half. For the year as a whole, the price was little changed from the previous year. The first-half price increases were spurred by concerns about United Nations sanctions against Iraq, reduced Iranian production and exports, increased demand in the United States, and the intention on the part of the Organization of the Petroleum Exporting Countries (OPEC) to limit production for the rest of the year. The second half declines reflected poor demand resulting from the mild winter in the northern hemisphere and the economic downturn, increases in OPEC production, and the resulting buildup of stocks. The return of Kuwait's production to near pre-war levels accounted for a large part of OPEC production increases in 1992. Petroleum output by OPEC producers averaged 23.95 million barrels a day (b/d) in 1992, an increase of about 1 million b/d over the previous year. This was more than enough to offset declines

in non-OPEC production, mostly in the republics of the FSU. Towards the end of 1992, OPEC production stood at 25 million b/d, which prompted calls within the organization for tighter production controls. World petroleum consumption increased 0.8 percent in 1992, as sharp declines in consumption in the republics of the FSU and Central and Eastern Europe were more than compensated for by increases in the industrial and developing countries, notably in the East Asia region.

Trends in World Trade

In 1992, for the first time since 1988, the growth rate of the volume of merchandise trade accelerated. The growth rate, estimated at 4.6 percent, was about 1.6 percentage points higher than that in 1991 (see Table 2-6) and about three percentage points higher than the growth of world output. The growth of trade was largely attributable to the economic recovery in North America and to the continuing strong import demand in Latin America and Asia (excluding Japan), which was well above the world average. By contrast, the external trade of the republics of the FSU continued to decline sharply. Exports and imports of the low-income and middle-income economies, excluding the FSU, grew by 5.8 percent and 7.2 percent, respectively, compared with 8 percent and 9.4 percent, respectively, in 1991.

In value terms, world merchandise trade increased by 5.5 percent, a significant improvement over the meager 1.5 percent rate of growth in 1991, to reach $3,700 billion. Among the leading traders, China recorded the strongest expansion in both exports and imports, followed by Malaysia and Brazil (for exports) and Mexico, Portugal, and Saudi Arabia (for imports). France replaced Japan as the third

Table 2-6. **Selected Trade-performance Indicators, 1965-92**
(average annual percentage change)

Country group and indicator	1965–90	1980–90	1990	1991	1992[a]
Low and middle-income countries[b]					
Import volume	4.4	0.8	8.1	9.4	7.2
Export volume	3.1	3.9	4.7	8.0	5.8
Terms of trade	1.3	−3.6	2.7	−3.6	−2.1
Sub-Saharan Africa[c]					
Import volume	1.1	−4.1	2.6	2.4	3.2
Export volume	1.6	2.3	10.5	9.1	5.6
Terms of trade	−0.7	−5.3	2.6	−11.9	−5.1
Asia					
Import volume	6.4	7.1	6.5	16.5	9.4
Export volume	7.9	9.7	8.3	13.1	11.2
Terms of trade	−0.5	−1.6	−0.1	1.6	−2.8
Europe[b]					
Import volume	4.1	2.5	2.4	−15.0	−0.8
Export volume	6.1	3.8	−2.5	−12.9	0.5
Terms of trade	−1.7	0.5	−10.7	10.4	0.0
Middle East and North Africa					
Import volume	7.1	−4.0	19.1	−0.3	8.1
Export volume	−0.5	−1.8	5.2	24.6	−2.1
Terms of trade	5.7	−7.4	20.8	−17.0	−2.5
Latin America and the Caribbean					
Import volume	1.4	−2.5	10.2	15.4	11.7
Export volume	1.6	2.9	−2.9	5.0	5.6
Terms of trade	0.8	−3.0	6.3	−6.2	−1.7
Memorandum item					
World export volume	4.9	4.2	4.3	3.0	4.6

NOTE: Trade volumes measured in constant 1987 prices and exchange rates. Terms of trade are calculated as the ratio of export price to import price.

n.a. Not available.

a. Estimate.

b. Excluding the republics of the former Soviet Union.

c. Excludes Republic of South Africa.

SOURCE: World Bank.

leading importer behind the United States and Germany as a result of a decline in the value of Japan's imports.

The value of commercial-services exports is estimated by the General Agreement on Tariffs and Trade to have increased by 8 percent—more than 2 percentage points faster than merchandise exports—and to have reached $960 billion in 1992. The rebound in tourism and transportation services after the Gulf war was the main contributor to the increase.

In 1992, many developing countries continued on the path of trade liberalization, while the Uruguay Round remained deadlocked and the risks from further postponement grew as various deadlines passed. Concurrent with the lack of direction and increasing uncertainty at the multilateral level, bilateral trade tensions also escalated as a result of protectionist pressures that often accompany economic recession. Negotiations over regional trade arrangements, however, became widespread among both the industrial and developing countries. Regionalism became fashionable in the Americas, both among developing countries (MERCOSUR, for example) and between the developing south and the industrial north (as suggested by interest in accession to the North American Free Trade Agreement and the twenty-nine framework agreements signed between the United States and countries of the Latin America and the Caribbean region under the Enterprise for the Americas Initiative). In East Asia, existing regional arrangements became the focus of new attention by the Association of Southeast Asian Nations, and discussions started on new formal arrangements. The European Community widened the scope of its trading agreements, reaching out to countries of the European Free Trade Association, to Central and East European countries, and, possibly, to countries of the Maghreb. In Africa, economic-reform efforts being carried out by a growing number of countries have improved the prospects and opportunities for regional economic integration, particularly to harmonize tax and trade policies within the region and to reduce barriers to the movement of production and goods across borders. Progress was made toward the establishment of an African Economic Community under the Abuja Treaty signed in 1990. The Abuja Treaty calls for coordination, harmonization, and progressive integration of the activities of existing subregional groups as an intermediate step towards a continental community.

Section Three
The World Bank—Fiscal Year 1993

Implementing the Bank's Poverty-reduction Strategy

The fundamental objective of the World Bank remains sustainable poverty reduction. As the president of the Bank and the chairman of its executive board has said, poverty reduction is the benchmark against which the institution's performance must be judged.

Underpinning this objective is a two-part strategy for reducing poverty that was proposed in *World Development Report 1990*. The first element is to promote broad-based economic growth that makes efficient use of the poor's most abundant asset, labor. The second element involves ensuring widespread access to basic social services to improve the well being of the poor and to enable them to participate fully in the growth of the economy. The strategy also emphasizes the need to provide safety nets to protect the most vulnerable groups.

In 1991, policies were adopted by the Bank that aimed at fully integrating the strategy into Bank operations. A year later, an operational directive on poverty reduction and a "best-practices" handbook were prepared and distributed to Bank staff to help guide them in implementing the poverty-reduction strategy.

A report prepared by the Bank in fiscal 1993[1] concludes that:

- although developing countries have made substantial progress in reducing poverty over the past three decades, there was a loss of momentum during the 1980s; and that
- the Bank has made progress in ensuring that its assistance strategies support and complement efforts by countries to reduce poverty.

A crucial element of the Bank's poverty-reduction efforts is the formulation of country-specific "poverty assessments." A poverty assessment provides the basis for a collaborative approach to poverty reduction by country officials and the Bank. It also helps to establish the agenda of issues for the policy dialogue between the government and the Bank and between the government and agencies of the international donor community. The scope of a poverty assessment necessarily varies from country to country, depending on the country situation, the government's commitment to poverty reduction, and the nature of the available data.

The findings of poverty assessments have been helpful in designing assistance strategies that support government efforts to promote efficient growth, expand access to social services, and strengthen safety nets. The poverty assessment for India, for example, concluded that further poverty reduction would require that far-reaching structural reforms be implemented to promote growth and efficient labor demand, that access by the poor to social-sector programs be improved, and that the effectiveness of targeted programs and safety nets be heightened. As a result, Bank resources are increasingly being used to help stabilize and restructure the economy, and the share of projects that supports the development of India's social sector now amounts to about 20 percent of Bank commitments to that country, up from less than 1 percent ten years ago.

During fiscal 1993, nine poverty assessments were completed, increasing their number to twenty-seven. This number includes two "updated" assessments (for Indonesia and the Philippines). Poverty-assessment updates are used to refine existing poverty-reduction strategies (see Box 3-1).

Country-specific policy analysis on poverty goes beyond the realm of poverty assessments and includes poverty-related country economic and sector work (CESW) and research and policy work. Most of the CESW poverty analysis is found in sectoral reports that cover human-resource development and food security and, to a lesser extent, population, environment, and women-in-development issues. During fiscal year 1992, approximately fifty sectoral studies, covering the education sector, as well as the health, population, and nutrition sector, were completed.

Progress in implementing the poverty-reduction strategy is clearly visible in Bank-

[1] World Bank. 1993. *Implementing the World Bank's Strategy to Reduce Poverty—Progress and Challenges*. Washington, D.C.

Box 3-1. Refining Country-assistance Strategies for Poverty Reduction

The first Indonesia poverty assessment concluded that poverty is decreasing and that, as it becomes more localized, the potential gains from targeting are increasing. The update of the assessment continues to investigate the issues of targeting and the pricing of public goods.

First, it demonstrates how regional targeting of development resources can reduce poverty with the help of regional poverty profiles. Second, it evaluates the incidence of public subsidies for education, health, and petroleum products and assesses the scope for shifting public spending towards the poor. Third, it analyzes how prices have influenced the distribution of benefits from publicly provided education and health services and examines how price discrimination might result in better targeting of the poor. Fourth, it makes extensive use of the household-level data sets collected by the government and looks at ways to improve the database on poverty to increase the accuracy and efficiency of targeting. The Bank's country strategy aims to reduce any remaining trade and domestic distortions and focuses on promoting growth and expanding access to basic services in the outer islands.

The update of the Philippines assessment concludes that policies for broad-based growth, including macroeconomic stability, internationally competitive prices, market-exchange rates, and public-expenditure reforms, have helped to reduce poverty. The assessment suggests that further steps should be taken, including reforming taxes, restructuring public employment, and reforming energy prices and institutions. It also recommends introducing specific targeted projects in the areas of nutrition, maternal and child health, and the urban environment to ensure a supply of clean water and to improve the health of the urban poor.

wide statistics on new lending. While shares of lending for agriculture and rural development and for water supply and sanitation—two sectors that are among the key targets of poverty-reduction efforts—has remained roughly constant recently, lending for human-resource development has increased about fivefold (by dollar amount) since the early 1980s. It increased from 5 percent of total Bank lending in fiscal 1981–83 to 15 percent in fiscal 1991–93 (see Table 3-1).

A second measure, the program of targeted interventions (PTI), counts investment operations that include a specific mechanism for reaching the poor or in which the participation of the poor significantly exceeds the proportion of the poor in the population as a whole. Estimates for the PTI during fiscal 1993 indicate that 26 percent of Bankwide investment lending (and 40 percent of IDA investment lending) fell within this category (see Table 3-2). In fiscal 1992, fifty-eight projects, whose total value amounted to 24 percent of Bankwide investment lending (and 40 percent of IDA investment lending), were included in the PTI.[2]

Bank lending for sector adjustment and structural adjustment increasingly supports the establishment of social safety nets and the protection of public spending for basic social services. The share of adjustment lending that addresses social issues climbed from 5 percent in fiscal 1984–86 to 50 percent in fiscal 1990–92. In fiscal year 1992, eighteen of thirty-two adjustment operations included specific poverty-reduction measures. In fiscal 1993, six of seventeen adjustment operations included specific poverty-reduction measures.

In its assistance to countries that are preparing adjustment programs, the Bank works with them to (a) design the phasing of programs to accommodate the needs of the poor, (b) give priority to relative price changes in favor of the poor early in the reform process, (c) secure adequate resources for the provision of basic social services aimed at the poor, and (d) design social safety nets into economic-reform programs. These efforts better position the poor to be major beneficiaries of the economic growth and associated employment opportunities that are facilitated by the implementation of adjustment programs.

Even in countries where adjustment lending does not have an explicit poverty-reduction focus, the Bank's social-development efforts are taking place alongside adjustment lending. In Tanzania, for example, where a financial sector-adjustment credit does not have an explicit poverty-focused condition, the Bank is supporting investments aimed directly at the poor in agriculture, health, nutrition, and education.

The Bank is also increasingly tailoring its operations to the needs and preferences of beneficiaries, because programs and projects are more likely to be successful when the intended beneficiaries participate in their design and implementation. Indeed, the Bank is

[2] These numbers reflect a revision of fiscal 1992 figures published in *Implementing the World Bank's Strategy to Reduce Poverty—Progress amd Challenges.*

Table 3-1. **Average Annual Lending to Poverty-focused Sectors, Fiscal 1981–93[a]**

	1981–83	1987–89	1991–93
(US$ millions)			
Human-resource development	659	1,059	3,494
Education	603	756	2,047
Population, health, and nutrition	56	303	1,447
Agriculture and rural development	3,513	3,638	3,623
Water supply and sewerage	596	765	1,097
Total Bank lending	**13,261**	**19,421**	**22,696**
As share of Bank lending (%)			
Human-resource development	5	5	15
Agriculture and rural development	26	19	16
Water supply and sanitation	4	4	5

a. Refers to average annual lending during the period indicated.

working to ensure that the broad participation of the poor in the design, as well as the implementation, of projects becomes the norm for its operations. Governments and project agencies are also being encouraged to place greater emphasis on participation, on involving nongovernmental organizations, and on carrying out beneficiary assessments. These initiatives are particularly important because they give the poor a voice in poverty-focused operations.

There are several reasons why governments may find participatory approaches producing net benefits, despite some economic and political costs: (a) more accurate and representative information about the needs, priorities, and capabilities of local people and about the impact of government initiatives and programs; (b) adaptation of programs to meet local conditions so that scarce resources can be employed more effectively; (c) delivery of better quality and demand-responsive services; (d) mobilization of local resources to augment or even substitute for scarce governmental resources; and (e) increased public recognition of governmental achievements and legitimacy.

Rigorous empirical evidence is scant but nevertheless positive about the benefits of participation in relation to development effectiveness. A review in 1987 by the Bank's Operations Evaluation Department of forty-two Bank-assisted irrigation projects concluded that the economic rates of return were consistently higher for those projects that involved farmers in planning and management of the irrigation systems. A study by the United States Agency for International Development of fifty-two projects in various sectors in 1990 showed a positive correlation between participation and project success. The correlation between participation and success was almost as strong as between the availability of finance and success.

Zambia's Social Recovery Project, for instance, looked to local and technical-assistance NGOs as project partners from its inception. The project, approved in 1991, was the first Bank operation in Zambia's social sector since 1982. It was developed to respond to urgent needs and to operate on a demand-driven basis in which community groups present potential subprojects for consideration. Projects are selected on the basis of specific criteria such as the inclusion of beneficiaries who are poor or who belong to vulnerable groups. In addition, responsible local subproject committees must be able to complete the projects effectively without significant technical assistance from outside the community. Priority is given to projects that improve nutrition, health, and the educational status of women and children, as well as to those that are submitted by community groups or NGOs with a proven capacity. To ensure project sustainability and local involvement, communities contribute to project costs with labor, materials, or cash.

Beneficiary assessments, which evaluate the sociocultural conditions of the beneficiary population on the basis of interviews with beneficiaries, aim at ensuring that benefits are reaching intended groups and that projects are providing the right kind of infrastructure and services to meet beneficiary needs. The Bank is supporting a growing number of these assessments, which are conducted by local personnel, with orientation provided by the Bank. Twenty beneficiary assessments were completed in fiscal 1992 and fiscal 1993 and covered a wide range of sectors, including health, population, education, and food security. The experience with completed beneficiary assessments indicates that they have helped to improve the design of projects and sectoral policies.

The Bank's progress report states that the key challenges in poverty reduction in the

Table 3-2. **Lending for the Program of Targeted Interventions, Fiscal 1993**
(millions of US dollars)

Region and country	Project name	IBRD	IDA	Total
Africa				
Burkina Faso	Food Security and Nutrition	—	7.5	7.5
Burundi	Social Action	—	10.4	10.4
Cape Verde	Transport and Infrastructure	—	12.5	12.5
Chad	Basic Education	—	19.3	19.3
Gambia, The	Agricultural Services	—	12.3	12.3
Ghana	National Livestock Services	—	22.5	22.5
Ghana	Urban Transport	—	76.2	76.2
Ghana	Primary School Development	—	65.1	65.1
Guinea-Bissau	Social Sector	—	8.8	8.8
Kenya	Emergency Drought Recovery	—	20.0	20.0
Madagascar	Food Security and Nutrition	—	21.3	21.3
Madagascar	Rural Financial Technical Assistance	—	3.7	3.7
Malawi	Agricultural Services	—	45.8	45.8
Malawi	Rural Financial Services	—	25.0	25.0
Mauritania	Construction Capacity and Employment	—	12.0	12.0
Mozambique	Rural Rehabilitation	—	20.0	20.0
Senegal	Second Human-resources Development	—	40.0	40.0
Sierra Leone	Freetown Infrastructure Rehabilitation	—	26.0	26.0
Sierra Leone	Roads Rehabilitation and Maintenance	—	45.0	45.0
Uganda	Primary Education and Teacher Development	—	52.6	52.6
Zambia	Education Rehabilitation	—	32.0	32.0
Total		—	578.0	578.0
East Asia and Pacific				
China	Sichuan Agricultural Development	—	147.0	147.0
Indonesia	Groundwater Development	54.0	—	54.0
Indonesia	Third Community Health and Nutrition	93.5	—	93.5
Indonesia	Water and Sanitation for Low-income Communities	80.0	—	80.0
Malaysia	Third Primary and Secondary Education Sector	141.0	—	141.0
Papua New Guinea	Population and Family Planning	6.9	—	6.9
Philippines	Second Irrigation Operation Support	51.3	—	51.3
Philippines	Urban Health and Nutrition	—	70.0	70.0
Total		426.7	217.0	643.7
South Asia				
Bangladesh	Female Secondary Education Assistance	—	68.0	68.0
India	Bihar Plateau Development	—	117.0	117.0
India	Karnataka Rural Water Supply and Environmental Sanitation	—	92.0	92.0
India	National Leprosy Elimination	—	85.0	85.0
India	Second Integrated Child Development Services	—	194.0	194.0
India	Uttar Pradesh Basic Education	—	165.0	165.0
India	Uttar Pradesh Sodic Lands Reclamation	—	54.7	54.7
India	Rubber	—	92.0	92.0
Pakistan	Balochistan Primary Education	—	106.0	106.0
Pakistan	Northern Resource Management	—	28.8	28.8
Pakistan	Second Family Health	—	48.0	48.0
Sri Lanka	Community Water Supply and Sanitation	—	24.3	24.3
Total			1,074.8	1,074.8

Region and country	Project name	IBRD	IDA	Total
Europe and Central Asia				
Albania	Rural Poverty Alleviation Pilot	—	2.4	2.4
Armenia	Institution Building	12.0	—	12.0
Hungary	Pension Administration and Health Insurance	132.0	—	132.0
Russia	Employment Services and Social Protection	70.0	—	70.0
Turkey	East Anatolia Watershed Rehabilitation	77.0	—	77.0
Turkey	Employment and Training	67.0	—	67.0
Turkey	Earthquake Rehabilitation and Reconstruction	285.0	—	285.0
Total		643.0	2.4	645.4
Latin America and the Caribbean				
Bolivia	Integrated Child Development	—	50.7	50.7
Bolivia	Second Social Investment Fund	—	40.0	40.0
Brazil	Second Northeast Basic Education	212.0	—	212.0
Brazil	Minas Gerais Water Quality and Pollution Control	145.0	—	145.0
Brazil	Water Quality and Pollution Control—São Paulo/Parana	245.0	—	245.0
Chile	Health Sector Reform	90.0	—	90.0
Colombia	Municipal Health Services	50.0	—	50.0
Costa Rica	Second Water Supply and Sewerage	26.0	—	26.0
Ecuador	Second Social Development	70.0	—	70.0
Guatemala	Social Investment Fund	20.0	—	20.0
Honduras	Nutrition and Health	—	25.0	25.0
Jamaica	Reform of Secondary Education	32.0	—	32.0
Mexico	Initial Education	80.0	—	80.0
Mexico	Labor Market and Productivity Enhancement	174.0	—	174.0
Nicaragua	Social Investment Fund	—	25.0	25.0
Paraguay	Third Rural Water Supply and Sanitation	23.0	—	23.0
Venezuela	Endemic Disease Control	94.0	—	94.0
Total		1,261.0	140.7	1,401.7
Middle East and North Africa				
Algeria	Housing Completion and Sector Development	200.0	—	200.0
Egypt	Basic Education Improvement	—	55.5	55.5
Egypt	Matruh Resource Management	—	22.0	22.0
Iran, Islamic Republic of	Primary Health Care and Family Planning	141.4	—	141.4
Jordan	Health Management	20.0	—	20.0
Morocco	Land Development for Low-income Families	130.0	—	130.0
Yemen	Basic Education	—	19.7	19.7
Yemen	Family Health	—	26.6	26.6
Total		491.4	123.8	615.2
Grand total		2,822.1	2,136.7	4,958.8
PTI as a percent of investment lending		20.4	39.7	25.8

— Zero.

NOTE: For the purpose of this table, "investment lending" is defined as all lending save for adjustment and debt and debt-service reduction operations.

years ahead are to extend and deepen poverty-reduction efforts by both developing countries and the Bank.

The main challenge facing developing countries is to resume the rapid rate of poverty reduction that had taken place in earlier years. In countries where there has been little progress in reducing poverty, the report advocates that policies be adopted to restore the climate for sustainable growth and human-resource development. Countries that have achieved considerable success in reducing poverty need to continue policies that promote an efficient and equitable pattern of growth as well as to implement specific interventions that reach the remaining poor. These are challenges facing countries that are committed to reducing poverty and that "own" the projects that have poverty reduction as a goal—a prerequisite to sustainable poverty-reduction operations.

The main challenges facing the Bank are the completion of its poverty-assessment work as scheduled, the incorporation of their results into country-assistance strategies, the need to intensify analytic work that supports its policy dialogue with borrowing countries, and to find the appropriate staff skill mix so as to take full advantage of the Bank's poverty-reduction focus. Recruitment efforts in fiscal 1994 are being directed at identified areas of shortage, including those in the social sciences and population and human resources.

At the operational level, indicators for tracking the impact of poverty-reduction interventions are being developed to provide a more systematic basis for evaluating a project's effectiveness and for fine-tuning its design throughout the project cycle. These evaluations are particularly important in the case of safety-net measures that are increasingly being used to direct support quickly to the poor.

Another challenge facing the Bank is involving beneficiaries more extensively during the project cycle. This will require Bank staff to be trained and examples of "best practice" to be disseminated.

The Bank will issue annual progress reports on its poverty-reduction strategy that are based on the evaluation of on-the-ground results of operational work.

Human-resource Development

Investment in human resources is at the heart of the Bank's development-assistance strategy in the 1990s. It addresses the objectives of poverty reduction through intensified support of effective primary-level services and lays the foundation for efficient economic growth through investments in human capital and transfers of scientific and technological knowledge and practice. It is also essential to enhancing the contribution of women to development and building national capacity to design and implement sound environmental policies.

The Bank's 1987 reorganization marked a turning point in its involvement in human development. The reorganization created special divisions for human-resource development that generated a steady, rapid growth of the sector, in terms of both volume of lending and number of projects, as well as analysis and research. Additional organizational steps, taken in October 1992, strengthened the Bank's ability to deliver high-quality and relevant services to its borrowers by establishing a vice presidency for Human Resources Development and Operations Policy. The new vice presidency (a) coordinates policies of, and provides operational support to, the Bank's six operational regions in the field of human-resource development and (b) provides guidance to the regions on operational policy.

The rapidly increasing involvement of the Bank in lending for social and human development provides a good indication of the growing awareness of social programs as good investments. Bank lending for human-development programs increased from an average of $1.1 billion a year in fiscal 1987–89 to $3 billion in 1990–92, and to $3.8 billion in fiscal 1993. For the same years, the number of projects has increased from twenty-six to forty-five and to fifty-seven. Current investment lending for human-resource development has nearly quintupled since the early 1980s—from 5 percent of total Bank lending (fiscal 1981–83) to 14 percent (fiscal 1990–92) and to 16 percent (fiscal 1993). In expanding its lending for human-resource development, the Bank has fulfilled the commitments made during the tenure of Barber Conable as president of the Bank (see Box 3-2).

In tandem with an expanded volume of lending, lending objectives have evolved—from a relatively narrow emphasis on physical infrastructure to sectorwide and policy-based strategies. This evolution was driven by the need to address the social consequences of the macroeconomic crisis in many countries in the 1980s and by the accumulating evidence that a coherent and effective framework for social policy is essential to sustain economic progress. Intensified support for basic services to reduce poverty and a focus on building experience in new areas of lending resulted.

Over the past two decades, Bank lending for human-resource development has largely been committed for education, and its focus has been towards development of basic education.

Box 3-2. Old Commitments Fulfilled, New Ones Made

In March 1990, Barber Conable, the seventh president of the World Bank, pledged that the Bank would double its lending for education over the next three years to an annual figure of more than $1.5 billion. Lending for education in fiscal years 1991, 1992, and 1993 totaled $2.3 billion, $1.9 billion, and $2.0 billion, respectively, for an annual average of slightly more than $2 billion.

Mr. Conable also committed the Bank to a tripling of lending for primary education during the same (fiscal 1991–93) three-year period. Such lending, he said, would account for between 30 percent and 40 percent of total education lending. Primary education investments by the Bank amounted to $1,114 million (49 percent of the total) in fiscal 1991, $792 million (42 percent of the total) in fiscal 1992, and $1,011 million (50 percent of the total) in fiscal 1993.

The Bank's president also projected that lending for primary health care might rise from about 3 percent to about 5 percent of total Bank lending within a three-to-four-year period. In fiscal 1991, $1,221 million in Bank funds supported primary health care (5.4 percent of total Bank lending). Such lending eased somewhat in fiscal 1992 ($745 million, or 3.4 percent of the total) before rising again in fiscal 1993 ($1,325 million, or 5.6 percent of the total).

Two other commitments made by Mr. Conable—to increase lending for population, health, and nutrition to an annual average $800 million over the period fiscal 1990–92 and to increase support for freestanding environmental projects to nearly $1.3 billion—were met in years previous to fiscal 1993.

In July 1992, Lewis Preston, Mr. Conable's successor as World Bank president, wrote, in a letter to 1,400 parliamentarians from twenty-six countries about future lending by the Bank in support of population, health, and nutrition. During the period fiscal 1993–95, he noted that the Bank planned a "further substantial increase" over the previous three years—in both dollar-volume terms and as a share of total IBRD and IDA lending to the sector. In addition, he projected that IBRD and IDA lending for primary health would be in excess of 5 percent of total lending over the same period.

As for future commitments in support of education, Mr. Preston wrote that they, too, would increase in the fiscal year 1993–95 period over levels attained during the previous three years, and that assistance to basic education would rise above the 42 percent mark achieved in fiscal 1992.

Lending for education has increased from an average $700 million during the 1980s to an average $1,907 million during the first four years of the 1990s. In fiscal 1993, thirty-two projects, with total commitments of $2,006 million, were approved.

Lending for education has evolved towards supporting broad-based education reforms and policy-based lending. In this way, Bank lending focuses on and helps to address weaknesses in the sector's institutional environment in order to strengthen a government's long-term policy framework for education. Further, a concern with both access and equity characterizes Bank lending for education; strategies to target girls and women, the poor, and disadvantaged groups now underscore its education operations. There is also expanding interest in nonformal education and early childhood development. Three projects approved during fiscal 1993, for instance, are targeted at the development of preschool children.

Bank lending for population, health, and nutrition (PHN) has expanded even more rapidly. Average yearly lending to this sector during the 1980s was $207 million, while lending during fiscal 1991–93 has averaged $1,447 million. In fiscal 1993, Bank lending for PHN amounted to $1,812 million for twenty-five projects.

The widening context for population activities since they began in 1970—integration with health and nutrition in 1980 and with other social-sector operations since 1987—has been associated at each stage with considerable expansion in the volume of lending and the number of projects. In the 1970s, lending averaged $30 million a year; from fiscal 1980 through fiscal 1987, $50 million; from fiscal 1988 to 1992, $164 million. In fiscal 1993, population projects or population components in other social-sector projects amounted to $181.1 million.

The expansion of Bank lending for population has been the result of several factors. The demand environment has changed, and many countries that previously refused to support family planning have begun to do so for a variety of reasons. In some cases—Nigeria, for example—countries that used to maintain that economic development required more people have come to recognize that the costs of providing them with education, health care, and jobs are beyond governments' means. Other countries have not officially embraced comprehensive population policies but recognize the

importance to maternal and child health of spacing births and limiting family size; in these countries, aspects of family planning are integrated into the overall delivery of health services. In addition, the country focus put into place during the Bank's 1987 reorganization has increased the understanding by Bank staff of the institutions, attitudes, and capacities of borrowing countries; as a result, lending strategies that are better suited to individual countries have been developed.

Lending for health increasingly emphasizes strengthening capacity for formulating health policy, program planning, and management and includes the participation of beneficiaries and nongovernmental organizations in project preparation. Greater attention is also being given to women's health and its effect on the health and welfare of families, to selected priority diseases (AIDS, in particular), and to the financing and management of the health sector, including hospitals.

Projects are increasingly being designed to emphasize safe motherhood in view of the high maternal mortality that persists in many countries but which is preventable by improved prenatal and delivery care, as well as family planning. For example, a health and nutrition project in Honduras will benefit an estimated 120,000 women through income transfers, in the form of food coupons, and increased access to preventive health services, especially nutrition and family-planning education. It will also provide comprehensive prenatal and postnatal care, scheduled screening and treatment for risk factors, and support for optimal breastfeeding practices. At the end of fiscal 1993, more than seventy projects with "safe motherhood" components were under implementation as compared with nine in fiscal 1986.

Since 1987, the Bank has expanded its direct lending for nutrition operations eighteenfold—from $50 million in total project costs for fiscal 1987–89 to $900 million in 1990–92, and to $357 million in fiscal 1993. These amounts do not include nutrition components in structural-adjustment and sectoral-adjustment projects or food-for-work operations. Of the twenty-five projects in the fiscal 1993 population, health, and nutrition portfolio, fourteen include nutrition components. The new generation of nutrition projects is often designed in the context of overall poverty-reduction strategies and emphasizes the provision of nutrition services targeted to reach the poor and disadvantaged groups and children under the age of three and their mothers.

The Madagascar Food Security and Nutrition Project, approved in fiscal 1993, is characteristic of such projects, as it combines both short-term and long-term poverty-reduction interventions with measures to address immediately the high rate of malnutrition found among children under the age of five. Project implementation is centered on nongovernmental organizations, community groups, and the private sector with their proven skills in efficient delivery of programs for the most vulnerable groups. While food supplements are being provided to malnourished children, community nutrition-education and IEC (information, education, communications) campaigns on ways to best feed infants and young children and on how to become aware of iodine-deficiency disorders also are receiving high priority. Ultimately, the project's community-nutrition program will enable households to make more efficient use of resources available to them so as to prevent the occurence of chronic malnutrition among their children.

It is increasingly realized not only that investing in human-resource development is good economics but also that investments that give specific consideration to women's issues have consistently high rates of return.

Educated people—especially educated women—bring benefits to society as a whole. For example, educated women have healthier children. In Africa, one of five children dies before the age of five if the mother has no education. The probability is more than halved for children whose mothers have seven years of education. Educating women matters more for children's health (and indeed, children's education) than educating men. From a social point of view, returns are greater from investing more in girls' education than in boys'. Many studies show that mothers channel more of their own income to expenditures on children than do fathers, and in virtually all societies, women are more heavily involved in the immediate care of children and in the critical decisions about food, sanitation, and general nurturing, all of which affect children's health and development.

It is also true that educated women have fewer children. In South Asia, women with no education have seven children, on average; women with seven or more years of education have fewer than four.

The Bank's women-in-development (WID) initiative—designed to address women's needs in economic and sector work and in the lending program—has been identified, since 1987, as having a "special operational emphasis." The aim is to integrate gender aspects in the Bank's operational and sectoral work. Those efforts during the past year showed significant progress.

Preliminary estimates indicate that about 45 percent of all projects approved during the

year contained gender-specific action and interventions, up from 38 percent in fiscal year 1992 (and up from 11 percent in fiscal year 1988, WID's first full year of special operational emphasis).

Slightly more than nine out of ten projects in the population, health, and nutrition sector contained project-specific actions or conditions designed to help women, while 83 percent of projects that addressed employment, training, and labor-market issues had WID components. Two of three education projects and three of five projects in the agriculture sector addressed WID concerns.

A recent review reveals a marked improvement in the quality and design of gender-specific activities in recently approved projects. This improvement is expected to contribute to ensuring successful implementation and to bridging the gap between project intent—as reflected in its objectives, activities, and measures—and what actually happens on the ground.

The Bank's large, diverse lending program for human-resource development is served by an operationally focused program of research and policy work that has been explicitly designed to help the Bank improve operational practice by addressing gaps in knowledge about "what works," "with what benefits," and "at what cost"; disseminating knowledge about best practices; and fostering collegial exchange and a shared sense of purpose among staff dispersed throughout the Bank.

Policy work provides analytical underpinning for lending in new areas and the treatment of priority issues such as the relative roles of government and private providers in the social sectors, the efficiency of public provision of services, and the management of services. This policy work draws upon the lessons of operational experience, from studies by the Bank and outside sources, and from the contributions of scholars and policymakers from developing countries, often in policy seminars organized jointly with the Bank's Economic Development Institute.

Several policy and best-practice papers from the work program have been discussed by the Bank's executive directors: primary education (fiscal 1990), vocational training (fiscal 1991), family planning (fiscal 1992), and health (fiscal 1993), the subject of *World Development Report 1993* (see Box 3-3). Best-practice papers on women in development, micronutrients, and women's health; policy papers on higher education and secondary education; a sector review of Bank work on population; and a sector policy paper on education are at various stages of preparation.

Well-formulated policy objectives and good technical project design will yield desired outcomes only through effective implementation, however. Performance ratings of Bank-supported human-development projects have been consistently above average. While the rapid expansion and the increasing complexity of the social-sector project portfolio have led to some recent deterioration in portfolio performance, the proportion of projects facing significant implementation problems is still below the Bankwide average. Inevitably, however, as the portfolio expands into new areas and supports new objectives, new implementation challenges arise. The extent to which they are addressed effectively will be a key factor determining the future impact of Bank lending for human development.

The Environment

The United Nations Conference on Environment and Development (UNCED), which took place in June 1992, provided added impetus to the efforts of the Bank and its borrowing member countries to protect the environment and promote sustainable development.

In the Bank, a new vice presidency for Environmentally Sustainable Development (ESD) was established to develop a more effective Bank response to the challenge of achieving environmentally sustainable and equitable development. The vice presidency, which includes an Environmental Department, an Agriculture and Natural Resources Department, and a Transport, Water, and Urban Development Department, is responsible for supporting the Bank's operational departments in delivering quality assistance to member countries; identifying, codifying, and disseminating best practices and lessons of experience; and providing overall coordination with official and private agencies contributing to (or interested in) the Bank's operational and policy work.

During fiscal 1993, the Bank elaborated environmental strategies for several regions and countries, expanded research on a broad range of environmental topics, and continued improving the integration of environmental concerns in its country-policy dialogue, economic and sector work, and lending operations.

Regional strategies were developed for Asia, Central and Eastern Europe, and the Sahelian countries of sub-Saharan Africa.

The Bank's environmental strategy report for Asia found that environmental problems are pervasive in all Asian countries and that countries in both South Asia and East Asia face increasing urban-industrial pollution, atmospheric emissions, soil erosion, land degradation, and loss of biodiversity. The social

Box 3-3. Investing in Health

Countries at all levels of income have achieved great advances in health. Although the likelihood that a child in a developing country will die before reaching the age of five remains an unacceptably high one in ten, today's level is less than half that of 1960. Declines in poverty have allowed households to increase consumption of the food, clean water, and shelter necessary for good health. Rising educational levels have meant that people are better able to apply new scientific knowledge to promote their own and their families' health. Health systems have met the demand for better health through an expanded supply of services providing increasingly potent interventions.

Yet in developing countries, and especially for the poor in them, there continues to be a heavy burden of disease—much of which can be prevented or inexpensively cured. If the under-five mortality rate in developing countries were reduced to the level of the industrialized countries, 11 million fewer children would die each year. At the same time, increasing numbers of developing countries are beginning to face the problems of rising health-system costs now experienced in the industrialized countries.

World Development Report 1993 advances a three-pronged approach to government policies for improving health in developing countries.[1]

The first is for governments to foster an economic environment that enables households to improve their own health. Growth policies (including, where necessary, economic-adjustment policies) that ensure income gains for the poor are essential. So, too, is expanded investment in education, particularly of girls.

The second is to redirect government spending on health. Too much is spent on specialized care in tertiary facilities that provide too little gain for the money spent. Too little is spent on low-cost, highly effective programs that most help the poor. A redirection of about 40 percent of current government health expenditures could finance public-health programs and essential clinical services that would reduce the burden of disease in developing countries by more than 20 percent, the equivalent of averting 9 million infant deaths.

Third, there should be greater private-sector involvement in health. Government finance of inexpensive, cost-effective services for the poor would leave coverage of a broad range of clinical services to private finance or to social insurance. Government regulation can strengthen private insurance markets by improving incentives for wide coverage and cost control. Even for publicly financed clinical services, governments can encourage competition and private-sector involvement in service supply.

[1] World Bank. 1993. *World Development Report 1993*. New York: Oxford University Press.

costs of environmental degradation have also risen in the form of growing health costs and mortality, loss of productivity, reduced output in national resource-based sectors, and deterioration in overall environmental quality.

The Bank's analysis concluded, however, that there was room for optimism—given the increasing desire of Asian governments to incorporate environmental concerns among their development goals and the region's continued robust economic performance. The strategy paper proposed that a combination of instruments—reformed policies, expansion of new technologies, financial resources, and strengthened public-sector institutions—be used to minimize the adverse environmental effects of future demographic, urban, and industrial growth.

The Bank also assessed environmental priorities in, and proposed an environmental-action program for, the countries of Central and Eastern Europe. The objectives of the program are to facilitate consensus on environmental priorities within and among countries of the region and among interested donors and to endorse a mix of policy, investment, and institutional actions that require complementary commitments by the various governments and aid agencies involved. While the action program did not present a list of specific projects, it did contain an inventory of major pollution sources in the countries of Central and Eastern Europe, an extensive list of locations where environment-related public-health problems have been documented, and an indication of the types of investment in different subsectors that are likely to be most cost-effective in addressing serious environmental problems. Work on this program will continue with a view to developing country strategies within the regional framework and identifying investment projects.

A strategy for environmentally sustainable development was drafted during the year to help orient the Bank's assistance to the Sahelian region of sub-Saharan Africa (Burkina Faso, Cape Verde, Chad, The Gambia, Mali, Mauritania, Niger, and Senegal). Based on the findings of a survey of a broad range of issues specific to that subregion (including rapid population growth, competition for land and water, land degradation, fisheries depletion, and river-basin development), the strategic objectives proposed are to promote intensification

of sustainable agricultural-production systems, stimulate urban economies and rural-urban linkages, and improve environmental-management processes—each of which is then broken down into a number of more specific goals.

Together with members of the international donor community, the Bank also continued or launched environmental work on several important international water bodies, including the Mediterranean, Black, and Baltic seas and the Danube river.

The Mediterranean Environmental Technical Assistance Program (METAP), which is funded primarily by the Commission of the European Communities, the European Investment Bank, the United Nations Development Programme, and the World Bank, supports the development of environmental projects, the strengthening of environmental-management capacity, and the establishment of environmentally sound policies among the countries of the Mediterranean basin. During fiscal 1993, the primary focus was on the implementation and completion of the first stage (1990–92) of the program and the initiation of the second phase, which will extend through 1995. The Bank completed seven project-preparation activities, four policy studies, and a number of training events during the year.

The Program for Environmental Management and Protection of the Black Sea, officially launched in June 1993, aims to reverse the process of environmental degradation and unsustainable resource use in the coastal countries (Bulgaria, Georgia, Romania, Russia, Turkey, and Ukraine) of the Black sea area. During the past year, the Bank prepared an educational brochure, identified a priority investment portfolio of thirteen projects, and carried out an initial survey of biodiversity-conservation needs.

The Baltic Sea Environment Program involves the phased implementation of a long-term program directed at reducing pollution affecting the Baltic sea and its catchment area. Implementation of the program, begun in 1990, is coordinated by the Baltic Marine Environment Protection Commission (the Helsinki Commission) with the participation of the fourteen riparian states, international financial institutions, and nongovernmental organizations. A major issue addressed during fiscal 1993 was the preparation of an operational framework for the long-term implementation of the program. The World Bank plans, subject to formal agreement with the concerned governments, to undertake the preparation of environmental projects in each of the three Baltic states and of a municipal water and sewerage project in Poland.

The Environmental Program for the Danube River Basin is a multidonor effort to address environmental issues and improve the environmental management in the basin, which includes parts of Bulgaria, the Czech Republic, Hungary, Romania, and the Slovak Republic. The Bank is the responsible executing agency for preinvestment activities funded by the Global Environment Facility. During the past year, preinvestment studies were undertaken in six tributary river basins; they will identify point and nonpoint sources of pollution of high local and regional priority where investments can be implemented quickly.

One of the principal ways in which the Bank helps member countries to improve their environmental management is by assisting in the elaboration and implementation of national environmental-action plans (EAPs). EAPs, which provide a basis for the Bank's dialogue with borrowers on environmental issues, describe a country's major environmental concerns and problems and formulate policies and actions to address whatever problems are identified. During the negotiations on the ninth replenishment of IDA resources (IDA-9), agreement was reached that all IDA-recipient countries should complete EAPs by the end of the IDA-9 period. EAPs were subsequently initiated for IBRD borrowers, as well.

By the end of fiscal 1993, a substantial number of IDA-eligible countries, including Albania, Benin, Burkina Faso, Egypt, The Gambia, Ghana, Guinea-Bissau, Honduras, Lesotho, Madagascar, Maldives, Nicaragua, Nigeria, the Philippines, Rwanda, and Sri Lanka, had completed their national environmental-action plans. National environmental-action plans are under preparation in virtually all other active IDA borrowers, and they are expected to be completed during fiscal 1994. National environmental-action plans for major IDA borrowers such as Bolivia, Burundi, China, India, Nepal, and Pakistan are expected to be completed in early fiscal 1994. Several borrowers from the IBRD have also completed EAPs (Botswana, Bulgaria, Poland, and Tunisia, for example), and EAPs are under way in most other middle-income countries.

As part of the effort to better integrate environmental concerns into its economic and sector work, the Bank is giving increasing attention to environmental issues in country economic memoranda. Examples include recent reports for Central and Eastern Europe, Malaysia, the Pacific islands, São Tomé and Principe, and Thailand.

A key area of support for improved country environmental management is through the Bank's lending operations. In fiscal 1993,

twenty-four projects with primarily environmental objectives, involving commitments totaling $1.99 billion, were approved. (Projects are deemed to be primarily environmental if either environmental costs or benefits exceed 50 percent of total costs or benefits.) In fiscal 1992, nineteen such projects, with commitments totaling $1.2 billion, were approved. Several of the projects—in Bolivia, Chile, China, Ghana, and the Republic of Korea—focused primarily on the strengthening of environmental institutions or the provision of environmental technical assistance at the national level. In addition, another thirty projects contained significant environmental components.

Bank operations were approved in both the "brown" and "green" environmental agendas. The "brown" agenda refers to the immediate and most critical environmental problems facing cities and includes three main areas—energy use and efficiency, urban and industrial pollution control, and urban-environmental management (most of the energy and pollution-control projects address one or more key aspects of urban-environmental management). The "green" agenda, which refers to the promotion of sustainable natural-resource management and the reduction of resource degradation, which causes loss of productivity, includes agriculture and land management, forest management, water-resource and watershed management, and marine and coastal-zone management. It also includes biodiversity conservation, one of the four programmatic areas assigned to the Global Environment Facility. In addition, the Bank's concern for the social aspects of environment has been highlighted by the creation during the year of the Social Policy and Resettlement Division in the Environment Department to advise on social components of operations.

In addition, policy papers were prepared and subsequently discussed by the executive board in each of these environmental agendas. They concerned the Bank's role in the electric power sector, in energy efficiency and conservation, and in water-resources management (see Box 3-4 and Box 3-5).

Central to integrating environmental concerns into the Bank's activities is the "Operational Directive on Environmental Assessment," which was issued in October 1989. The directive mandates an environmental assessment for all projects that may have a significant negative impact on the environment. Those expected to have significant, sensitive, irreversible, or diverse impacts are classified as Category "A" and require a full environmental assessment.

A first of what will be annual reviews of the assessment process confirmed the view that environment assessment is a valuable tool for identifying project problems as well as a means of solving them, thereby strengthening project performance and sustainability. There was also evidence of improved development planning and environmental management in some case-study countries, as the need to produce an environment-assessment report for a Bank-financed project resulted in the adoption of national environment-assessment processes.

The review also concluded that the limited capacity of borrowers to carry out environmental assessments was one of the main constraints to full implementation of the Bank's environment-assessment directive. It recommended, therefore, that borrower capacity building, including technical assistance, institutional support, in-country training, and the development of environmental databases, be given greater attention so as to help ensure that environment-assessment documents adequately cover all relevant issues.

Another review, this one an independent review of the Sardar Sarovar (Narmada) Projects in India, focused attention, among other things, on the Bank's resettlement policies, which provide that, on resettlement, displaced persons should regain at least their previous standard of living.

The independent review was commissioned in 1991 by Barber Conable, then president of the Bank, in the midst of growing controversy over the projects. The review team, headed by the former administrator of the United Nations Development Programme, was asked to assess the implementation of the resettlement and rehabilitation and environmental aspects of the projects, whose aim was to bring water, electricity, and employment opportunities to one of the poorest, most drought-prone regions of western India.

The report of the review team, which was delivered to the Bank in June 1992, identified a number of deficiencies in the appraisal, implementation, and supervision of the projects and called on the Bank to "step back" from the projects and consider them afresh. It also recommended that a review of Bank procedures be undertaken to establish whether the problems found in the case of Sardar Sarovar were at issue elsewhere.

In October 1992, the executive directors of the Bank met to discuss the independent review's recommendations as well as Bank management's proposals for the next steps to be taken. The directors concurred with the analysis of the independent review and, on the basis of a detailed action plan worked out with

Box 3-4. The Bank's Role in the Electric Power Sector and in Energy Efficiency and Conservation

The World Bank is changing the way it does business in energy according to two policy papers generally endorsed by the executive directors and published in fiscal 1993.

In future lending, the Bank will redouble its efforts to achieve fundamental institutional requirements in the provision of public power. These will include more transparent regulation and greater openness to private investment and new financial policies. This will also open the way to greater efficiency in the way energy is produced and consumed, thereby integrating environmental considerations into power-sector planning and investment decisions.

Electric power. The Bank and its borrowers cannot keep using a "business-as-usual" approach to lending when power-utility performance is deteriorating in most developing countries, the policy paper said. Despite the Bank's dialogue with borrowers, overall technical, institutional, and financial performance of power utilities in most developing countries has deteriorated.

Future Bank lending for power projects will encourage borrowers to restructure their power sectors by requiring "transparent regulation" of power suppliers. That would leave suppliers free from government interference in the day-to-day operations of power companies. The new regulatory framework could then lead to better economic, financial, environmental, and service policies in the power sector.

The least-developed countries will receive Bank financing to help improve energy efficiency through imports of power services, including consultants, operating contracts, and equipment. The Bank will try to encourage private investment in power by financing innovative programs aimed at attracting private investors. Commercialization and corporatization of state-owned power suppliers will also be supported.

Bank lending for electric power will focus on countries that clearly commit themselves to improving power performance in line with the new principles, the policy paper added.

Cumulative Bank lending for power, which totaled $45.5 billion at the end of fiscal 1993, supported many state-owned monopoly power utilities in the past because it provided countries with the basic infrastructure needed for production. In recent years, however, the Bank has tried to encourage borrowers to make their power sectors more efficient and financially sustainable.

Energy efficiency and conservation. With reforms in pricing and institutional arrangements, the Bank will be more able to help developing countries improve energy efficiency and conservation.

The Bank will be more selective about where it lends, however. Support will not continue for energy-supply projects where poorly performing public energy enterprises and governments are unwilling to carry out fundamental structural reforms that could significantly improve the ways they do business. To receive new commitments from the Bank, governments should clearly show they are setting up structural incentives that lead to more efficient energy production and use.

The Bank will also help improve the way consumers use energy and will assist in identifying, supporting, and promoting demand-side management. Developing countries will also be encouraged to adopt more energy-efficient and less-polluting technologies.

Many countries are reviewing their energy performance in the face of rapidly growing energy demand, scarce energy funding, and environmental pressures. Rising complaints from customers and a rethinking of the roles of the government and the private sector in energy are adding to this attention.

A few countries have made gains in energy efficiency, including China, the Republic of Korea, and Malaysia. But many countries still live up to only two thirds to one half of their potential. Simple changes could save countries 20 percent to 25 percent of their energy production. With investments in new equipment, others could save as much as 30 percent to 60 percent.

The energy policy paper blamed inefficient energy use on distorted energy-pricing policies, inappropriate control and regulation of energy enterprises, and protection of energy-using industries from competition. Other legal, institutional, and information barriers to efficient market operations were also noted.

the government of India and the states involved, decided to continue support for the projects. That support was contingent, however, on a number of key benchmarks for assessing progress being met in the subsequent six months. (At the end of March 1993, the government of India requested the Bank to cancel the remaining undisbursed portion of its loan for the Sardar Sarovar projects, saying that it had decided to complete construction work on its own. In advising the Bank of its decision, Indian authorities emphasized that they remained committed to the full implementation of the government's previously announced action plan covering resettlement and rehabilitation of people affected by the project, as well as to steps to assess and mitigate environmental risks.)

During the October 1992 meeting, a number of directors endorsed the proposal of Bank management to review the Bankwide lessons learned from the experience of the Sardar

Box 3-5. Water-resources Management

During the past year, the Bank prepared a policy paper on water-resources management that was subsequently endorsed by the institution's executive directors. The paper addresses both water conservation and water-quality issues—the "green" and "brown" aspects of water-resources management—and builds on the lessons of past Bank experience.

The policy paper calls for the adoption of a comprehensive analytical framework for water-resources management—suitable for a country's needs, resources, and capacities—that treats water as an economic good; decentralized management and delivery structures; reforms to institutional and regulatory systems; greater reliance on incentives for efficiency and financial discipline; and fuller participation by stakeholders in influencing policy formulation, design alternatives, investment choices, and management decisions affecting their communities. The approach is consistent with the "Dublin Statement" from the International Conference on Water and the Environment in 1992 and with Agenda 21 of the United Nations Conference on Environment and Development.

The benefits expected to result from the application of the new water policy include more effective industrial-pollution control and groundwater protection from industrial effluents; more efficient and accessible water-service delivery and sewage collection, treatment, and disposal (with the ultimate goal of achieving universal coverage); modernized irrigation practices, greater attention to cost recovery, drainage, salinity control, and investments in small-scale irrigation; and improvements to the environment and reduction of poverty through more rigorous attention to minimizing resettlement, enhancing biodiversity, and protecting ecosystems in the design and implementation of water projects.

The Bank's development objective is to reduce poverty by supporting country efforts to promote equitable, efficient, and sustainable development. This entails, among other things, support for the provision of potable water and sanitation facilities, as well as flood control and water for productive activities in an economically viable, environmentally sustainable, and socially equitable manner. The new policy approach is designed to help countries achieve these objectives more efficiently while sustaining the water environment.

The Bank will give priority to countries where water is scarce or where there are serious water allocation, service efficiency, or environmental problems. Many of the countries with limited renewable water resources are in the Middle East, North Africa, Central Asia, and sub-Saharan Africa, where populations are growing fastest. Elsewhere, water scarcity may be less of a problem at the national level but is nevertheless severe in watersheds, such as in northern China, western and southern India, western South America, and in large parts of Mexico and Pakistan. For some countries, such as those in Central and Eastern Europe, pollution is the largest problem affecting water resources.

In these countries, through its economic and sector work, lending, and participation in international initiatives, the Bank will seek to promote policy reforms, institutional adaptation and capacity building, environmental protection and restoration, and, when requested, cooperation in the management of international watercourses. Because of the crucial interdependencies among water and other sectors, the Bank will incorporate water-resources policy and management issues in its country-policy dialogues and in the formulation of country-assistance strategies where water issues are deemed to be of significance.

To help implement its water resources-management policy, the Bank is undertaking a range of activities, including the preparation of guidelines and "best-practices" papers, staff and country training programs, capacity building, and the development of coordination mechanisms for the water-resources sector. In collaboration with the United Nations Development Programme, a guide on capacity building is being proposed for countries interested in formulating water-sector strategies.

Sarovar projects. Subsequently, a task force was formed to carry out, in cooperation with all regions, an analysis of all projects in the Bank's active portfolio with resettlement components, which number about 135, to ensure that project implementation was being carried out consistent with loan and credit agreements and with Bank guidelines. The analysis will also recommend short-term and long-term strategies to be followed to improve resettlement performance in Bank-assisted operations.

The final report of the Bankwide resettlement-review task force is scheduled to be submitted to Bank management and subsequently to the executive board in the spring of 1994.

Emerging lessons from the Bank's experience in assisting borrowers to improve their environmental activities and capabilities are also drawn from project-completion reports and performance audits and other evaluation studies carried out by the Operations Evaluation Department (OED).

OED's *Annual Review of Evaluation Results for 1991*, which was discussed by the executive directors in October 1992 and published in

March 1993, gave particular emphasis to the environmental performance of completed Bank projects. Among the findings of this review were the need to improve monitoring of project environmental impacts and supervision of project environmental components; the apparent existence of positive links between strong project environmental performance and strong project performance in economic, financial, and institutional terms; the importance of enhancing borrower institutional capacity for environmental management; and the need to give greater attention to the macroeconomic policy framework, which strongly conditions the use and management of natural resources. Many of the operational shortcomings identified by the OED review are now being systematically addressed by the Bank through the environmental-assessment process and other Bank-sponsored environmental initiatives.

Global Environment Facility. Fiscal 1993 marked the second full year of activity for the Global Environment Facility (GEF). The facility was established in 1990 as a three-year pilot project to provide grants to developing countries aimed at protecting the global environment in ways that are consistent with national development goals. The resources of the GEF are available to cover the incremental costs of measures to protect the global environment in four areas: global warming, biological diversity, protection of international waters, and depletion of the ozone layer. Funds from the facility are therefore additional to finance provided by the Bank and other agencies for national environment assistance. At UNCED, the facility was listed in Agenda 21 as a source of funds to cover the agreed incremental costs of activities to achieve global environmental benefits. In addition, the GEF was designated, on an interim basis, by the conventions on climate change and biodiversity as the international entity entrusted with the operation of the financial mechanism to meet the agreed incremental costs of activities under those conventions. Responsibility for implementing facility projects is shared among the United Nations Development Programme, the United Nations Environment Programme, and the World Bank.

At the end of fiscal 1993, sixty-four countries, more than two thirds of which are from the developing world, were participating in the GEF. The number of participants is expected to grow rapidly as the facility moves toward the goal of universal membership. Participants have pledged $1.3 billion for the pilot phase; of that amount, $813 million was composed of contributions to a "core fund," while the remainder was in the form of cofinancing by donors of projects in the GEF work program or, in the case of the United States, of GEF types of activities identified by the country's bilateral aid agency.

All countries with per capita incomes below $4,000 a year qualify for facility grants. By the end of June 1993, 113 projects, valued at $727 million, were in the facility's work program. Of these, thirty-two, amounting to $250 million, had been approved for final implementation.

Nongovernmental organizations (NGOs) have much to contribute to achieving the objectives of the GEF, and considerable efforts have been made to involve them in both project work and broader issues. An NGO consultation precedes each semiannual meeting of governments. In addition, several region-specific and subject-specific meetings with NGOs have taken place.

The facility is currently being restructured. Participating governments ("participants") agreed in April 1992 on eight principles to serve as building blocks beyond the facility's pilot phase. The principles are: the GEF would provide additional grant and concessional funding of the agreed incremental costs for achieving agreed global environmental benefits; land degradation issues, primarily desertification and deforestation, as they relate to the focal areas of the facility, would be eligible for funding; the GEF would be available to function as the funding mechanism for agreed global environmental conventions, should the parties to those conventions so desire; the facility would assure the cost effectiveness of its activities in addressing the targeted global environmental issues; the GEF would fund programs and projects that are country driven and consistent with national priorities designed to support sustainable development; the GEF would build on proven institutional structures, such as the partnership among the UNDP, UNEP, and the World Bank, thus avoiding the creation of new institutions; the facility must be transparent and accountable to contributors and beneficiaries alike; and the GEF would have sufficient flexibility to introduce modifications as the need arises. Efforts are under way to reach a consensus on the restructured facility's decisionmaking process and voting systems. In parallel with discussions on restructuring, negotiations are taking place on the facility's replenishment. The replenishment effort was launched in March 1993 and continued at a meeting held in Beijing in May 1993. Three additional meetings are scheduled during the second half of 1993.

Evaluation of the pilot phase is central to the replenishment process. An independent evaluation of the pilot phase is being undertaken. The evaluation is guided by a panel composed

of eminent scientists, technical experts, and representatives of participating governments.

Private-sector Development

Support by the World Bank Group—the Bank, the IFC, and MIGA—for private-sector development (PSD) as a means to promote growth and efficiency and thereby to reduce poverty has undergone substantial evolution. Early project lending often focused on creating the infrastructural base to complement industrial and agricultural development. Adjustment lending in the 1980s expanded this focus by working to establish a macroeconomic framework for PSD of stability and appropriate relative prices. Since 1989, a strategy has been incorporated that focuses on improving the business environment, restructuring the public sector and supporting privatization, and reforming and developing the financial sector in developing countries.

Together, the components of this strategy are helping to nurture a healthy private sector, a prerequisite for attracting private capital flows. In Asian and Latin American economies, for example, well-established corporate sectors and extensive privatization programs have provided attractive investment opportunities. The bulk of recent increases in foreign direct investment—to a level of about $38 billion in 1992—has been directed to those two regions, as well as to some transitioning economies in Central and Eastern Europe.

Efforts to improve the business environment focus on necessary policy, regulatory, and legal reforms; assistance for public-sector restructuring and privatization involves assistance to government in reassessing public-spending priorities and cutting back on unmanageable or peripheral activities while fostering correctly conceived and implemented privatization programs; and financial-sector reform supports the development of efficient financial systems that mobilize savings and channel them to their most productive end uses.

Bank activities to improve the business environment have an increasingly sharper focus through a program of private-sector assessments, initiated in fiscal 1992 and carried out in conjunction with the IFC. These assessments, designed to contribute to the formulation of Bank Group country-assistance strategies, analyze the structure of, and constraints to, the private sector in given countries and lay out concrete steps that can be taken to advance private-sector development. The assessment for Zimbabwe, for example, has identified limited access to land and credit, bureaucratic red tape, inadequate skills and infrastructure, and government policies favoring large industry as constraints of special importance to small and medium firms. By the end of fiscal 1993, eleven private-sector assessments had essentially completed the internal-review process at the Bank.[1]

Improving the business environment in the countries of Central and Eastern Europe and the former Soviet Union (FSU) presents an extremely difficult challenge because these countries must create a modern private sector virtually from scratch. In many countries, a stable and known set of rules governing central issues such as investment, taxation, and land ownership is only beginning to emerge, while the underlying legal frameworks are anachronisms, unsuited to the needs of a market economy. The obstacles to improving the business environment in these economies are deep-seated and are not susceptible to "quick fixes." Progress will be slow, but important first steps have been taken.

Support for the FSU's economic transition has been provided under the 1991 Technical Cooperation Agreement, which created a Bank-executed technical-assistance trust fund. Work financed from the trust fund laid the basis for a dialogue with participating FSU governments and for operations dealing with the business environment (as well as with privatization and financial-sector development). One component of the Bank's $90 million loan to Russia for privatization-implementation assistance, approved in fiscal 1993, has been designed to support the provision of business services to small enterprises.

In the Latin America and the Caribbean region, PSD work now emphasizes "second-generation" regulatory and institutional issues affecting the business environment. Greater attention is being paid to such issues as the establishment of a regulatory structure for enterprises to be privatized, customs reform, collateral and property-rights problems, export finance and services, capital-markets development, labor adjustment in enterprise restructuring, and strengthening of standards and testing services.

Promotion of public-sector restructuring has tended to focus on trimming overextended public sectors and supporting privatization of state-owned enterprises and the private-sector delivery of public services. This focus has begun to shift, however, towards one that also complements privatization with efforts at upgrading those areas of public-administration that have the potential to affect profoundly the

[1] The assessments are for Brazil, Ghana, Indonesia, Kenya, Mexico, Morocco, Nigeria, Poland, Senegal, Uruguay, and Zimbabwe.

growth and efficiency of the private sector: tax and customs administration, trade and investment promotion, enterprise-support services, court administration, and infrastructure planning and provision.

In Bangladesh, for example, courts used to take up to fifteen years to process suits brought by financial institutions against defaulting borrowers. With assistance from the Bank, Bangladesh enacted legislation establishing special commercial courts to handle expeditiously actions brought by financial institutions against defaulting borrowers.

Governments are also working on strengthening the capacity of public agencies that provide direct services to the private sector. In the Philippines, the Board of Investments has responsibility for promoting foreign direct (as well as domestic) investment, but its corporate culture has led it to focus on regulatory and control functions. The World Bank Group's Foreign Investment Advisory Service, which provides advice on matters related to foreign direct investment, provided the government with an action plan for institutional and policy changes designed to shift the board's focus from regulation to promotion of investment.

The World Bank Group actively supports privatization in the context of its broader goals of economic development and poverty reduction. During calendar years 1991 and 1992, the Bank approved 110 investment operations and fifty-nine adjustment operations with components addressing privatization or the restructuring of public enterprises. The IFC, which has made privatization a central and expanding element of its investment program, undertook eighteen privatization transactions during fiscal years 1992 and 1993.

Privatization has taken on a special urgency in the countries in transition where it is a cornerstone of their transformation from command-based to market-based economies. In some of these countries, privatization has proceeded more slowly than anticipated, and in several, deadlines have been missed. But initial experience has proved instructive for subsequent initiatives, such as the Russian government's ambitious mass privatization program—the largest privatization effort ever attempted—involving some 24,000 large and medium-sized state-owned enterprises and many times more small businesses. In Poland, some 100,000 retail businesses were privatized in the 1990–92 period, while 25,000 small enterprises in what are now the Czech and Slovak republics had been sold by the end of 1991.

The Bank's involvement in privatization efforts in Asia and in Latin America is also well advanced. In South Asia, Bank operations have promoted private-sector participation in sectors previously controlled by the state such as power (India and Pakistan), distribution of agricultural inputs (Bangladesh), and oil and gas (Bangladesh, India, and Pakistan). Bank operations have also supported privatization of state-owned enterprises in Nepal and Sri Lanka. In East Asia, the Bank is supporting efforts to privatize Philippine government-owned corporations. Several big-ticket items, including the National Steel Corporation and the Manila Hotel, are being prepared for sale, and the authorities have extended the life of the Asset Privatization Trust, a key public entity for managing privatization, until December 1993. The Bank is also helping the government explore privatization into areas such as energy generation, water-supply and sewerage corporations, and ports. Bank operations have assisted in promoting greater private-sector participation in the telecommunications, power, and water sectors in Indonesia. In Latin America, a $250 million Bank loan to Peru is supporting the government's efforts to undertake a privatization program that focuses on mining, hydrocarbons, telecommunications, and other sectors. In addition, loans to Argentina and Uruguay during fiscal 1993 are helping government efforts to privatize public enterprises and establish a proper regulatory framework.

Because the magnitude and urgency of these privatization efforts are unprecedented, the Bank is approaching them with an openness to learning from mistakes and to strengthening their design as the process unfolds and new and unforeseen issues arise. With experience, the Bank is becoming more involved in issues such as the importance of transparency, of dealing with the potential direct social costs of privatization, and of establishing a post-privatization environment that stimulates competition, promotes equity, and inhibits avoidable concentrations of ownership and economic power.

Because governments (particularly in Latin America and Asia) are increasingly allowing and encouraging private operators to provide infrastructure services normally handled by public agencies, the private provision of infrastructure is becoming an area of growing activity by the World Bank Group. The Bank's support for the private provision of infrastructure involves a three-part approach focusing on (a) the privatization of public utilities; (b) development of regulatory frameworks to provide appropriate mechanisms for pricing privately delivered infrastructure services, encouraging competition, and, where appropriate, removing barriers to entry; and (c) provision of Bank

financing or partial guarantees to attract additional private capital for infrastructure projects (as in Pakistan and Jamaica, where Bank lending for private power projects during the past two fiscal years has helped mobilize private debt and equity capital).

Financial-sector reform forms a part of an integrated sequence of reforms required in many countries to achieve efficient PSD. In the 1980s, governments and the World Bank Group began to place increasing emphasis on the need to accompany financial-institution reform and restructuring with appropriate policy reforms (in interest-rate policy, for example). More recently, as more countries liberalized and encountered new problems, increasing attention has been devoted to a second generation of reform focused on creating appropriate legal, regulatory, and supervisory structures to realize the full benefits of financial-sector reform.

In addition, the Bank is putting greater emphasis on the need for (a) sector-policy reform in combination with macroeconomic reform and (b) improvements in financial infrastructure and a strengthening of specific financial institutions. Because individual financial institutions that operate within a distorted financial system can themselves become sources of inefficiency, the Bank's willingness to support them depends in part on progress made in macroeconomic and sector-policy reforms. In addition, the regulatory framework needs to provide appropriate prudential safeguards so that financial institutions behave responsibly. Technical assistance by the Bank in Russia, for instance, has identified gaps between Russian banking-sector regulations and international norms for accounting, auditing, and financial reporting, thus establishing an agenda for reform. In Indonesia, a $307 million Bank loan is assisting the government in strengthening prudential banking regulations, in enforcing implementation of those regulations, and in promoting the competitiveness and efficiency of state commercial banks by subjecting themselves to the same rules as the private sector (see Box 3-6).

Although advances have been made in developing the private sector in the past two years, many challenges remain. Private investment remains sluggish—in many cases despite intensive adjustment efforts—in a number of developing countries, particularly in sub-Saharan Africa and South Asia.

The implication for the World Bank Group of these developments is that it must help accelerate the evolutionary process, already begun, leading from first-generation adjustment measures (that focus on creating a stable macroeconomic framework and an efficient price regime) to second-generation measures (that aim directly at improving the day-to-day environment in which firms operate). The Bank has made progress in supporting this process, but continues to learn from experience. Indeed, the more deeply it becomes involved in this work, the more it finds itself having to address unforeseen problems and complexities.

To improve its capacity to support governments in the design and implementation of a second generation of PSD reforms, the Bank Group is looking for ways to (a) understand the dynamics of the environment affecting PSD with a view to identifying and then devising ways to eliminate, obviate, or work around obstacles to implementation; (b) forge links among the various local institutions critical to PSD so that, on their own, they can deepen and sustain progress initiated through support from the Bank Group; and (c) learn from successful country experiences in implementing PSD reforms and, to the extent possible, help replicate those experiences—tailored to specific country needs—in other countries.

In recent years, the Bank's efforts in support of PSD have accelerated rapidly. Typically, about two thirds of all Bank operations include components that explicitly support private-sector development.

* * *

At its spring 1993 meeting, the Development Committee reviewed the Bank Group's private-sector development strategy and welcomed the emergence of a new generation of loans through which the Bank supports policy, regulatory, and legal reforms. While commending the work already done or in hand, the committee called on the Bank Group to make even greater progress by promoting small and medium-scale industry and the entrepreneurial role of women, encouraging the private sector in developing countries (especially the poorest among them), and supporting the necessary underpinning of public-sector reforms.

Changes in Housing Policy

After two decades of experience in working with developing-country governments on housing policy and in lending for housing, the World Bank has determined that future assistance to the sector should be predicated on a broader perspective of the housing sector rather than on a limited perspective of a single housing project or finance institution.

This new focus is the result of insights gained through the institution's initial emphasis on physical provision of low-cost housing

Box 3-6. Financial-sector Reform in Indonesia

The financial sector of Indonesia has undergone a dramatic transformation to a competitive, market-based system since the onset of financial reforms in 1983. The reforms were introduced in stages and in conjunction with comprehensive real sector reforms. Consequently, in spite of experiencing external shocks no less severe than those endured by many other developing countries, the government has been far more successful than most in containing inflationary pressures, preventing capital flight, and mobilizing financial resources.

The 1983 reforms deregulated state commercial-bank interest rates and sought to rationalize the subsidized directed-credit program. Although the deregulation component was successfully implemented, success was limited in reforming the directed-credit program. In late 1988, the government introduced a comprehensive set of reform measures to further enhance financial-sector efficiency (by encouraging competition) and to increase the availability of long-term finance (by promoting the development of capital markets). Among other things, new private banks were permitted entry, domestic banks were given the green light to open branches throughout the country, and foreign banks were allowed to set up offices in seven major cities.

The 1988 reforms had a strong positive impact on the diversification of the country's financial structure. However, the government's subsidized directed-credit program (a target of the 1983 reforms) kept the financial market fragmented, as characterized by large differences in access to credit and its cost to individual borrowers. As a result, the government initiated far-reaching reforms in 1990 that reduced the number of eligible directed-credit programs from thirty-seven to four; at the same time, the interest rate for the four programs that remained was moved closer to market rates.

As a result of ten years of financial-sector reform, most of the policies needed to develop a robust and balanced financial structure are now in place: Interest rates have been deregulated, credit ceilings abolished, entry barriers lowered, subsidized directed credits drastically reduced, and steps taken to develop capital markets. These reform initiatives, combined with an open capital account and the government's policy of refraining from domestic financing of budget deficits, have made Indonesia's financial sector one of the most deregulated and market-based in the developing world.

While deregulation initiatives have yielded substantial positive benefits, they have also led to the concentration of credit (and, as a consequence, ownership of the real sector) among a few large business groups and engendered new challenges (for example, in the areas of prudential regulation, supervision, and enforcement; the establishment and enforcement of a comprehensive legal framework; and the elimination of the uneven playing field that has allowed state commercial banks to receive differential treatment with respect to banking regulations and to have disproportionate access to cheap and captive sources of funds).

In response to these new challenges, the government is pushing the reform process further through updating laws governing financial institutions, announcement of new prudential regulations, initiation of steps to strengthen the supervisory apparatus for the banking and securities industries, diversifying access to credit, and revamping the ways in which the state commercial banks conduct business (including their conversion into limited liability companies). It is this latest reform effort that the World Bank is supporting with its $307 million loan.

units and, later, on lending to housing-finance institutions: that, for instance, the scale of the Bank's interventions had been too narrow and that it should play an expanded role in enabling housing markets to work better in developing countries.

The shift in the Bank's emphasis and a corresponding shift advocated by the Bank for the role of government toward the housing sector are seen as necessary if housing problems are to be addressed on a scale commensurate with their magnitude and if the sector is to be managed as one that has a major economic role to play. Each year some 12 million to 15 million new households, requiring an equivalent number of dwellings, are added to the cities of the developing world. Many of the people swelling the ranks of urban dwellers are poor, presenting a special challenge to those providing housing and public services.

The Bank's new policy focus toward the housing sector follows on the heels of a shift in its general urban policy away from meeting physical objectives in shelter, water supply, sanitation, and urban transport toward sustaining policy change and strengthening institutions.

Physical provision of low-cost housing—a hallmark of Bank lending in the 1970s—had three objectives: construction of affordable, adequate housing for poor families; cost recovery from beneficiaries, resulting in the elimination of public subsidies; and replicability by the private sector. Only the first objective was broadly achieved.[4]

Lending for housing finance, a prominent feature of Bank activities in the 1980s, had two

principal objectives: It allowed the Bank to address wider economic issues in borrowing countries and it affected overall policies and performance of the housing sector through the broad instrument of housing-finance system development. While Bank lending for housing finance was relatively successful, the main issue addressed in these projects—financial-sector development—was a concern mainly to middle-income developing countries. The Bank's new approach, which is based on a few principles that will guide future assistance in the housing sector, promises to broaden the range of countries that benefits from Bank operations in the sector and to address the needs of lower-income countries. The principles include the following:

- The Bank will encourage borrowing member governments to adopt policies that enable housing markets to work and to move away from producing, financing, and maintaining housing.
- Bank housing assistance will have a sectoral rather than a single-project focus, and project success will be evaluated by its impact on the sector as a whole.
- The Bank will seek to assist counterpart institutions that have regulatory roles and will focus its lending for housing on borrowers willing to commit themselves to improving sector performance, including removal, over time, of distortions affecting the performance of the housing sector.
- The Bank will seek greater government commitment to improved collection and analysis of housing data to assess housing-sector performance and improve the process of policy formulation and implementation.

Government policies that enable housing markets to work—they typically include the development of property rights, creation of healthy and competitive mortgage-lending institutions, the fostering of innovative arrangements for providing greater access to housing finance by the poor, and rationalization of subsidies—are applicable, to a greater or lesser degree, in all borrower countries. Priorities for use of the various "enabling instruments" available to governments vary, however, across countries.

Thus, in lower-income countries, the Bank's operational and policy-dialogue emphasis will tend to focus on developing market-oriented systems of property rights, facilitating the housing supply by increasing infrastructure investment and enhancing building-industry competition. In highly indebted, middle-income countries, key priorities might include fiscal and financial-policy reform (particularly improving housing-finance institutions and reducing budgetary transfers to the housing sector) and expanding infrastructure investment. In other middle-income countries, the emphasis would most often include regulatory reform in land use and building so as to facilitate the transition to a more responsive system of housing supply and further development of mortgage finance. In centrally planned and formerly centrally planned economies, reform could be expected to focus on property rights, housing finance, subsidies, land and building regulations, land development, materials production and distribution, and the residential-construction industry.

Bank support for policy reform (through adjustment lending), provision of finance for investments (through investment lending), and institutional reform (through provision of technical assistance) will be accompanied by a new agenda for housing-policy research as well as development of ways to strengthen the basis for sectoral-policy management. These would include the use of sectoral-performance indicators, the evaluation of the effects of policy differences on sectoral performance, and the development of operational tools for sectoral analysis and policy design.

The executive board generally endorsed the shift in the Bank's activities in the housing sector. In their discussion of the changes in policy, directors stressed the need for flexibility and a country-by-country approach to policy implementation, with attention given to the sequencing of reforms and to coordinating with other donors. They also emphasized that full attention should be paid to the poor and to poverty-reduction objectives, including continued support for targeted projects within an appropriate sector framework, and that the informal sector and the poor be supported through promotion of an enabling environment. Directors also highlighted the importance of participatory approaches, including community participation, in the implementation of housing-sector policies and of fostering development of the local construction industry and the local building-materials industry.

Tenth Replenishment of IDA

In late January 1992, the representatives of donor governments—the IDA deputies—began negotiations in Paris for a tenth replenishment of IDA resources (IDA-10) to cover the period July 1, 1993 to June 30, 1996.

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[4] Slum-upgrading projects, however, by and large satisfied the replicability criterion and were successful in distributing subsidies widely over large numbers of the urban poor. They will remain a critical component of future Bank lending to the shelter sector, especially in low-income countries.

After five formal negotiating sessions, the deputies reached agreement in December 1992 on a replenishment of SDR13 billion. Based on exchange rates prevailing at the time of agreement, the replenishment is equivalent to $18 billion. When combined with advance commitments against future repayments by IDA borrowers and the approved transfer of $375 million equivalent from the IBRD's surplus account, IDA's commitment authority during the three-year period would total about SDR16 billion, or $22 billion equivalent. This amount could be augmented further by transfers from the IBRD's net income once they are approved by the IBRD's board of governors.

The agreed donor contributions to the replenishment are shown in Table 3-3.

During the negotiations on the terms and conditions for IDA-9, it was agreed that IDA should focus on three main objectives to support economic development in the poorest countries: poverty reduction, economic adjustment and growth, and environmental protection and improvement. The IDA-10 deputies agreed that these objectives remained an accurate reflection of the key development challenges facing the poorest countries.

The deputies expressed satisfaction with the recent sharpening of IDA's poverty-reduction focus, including provision to Bank staff of comprehensive operational guidance on poverty issues, the increased weight that was being given to countries' commitment to poverty reduction in establishing lending allocations, initiation of a program of poverty assessments for all active borrowers, and increases in the shares of IDA lending for poverty-targeted investments and social-sector projects.

The IDA-10 deputies stressed that they attached great importance to the completion of country poverty assessments for all major IDA recipients by the end of 1994 and that IDA needed to continue to emphasize social-sector lending and poverty-targeted investments (that is, investments that disproportionately benefit the poor in particular or have specific mechanisms for identifying and reaching the poor). The deputies noted their expectation that the higher shares of poverty-targeted investments and social-sector lending achieved during IDA-9 would increase steadily during the IDA-10 period. Donors also attached special importance to IDA's efforts in two areas—women in development and population planning. IDA was urged to expand its support for family planning and social services for women, including, in particular, education of girls.

As far as economic adjustment and growth were concerned, the deputies noted that IDA's support for adjustment had been strengthened in a number of ways during the IDA-9 period: For example, social safety nets were increasingly being built into adjustment operations to help protect the poor and enhance the sustainability of the adjustment effort, and lending allocations were increasingly being influenced by a country's economic performance.

The deputies took note, however, of a number of aspects of adjustment to which particular attention might be given in the years ahead. IDA's executive directors were asked to keep track of how closely public expenditures reflected development priorities and of efforts that were being made to reduce nondevelopment expenditures (including military expenditures) to the maximum extent feasible.

The continuing constraint to development prospects that is imposed by high levels of outstanding debt in many countries was noted. Deputies expressed the hope that the Paris Club would continue to provide an appropriate degree of concessionality in the treatment of official debt extended to adjusting IDA borrowers. They also called for the full and rapid use of the Debt-reduction Facility for IDA-only Countries, urged that its resources be replenished before funds ran out, and gave support to the continuation of the special program of supplemental donor contributions to the facility. IDA was also asked to heighten its support for efforts to encourage the establishment of an enabling environment that would allow the private sector to respond to sound economic policies and to improve the efficiency of public-sector institutions.

In the area of environmental protection and improvement, the rapid evolution of IDA's role in supporting environmental sustainability was noted. Recent actions, including the publication of *World Development Report 1992*; implementation of a new forestry policy that focuses on helping governments put in place the institutions, procedures, and information systems needed for sustainable forest management; issuance of new operational directives on projects involving indigenous people, involuntary resettlement, and agricultural-pest management; and increased involvement by nongovernmental organizations in the design and implementation of projects, were endorsed.

IDA deputies discussed how best to allocate IDA resources to meet these objectives. They reviewed three criteria for allocating funds—per capita income, performance, and creditworthiness.

- It was agreed that the operational cut-off of per capita income be left at the same real level as in IDA-9—$765 or less (in 1991 dollars)—and that exceptions be maintained for

Table 3-3. **Contributions to the Tenth Replenishment of IDA Resources**
(amounts in millions)

Contributing member	Basic contributions: SDR amount	Basic contributions: Share (percent)	Supplementary contributions: SDR amount	Total contributions: SDR amount
Australia	189.80	1.46	2.24	192.04
Austria	117.00	0.90	—	117.00
Belgium	201.50	1.55	—	201.50
Brazil[a]	10.00	0.08	—	10.00
Canada	519.91	4.00	—	519.91
Czech Republic[a,b]	6.70	0.05	—	6.70
Denmark	169.00	1.30	11.47	180.47
Finland	130.00	1.00	—	130.00
France[c]	912.94	7.02	36.06	949.00
Germany	1,430.00	11.00	—	1,430.00
Greece	6.80	0.05	—	6.80
Hungary[a]	10.00	0.08	—	10.00
Iceland	3.90	0.03	—	3.90
Ireland	14.30	0.11	1.10	15.40
Italy	689.00[d]	5.30	—	689.00
Japan	2,431.00	18.70	169.00	2,600.00
Korea, Republic of	30.00	0.23	6.58	36.58
Kuwait	18.08	0.14	—	18.08
Luxembourg	6.50	0.05	0.50	7.00
Mexico[a]	25.00	0.19	10.00	35.00
Netherlands	429.00	3.30	27.00	456.00
New Zealand[e]	15.52	0.12	—	15.52
Norway	184.60	1.42	—	184.60
Poland[a]	4.50	0.03	—	4.50
Portugal	15.00	0.12	0.50	15.50
Russia[a,f]	50.00	0.38	—	50.00
Saudi Arabia[f]	108.47	0.83	—	108.47
South Africa[a,f]	10.00	0.08	—	10.00
Spain	104.00	0.80	—	104.00
Sweden	340.60	2.62	7.40	348.00
Switzerland	226.20	1.74	3.80	230.00
Turkey[a]	25.00	0.19	—	25.00
United Kingdom	799.18	6.15	—	799.18
United States	2,711.69	20.86	—	2,711.69
Subtotal	11,945.18	91.89	275.65	12,220.83
Change in encashments[g]	395.68	3.04		
Change in liquidity policy[h]	200.00	1.54		
Supplementary contributions	275.65	2.12		
Unallocated	183.49	1.41		
Total	13,000.00	100.00		

NOTE: Details may not add to totals because of rounding.

a. Contributions of members with annual rates of inflation greater than 15 percent during the 1989–91 period are denominated in SDRs.

b. On January 1, 1993, the former Czech and Slovak Federal Republic was succeeded by the Czech Republic and the Slovak Republic.

c. The basic national currency contribution of France is equivalent to a 7.3 percent share of SDR 13 billion using May–October exchange rates.

d. This amount is the SDR equivalent of Lit. 1,169,390.71 million, that is, an IDA-10 contribution of Lit. 1,124,000 million and Lit. 45,390.71 million resulting from encashing the IDA-10 contribution on an eight-year schedule rather than a ten-year period.

e. The government of New Zealand notified the association that it is increasing its contribution from NZ$38.09 (SDR 14.94 million) shown in the IDA-10 resolution to NZ$39.58 million (SDR 15.52 million).

f. These countries are not yet in a position to commit to a final contribution to IDA-10. The levels shown are indicative.

g. Reflects additional resources available to IDA as a result of encashing contributions on an eight-year schedule rather than a ten-year period. Contributions of Australia and the United Kingdom will be encashed over a ten-year period. The participation of Italy and Canada is shown as part of their basic contribution.

h. The change in encashment schedule will enable IDA to lower its liquidity requirements by SDR 200 million, which will be committed in IDA-10.

small island economies and for temporary assistance to those IDA-eligible adjusting countries that have per capita incomes above the cut-off level but are not creditworthy for IBRD lending.

• The application across regions and countries of transparent and consistent performance criteria—application of sound economic policies, implementation of environmentally responsible programs, commitment to poverty reduction, and aspects of governance and public-expenditure allocations that were relevant to development—was stressed.

• Greater weight was given to creditworthiness considerations in allocations to "blend" IBRD/IDA recipients. IDA was asked to reduce its allocations to more creditworthy countries by reducing the IBRD/IDA blend it provides to a range of 30 percent to 35 percent of total IDA allocations, down from the approximately 40 percent during IDA-9. The deputies recommended that assistance to the blend countries be directed primarily to poverty-focused activities or those that promote environmental sustainability. It was also agreed that resources allocated to sub-Saharan Africa—subject to performance—be maintained at between 45 percent and 50 percent. There was concern among some deputies that a reduction in the allocation to blend countries might unduly lower the overall share of funding to Asia, home to the largest number of the world's poorest people. Deputies agreed to maintain approximate parity between allocations to sub-Saharan Africa and Asia during IDA-10.

• The deputies said that they attached great weight to the timely completion and high quality of national environmental-action plans that are being prepared, with IDA assistance, by all active borrowers. They also called on IDA to assist borrowers in improving the quality and scope of environmental assessments. Environmental assessments are carried out at an early stage of project design to ensure that relevant alternative approaches are considered and that any potentially harmful impact is eliminated or mitigated. Prospective borrowers are required to make the assessment available to affected groups and local nongovernmental organizations and to carry out meaningful consultations with them. The deputies recommended that once an IDA borrower had made the assessment public, the same information should also be made available to the public at the Bank's headquarters in Washington, D.C. and at its field offices in member countries.

Implementing IDA-10. In the deputies' view, the IDA-10 period is one in which the association should deepen and strengthen implementation of its three main objectives. Four main instruments used to achieve these objectives were considered: IDA's policy dialogue with recipient countries, the process of country and sector allocation, enhancement of the quality of lending activities, and coordination of donor funding.

The importance of IDA's role in the policy dialogue was reaffirmed. IDA's policy dialogue has traditionally encompassed macroeconomic and structural policies, public-expenditure programs, and institutional issues. The experience of the 1980s brought increasing awareness that effective policymaking and implementation also require good governance. Four aspects of governance have been identified as critical to the development process and to the effective use of donor resources—accountability, transparency, the rule of law, and participation by affected people in the design and implementation of programs and projects. The deputies said that they expected IDA to play a role in supporting better governance through its dialogue with governments, its economic and sector reporting, and the design of its operations. They asked that future reviews of implementation efforts by the association report on progress being made in integrating governance issues into the policy dialogue and into supporting analysis.

The ways in which IDA allocates its resources by country and by sector is a key determinant for the effective implementation of its policies. The deputies reaffirmed that (a) IDA should focus its efforts on those countries that have demonstrated their commitment to IDA's three main objectives; (b) access to IDA resources should be based on annual assessments of performance, with allocations related to the strength of countries' commitments to the three main objectives; and that (c) in countries where performance is lax, lending should be limited to the minimum needed to maintain the policy dialogue.

With regard to the sectoral composition of IDA lending, the deputies agreed that lending priorities should continue to promote IDA's three main objectives. The deputies also indicated that the share of adjustment lending should remain at about 25 percent and not exceed 30 percent of total IDA lending. They noted the impact that new claimants might have on this percentage, since initial programs in countries that are emerging from civil wars and unrest are likely to be heavily weighted towards quick-disbursing operations, but were of the view that if such increased demand materialized, the ceiling could be exceeded only with the approval of the executive directors.

Concerns were raised about the quality of IDA's project portfolio, which shows a declining percentage of satisfactory projects, primarily in sub-Saharan Africa. The deputies therefore welcomed the substance of the recommendations of the portfolio-management task force for improving the quality of project design and implementation and added that they considered management's preparation of a detailed implementation plan based on the recommendations of the task force report to be fundamental to achieving the objective of improving portfolio performance. Deputies also affirmed the need to improve borrowers' sense of ownership of projects and asked the association to encourage borrowers to take the lead in project identification and to involve project agencies more fully, as their capacities allow. The importance of involving beneficiaries and affected population groups in the design and implementation of IDA-assisted operations was underscored.

While recognizing that responsibility for project implementation rests with the borrower, the deputies endorsed IDA's plans to improve the quality of project design and of project monitoring and supervision. IDA management was urged to explore, for the executive directors, how resident missions might play an enhanced role in monitoring project implementation and in helping assess the capabilities and weaknesses of borrowers' implementing agencies.

The deputies attached particular importance to the role that IDA plays in coordinating the efforts of donors in specific regions, countries, and sectors. While commending IDA's various coordination efforts, the deputies nonetheless felt that still more could be done. They said, for instance, that closer coordination with bilateral aid agencies could be achieved, that IDA's resident representatives could do more to ensure that donors were kept informed about IDA assistance strategies and operations, and that more effective use could be made of the skills and experience available in the United Nations system in support of IDA's country programs, especially in the areas of human-resource and institutional development.

Portfolio Management

Lending in support of priority developmental objectives—whether from the Bank or from other sources—is important. Many developing countries will have great difficulty in attaining sustained growth, reducing poverty, and protecting the environment without the crucial supplement to domestic savings and investment provided by foreign capital. The quality and effectiveness of external assistance are also crucial, however. Effectiveness has always been a prime concern; in an era of financial constraints, it clearly takes on even greater importance.

Shortly after being elected president of the Bank in September 1991, Lewis Preston determined that it was incumbent upon the Bank to ensure that its loans actually produce the benefits for borrowers that are anticipated at the time of their approval by the executive directors. The independent audits of the Bank's Operations Evaluation Department had shown a declining success rate for IBRD and IDA projects.

With this in mind, Mr. Preston, in February 1992, asked Willi Wapenhans, a senior manager of the Bank with many years of operational experience, to lead a Task Force on Portfolio Management to examine the quality of the World Bank portfolio and make recommendations on what might be needed to reverse the decline in the proportion of successful projects over the past decade.

After extensive analysis of extant materials, examination of best practices in the Bank's operational complex, and three international workshops with borrowers, cofinancers, and contractors, the task force issued a comprehensive report that was transmitted to the executive directors in October.

The Bank measures its portfolio performance through two major instruments. First, it maintains a system of ratings during project execution. The task force found on the basis of these ratings that more than 75 percent of Bank-assisted projects demonstrate good performance during implementation. An average 20 percent-to-25 percent incidence of projects in difficulty is not particularly high for a development institution like the Bank. As the report of the task force notes, a lower incidence might suggest that the Bank was not taking enough risks in what is fundamentally a high-risk business. Moreover, ratings during implementation are designed as a warning signal to prompt corrective action. Projects frequently move from being "problem projects" to "good" ones following such corrective action (the reverse is also true when implementation deteriorates). Moreover, many "problem" projects achieve a large proportion of their physical and institutional objectives.

The Bank also measures portfolio performance at project completion, when the actual rate of return in real terms (or its qualitative equivalent) is compared with the estimated rate of return at the time of executive board approval (see Box 3-7). The Bank sets itself high standards in this regard, requiring of all

Box 3-7. Measuring the Bank's Development Effectiveness

All the Bank's operations are evaluated after the Bank finishes its loan disbursements. Evaluation enhances the Bank's internal and external accountability and transparency; provides a systematic, objective, and accessible track record; and supplies lessons from experience. Results and recommendations are reported to the Bank's executive directors and are fed back into the design and implementation of policies and lending operations.

Every operation is evaluated, on completion, by the staff who were responsible for its implementation. A representative sample of completed operations is independently evaluated by the Operations Evaluation Department (OED) of the Bank.

To assess the developmental effectiveness of completed operations, the OED looks at their technical, financial, economic, social, and environmental aspects and provides ratings of their performance and sustainability. The evaluation process is grounded in the same criteria and policies that are used to judge operations proposed for financing.

Completed operations are analyzed from three perspectives:

- relevance in relation to the policy context. Evaluators assess whether the objectives of the operation were clear and consistent with country and sectoral-assistance strategies agreed between the borrower and the Bank and whether the design of the operation was appropriate in terms of the Bank's goals of poverty reduction, environmental protection, human-resource development, and private-sector development.
- efficacy, or the power to have an effect. Evaluators review outcomes in relation to the objectives of the operation, whether physical, financial, institutional, or policy related.
- efficiency. This assessment covers costs, implementation times, and economic and financial goals. Where practicable, the economic rate of return is reestimated.

The outcomes are also assessed in terms of three criteria—overall outcome ("satisfactory" or "unsatisfactory"), sustainability (or the extent to which an operation is likely to maintain an acceptable level of benefits throughout its economic life), and institutional development (evaluators assess how the operations have affected the environment for implementing development projects and programs).

Performance—by the Bank, by the borrower, and by the implementing agency—is also evaluated.

The Bank's performance at the identification, preparation, appraisal, and supervision stages of the project cycle is evaluated.

The borrower's performance is evaluated in terms of the policy environment created for the project, the level of commitment of the government and of key institutions associated with the project in both preparation and implementation, the provision and reliability of funding to meet the local-currency costs of the operation, and the administrative procedures employed, including quality of decision making and level of interference.

Evaluators look at the performance of implementing agencies, including the quality of management and staff associated with the project; the effectiveness and use made of technical assistance, including the role of training, advisers, and contractual services; the adequacy of monitoring and evaluation systems; and the extent and quality of participation of intended beneficiaries, including their contribution to the project outcome.

Exogenous factors—such as changes in prices and world market conditions; natural disasters; civil disorder and armed conflict; and actions of partners, meaning those who are involved but are independent decisionmakers (cofinancers, nongovernmental agencies, contractors, and suppliers, for example)—are also taken into account in the evaluation process.

projects that enter the portfolio a minimum 10 percent rate of return in real terms (or its equivalent in qualitative terms when quantification is not feasible). In the most recent *Annual Review of Evaluation Results* by the Operations Evaluation Department (OED), the average economic rate of return for the 120 projects completed in fiscal 1991, recalculated at project completion, was still an impressive 16 percent.

Nevertheless, there has been a decline in the quality of the portfolio by both measures. The share of projects with "major problems" during implementation rose from 11 percent in fiscal 1981 to 18 percent in fiscal 1992 (see Box 3-8), while the proportion of projects judged satisfactory by the OED in its annual review of evaluation results fell from 85 percent in fiscal 1981 to 63 percent in fiscal 1991.

One important element contributing to the increase in problem projects was the international economy. Changes in the world economy in the 1970s and 1980s had an adverse influence on the environment in which projects were implemented. These effects largely resulted from declining terms of trade, rising international interest and inflation rates, and declining capital inflows. The volatility of world petroleum prices also had a substantial negative impact. In retrospect, it is perhaps not surprising that, within uncertain and destabilized international and country environments, local institutions did not perform as well as

anticipated at the time of project appraisal and that, in consequence, overall project performance declined.

The task force concluded that there were also aspects of Bank practice that either may have contributed to portfolio-management problems or that were insufficiently effective in resolving them. Underlying many of these aspects was the Bank's pervasive preoccupation with new lending at the expense of effective implementation of the programs and projects that it financed. As a result, the quality of projects at the time of their entry into the portfolio—quality being defined to include, among other things, implementability and sustained local commitment—was not always what it might have been. The task force went on to say that it was vital to ensure that borrowers "own" the projects and are committed to their effective implementation and that more emphasis was needed on assessing the risks that an operation may face. Evidence that this was not always the case was the fact that the covenants included in loan agreements with borrowers—provisions intended to ensure effective implementation—were too rarely met.

The task force's fundamental conclusion was that the Bank needed to modify some of its key institutional values that shape its approach to all facets of its lending operations. It concluded that the status of the Bank's portfolio could be improved and its services to its borrowers strengthened through a wide array of changes aimed at giving increased attention to the implementation of ongoing projects and at achieving an appropriate balance between implementation and the preparation of new operations.

The Bank's executive directors endorsed the general thrust of the task force's analysis, conclusions, and recommendations. Taken together, the task force's findings and suggestions provide highly useful guidance to all providers of external resources for development in how the effective deployment of those resources might be better ensured.

For the Bank, the task ahead is to incorporate the task force's recommendations into its ongoing business practices and processes. Several steps have already been taken. In recent years, various actions have been taken by the Bank's regional departments to improve performance, including portfolio restructuring, country strategy and implementation reviews, and increases in resources for portfolio management. In fiscal 1992, for example, country-implementation reviews for twenty of the thirty-nine large-country portfolios were conducted. Restructuring of country portfolios has been intensified in all regions in the past two fiscal years, especially in those with a high incidence of problem projects. All regions have strengthened their efforts to deal with some of the most common implementation problems, particularly procurement and audits.

Considerably more needs to be done, however. The executive directors met several times during the year to discuss the report's findings and recommendations, and in July 1993, they endorsed a detailed program of actions put forth by the Bank's management to strengthen portfolio management in the Bank. The program is designed to make the Bank more effective in pursuing its basic goal of reducing poverty in borrowing countries.

Instruments to monitor the implementation of the action program are being put into place at the project, country, regional, and institutional levels.

At the project level, accountability for portfolio management will rest with the country and divisional units. The existing system of supervision is being strengthened with additional resources and more systematic reviews of project performance by regional management, particularly for those projects identified as "facing problems." The Operations Evaluation Department will continue to provide lessons of experience.

At the country level, two relatively new instruments are to play a major role: country portfolio-performance reviews (CPPRs) and country-assistance strategy discussions. All regions will conduct regular CPPRs, and the findings will be reflected in country-assistance strategies. Among other things, the CPPR will assess the borrower's continuing ownership and commitment to the existing country portfolio; review progress, and identify solutions to problems, in key programs and projects under implementation; establish clear links between the country-assistance strategy and implementation performance; and develop with the borrower specific time-bound remedial-action programs.

At the regional level, as part of the biannual briefings to the executive board on regional lending programs, the regional vice presidents will present the implementation status of their portfolios, including specific regional-action programs.

At the institutional level, the annual report on portfolio performance will inform executive directors of progress achieved and will develop action plans to remedy generic implementation problems.

The action plan to strengthen portfolio management also provides for more active project and portfolio restructuring in cases in which a

Box 3-8. Reporting on Portfolio Management in Fiscal Year 1992

In February 1993, the "Annual Report on Portfolio Performance" for fiscal year 1992 was disseminated to the executive directors of the Bank for their consideration. It was the first review of the status of the Bank's portfolio of operations under implementation since the Task Force on Portfolio Management issued its report five months earlier. The annual report replaced the long-standing "Annual Report on Implementation and Supervision."

The Bank's portfolio under implementation in fiscal 1992 comprised 1,852 operations with total lending commitments of $142.1 billion and an undisbursed balance of $73.3 billion. While the Bank was lending to eighty-three countries in fiscal 1992, the five largest borrowers—India, China, Mexico, Indonesia, and Brazil—accounted for 22 percent of the total number of projects and more than 44 percent of total commitments.

Agriculture remained the dominant sector in the fiscal 1992 portfolio (27 percent of the total number of projects and 21 percent of lending commitments), but its portfolio share was on the decline compared with earlier years. The share of the human-resources sectors increased from less than 13 percent in fiscal 1990 to about 16 percent in fiscal 1992, and from 9 percent to 10 percent of total commitments.

The implementation status of projects was rated on a scale of from 1 to 4, 1 indicating no significant problems and 4 indicating major problems that were not being addressed satisfactorily or which were beyond the capacity of the borrower to address. The overall status rating and the percentage of problem projects basically indicate the implementation status at a point in time of a portfolio of ongoing projects. Unlike the eventual assessments of the Operations Evaluation Department, which focus on the developmental impact or effectiveness of projects at completion, the focus of the annual report is more on the timeliness and adequacy of the provision of project inputs (management, funds, and so forth) and achievement of immediate outputs (roads built, hectares irrigated, and schoolhouses constructed, for example).

Bearing these qualifications in mind, analysis of the project ratings of the fiscal 1992 operations portfolio showed that:

- At the Bankwide level, the overall status rating was somewhat better than in fiscal 1991, largely because of active efforts of the regions to restructure, cancel, or close poorly performing projects. Although the percentage of problem projects declined somewhat, their total number—339 projects accounting for $21.3 billion in lending commitments—remained a serious cause for concern.
- At the regional level, performance varied, with four regional portfolios showing improvement or no change and two (Europe and Central Asia and Middle East and North Africa) showing some deterioration. The Africa region continued to account for a disproportionately large share of problem projects.
- At the country level, a larger number of portfolios improved (thirty-six) than deteriorated (thirty). Forty country portfolios were basically unchanged.
- Two thirds of the total number of problem projects in fiscal 1992 were in twenty-four country portfolios; over 35 percent of the total number of problem projects was concentrated in only eight country portfolios. Country conditions in a handful of borrowers (including Haiti, Peru, Somalia, and Zaire) contributed to the high incidence of problem projects in the Bank's portfolio in fiscal 1992.

country portfolio faces common implementation problems. Although restructuring is a lengthy process (because it serves to bridge differences of views among central ministries, relevant local authorities or implementing agencies, and the Bank and its cofinancers), in-country debate is essential for achieving consensus and often is instrumental in resolving long-standing differences of views that may have interfered with project implementation and portfolio performance.

Ways to improve the quality of projects entering the portfolio, chief among which are the maintenance and broadening of country commitment to project "ownership" and securing broad-based participation in project preparation, are also suggested in the action program.

The action plan calls for enhancing the role of the OED as an instrument of independent accountability and for giving greater emphasis to *ex post* evaluation. Specifically, the OED will.

- build up its program of impact evaluations. These evaluations take a "second look" at a project five to ten years after the completion of loan disbursements. They examine how well the benefits from the project are being sustained and analyze the project's direct and indirect economic and social effects, as well as environmental and institutional outcomes. They provide a much more conclusive account of the Bank's development effectiveness than is possible at project completion, when the facilities financed are just entering their operational phase.

- focus on country portfolios in selecting the operations to be evaluated and in planning evaluation-studies programs; and
- diversify the scope of its evaluation studies. These will include studies of the Bank's assistance to particular countries; reviews of sector policy and lending timed to feed into the development of new Bank policies; evaluations of the Bank's operational policies and processes; and quick studies of topical issues.

The portfolio management task force had recommended that recruitment be directed to areas of skills that are in shortage at the Bank and that the Bank's system of rewards and incentives be revised to take into account the importance of portfolio-management work. Headway has already been made in each of these areas. Skill gaps have been identified (mainly in the areas of procurement, private-sector development, environment, the financial sector, the social sciences, population and human resources, and public-sector management), and the Bank's needs are being reflected in the recruitment program for fiscal 1994.

A new performance-management process, using a combination of reports on performance results, competencies, and development initiatives was introduced during the past year for the performance evaluation of managers. A similar process is being designed for operational staff and is scheduled to be implemented in fiscal 1994. The attention of managers will henceforth be focused on staff performance in ensuring effective project implementation, monitoring, and assistance; promoting client/beneficiary participation and commitment; and ensuring conditions for long-term project development impact and sustainability. New promotion criteria, which give added weight to portfolio-management work, will also go into effect in fiscal 1994.

Section Four
World Bank Finances

IBRD Financial Highlights

In the fiscal year ending June 30, 1993, the IBRD achieved strong financial performance, highlights of which are:

- disbursements to countries of $12.9 billion;
- borrowing the equivalent of $12.7 billion in twelve currencies, five after swaps;
- average medium-to-long-term borrowing costs, after swaps, of 5.97 percent;
- financial returns on the investment portfolio of 6.09 percent; and
- net income of $1,130 million, well within the range that satisfies the IBRD's financial objectives.

Allocations of net income earned during fiscal 1992 included:

- an allocation to the general reserve of $250 million, an amount that would keep the IBRD's reserves-to-loans ratio during fiscal 1993 at 11 percent, at the minimum, excluding amounts set aside for prefunding of interest waivers;
- an allocation of $1,095 million to surplus, including $375 million to be transferred to IDA on the date of effectiveness of the tenth replenishment of the association's resources; and
- an immediate transfer of $300 million to IDA.

Financial Policies

Single-currency loans. In February 1993, the IBRD announced the establishment of a two-year pilot program to offer eligible borrowers a choice of currencies on their loans as an alternative to the existing standard loan product, the targeted currency-pool loan. The new loan program will offer United States dollars, yen, deutsche mark, French francs, and pounds sterling, or a combination of these currencies. Its interest rate will be tied to six-month LIBOR in each loan currency (PIBOR in the case of French francs). The IBRD's targeted currency-pool loan is a multicurrency obligation; at least 90 percent of the pool is maintained in the ratio of 1 United States dollar to 125 yen to 2 deutsche mark equivalent. The interest rate for the standard loan product is calculated each semester based on the IBRD's cost of outstanding borrowings funding these loans, which are mostly medium-term to long-term issues carrying fixed-interest rates.

The purpose of offering a choice of loan terms is to facilitate improved borrower risk management by providing eligible borrowers more flexibility to select terms that meet their business needs. During the pilot phase, single-currency loans will be offered only to borrowers that:

- have a need for a single-currency loan to match revenues earned in United States dollars, yen, deutsche mark, French francs, and/or pounds sterling;
- are managed autonomously of their government and are expected by their government to service IBRD debt from their own revenues; and
- manage the risks associated with the foreign-currency composition of their assets and liabilities.

Provisioning. The level of loan-loss provision is based on an assessment of the collectibility of loans in nonaccrual status, together with an evaluation of collectibility risks in the remainder of the portfolio. In late May 1993, loan-loss provisions were increased from 2.5 percent to 3 percent of total loans disbursed and outstanding plus the present value of guarantees, for an amount equivalent to $3,150 million. This amount is $610 million higher than in the previous fiscal year when provisioning amounted to $2,540 million. The principal basis for this increase was a deterioration in the outlook for the collectibility of loans that have been assumed by those successor states of the former Socialist Federal Republic of Yugoslavia (Yugoslavia) that are in nonaccrual status. The IBRD has never incurred an actual loss on loans or guarantees to any of its borrowing member countries.

Reserves ratio target. The IBRD also agreed upon a plan to maintain its income-earning capacity by increasing its target for the ratio of reserves to loans to a range of 13 percent to 14 percent, to be achieved during fiscal years 1994 to 1995, subject to the customary annual re-

Box 4-1. Modifications in the IBRD's Negative-pledge Policy

The negative-pledge clause is a standard feature of all IBRD loan agreements. Its basic purpose is to protect the Bank by prohibiting, among other things, member-country borrowers from establishing liens on public assets that would create a preference for other creditors on foreign-exchange loans over the debt owed to the Bank. In a number of Bank member countries that have started the transition to a market orientation, the most important assets are still publicly owned. Until privatization of existing assets progresses and is supplemented by new private investment, the predominant assets in these countries would fall under the purview of the IBRD's negative pledge clause. In view of the circumstances of these transition economies, this would make it difficult, if not impossible, for public-sector enterprises to enter into much needed financial relationships with private creditors without either requesting a waiver of the negative-pledge clause or granting equal and ratable security to the IBRD. Yet such private lending is expected to be an important source of financial support for the transition process and crucial, in some cases, to developing early improvements in productivity, output, and capacity to earn foreign exchange.

In response to the needs of these members, the Bank's executive board approved in March 1993 a general policy under which countries in transition could be granted a temporary waiver of the negative-pledge clause under certain conditions. The objective is to facilitate the flow of private capital to boost the export earnings of transitioning economies. As such, the modification will tend to strengthen the long-term creditworthiness of these economies. In order to achieve the twin objectives of assisting its members while protecting the financial interest of the IBRD, the policy is subject to a number of important safeguards related to the eligibility of members, borrowers and lenders alike.

To be eligible, members would have at least 75 percent of income-producing assets in the public sector. In addition, they must have in place an adequate macroeconomic policy framework and a program of structural change. In response to a request from a member, the executive board could grant a country-specific waiver for an initial period of three years, subject to extension (after a review by the board) for a further two years. It would apply to liens securing external debt (with a maturity of at least five years) used to finance specific investment projects.

The borrower must be a special-purpose entity, its assets and liabilities being limited to the project for which the loan secured by lien is made.

Lenders for such special-purpose entities are subject to certain eligibility criteria, including as to their nonpublic character and whether alternative recourse arrangements are available. Under certain circumstances, lending from official agencies would be permitted under the waiver.

view. When combined with accumulated surplus funds awaiting future disposition, reserves plus surplus represented 12.8 percent of loans at the end of fiscal 1993. The planned increase in the reserves ratio would result in additional income-generating capacity to offset the gradual decline in net income from older fixed-rate loans that will be amortized over the next few years. The IBRD decided to do so at this time because it has an opportunity to build reserves while continuing its practice of waiving some loan charges and transferring some net income to IDA or to other similar uses. By protecting its earning capacity, the IBRD will be better able to sustain such loan-charge waivers and income transfers into the future.

Negative-pledge policy. The IBRD modified its negative-pledge policy with respect to lending for investment projects during the year (see Box 4-1).

Loans

Disbursements. Gross disbursements by the IBRD to countries during fiscal 1993 were $12,942 million, up $1,276 million from fiscal 1992's total of $11,666 million. Net disbursements were $2,425 million, an increase of $607 million over the previous year's total of $1,818 million.

Lending rate. Under the IBRD's current semiannual variable lending-rate system, the interest rate was 7.60 percent for the first semester and 7.43 percent for the second semester of fiscal 1993. By comparison, the other variable-lending rate—applicable to loans for which invitations to negotiate were sent before May 18, 1989, and not converted by borrowers to the new system—was 7.58 percent and 7.40 percent, respectively, for the first and second semesters of fiscal 1993. The difference between the rates is due to differences in allocations of borrowings to lending and/or to investments and to the weights applied to currency-specific costs. The single-currency lending rates applicable in the second semester of 1993 (based on the IBRD's cost of six-month LIBOR-based funding in each loan currency (PIBOR in the case of French francs)) were 3.72 percent in United States dollars, 3.86 percent in yen, 8.35 percent in deutsche mark, 10.99 percent in French francs, and 7.20 percent in pounds sterling.

Interest waivers. During fiscal 1993, the IBRD waived thirty-five basis points of the semester interest rate on loans, provided that the borrowers had made all loan-service payments within thirty days of their due date. This waiver was in addition to the continuation during the year of the reduction of the IBRD's commitment fee on undisbursed balances from seventy-five to twenty-five basis points.

This policy of encouraging timely payments by IBRD borrowers continues to be highly successful. Because of the improvement in the timeliness of payments, approximately 80 percent of the IBRD's total volume of outstanding loans is currently eligible for the interest-spread waiver.

Loans in nonaccrual status. At the end of fiscal 1993, four member countries (Congo, Iraq, Liberia, and Syria), as well as three successor republics of the former Socialist Federal Republic of Yugoslavia (the Federal Republic of Yugoslavia (Serbia and Montenegro), Bosnia-Herzegovina, and the Former Yugoslav Republic of Macedonia) were in nonaccrual status. The other two Yugoslav successor states, the Republics of Croatia and Slovenia, are current in their debt-service obligations to the IBRD. The three Yugoslav successor states in nonaccrual status were the only new entrants during the fiscal year. Among the four holdovers from fiscal 1992, Syria has been making periodic debt-service payments to the IBRD.

Guatemala and Peru came out of nonaccrual status during the fiscal year. Early in November 1992, Guatemala made a payment reducing arrears from $63 million to $49.5 million, and cleared the remainder of the arrears on November 23. Peru, which had been in nonaccrual status since August 1987, cleared all arrears on March 18, 1993 with a payment of $867 million.

Liquid-assets Management

At the end of fiscal 1993, the IBRD's liquidity totaled $18.5 billion, equivalent to about 45 percent of anticipated net cash requirements over the next three fiscal years. At the end of fiscal 1992, liquidity amounted to $20.86 billion. The IBRD's primary objective in holding such liquidity is to ensure flexibility in its borrowing decisions should borrowing be adversely affected by temporary conditions in the capital markets.

The IBRD's liquid assets are invested exclusively in fixed-income markets and are actively traded in various capital and money markets. The attendant portfolio-management activities are fully supported by comprehensive risk-management and monitoring procedures covering both credit risk and interest-rate risk. Trading performance is continuously measured against detailed benchmark portfolios.

Enhancements were made in the management of the IBRD's liquid assets in the following areas: further exploitation of multiple trading approaches; continued integration of the computer systems across trading, accounting, and control functions; and continued improvements in the performance-measurement system and in various risk-monitoring systems.

During fiscal 1993, the IBRD's financial return on its portfolio was 6.09 percent. The financial return on investments in fiscal year 1992 was 8.07 percent. The change reflects lower levels of short-term interest rates.

Borrowings and Liability Management

The objectives of the IBRD's borrowing and liability-management strategy are to ensure the long-term availability of funds to the IBRD for lending and liquidity and to minimize the costs of funds for the IBRD and its borrowers.

The IBRD seeks to ensure the availability of funds by developing borrowing capacity in markets in advance of need and by diversifying its borrowings by currency, country, source, and maturity to provide maximum flexibility in funding. It also seeks to strengthen the continuing appeal of its securities by offering features that are tailored to satisfy investors' asset preferences and by positioning its securities advantageously in each capital market (for example, from a regulatory-tax and investment-classification perspective). Another objective of the IBRD is to diversify the markets for its securities by offering them to private and governmental buyers in as many markets as offer terms acceptable to the IBRD.

Within the framework of the currency composition of borrowings required by cash and currency-management policy, the IBRD seeks to minimize the cost of borrowed funds through, among other things, the use of currency swaps to obtain cost savings compared with the cost of direct borrowings in target currencies; the use of short-term and variable-rate instruments; and prepayment, market repurchases, and refinancing of higher-cost borrowings where significant savings can be realized.

Medium-term and long-term (MLT) funding. During fiscal year 1993, the IBRD raised $12.7 billion through MLT borrowings in twelve currencies and currency units, including $11.2 billion of fixed-rate borrowings and $1.5 billion of variable-rate borrowings. After $3.6 billion of currency swaps and a notional par volume of $3.8 billion of interest-rate swaps, all of the year's borrowings were fixed-rate liabilities

Table 4-1. **IBRD Borrowings, Fiscal Year 1993**
(amounts in millions)

Type	Issue	Currency of issue		US-dollar equivalent[a]
Medium- and long-term public offerings				
Eurobond market	8.25% ten-year bonds, due 2003	Can$	250	196.0
	7.25% five-year bonds, due 1998	Can$	250	198.4
	6.75% five-year bonds, due 1998	Can$	250	197.5
	Five-year floating-rate notes, due 1997	Can$	100	80.8
	8.125% seven-year bonds, due 1997	F	1,500	279.3
	7.25% six-year bonds, due 1998	£	350	532.1
	10.75% ten-year bonds, due 2003	Lit	200,000	125.9
	10.80% ten-year bonds, due 2003	Lit	300,000	200.4
	7.625% five-year bonds, due 1997	f.	750	454.5
	6.75% ten-year bonds, due 2003	f.	750	424.1
	Five-year floating-rate notes, due 1998	US$	100	100.0
	Ten-year floating-rate notes, due 2002	US$	400	400.0
Germany	Ten-year floating-rate notes, due 2003	DM	200	128.9
	Ten-year reverse floating-rate notes, due 2003	DM	250	157.6
	9% seven-year bonds, due 2000 (Series B)	DM	92	58.0
	8.50% eight-year bonds, due 2001 (Series B)	DM	59	36.2
Spain	12.45% five-year bonds, due 1998	Ptas	10,000	88.0
	10.35% five-year bonds, due 1998	Ptas	10,000	81.1
Switzerland	6.25% seven-year notes, due 1999	Sw F	500	391.7
United States	Five-year floating-rate notes, due 1997	US$	100	100.0
	Five-year floating-rate notes, due 1997	US$	28	28.0
	Five-year floating-rate notes, due 1997	US$	50	50.0
Global	4.5% five-year bonds, due 1997	¥	225,000	1,855.0
	4.5% ten-year bonds, due 2003	¥	200,000	1,664.1
	5.875% five-year bonds, due 1997	US$	1,500	1,491.4
	7,625% thirty-year bonds, due 2023	US$	1,250	1,243.6
Total medium- and long-term public offerings				10,562.6
Medium- and long-term placements with central banks and governments				
Germany	8.48% five-year note, due 1997	DM	250	168.5
	6.86% five-year note, due 1998	DM	250	158.4
International[b]	4.125% two-year notes, due 1995	Sw F	122	80.2
	6.625% two-year notes, due 1994	Sw F	190	146.3
	4.19% two-year bonds, due 1994	US$	150	150.0
	4.89% two-year bonds, due 1994	US$	132	131.5
	3.89% two-year bonds, due 1995	US$	96	96.3
	4.25% two-year bonds, due 1995	US$	76	76.4
Total medium- and long-term other placements with central banks and governments				1,007.6
Medium- and long-term other placements				
Europe	Seven-year floating-rate notes, due 1999	£	25	47.4
	11.95% ten-year notes, due 2002	Lit	50,000	44.5
	12.125% five-year notes, due 1997	Lit	30,000	26.7
	11% ten-year notes, due 2002	Lit	50,000	44.1
	7.625% nine and one half year notes, due 2002	Ir£	40	57.4
	Five-year floating-rate notes, due 1997	US$	10	10.0
	Five-year floating-rate notes, due 1997	US$	30	30.0
	Five-year floating-rate notes, due 1997	US$	20	20.0
	Five-year floating-rate notes, due 1997	US$	75	75.0
	Ten-year floating-rate notes, due 2002	US$	25	25.0
	Ten-year floating-rate notes, due 2002	US$	100	100.0
	Ten-year floating-rate notes, due 2002	US$	50	49.8
	Five-year floating-rate notes, due 1997	ECU	15	20.6
	Seven-year floating-rate notes, due 1999	ECU	50	69.0
Japan	5.65% eighteen-year loan, due 2010	¥	30,000	243.1
	5.43% twelve-year loan, due 2005	¥	10,000	79.8
Switzerland	6.75% ten-year notes, due 2002	Sw F	200	153.3
United States	Three-year floating-rate notes, due 1996	US$	10	10.0
Total medium- and long-term other placements				1,105.7
Total medium- and long-term borrowings, fiscal 1993				12,675.9

Type	Issue	Currency of issue		US-dollar equivalent[a]
Short-term borrowings outstanding[c]				
Central-bank facility (U.S. dollars)		US$	2,483	2,483.0
COPS (Swiss francs)[d]		Sw F	—	—
Discount notes (U.S. dollars)		US$	1,306	1,305.7
Short-term borrowings outstanding as of June 30, 1993				3,788.7

a. Medium- and long-term amounts based on gross proceeds, expressed at exchange rates prevailing at the time of launch.

b. These issues were placed with central banks, government agencies, and international organizations.

c. Maturing within one year.

d. Continuously offered payment rights in Swiss francs.

Table 4-2. **IBRD Borrowings, after Swaps, Fiscal Year 1993**
(amounts in US$ millions equivalent)

Item	Before swaps			Currency swaps (amount)	After swaps			
	Amount	%	Maturity (years)		Amount	%	Maturity (years)	Cost (%)
Medium- and long-term borrowings								
U.S. dollars	4,187.0	33	12.8	(847.6)	3,339.4	26	13.9	6.44
Japanese yen	3,842.0	30	8.1	0.0	3,842.0	30	8.1	4.68
Deutsche mark	707.6	6	7.3	3,577.4	4,285.0	34	7.2	6.65
Swiss francs	771.5	6	6.1	0.0	771.5	6	6.1	6.18
Others[a]	3,167.8	25	7.1	(2,729.8)	438.0	3	10.0	6.71
Total	12,675.9	100	9.3		12,675.9	100	9.3	5.97
Short-term borrowings outstanding								
Central-bank facility (U.S. dollars)	2,483.0	66	0.5					3.59
COPS (Swiss francs)[b]	—							—
Discount notes (U.S. dollars)	1,305.7	34	0.3					3.57
Total as of June 30, 1993[c]	3,788.7	100	0.4					3.58

NOTE: Details may not add to totals because of rounding.

a. Represents borrowings in Canadian dollars, European currency units, French francs, Irish pounds, Italian lire, Netherlands guilders, pounds sterling, and Spanish pesetas.

b. Continuously offered payments rights in Swiss francs. No outstanding amounts as of end of fiscal 1993.

c. Short-term borrowings outstanding on June 30, 1992, totaled $5,373.6 million.

denominated in United States dollars, yen, deutsche mark, Swiss francs, and Dutch guilders. The average maturity of this funding was 9.3 years, and the after-swap cost was 5.97 percent (see Tables 4-1 and 4-2).

Noteworthy among the transactions in the IBRD's core currencies during the past year were two United States-dollar global-bond issues, for a total of $2.6 billion, including a $1.25 billion thirty-year issue launched in January 1993, and two Japanese yen global-bond offerings, totaling $3.5 billion. The IBRD also raised $0.7 billion through structured financing transactions in United States dollars and deutsche mark. In turn, the principal vehicle currencies used for swaps into deutsche mark were Canadian dollars, pounds sterling, and Italian lire, in which $0.7 billion, $0.6 billion, and $0.4 billion were raised, respectively. The IBRD also raised $0.1 billion through its first-ever Irish pound-denominated borrowing. The structured financings and currency-swap program achieved substantial cost savings compared with the cost of conventional fixed-rate or floating-rate financings of similar maturities in the IBRD's core currencies.

During fiscal year 1993, the IBRD called an aggregate volume of $2.3 billion of borrowings for prepayment, comprising $1.9 billion of yen borrowings, $0.2 billion of deutsche mark borrowings, and $0.2 billion of United States-dollar and Belgian franc borrowings. In addi-

tion, it redeemed $0.3 billion of United States-dollar and yen borrowings through market repurchases.

At the end of the fiscal year, MLT funding outstanding amounted to $93.7 billion, or 96 percent of total outstanding debt. As of June 30, 1993, the average maturity of total MLT debt was 6.4 years, and its average cost, after swaps, was 6.90 percent.

Short-term funding. As of June 30, 1993, short-term borrowings outstanding were $3.8 billion equivalent, a reduction of $1.6 billion equivalent compared with the level of June 30, 1992. Short-term borrowings outstanding at June 30, 1993 comprised $2.5 billion from official sources through the IBRD's central-bank facility and $1.3 billion from market borrowings in United States dollars. The cost of these borrowings was 3.58 percent, compared with 3.75 percent at the end of fiscal 1992.

On June 30, 1993, short-term and variable-rate funding aggregated $3.8 billion equivalent, representing about 4 percent of total outstanding debt.

Capital. On June 30, 1993, the total subscribed capital of the IBRD was $165.6 billion, or 90 percent of authorized capital of $184.05 billion. During fiscal 1993, subscriptions to the $74.8 billion general capital increase (GCI), approved in April 1988, continued smoothly. Thirty-three countries subscribed an aggregate $11.5 billion. A total of 518,981 GCI shares ($63 billion, or 78 percent of total allocations, including additional GCI shares allocated to new members that joined the IBRD after April 1988) have now been subscribed by seventy-seven members; 150,300 shares ($18.1 billion) remain to be subscribed. At the end of fiscal 1993, the permissible increase of net disbursements ("headroom") was $79 billion, or 43 percent of the IBRD's lending limit.

Reserves. On June 30, 1993, reserves amounted to $12.0 billion, and the reserves-to-loan ratio stood at 11.4 percent (excluding prefunding of interest waivers).

IDA Finances

In September 1992, the executive directors discussed a report on IDA's policies, operations, and finances in the second year (fiscal 1992) of the ninth replenishment of IDA (IDA-9). The report focused on IDA's deepening efforts in the priority areas of poverty reduction, sound economic management, and the environment. The key instruments for making progress in these often interrelated areas included IDA country strategies, analytical work, policy dialogue, and lending programs. The report also covered the aggregate sources and uses of IDA funding for fiscal year 1992. The pattern of allocations to regions, countries, and sectors was described, as were the levels of donor and nondonor resources available for commitment. The directors took note of the progress made during the year on the key IDA-9 objectives.

During fiscal 1993, 123 IDA credits were approved in the amount of SDR4.8 billion.

IDA's commitment authority. The commitment period for IDA-9 closed at the end of June 1993. As of June 30, 1993, donor contributions to IDA-9 totaled SDR11,121 million. The commitment authority from reflows approved by the executive directors for the fiscal 1991–93 period and other resources amounted to SDR3,304 million. Therefore, total available IDA resources for the IDA-9 period totaled SDR14,425 million. Against these resources, the association made IDA-9 credit commitments of SDR13,728 million. Thus, at the end of fiscal 1993, there remained an uncommitted balance of about SDR700 million. The balance arose as a result of (a) unpredictable increases in commitment authority in the latter part of fiscal 1993 (namely, the waiver by most donors of their "pro-rata rights" in regard to their IDA-9 contributions and an exchange gain in the value of IDA-9 donor contributions) and (b) slippages of a few lending operations that did not materialize as anticipated and are now expected in the first half of fiscal 1994, including delays in expected operations to new and reactivating borrowers.

IDA's commitment fee. IDA's commitment fee was set at 0 percent from fiscal 1989 through fiscal 1993. For each fiscal year, the level of the commitment fee is set by the executive directors based on an annual review of IDA's financial position. The commitment fee for fiscal 1994 was set at 0 percent for all IDA credits, including Special Fund credits approved in fiscal 1983 and fiscal 1984.

Cofinancing

As in past years, the vice presidency for Cofinancing and Financial Advisory Services (CFS) continued to act as a catalyst of financial flows to developing countries and to provide various forms of cofinancing-related support to the Bank's operational departments and recipient countries. The volume of cofinancing anticipated in support of World Bank-assisted operations in fiscal 1993 was $11.2 billion, a decline from $13.2 billion in fiscal 1992 (see Table 4-3). The decline was caused by reductions in official and export-credit cofinancing. Two reasons in particular contributed to the reduction in cofinancing: Economic slowdown in donor countries led to reductions in the aid

Table 4-3. **World Bank Cofinancing Operations, by Region, Fiscal Years 1992–93**
(amounts in millions of US dollars)

Region and year	Projects cofinanced		Source of cofinancing[a]						World Bank contribution		Total project costs
			Official[b]		Export credit		Private				
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	IBRD	IDA	
Africa											
1992	48	4,883.8	48	2,974.4	1	1,174.2	1	735.2	548.0	2,445.5	9,283.3
1993	40	1,167.9	40	1,154.4	1	10.0	2	3.5	27.0	1,559.9	3,224.6
East Asia and Pacific											
1992	17	3,337.8	17	1,208.3	4	1,956.2	2	173.3	2,173.5	147.0	11,364.6
1993	13	1,052.8	11	523.6	2	156.5	2	372.7	880.4	165.9	3,330.9
South Asia											
1992	12	637.0	11	281.8	2	206.7	1	148.5	1,045.0	903.3	4,065.2
1993	11	2,105.2	11	1,716.2	2	289.0	1	100.0	1,145.0	949.0	8,098.4
Europe and Central Asia											
1992	8	407.5	8	407.5	—	—	—	—	1,272.0	41.1	2,352.5
1993	18	1,426.7	18	1,426.7	—	—	—	—	2,041.0	100.4	4,344.9
Latin America and the Caribbean											
1992	21	2,654.5	21	2,654.5	—	—	—	—	2,063.3	323.6	6,431.6
1993	26	3,557.3	26	1,860.4	1	699.8	2	997.1	2,709.8	248.5	10,382.6
Middle East and North Africa											
1992	10	1,272.6	10	1,272.6	—	—	—	—	940.0	158.0	3,424.7
1993	10	1,919.9	8	1,077.4	1	47.8	3	794.7	1,239.0	—	6,132.0
Total											
1992	116	13,193.1	115	8,799.0	7	3,337.1	4	1,057.0	8,041.8	4,018.5	36,921.8
1993	118	11,229.7	114	7,758.6	7	1,203.1	10	2,268.0	8,042.2	3,023.7	35,513.3

— Zero.

NOTE: The number of operations shown under different sources add up to a figure exceeding the total number of cofinanced projects because a number of projects were cofinanced from more than one source. Details may not add to totals because of rounding.

a. These statistics are compiled from the financing plans presented at the time of approval of the World Bank loans and credits by its board of executive directors. The amounts of official cofinancing are, in most cases, firm commitments by that stage; export credits and private cofinancing amounts, however, are generally only estimates since such cofinancing is actually arranged as required for project implementation and gets firmed up a year or two after board approval. The statistics of private cofinancing in these tables for any fiscal year do not necessarily reflect market placements in that year.

b. These figures include cofinancing with untied loans from the Export-Import Bank of Japan.

budgets of several donors; furthermore, the Bank's fiscal 1993 portfolio of approved projects did not contain large infrastructure projects that so influenced the fiscal 1992 cofinancing total. Nonetheless, the decline in cofinancing is viewed with concern, and a task force has been established to review the Bank's experience with cofinancing over the past decade and to examine current policies and objectives.

In fiscal 1993, about 48 percent of all Bank-assisted projects and programs were cofinanced. Sectors expected to receive the most support in terms of cofinancing amounts were urban development, nonproject, energy, and transportation. Sectors showing a large increase of support (compared with fiscal 1992) were energy, population, transportation, and urban development. Investment loans received the largest share of anticipated cofinancing support, followed by emergency reconstruction loans, sector-adjustment loans, and structural-adjustment loans.

The largest source of cofinancing anticipated in fiscal 1993 continued to be official bilateral and multilateral development institutions which, together, accounted for $7,759 million, or 69 percent of the total. Official cofinancing from Japan, mainly through the Overseas Economic Cooperation Fund and the Export-Import Bank of Japan, continued to account for the largest percentage of support to Bank-assisted operations, with an aggregate amount of $1,821 million equivalent for twenty-eight

projects, or 42 percent of total bilateral cofinancing. Other large bilateral cofinancing anticipated included Italy ($213 million equivalent), Germany ($166 million equivalent), the Netherlands ($127 million equivalent), the United States ($113 million equivalent), and France ($98 million equivalent). Cofinancing expected from multilateral financial institutions totaled $3,396 million. Cofinancing with the Inter-American Development Bank ($804 million) continued to be the largest in this category, accounting for 24 percent of the total. Other notable cofinancing support came from the European Investment Bank, the European Bank for Reconstruction and Development, the European Development Fund, and the Asian Development Bank.

The volume of private cofinancing increased by 115 percent from $1,057 million in fiscal 1992 to $2,268 million in fiscal 1993, reflecting improved access of borrowing member countries to global capital markets. However, the volume of export-credit cofinancing planned for projects approved during the year decreased substantially, from $3,337 million in fiscal 1992 to $1,203 million. Much of this difference can be attributed to three unusually large infrastructure projects approved in fiscal 1992 that attracted $2,992 million in planned cofinancing. In addition, Bank lending for projects in the energy sector—a sector that traditionally attracts more than its share of cofinancing—amounted in fiscal 1993 to only 89 percent of the level of lending in the previous year. Thus, the drop in export-credit cofinancing may be attributed to sectoral variations in the Bank's overall lending operations, since export credits are largely associated with projects that require major imports of capital goods.

In fiscal 1993, the export-credit enhanced leverage (EXCEL) program, designed to mobilize export-credit cofinancing to medium-sized enterprises in selected developing countries, was implemented in the Philippines. Under this project, $75 million of support from five export-credit agencies was mobilized in parallel with a Bank loan of $175 million. Other EXCEL possibilities are currently under consideration.

Other major cofinancing activities continued in fiscal 1993 included those under the special program of assistance (SPA) for sub-Saharan Africa. Under the second phase of the SPA, covering the period 1991–93, donors pledged $7 billion of cofinancing and coordinated financing for quick-disbursing balance-of-payments assistance in support of adjustment programs in twenty-seven eligible countries in sub-Saharan Africa. As of December 31, 1992, SPA donors had allocated some $5.3 billion, or nearly 80 percent of the pledged amount and had disbursed some 50 percent, or more than $2.5 billion, of these allocations in the eligible countries. In addition to mobilizing resources, a key objective of the SPA is to improve the quality of donors' adjustment assistance; under the SPA, many donors have untied their assistance and are supporting market-oriented foreign-exchange allocation systems in the recipient countries.

The focus of project-financing in CFS activities continued to be on large infrastructure projects, such as power and road projects, where large amounts of financing are required. In structuring these projects, emphasis is placed on mobilizing maximum amounts of private capital. However, the need for long-maturity capital has led to an increased demand for credit enhancement to mobilize private commercial debt. An important vehicle for such operations is the expanded cofinancing operation (ECO) program, which provides partial Bank guarantees to support borrowers in gaining access to syndicated bank loans and international capital markets. During the past year, interest has grown on the part of commercial markets and member countries in the ECO program as a means of catalyzing private financing in a broad range of developmental projects. ECO operations are under consideration in several countries, including China, Colombia, India, Pakistan, and the Philippines. An ECO for the 1,292-mW Hub Power Project in Pakistan is the most advanced; it is expected to be completed during fiscal 1994. CFS is also assisting in mobilizing private cofinancing not involving the use of the ECO program, such as in the case of the Rockfort Power Project in Jamaica. The project involves a privately owned, 60-mW diesel power station, which has attracted medium-term commercial cofinancing through the use of IBRD funds and cofinancing from the Inter-American Development Bank.

CFS also provides advisory services to member countries on debt and debt-service reduction (DDSR). During fiscal 1993, DDSR operations were completed for Bolivia, Guyana, and Uganda under the Bank's Debt-reduction Facility for IDA-only Countries. To date, a total of $623 million of principal in external commercial debt in IDA countries has been extinguished through the facility at a cost of $45 million in IBRD resources. Bilateral donors, including Canada, France, Germany, the Netherlands, Switzerland, Sweden, and the United States, as well as the European Community, have contributed an additional $48 million to these operations. Facility oper-

Table 4-4. **IBRD and IDA Foreign and Local Disbursements, by Source of Supply**
(amounts in millions of US dollars)

	IBRD and IDA						
	Foreign[a]		Local		Net advance disbursements[b]		Total
Period	Amount	%	Amount	%	Amount	%	amount
Cumulative to June 30, 1988	76,752	58	52,309	39	3,525	3	132,586
Fiscal 1989	8,939	59	5,891	39	236	2	15,066
Fiscal 1990	8,883	57	6,099	39	648	4	15,629
Fiscal 1991	8,878	57	6,605	42	184	1	15,667
Fiscal 1992	9,038	55	6,807	42	537	3	16,381
Fiscal 1993	9,946	57	7,753	45	−326	−2	17,374
Cumulative to June 30, 1993	122,437	58	85,464	40	4,802	2	212,704

NOTE: Details may not add to totals because of rounding.

a. Amounts exclude debt reduction disbursements of $2,160 million in FY90, $313 million in FY91, $50 million in FY92, and $515 million in FY93 for IBRD and $8 million in FY91, $10 million in FY92, and $21 million in FY93 for IDA.

b. Net advance disbursements are advances made to special accounts net of amounts recovered (amounts for which the Bank has applied evidence of expenditures to recovery of the outstanding advance).

Table 4-5. **IBRD and IDA Foreign Disbursements, by Source of Supply**
(amounts in millions of US dollars)

	IBRD					IDA				
	OECD		Non-OECD		Total	OECD		Non-OECD		Total
Period	Amount	%	Amount	%	Amount	Amount	%	Amount	%	Amount
Cumulative to June 30, 1988	50,285	87	7,384	13	57,669	15,693	82	3,390	18	19,082
Fiscal 1989	5,182	78	1,470	22	6,652	1,734	76	553	24	2,287
Fiscal 1990	5,290	79	1,388	21	6,678	1,491	68	714	32	2,205
Fiscal 1991	4,953	80	1,231	20	6,184	1,802	67	891	33	2,694
Fiscal 1992	5,067	76	1,634	24	6,701	1,515	65	822	35	2,337
Fiscal 1993	5,051	71	2,035	29	7,086	1,784	62	1,076	38	2,860
Cumulative to June 30, 1993	75,829	83	15,143	17	90,973	24,018	76	7,447	24	31,465

NOTE: Disbursements for debt reduction, and net advance disbursements are excluded for IBRD and IDA. Details may not add to totals because of rounding. OECD amounts are based on current OECD membership.

ations are currently under preparation for Albania, Nicaragua, São Tomé and Principe, Sierra Leone, Tanzania, and Zambia. CFS also provided advisory services on DDSR deals for Argentina, Brazil, Bulgaria, Ecuador, Panama, Peru, and Poland, among others, in fiscal 1993.

CFS significantly strengthened its privatization and private-sector development activities during the year. The primary focus continued to be on providing technical services in the design and supervision of Bank operations in these two areas. Overall, eleven years of staff and consultant support for forty-five projects was provided to the six regions, with a major increase going to the Europe and Central Asia region. In-depth direct technical assistance was also provided to a number of privatization programs, including those in Argentina, Kazakhstan, Russia, and Ukraine. This assistance was highly leveraged by funds mobilized from bilateral donors. Efforts were also begun to provide common information services on privatization to the Bank and client countries: "Best practice" and comparative studies on the privatization experience were undertaken, and new instruments and approaches to mobilize private finance for privatization and enterprise development were designed. Among the efforts to disseminate privatization experience were a review of privatization of Japan's railway and telecommunications sectors, an overview of Tunisia's privatization program, an assessment of Eastern Europe's experience with small-scale privatization and medium and

Table 4-6. **IBRD and IDA Payments to Suppliers in Active Borrowing Countries for Foreign and Local Procurement in Fiscal 1993**
(millions of US dollars)

Borrowing countries	Local procurement	Foreign procurement	Total amount	Percentage of total disbursements[a]
Albania	†	†	†	*
Algeria	47	13	61	0.35
Angola	†	—	†	*
Argentina	455	112	567	3.26
Bahamas, The	4	†	4	*
Bangladesh	147	4	151	0.87
Barbados	†	1	1	*
Belize	1	†	1	*
Benin	11	†	11	0.07
Bhutan	†	—	†	*
Bolivia	36	4	39	0.23
Botswana	10	3	13	0.07
Brazil	452	363	815	4.69
Bulgaria	†	4	4	*
Burkina Faso	32	†	32	0.19
Burundi	13	†	13	0.08
Cameroon	33	2	36	0.21
Cape Verde	1	†	1	*
Central African Republic	9	1	10	0.06
Chad	11	†	11	0.06
Chile	120	55	175	1.01
China	833	256	1,089	6.27
Colombia	192	63	255	1.47
Comoros	1	†	1	*
Congo	†	†	1	*
Costa Rica	5	4	8	*
Côte d'Ivoire	47	27	73	0.42
Croatia	—	7	7	*
Cyprus	12	11	23	0.13
Czechoslovakia[b]	—	10	10	0.06
Czech Republic	—	10	10	0.06
Djibouti	2	5	6	*
Dominica	—	†	†	*
Dominican Republic	9	5	14	0.08
Ecuador	35	9	45	0.26
Egypt	16	6	22	0.12
El Salvador	8	1	10	0.06
Equatorial Guinea	3	—	3	*
Estonia	—	1	1	*
Ethiopia	15	†	15	0.09
Fiji	†	—	†	*
Gabon	3	†	3	*
Gambia, The	4	—	4	*
Ghana	44	†	44	0.26
Guatemala	—	2	2	*
Guinea	17	—	17	0.10
Guinea-Bissau	5	—	5	*
Guyana	2	†	2	*
Haiti	†	3	3	*
Honduras	12	3	15	0.09
Hungary	44	73	117	0.67
India	1,167	113	1,279	7.36
Indonesia	686	40	727	4.18
Iran, Islamic Republic of	20	32	52	0.30
Jamaica	10	†	11	0.06
Jordan	36	10	47	0.27
Kenya	36	15	51	0.29
Korea, Republic of	160	234	394	2.27
Lao People's Democratic Republic	1	—	1	*
Latvia	†	†	†	*
Lesotho	3	†	3	*
Lithuania	1	—	1	*
Madagascar	16	1	17	0.10
Malawi	52	1	53	0.31
Malaysia	129	35	164	0.94

Borrowing countries	Local procurement	Foreign procurement	Total amount	Percentage of total disbursements[a]
Maldives	1	†	1	*
Mali	22	†	22	0.13
Mauritania	7	4	11	0.06
Mauritius	2	1	3	*
Mexico	1,052	80	1,132	6.51
Moldova	—	—	—	*
Mongolia	—	1	1	*
Morocco	243	4	248	1.43
Mozambique	10	†	10	0.06
Myanmar	4	6	10	0.06
Nepal	14	†	14	0.08
Nicaragua	—	1	1	*
Niger	20	†	21	0.12
Nigeria	83	284	367	2.11
Oman	11	†	11	0.06
Pakistan	304	10	315	1.81
Panama	—	25	25	0.14
Papua New Guinea	8	2	10	0.06
Paraguay	2	12	14	0.08
Peru	†	7	7	*
Philippines	340	8	347	2.00
Poland	16	25	41	0.24
Romania	†	13	13	0.08
Russia	—	34	34	0.19
Rwanda	9	†	9	0.05
São Tomé and Principe	1	—	1	*
Senegal	42	8	50	0.29
Sierra Leone	2	†	2	*
Slovak Republic	—	†	†	*
Slovenia	—	8	8	*
Solomon Islands	†	—	†	*
Somalia	—	—	—	*
Sri Lanka	31	2	33	0.19
St. Kitts and Nevis	—	†	†	*
St. Lucia	†	1	1	*
St. Vincent and the Grenadines	†	†	1	*
Sudan	4	†	5	*
Tanzania	18	2	20	0.12
Thailand	116	39	155	0.89
Togo	4	1	4	*
Tonga	†	†	†	*
Trinidad and Tobago	4	3	7	*
Tunisia	75	3	78	0.45
Uganda	38	3	41	0.24
Uruguay	40	27	67	0.39
Vanuatu	1	†	1	*
Venezuela	3	77	80	0.46
Western Samoa	2	—	2	*
Yemen	17	†	17	0.10
Yugoslavia, Socialist Federal Republic of[c]	12	39	50	0.29
Zaire	12	8	20	0.12
Zambia	2	17	19	0.11
Zimbabwe	7	6	14	0.08
Total	7,595	2,300	9,896	56.96

— Zero, † less than $0.5 million, * less than 0.05 percent.

NOTE: *Disbursements for debt reduction and net advance disbursements are excluded for IBRD and IDA. Details may not add to totals because of rounding.*

a. Refers to the share of all IBRD and IDA payments for fiscal 1993 (excluding disbursements for debt reduction), which totaled $17,374 million.

b. Figures represent supply from the former Czechoslovakia prior to January 1, 1993.

c. Figures represent supply from SFR Yugoslavia as follows: Croatia, $2.3 million prior to becoming a member; Slovenia, $29.8 million prior to becoming a member; Bosnia-Herzegovina, $3.0 million; Former Yugoslav Republic of Macedonia, $0.9 million; Federal Republic of Yugoslavia (Serbia and Montenegro), $14.3 million.

Table 4-7. **IBRD and IDA Payments to Supplying Countries for Foreign Procurement**
(amounts in millions of US dollars)

Supplying country	IBRD cumulative to June 30, 1993		IBRD fiscal 1993		IDA cumulative to June 30, 1993		IDA fiscal 1993	
	Amount	%	Amount	%	Amount	%	Amount	%
Afghanistan	2	*	—	*	1	*	—	*
Albania	†	*	†	*	—	*	—	*
Algeria	25	*	10	0.2	9	*	3	0.1
Angola	9	*	—	*	†	*	—	*
Antigua and Barbuda	1	*	†	*	1	*	1	*
Argentina	736	0.8	85	1.2	81	0.3	26	0.9
Australia	931	1.0	65	0.9	342	1.1	39	1.4
Austria	1,133	1.3	139	2.0	188	0.6	12	0.4
Bahamas, The	79	0.1	†	*	7	*	—	*
Bahrain	64	0.1	5	0.1	118	0.4	77	2.7
Bangladesh	13	*	2	*	33	0.1	2	0.1
Barbados	8	*	1	*	4	*	†	*
Belarus	†	*	†	*	—	*	—	*
Belgium	1,390	1.5	71	1.0	859	2.7	62	2.2
Belize	1	*	†	*	6	*	—	*
Benin	3	*	—	*	11	*	†	*
Bhutan	†	*	—	*	1	*	—	*
Bolivia	24	*	3	*	3	*	†	*
Botswana	5	*	2	*	5	*	1	*
Brazil	1,605	1.8	328	4.6	246	0.8	35	1.2
Bulgaria	4	*	3	*	1	*	1	*
Burkina Faso	1	*	†	*	6	*	†	*
Burundi	1	*	—	*	10	*	†	*
Cambodia	1	*	—	*	†	*	—	*
Cameroon	6	*	2	*	18	0.1	1	*
Canada	2,088	2.3	151	2.1	577	1.8	41	1.4
Cape Verde	†	*	—	*	†	*	†	*
Central African Republic	2	*	—	*	2	*	1	*
Chad	1	*	—	*	1	*	†	*
Chile	348	0.4	52	0.7	27	0.1	2	0.1
China	1,115	1.2	186	2.6	733	2.3	125	4.4
Colombia	205	0.2	59	0.8	13	*	4	0.2
Comoros	†	*	†	*	—	*	—	*
Congo	5	*	—	*	7	*	†	*
Costa Rica	25	*	4	*	10	*	—	*
Côte d'Ivoire	35	*	†	*	145	0.5	26	0.9
Croatia	5	*	5	0.1	2	*	2	0.1
Cyprus	24	*	10	0.2	11	*	1	*
Czechoslovakia[a]	25	*	8	0.1	3	*	2	0.1
Czech Republic	9	*	9	0.1	1	*	1	*
Denmark	574	0.6	71	1.0	234	0.7	19	0.7
Djibouti	†	*	—	*	22	0.1	5	0.2
Dominica	3	*	—	*	1	*	†	*
Dominican Republic	10	*	5	0.1	5	*	†	*
Ecuador	114	0.1	9	0.1	1	*	†	*
Egypt	47	0.1	5	0.1	23	0.1	1	*
El Salvador	17	*	1	*	3	*	†	*
Equatorial Guinea	†	*	—	*	1	*	—	*
Estonia	1	*	1	*	—	*	—	*
Ethiopia	1	*	—	*	3	*	†	*

Supplying country	IBRD cumulative to June 30, 1993		IBRD fiscal 1993		IDA cumulative to June 30, 1993		IDA fiscal 1993	
	Amount	%	Amount	%	Amount	%	Amount	%
Fiji	†	*	—	*	1	*	—	*
Finland	363	0.4	50	0.7	101	0.3	11	0.4
France	6,372	7.0	461	6.5	3,144	10.0	282	9.9
Gabon	14	*	—	*	9	*	†	*
Gambia, The	3	*	—	*	†	*	—	*
Germany	10,324	11.4	692	9.8	2,993	9.5	154	5.4
Ghana	9	*	†	*	4	*	†	*
Greece	175	0.2	15	0.2	57	0.2	9	0.3
Grenada	1	*	—	*	4	*	†	*
Guatemala	16	*	2	*	10	*	—	*
Guinea	3	*	—	*	1	*	—	*
Guinea-Bissau	†	*	—	*	2	*	—	*
Guyana	9	*	†	*	—	*	†	*
Haiti	4	*	3	*	4	*	†	*
Honduras	11	*	3	*	2	*	—	*
Hungary	195	0.2	72	1.0	21	0.1	1	*
Iceland	8	*	†	*	1	*	—	*
India	312	0.3	44	0.6	519	1.7	69	2.4
Indonesia	155	0.2	29	0.4	44	0.1	11	0.4
Iran, Islamic Republic of	144	0.2	2	*	176	0.6	31	1.1
Iraq	459	0.5	—	*	30	0.1	†	*
Ireland	120	0.1	29	0.4	64	0.2	9	0.3
Israel	214	0.2	14	0.2	77	0.2	10	0.4
Italy	5,122	5.6	255	3.6	1,400	4.5	131	4.6
Jamaica	16	*	†	*	†	*	†	*
Japan	13,009	14.3	661	9.3	3,660	11.6	185	6.5
Jordan	49	0.1	—	*	125	0.4	10	0.4
Kenya	28	*	†	*	171	0.5	14	0.5
Korea, Republic of	1,053	1.2	210	3.0	549	1.7	24	0.8
Kuwait	223	0.3	5	0.1	163	0.5	8	0.3
Lao People's Dem. Rep.	—	*	—	*	†	*	—	*
Latvia	†	*	†	*	—	*	—	*
Lebanon	69	0.1	5	0.1	21	0.1	†	*
Lesotho	†	*	—	*	†	*	†	*
Liberia	26	*	—	*	19	0.1	†	*
Libya	91	0.1	10	0.1	7	*	7	0.2
Luxembourg	69	0.1	13	0.2	30	0.1	1	0.1
Madagascar	8	*	†	*	1	*	1	*
Malawi	2	*	†	*	10	*	†	*
Malaysia	312	0.3	22	0.3	198	0.6	13	0.5
Maldives	1	*	†	*	†	*	—	*
Mali	†	*	—	*	5	*	†	*
Malta	†	*	†	*	†	*	—	*
Mauritania	8	*	2	*	7	*	2	0.1
Mauritius	1	*	†	*	12	*	†	*
Mexico	487	0.5	78	1.1	92	0.3	2	0.1
Mongolia	†	*	†	*	1	*	1	*
Morocco	159	0.2	4	0.1	47	0.2	1	*

(continued)

***Table 4-7** (continued)*

Supplying country	IBRD cumulative to June 30, 1993		IBRD fiscal 1993		IDA cumulative to June 30, 1993		IDA fiscal 1993	
	Amount	%	Amount	%	Amount	%	Amount	%
Mozambique	4	*	†	*	7	*	†	*
Myanmar	22	*	4	0.1	12	*	2	0.1
Namibia	†	*	†	*	1	*	†	*
Nepal	1	*	†	*	2	*	†	*
Netherlands	1,723	1.9	159	2.3	779	2.5	87	3.0
New Zealand	140	0.2	12	0.2	84	0.3	12	0.4
Nicaragua	9	*	1	*	6	*	†	*
Niger	2	*	†	*	10	*	†	*
Nigeria	317	0.4	210	3.0	218	0.7	74	2.6
Norway	252	0.3	24	0.3	101	0.3	11	0.4
Oman	36	*	—	*	14	*	†	*
Pakistan	97	0.1	3	*	137	0.4	8	0.3
Panama	362	0.4	22	0.3	27	0.1	3	0.1
Papua New Guinea	3	*	2	*	†	*	†	*
Paraguay	112	0.1	11	0.2	3	*	1	*
Peru	116	0.1	5	0.1	14	*	2	0.1
Philippines	67	0.1	4	0.1	70	0.2	4	0.1
Poland	110	0.1	16	0.2	39	0.1	9	0.3
Portugal	47	0.1	5	0.1	183	0.6	24	0.8
Qatar	122	0.1	1	*	9	*	2	0.1
Romania	240	0.3	9	0.1	61	0.2	4	0.1
Russia	30	*	30	0.4	4	*	4	0.1
Rwanda	3	*	—	*	1	*	†	*
São Tomé and Principe	—	*	—	*	†	*	—	*
Saudi Arabia	460	0.5	8	0.1	207	0.7	54	1.9
Senegal	22	*	†	*	59	0.2	8	0.3
Seychelles	—	*	—	*	†	*	—	*
Sierra Leone	4	*	—	*	2	*	†	*
Singapore	836	0.9	69	1.0	557	1.8	113	3.9
Slovak Republic	—	*	—	*	†	*	†	*
Slovenia	8	*	8	0.1	—	*	—	*
Solomon Islands	†	*	—	*	—	*	—	*
Somalia	1	*	—	*	2	*	—	*
South Africa	347	0.4	61	0.9	509	1.6	111	3.9
Spain	1,011	1.1	70	1.0	194	0.6	13	0.5
Sri Lanka	12	*	2	*	16	*	†	*
St. Kitts and Nevis	†	*	—	*	1	*	†	*
St. Lucia	1	*	1	*	3	*	1	*
St. Vincent and the Grenadines	†	*	—	*	4	*	†	*
Sudan	5	*	†	*	10	*	†	*
Suriname	1	*	—	*	2	*	—	*
Swaziland	18	*	1	*	17	0.1	4	0.1
Sweden	1,457	1.6	127	1.8	361	1.2	21	0.8
Switzerland	3,857	4.2	364	5.1	888	2.8	125	4.4
Syrian Arab Republic	23	*	1	*	13	*	6	0.2
Tanzania	6	*	†	*	16	0.1	2	0.1
Thailand	138	0.2	27	0.4	265	0.8	12	0.4
Togo	28	*	†	*	21	0.1	1	*
Tonga	—	*	—	*	†	*	†	*
Trinidad and Tobago	18	*	3	*	4	*	†	*

Supplying country	IBRD cumulative to June 30, 1993		IBRD fiscal 1993		IDA cumulative to June 30, 1993		IDA fiscal 1993	
	Amount	%	Amount	%	Amount	%	Amount	%
Tunisia	85	0.1	1	*	29	0.1	2	0.1
Turkey	178	0.2	33	0.5	33	0.1	1	*
Uganda	3	*	1	*	3	*	2	0.1
Ukraine	1	*	1	*	—	*	—	*
United Arab Emirates	535	0.6	20	0.3	310	1.0	15	0.5
United Kingdom[b]	6,857	7.5	437	6.2	4,359	13.9	290	10.2
United States	18,629	20.5	1,149	16.2	3,390	10.8	244	8.5
Uruguay	77	0.1	23	0.3	5	*	4	0.1
Vanuatu	5	*	—	*	†	*	†	*
Venezuela	447	0.5	62	0.9	130	0.4	15	0.5
Viet Nam	41	*	9	0.1	23	0.1	7	0.2
Western Samoa	2	*	—	*	†	*	—	*
Yemen	†	*	—	*	206	0.7	5	0.2
Yugoslavia, SFR of[c]	849	0.9	32	0.5	165	0.5	7	0.2
Zaire	6	*	—	*	30	0.1	8	0.3
Zambia	29	*	†	*	102	0.3	17	0.6
Zimbabwe	34	*	†	*	63	0.2	6	0.2
~Other	782	0.9	88	1.2	130	0.4	41	1.4
Total	90,972	100.0	7,086	100.0	31,465	100.0	2,860	100.0

— Zero, † less than $0.5 million, * less than 0.05 percent.

NOTE: Disbursements for debt reduction and net advance disbursements are excluded for IBRD and IDA. Details may not add to totals because of rounding.

a. Figures represent supply from the former Czechoslovakia prior to January 1, 1993.

b. United Kingdom includes Hong Kong.

c. Figures represent supply from SFR Yugoslavia in 1993 for IBRD/IDA as follows: Croatia, $2.3 million prior to becoming a member; Slovenia, $18.2 million prior to becoming a member; Bosnia-Herzegovina, $3.0 million; Former Yugoslav Republic of Macedonia, $0.9 million; Federal Republic of Yugoslavia (Serbia and Montenegro), $14.3 million.

large transactions, and a comparative review of initial privatization progress in the republics of the former Soviet Union.

In addition to cofinancing, the donor community provided substantial support throughout the year to the Bank through trust funds and other arrangements that, directly or indirectly, benefit recipient countries. To date, consultant trust funds have been established with twenty-five donors. In fiscal 1993, under the consultant trust-fund program, including special arrangements to support environmental work and activities in Central and Eastern Europe, $41 million was allocated in support of Bank operations, an increase of 39 percent over the previous year's amount. Environment was the sector most supported, followed by agriculture. In terms of activities, project preparation and economic and sector work continued to receive the most allocations. The policy and human-resources development (PHRD) fund financed by Japan continued to provide support for project preparation, with priority given to private-sector development and privatization, environment, and women-in-development activities. In fiscal year 1993, Bank commitments under the PHRD fund totaled $130 million, representing an increase of 23 percent over fiscal 1992.

Disbursements by Source of Supply

Projects financed by the World Bank require procurement from foreign and local sources to achieve project goals. Disbursements are made primarily to cover specific costs for foreign procurement and some local expenditures.

The procurement rules and procedures to be followed in the execution of each project depend on individual circumstances. Three considerations generally guide the Bank's requirements: the need for economy and efficiency in the execution of the project; the Bank's interest, as a cooperative institution, in giving all eligible bidders from developing countries and developed countries an opportunity to compete in providing goods and works financed by the Bank; and the Bank's interest, as a development institution, in encouraging the devel-

Table 4-8. **IBRD and IDA Payments to Supplying Countries for Foreign Procurement, by Description of Goods, Fiscal 1993**
(amounts in millions of US dollars)

	Equipment		Civil works		Consultants		All other goods		Total disbursements	
Supplying country	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Albania	—	*	—	*	—	*	†	*	†	*
Algeria	1	*	—	*	†	*	12	0.3	13	0.1
Antigua and Barbuda	†	*	—	*	—	*	1	*	1	*
Argentina	15	0.4	4	0.8	†	*	92	2.0	112	1.1
Australia	34	0.8	†	*	10	1.5	60	1.3	104	1.0
Austria	67	1.7	2	0.4	4	0.7	77	1.7	151	1.5
Bahamas, The	—	*	—	*	—	*	†	*	†	*
Bahrain	4	0.1	—	*	†	*	77	1.7	81	0.8
Bangladesh	†	*	1	0.1	†	*	3	0.1	4	*
Barbados	—	*	—	*	†	*	1	*	1	*
Belarus	—	*	—	*	—	*	†	*	†	*
Belgium	53	1.3	4	0.8	15	2.3	61	1.3	134	1.3
Belize	—	*	—	*	—	*	†	*	†	*
Benin	†	*	†	*	—	*	†	*	†	*
Bolivia	2	0.1	—	*	†	*	1	*	4	*
Botswana	†	*	—	*	†	*	3	0.1	3	*
Brazil	139	3.4	9	1.6	5	0.7	210	4.5	363	3.7
Bulgaria	†	*	—	*	—	*	3	0.1	4	*
Burkina Faso	—	*	—	*	—	*	†	*	†	*
Burundi	†	*	†	*	†	*	†	*	†	*
Cameroon	†	*	1	0.1	1	0.1	†	*	2	*
Canada	57	1.4	4	0.7	56	8.3	74	1.6	192	1.9
Cape Verde	—	*	—	*	†	*	—	*	†	*
Central African Republic	†	*	1	0.1	†	*	—	*	1	*
Chad	†	*	†	*	—	*	†	*	†	*
Chile	7	0.2	†	*	1	0.2	46	1.0	55	0.6
China	112	2.8	121	20.7	1	0.1	77	1.7	311	3.1
Colombia	4	0.1	3	0.6	1	0.1	55	1.2	63	0.6
Comoros	—	*	—	*	—	*	†	*	†	*
Congo	†	*	—	*	—	*	—	*	†	*
Costa Rica	†	*	—	*	2	0.2	2	*	4	*
Côte d'Ivoire	†	*	5	0.9	1	0.2	20	0.4	27	0.3
Croatia	4	0.1	2	0.3	—	*	1	*	7	0.1
Cyprus	1	*	2	0.3	†	0.1	8	0.2	11	0.1
Czechoslovakia[a]	7	0.2	—	*	†	*	3	0.1	10	0.1
Czech Republic	1	*	—	*	†	*	9	0.2	10	0.1
Denmark	54	1.3	7	1.2	14	2.1	15	0.3	90	0.9
Djibouti	†	*	—	*	—	*	5	0.1	5	*
Dominica	—	*	†	*	—	*	†	*	†	*
Dominican Republic	3	0.1	1	0.2	—	*	†	*	5	0.1
Ecuador	†	*	1	0.2	†	*	8	0.2	9	0.1
Egypt	1	*	†	*	1	0.2	4	0.1	6	0.1
El Salvador	†	*	—	*	†	*	1	*	1	*
Estonia	—	*	—	*	—	*	1	*	1	*
Ethiopia	—	*	—	*	†	0.1	—	*	†	*
Finland	31	0.8	†	*	1	0.1	29	0.6	61	0.6
France	360	8.9	93	15.8	92	13.7	198	4.3	743	7.5
Gabon	†	*	—	*	—	*	†	*	†	*
Germany	414	10.2	62	10.5	49	7.3	322	7.0	846	8.5

Supplying country	Equipment		Civil works		Consultants		All other goods		Total disbursements	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Ghana	—	*	—	*	†	*	†	*	†	*
Greece	2	*	4	0.7	†	*	17	0.4	24	0.2
Grenada	—	*	†	0.1	—	*	†	*	†	*
Guatemala	—	*	—	*	†	*	2	*	2	*
Guyana	—	*	—	*	—	*	†	*	†	*
Haiti	3	0.1	—	*	†	*	—	*	3	*
Honduras	—	*	—	*	—	*	3	0.1	3	*
Hungary	5	0.1	4	0.7	†	*	63	1.4	73	0.7
Iceland	—	*	—	*	—	*	†	*	†	*
India	68	1.7	6	1.0	9	1.3	30	0.7	113	1.1
Indonesia	17	0.4	10	1.7	2	0.3	11	0.2	40	0.4
Iran, Islamic Republic of	†	*	1	0.2	—	*	31	0.7	32	0.3
Iraq	†	*	—	*	—	*	†	*	†	*
Ireland	4	0.1	1	0.2	7	1.1	25	0.6	38	0.4
Israel	8	0.2	†	*	6	0.9	10	0.2	24	0.2
Italy	193	4.8	75	12.8	4	0.6	114	2.5	386	3.9
Jamaica	—	*	—	*	—	*	†	*	†	*
Japan	618	15.2	15	2.5	29	4.2	185	4.0	846	8.5
Jordan	—	*	—	*	†	*	10	0.2	10	0.1
Kenya	8	0.2	†	*	1	0.1	6	0.1	15	0.2
Korea, Republic of	190	4.7	†	0.1	4	0.6	39	0.9	234	2.4
Kuwait	—	*	—	*	†	*	12	0.3	13	0.1
Latvia	—	*	—	*	—	*	†	*	†	*
Lebanon	—	*	3	0.6	1	0.2	†	*	5	*
Lesotho	—	*	—	*	†	*	—	*	†	*
Liberia	—	*	—	*	—	*	†	*	†	*
Libya	—	*	—	*	—	*	17	0.4	17	0.2
Luxembourg	11	0.3	—	*	1	0.1	2	*	14	0.1
Madagascar	†	*	†	*	†	0.1	†	*	1	*
Malawi	†	*	†	*	†	*	†	*	1	*
Malaysia	2	0.1	7	1.2	†	*	25	0.6	35	0.4
Maldives	—	*	†	*	—	*	—	*	†	*
Mali	†	*	—	*	†	*	†	*	†	*
Malta	—	*	—	*	—	*	†	*	†	*
Mauritania	†	*	†	0.1	†	*	4	0.1	4	*
Mauritius	†	*	—	*	†	0.1	†	*	1	*
Mexico	21	0.5	13	2.2	†	*	46	1.0	80	0.8
Mongolia	1	*	—	*	†	*	†	*	1	*
Morocco	†	*	—	*	†	*	4	0.1	4	*
Mozambique	—	*	—	*	—	*	†	*	†	*
Myanmar	†	*	—	*	—	*	6	0.1	6	0.1
Namibia	—	*	†	*	—	*	†	*	†	*
Nepal	†	*	—	*	—	*	†	*	†	*
Netherlands	94	2.3	12	2.0	22	3.2	118	2.6	246	2.5
New Zealand	1	*	2	0.3	4	0.6	17	0.4	24	0.2
Nicaragua	†	*	—	*	†	*	1	*	1	*
Niger	†	*	—	*	†	*	†	*	†	*
Nigeria	—	*	—	*	3	0.4	282	6.1	284	2.9
Norway	9	0.2	†	*	11	1.6	15	0.3	35	0.4

(continued)

***Table 4-8** (continued)*

Supplying country	Equipment		Civil works		Consultants		All other goods		Total disbursements	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Oman	—	*	—	*	†	*	—	*	†	*
Pakistan	1	*	—	*	†	0.1	9	0.2	10	0.1
Panama	9	0.2	—	*	†	*	16	0.3	25	0.3
Papua New Guinea	—	*	—	*	†	*	2	*	2	*
Paraguay	1	*	1	0.1	†	*	11	0.2	12	0.1
Peru	†	*	—	*	†	0.1	6	0.1	7	0.1
Philippines	—	*	2	0.4	4	0.6	1	*	8	0.1
Poland	9	0.2	†	0.1	†	*	15	0.3	25	0.3
Portugal	8	0.2	1	0.1	12	1.9	9	0.2	29	0.3
Qatar	—	*	2	0.4	—	*	1	*	3	*
Romania	7	0.2	1	0.2	†	*	4	0.1	13	0.1
Russia	4	0.1	—	*	†	*	30	0.7	34	0.3
Rwanda	—	*	—	*	—	*	†	*	†	*
Saudi Arabia	2	*	†	*	—	*	60	1.3	62	0.6
Senegal	2	*	1	0.1	†	*	6	0.1	8	0.1
Sierra Leone	—	*	—	*	—	*	†	*	†	*
Singapore	86	2.1	1	0.1	2	0.3	92	2.0	181	1.8
Slovak Republic	†	*	—	*	—	*	—	*	†	*
Slovenia	3	0.1	5	0.8	—	*	†	*	8	0.1
South Africa	19	0.5	†	*	9	1.4	143	3.1	172	1.7
Spain	36	0.9	6	1.1	1	0.2	39	0.8	83	0.8
Sri Lanka	†	*	†	*	†	*	2	*	2	*
St. Kitts and Nevis	—	*	†	*	—	*	†	*	†	*
St. Lucia	—	*	1	0.2	—	*	†	*	1	*
St. Vincent and the Grenadines	—	*	†	*	—	*	—	*	†	*
Sudan	—	*	†	*	—	*	†	*	†	*
Swaziland	†	*	†	*	†	*	4	0.1	5	*
Sweden	83	2.0	1	0.1	5	0.7	60	1.3	148	1.5
Switzerland	135	3.3	13	2.2	14	2.1	328	7.1	489	4.9
Syrian Arab Republic	3	0.1	—	*	†	*	4	0.1	7	0.1
Tanzania	†	*	—	*	†	*	2	*	2	*
Thailand	9	0.2	†	*	1	0.1	29	0.6	39	0.4
Togo	†	*	†	*	†	*	†	*	1	*
Tonga	—	*	†	*	—	*	—	*	†	*
Trinidad and Tobago	†	*	—	*	—	*	3	0.1	3	*
Tunisia	†	*	—	*	1	0.1	2	*	3	*
Turkey	14	0.3	4	0.7	—	*	16	0.3	33	0.3
Uganda	1	*	†	*	†	*	1	*	3	*
Ukraine	—	*	—	*	—	*	1	*	1	*
United Arab Emirates	4	0.1	2	0.3	†	*	29	0.6	34	0.4
United Kingdom[b]	357	8.8	13	2.2	91	13.5	267	5.8	727	7.3
United States	582	14.3	24	4.1	108	16.1	678	14.6	1,393	14.0
Uruguay	14	0.3	†	*	†	*	13	0.3	27	0.3
Vanuatu	—	*	†	*	—	*	†	*	†	*
Venezuela	5	0.1	—	*	†	0.1	72	1.6	77	0.8
Viet Nam	†	*	2	0.4	—	*	14	0.3	16	0.2
Yemen	5	0.1	—	*	—	*	†	*	5	*
Yugoslavia, SFR of[c]	14	0.3	24	4.1	†	*	1	*	39	0.4
Zaire	†	*	—	*	—	*	8	0.2	8	0.1
Zambia	†	*	†	*	†	*	16	0.4	17	0.2
Zimbabwe	1	*	—	*	†	*	5	0.1	6	0.1

Supplying Country	Equipment Amount	Equipment %	Civil works Amount	Civil works %	Consultants Amount	Consultants %	All other goods Amount	All other goods %	Total disbursements Amount	Total disbursements %
~Other	16	0.4	3	0.5	59	8.8	51	1.1	129	1.3
Total	4,061	100.0	585	100.0	672	100.0	4,628	100.0	9,946	100.0

— Zero, † less than $0.5 million, * less than 0.05 percent.

NOTE: Disbursements for debt reduction and net advance disbursements are excluded for IBRD and IDA.

Details may not add to totals because of rounding.

a. Figures represent supply from the former Czechoslovakia prior to January 1, 1993.

b. United Kingdom includes Hong Kong.

c. Figures represent supply from SFR Yugoslavia as follows: Croatia, $2.3 million prior to becoming a member; Slovenia, $18.2 million prior to becoming a member; Bosnia-Herzegovina, $3.0 million; Former Yugoslav Republic of Macedonia, $0.9 million; Federal Republic of Yugoslavia (Serbia and Montenegro), $14.3 million.

***Table 4-9.* IBRD and IDA Foreign Disbursements, by Description of Goods, for Investment Lending, Fiscal 1991–93**

Item	1991 OECD	1991 Non-OECD	1991 Total	1992 OECD	1992 Non-OECD	1992 Total	1993 OECD	1993 Non-OECD	1993 Total
	millions of US dollars								
Investment lending									
Agricultural inputs	44	35	79	82	37	120	107	52	158
Civil works	266	132	398	339	154	493	340	243	583
Consultants	496	52	548	508	64	573	539	108	648
Equipment	2,773	416	3,188	2,535	390	2,925	2,686	534	3,220
Raw materials[a]	72	62	134	48	29	77	96	64	159
All other goods	151	84	236	150	58	208	319	147	466
Total	3,801	781	4,583	3,662	733	4,394	4,085	1,149	5,234
	percent[b]								
Agricultural inputs	56	44	2	68	31	3	68	33	3
Civil works	67	33	9	69	31	11	58	42	11
Consultants	91	9	12	89	11	13	83	17	12
Equipment	87	13	70	87	13	67	83	17	62
Raw materials[a]	54	46	3	62	38	2	60	40	3
All other goods	64	36	5	72	28	5	68	32	9
Total	83	17	100	83	17	100	78	22	100

NOTE: Disbursements for debt reduction and net advance disbursements are excluded. Disbursements for structural-adjustment loans, sector-adjustment loans and hybrids (loans that support policy and institutional reforms in a specific sector by financing both a policy component disbursed against imports and an investment component) are also excluded. OECD amounts are based on current OECD membership.

a. Raw materials include chemicals and commodities.

b. All of the percentages are based on the dollar amounts shown under the total disbursements section. These percentages show both the breakdown between OECD and non-OECD countries for individual goods categories and the share of each goods category compared with total disbursements.

opment of local contractors and manufacturers in borrowing countries.

In most cases, international competitive bidding is the most effective method of procurement. The Bank prescribes conditions under which preferences may be given to domestic or regional manufacturers and, where appropriate, to domestic contractors. Through the end of fiscal 1993, 58 percent of IBRD and IDA disbursements covered goods and services provided directly by foreign suppliers located outside the borrowing country. While most foreign procurement comes from suppliers in developed member countries, suppliers from developing countries have increasingly been effective in winning contract awards. Through the end of

fiscal 1988, 14 percent of foreign procurement was awarded to developing-country suppliers. During fiscal 1993, developing-country suppliers' share was 31 percent of total foreign disbursements.

Table 4-4 shows consolidated foreign and local disbursements for the IBRD and IDA through the end of fiscal 1988 and for each of the next five fiscal years to the end of fiscal 1993. Advance disbursements consist of payments made into special accounts of borrowers, from which funds are paid to specific suppliers as expenditures are incurred. Because balances in these accounts cannot be attributed to any specific supplying country until expenditures have been reported to the Bank, these are shown as a separate category in the table.

Table 4-5 provides details of foreign disbursements by OECD and non-OECD countries for the IBRD and IDA separately. Table 4-6 shows disbursements made in fiscal 1993 by the IBRD and IDA for local and foreign procurement from all active borrowing countries and disbursements made for goods, works, and services procured from them by other Bank borrowers for projects funded by the Bank.

Table 4-7 shows the amounts disbursed from the IBRD and IDA separately for foreign procurement of goods and services from member countries in fiscal year 1993 and cumulatively through fiscal 1993.

Table 4-8 shows the proportion of foreign disbursements from the IBRD and IDA for specific categories of goods and services provided by member countries in fiscal 1993.

Table 4-9 provides a summary listing of the amounts paid to OECD and non-OECD country suppliers in each fiscal year from 1991 to 1993 under investment projects. Amounts disbursed are compared with respect to significant categories of goods procured from foreign suppliers. The extent to which OECD and non-OECD countries participated in supplying these major categories of goods in each of the past three fiscal years is also compared.

Section Five
World Bank Activities, IFC, MIGA, and ICSID

Operations Evaluation

Operations evaluation in the Bank provides a systematic, comprehensive, and independent assessment of Bank operations and activities. Its principal goals are to account for the outcome of Bank-supported projects and programs and to use the lessons from that experience to improve the design and conduct of future operations.

The director general, operations evaluation (DGO), has overall responsibility for evaluation. He reports directly to the Bank's executive board, with an administrative link to the president, and is supported by the Operations Evaluation Department (OED). The independence of evaluation in the Bank encourages evaluation staff to report candidly and allows them access to all relevant information and to select any topic for analysis.

The Joint Audit Committee (JAC) of the executive board oversees the work of the OED. In fiscal 1993, the findings and recommendations of the JAC were reviewed by the full board, as was the fiscal 1992 annual report of the DGO, the annual review of evaluation results for 1991, and the evaluation work program for fiscal 1994.

Evaluation work program. The Bank's evaluation work program includes completion reports by operational staff; performance-audit reports and impact-evaluation reports on individual operations by OED; and evaluation studies by the OED, including country and sector-lending studies and reviews of Bank policies and processes.

Completion reports are prepared by the Bank's operational staff and borrower staff on all lending operations when the Bank completes its disbursements. These reports allow staff to discern and internalize the lessons of experience specific to the country and sector in which they work. The OED reviews all completion reports to assess their quality, record data, and facilitate the transfer of experience to new operations. The reports are sent to the board with an evaluative note from the DGO.

The OED's performance audits validate and augment the information provided in completion reports and also examine topics of special interest so as to provide inputs for the OED's evaluation-studies program. The OED structures its audit work program (with regard to choice of projects, topics to be analyzed, and analytical approaches to be used) so as to provide inputs for comparative studies.

The OED currently audits all adjustment lending operations and at least 40 percent of the Bank's investment operations. The OED received 277 completion reports in fiscal 1993, and audited 137, of which 106 were for investment projects and 31 for adjustment operations. The cumulative total of Bank operations subjected to *ex post* evaluation reached 3,324 at the end of the fiscal year.

In project-impact reports, the OED, assisted by local agencies in borrower countries, takes a second look at projects five to eight years after the close of disbursements. These reports, which permit a second assessment of project performance, focus on evaluating project impact, including intended and unintended effects. They are a powerful tool for assessing social and environmental impacts and economic worth and offer valuable insights into what makes development sustainable. Since the program began in the late 1970s, just over sixty impact evaluations have been completed. During the past year, the OED began to expand the progam: Reports were prepared on four transmigration and two irrigation projects. Ongoing work covered the development effects of projects in agricultural-technology development, drainage, water management, fertilizer production, and feeder roads.

Evaluation studies are designed to examine particular programs, policies, or issues in a context broader than individual lending operations. To carry out its mandate, the OED must evaluate the Bank's policies and their appropriateness; procedures and their integrity; processes and their adherence to established rules; and effectiveness in promoting lasting development in borrower countries. The OED designs its studies program to investigate issues revealed by its audit work and to respond to current concerns of the Bank's executive board, management, and staff. It chooses topics in

which its independence, institutional memory, or time perspective give it a comparative advantage.

In fiscal 1993, the OED sent seven studies to the executive board. Topics included the environmental, economic, and social impact of resettlement resulting from Bank energy and agriculture projects; the management of renewable resources in Bolivia; rural finance; development of industrial technology; and plantation crops. Two studies on Africa evaluated experience with structural adjustment and the Bank's support for human resources. Other topics of special concern, particularly poverty reduction, women in development, and issues in privatization, continued to be addressed in various studies across sectors and regions.

Topics of ongoing studies included the Bank's contributions to development in Mexico, transmigration in Indonesia, industrial restructuring in East Africa, urban development, telecommunications, and rural electrification in Asia.

Dissemination of findings. The Bank's operational guidelines require staff to seek out evaluation findings and apply them in new operations. The OED presented the results of its audits and studies at seminars within and outside the Bank, including some organized by borrower countries.

Studies published in fiscal 1993 were: *Evaluation Results for 1991* (March 1993); *New Lessons from Old Projects: The Workings of Rural Development in Northeast Brazil* (June 1993); and *World Bank Approaches to the Environment in Brazil* (June 1993).

The OED began distributing English and French editions of its *Précis* series, summarizing the findings of major audits and studies, to readers outside the Bank.

The Bank's effectiveness. Concerns raised by the OED about the performance of the Bank's portfolio were taken up by the Task Force on Portfolio Management. As part of its response to the findings of the task force, the Bank agreed to expand and diversify the role of independent evaluation, both to provide accountability for the use of loan resources and to bring lessons of experience to bear on policies and programs. Thus, the OED will initiate country-assistance evaluations, build up its program of impact evaluations, and enhance feedback and dissemination.[1]

To reinforce the actions the Bank is taking to strengthen portfolio management and the quality of new operations, the OED is collaborating with the Bank's central vice presidencies on the design of better methods for appraising projects and rating their progress. It will selectively review proposals for new projects and evaluate the processes the Bank uses to review the progress of the portfolio under implementation.

Support for evaluation in borrower countries. As their public budgets have become more limited, a growing number of the Bank's borrowing members have sought to improve the allocation of these resources by strengthening the accountability and transparency of decisions on public expenditure. To address this concern, many have requested assistance from the Bank in establishing or strengthening evaluation. The Bank began an effort in fiscal 1993, with the support of the OED, to help borrowers enhance their evaluation capabilities in the context of public-sector management projects and programs.

The OED's support begins after a country makes a commitment to develop its evaluation function. During fiscal 1993 the program was active in Brazil, China, and Venezuela. The OED also attended to requests for advice on evaluation-capacity development from Colombia, Indonesia, Mexico, and Zimbabwe and provided support to development institutions including the Caribbean Development Bank and the Andean Development Corporation. Activities included designing diagnostic studies on evaluation capacity, organizing training and workshops, organizing the participation of country staff in the OED's evaluation missions, promoting borrower participation in the Bank's evaluation processes, and organizing study visits to the Bank by staff from borrower countries.

Other activities. The OED participated as an observer in meetings of the Expert Group of the Development Assistance Committee of the Organisation for Economic Co-operation and Development. Evaluation staff participated in training activities, launched research in evaluation methods, and attended workshops and seminars with evaluators from other international organizations and donor countries. They continued to participate as "resource persons" in seminars of the Economic Development Institute.

Internal Auditing

The Internal Auditing Department (IAD) acts as an independent appraiser that reviews and evaluates Bank operations and activities. It is headed by an auditor general who reports functionally to the president of the Bank and, since December 1991, administratively to the vice president and controller.

[1] For details, see page 63.

In response to requests from Bank management during the year, the IAD conducted a number of special reviews, including reviews of the Paris office, the main complex rehabilitation, and a number of field offices. These reviews were in addition to the regular work program, which, while covering all aspects of the Bank's administration, continued to emphasize the Bank's operations and focused on traditional topics such as the procurement of goods, services, and consultants; the disbursement process; and evaluation of procedures used to ensure proper accountability of borrowers during project implementation.

A review of the Global Environment Facility was completed, and new, comprehensive audits were begun on loan processing in the East Asia and Pacific and Africa regions. Bankwide audits on internal controls and time recording were also initiated. The department's work program of regular audits of the Bank's financial and accounting systems and procedures was closely coordinated with reviews undertaken by the Bank's external auditors to avoid duplication of effort and maximize the audit coverage.

In order to position itself for an expanded program of comprehensive audits that look at the efficiency and effectiveness of Bank operations, the IAD added a significant contingent of Bank staff with operational experience, including two division chiefs who were appointed as IAD's group-audit managers.

The Bank relies on information technology to support its business functions. In recognition of this reliance, the department conducted a series of technical audits addressing management, security, and control issues pertaining to the three principal computing environments in the Bank. The IAD also undertook computer-application reviews and system-development audits focusing on the efficiency, effectiveness, and control of critical applications.

Economic Development Institute

The strategic objective of the Economic Development Institute (EDI) for fiscal 1993 continued to be the mobilization of the knowledge and experience accumulated in the World Bank and elsewhere for the purpose of strengthening development decisionmaking in the Bank's member countries. The EDI seeks to attain this goal through its training activities, through its programs of institution building, and through its publications program.

During the past year, 152 training activities were carried out (see Table 5-1). Most were held outside Washington, D.C. and most took place in collaboration with local partner institutions. Programs in the republics of the former Soviet Union (FSU), in South Africa, sub-Saharan Africa, Viet Nam, and in the Middle East and North Africa region were particularly noteworthy.

In responding to the heavy demand for training in the FSU, the EDI focused its activities on training trainers in enterprise management and banking and on training senior officials involved in privatization, restructuring enterprises for privatization, and the management of commercial banks. A total of about forty training activities took place in the republics of the FSU. In a joint venture with Moscow State University, a training center was established at that institution; other training centers are currently being planned for Uzbekistan and Ukraine.

In the past, state investment projects in the FSU were not commonly subjected to economic feasibility studies nor were they completed on time within their prescribed budgets. In 1992, however, the Russian government

Table 5-1. **EDI Activities by Sector and Region, Fiscal 1993**

Sector	Africa	Asia	Europe and Central Asia	Latin America and the Caribbean	Middle East and North Africa	Nonregional	Total
Agriculture and environment	6	4	1	1	3	2	17
Development management	10	2	9	3	4	3	31
Finance and private-sector development	4	3	20	1	3	6	37
Human resources	7	7	3	5	2	—	24
Infrastructure and urban development	4	2	3	6	2	—	17
National economic management	7	7	7	3	1	1	26
Total	38	25	43	19	15	12	152

declared that all federal investment programs would be organized according to the formal methodologies and technologies of project management. The need for project management in the next decade is enormous: In Russia alone, it is believed that more than 30,000 large civil works and projects will be implemented and considerably more than 50,000 people will require some project-management training by the year 2000. In late 1992, the Moscow Institute for Civil Engineering approached the EDI for assistance in devising a program to develop capabilities for training in project management. Funded in part by an Institutional Development Fund grant of $500,000, the EDI is working with ten Russian trainers to develop training materials, devise appropriate curricula, train course assistants on computer software, and help teach subjects such as economic analysis of projects, procurement, and general management. In collaboration with the institute, the EDI also plans to help establish a project-management center in Moscow devoted to management training and research.

To help in South Africa's transition from the system of apartheid, the EDI is engaged in a training program to prepare those who will be entering government service to better perform the functions required of their new responsibilities. The EDI's training program in South Africa has two major objectives. The first, based on the Bank's expertise, experience, and comparative advantage, is to contribute to the design and elaboration of sound, appropriate, macroeconomic development programs by training senior policymakers. The second is to contribute to the design and delivery of appropriate, equitable, and efficient urban services by training future local government officials and nongovernmental organization (NGO) personnel. Many of the new managers and policymakers have not been exposed to up-to-date macroeconomic and public-policy analysis and management concepts and practices. Neither have many of them had the chance to learn from comparative experience in other countries. Through a tailored program of short courses and seminars, designed and conducted in close partnership with groups of universities and local training institutions, the EDI expects to strengthen the knowledge base of these people, thereby leading to effective and efficient policy formulation and decisionmaking in a situation of difficult political and economic choices and tradeoffs.

To facilitate the process of privatization, the Tanzania Investment Bank and the EDI convened an innovative seminar in Dar es Salaam in October 1992. The seminar's basic objectives were to speed up the process of formulating Tanzania's parastatal-sector reform and privatization programs, to examine the issues surrounding reform and privatization, and to promote the involvement of relevant government officials and chief executive officers in the design and implementation of the program. The seminar's trainers set out to create an atmosphere to address issues that have hindered implementation of the privatization process in the recent past. There was special emphasis on encouraging the 160 participants (who included cabinet ministers, principal secretaries, parliamentarians, and representatives from the public and private sectors) to take stock of the problematic issues and face the challenge of finding the appropriate solutions.

The seminar was considered to be successful, even historic, since it was the first time in a decade that such high-level participants from the government and other segments of society had met to discuss issues of crucial importance to Tanzania.

In collaboration with the government of Viet Nam, the EDI has been carrying out a United Nations Development Programme project that supports that country's efforts to transform its economy from one that was command driven to one that is market oriented. The specific objectives of the project were to improve the government's economic-management capability in implementing its economic-reform program; assist the government in incorporating elements of a market-based economic system and develop instruments for effectively managing the reform process; improve training institutions' abilities to train government officials; and help develop a legal environment conducive to a market-oriented economy. The project, which concluded in June 1993 after being extended for six months, was responsible for study visits, short-term in-country training courses, long-term overseas training courses, a senior policy seminar on the economy of Viet Nam, and compilation, translation, and publication of training materials. Approximately 500 senior government officials, policymakers, and trainers were exposed to the new concepts and experiences of market economics.

The EDI continued to emphasize its activities in the countries of the Middle East and North Africa region during the year. Sixteen training and institutional-assistance activities were completed. Areas covered included public-sector management, environmental assessments, higher education, and management of water resources. In partnership with the American University of Beirut, a training program for Lebanon that deals with civil-service issues was launched. It has three main components:

direct training, institutional development, and publication of training materials.

The EDI's institution-building program is closely integrated with the design and delivery of its training activities. It is through the joint preparation and implementation of its training activities with almost 100 partner training institutions that EDI helps to strengthen the local training capacity of these institutions.

In Latin America, for example, the EDI is involved in three institution-building programs that share the objective of strengthening the abilities of local institutions to improve living conditions in low-income settlements. During fiscal 1993, technical assistance and training were provided to the Regional Training System for Local Urban Development and Municipal Improvement in Latin America (SACDEL), the regional municipal governance-development program; assistance was provided to FICONG (Institutional Strengthening and Training of NGOs in Latin America), a regional institution responsible for training and strengthening nongovernmental organizations that work on urban-poverty issues; and road and transport experts were trained in the maintenance of urban infrastructure in collaboration with PROVIAL (Road-maintenance Program).

The EDI also helps organize national and regional workshops in cooperation with governments and NGOs to improve development programs. Work on cooperative arrangements in the areas of health, resettlement, and water were begun during fiscal 1993. The EDI also supports a number of NGO-led multiyear institutional-development programs that are principally involved in urban-poverty issues in Latin America, strategic planning in francophone Africa, women entrepreneurs, and poverty reduction in Africa. These programs are cofinanced in large part by the governments of Japan and the Netherlands.

The Joint Vienna Institute (JVI), set up to provide training to officials from Central and Eastern Europe, as well as from the republics of the FSU, opened its door for business in October 1992. The JVI, located at premises made available by the Austrian government, is a venture that is cosponsored by the Bank for International Settlements, the European Bank for Reconstruction and Development, the Organisation for Economic Co-operation and Development, the International Monetary Fund, and the Bank. The JVI serves as a channel through which the experience of the participating organizations can be conveyed to officials from the targeted countries. During fiscal 1993, the EDI held three seminars on issues related to privatization and restructuring in transitioning economies.

The EDI prepares and publishes training materials on policy analysis and reform. While the emphasis is on short, action-oriented case studies, the institute has also published collections of analytical papers and books. Sixty-five new titles were published in fiscal 1993. As a result of increased efforts to promote and disseminate its materials in the developing world, about 20,000 items were sent out in response to 4,000 requests.

Although the EDI's highest priority is its training program in Africa, the institute has begun to address the shortage of materials specifically designed to meet the needs of the growing program in Central and Eastern Europe and the FSU. Twelve Russian titles are now in the EDI's catalog of published materials, and translation of many more titles is under way.

While emphasis continues to be on printed materials, experimentation has begun with multimedia teaching materials and computer-based case studies. During the past year, implementation was begun of a project to publish EDI's entire collection of materials on CD-ROM.

The World Bank Graduate Scholarship Program, funded by the Japanese government, supports graduate study leading to a higher degree in a development-related social science. In fiscal 1993, support was provided to 106 graduate scholars. Similarly, the McNamara Fellowship Program awards some ten fellowships a year to support innovative research in areas of economic development. The McNamara fellowships are for nondegree postgraduate study, which need not be at a university. The EDI also worked with Columbia University (New York) to design a new master's degree program in development economics and management. The degree combines twelve months of study at Columbia and a six-month internship at the World Bank or the International Monetary Fund. During the past year, twenty-five scholarships were awarded to the first contingent of postgraduate students.

The success of these programs has encouraged the institute to look into other, similar collaborative arrangements. Discussions are ongoing among the EDI, the Africa Capacity Building Foundation, and the African Development Bank concerning a jointly sponsored program for francophone Africa that would be administered by the Center for Studies and Research on International Development (CERDI) in Clermont-Ferrand, France. A program for anglophone Africa, which would be administered by McGill University (Montreal), is also being discussed.

Research at the World Bank

The Bank's research program is intended to provide information and guidance to member countries and operational staff on different development processes and policies as they apply across a wide range of countries.

The topics examined in the Bank's research program are also wide-ranging, and many units throughout the Bank support some research. A reorganization in late 1992 concentrated responsibility for the Bank's macroeconomic and sectoral research efforts in the Vice Presidency for Development Economics and reallocated some stafftime devoted to research in other units to operational issues. The reorganization will enhance the cohesiveness of the research program and direct the more limited staff resources to the most critical areas.

The Bank's management sets priorities for the Bank's work, and these priorities are reflected in the topics of research projects. The major area of emphasis continues to be poverty, equity, and social-welfare issues, although work in the areas of environmental analysis and human-resource development is growing. The economic transition in the republics of the former Soviet Union and in Central and Eastern Europe has increased work on reform of the public sector, development of the private sector, and economic management. Support for research on financial intermediation, infrastructure, and urban development has remained steady, while attention to the more "mature" topics—structural adjustment, debt, and trade—has declined.

Poverty reduction. Poverty, its reduction, and the alleviation of its worst effects are being studied from a range of perspectives in Bank research. Poverty is most prevalent in rural areas, in female-headed households, and among the elderly, and if poverty-reduction programs are to be effective, they must reach these groups.

A study of agricultural policies and poverty assesses women's rights to own land in Africa. It shows how the effects of policies to increase agricultural efficiency differ from the effects of those promoting social welfare because of differences in the social role and status of men and women.

A study of income-security programs for old people indicates that the most successful programs have used multiple channels and have been possible only in middle-income and high-income countries. These channels include mandatory but competitive programs for savings out of earnings, encouragement of savings for old age through fiscal incentives, and protection of the elderly poor through means-tested, minimal income-redistribution programs.

Nutrition-intervention programs have been adopted to offset the most severe effects of famines and economic downturns on the poor, and a study of such programs in Asia identifies successful strategies to improve rapidly the nutritional status of the poor.

"Coping strategies" employed by urban low-income households in response to macroeconomic adjustment policies are also being studied in a project funded by the United Nations Children's Fund and the Dutch government. A study of the poor in Lima, Peru documents how short-term adjustments have longer-term costs (for example, when children drop out of school and move into the informal-sector labor market, investment in, and returns on, education are diminished).

Human-resource development. A study of fertility in sub-Saharan Africa clearly shows that female secondary schooling reduces fertility and child mortality, regardless of the availability of family-planning programs. The project also found that women's schooling, including primary schooling, raises the probability of the use of contraception in all thirteen countries studied. It seems to have the greatest effect on contraceptive use in countries without an active family-planning program.

In many developing countries basic education is not organized to promote efficient production of cognitive skills. Knowledge of which educational investments are most effective in imparting these skills would assist both governments and the Bank in allocating resources aimed at improving educational outcomes in developing countries. The ultimate objective of a project to improve school effectiveness and efficiency is to demonstrate how to carry out education research that will lead to immediate and specific policy recommendations that can be acted on by ministry of education officials in developing-member countries, taking Jamaica as the demonstration country.

Another project will provide hard evidence concerning the job mobility associated with the transition of a formerly command-driven economy (Slovenia, in this case) to a market economy. And it will formulate labor-market policies and programs to facilitate the transition both by encouraging the efficient reallocation of labor and by spreading the costs equitably among different segments of the population.

A comprehensive multicountry study of the role of human capital in economic growth will indicate the relative effects on growth of obtaining government revenue from taxes on labor income or on wealth and will emphasize

the trade-offs between physical and human-capital investment.

A research study on the economic impact of adult mortality seeks to answer two broad research questions: (1) What are the economic costs and impacts of AIDS illness and death among adults on households and communities? and (2) how can governments target patient and survivor-assistance programs to maximize the benefit to survivors for a given government budget?

The environment and natural resources. A major task of the Bank's Environment Department has been to develop practical analytical approaches to help borrowing countries plan and implement strategies for sustainable development in the face of low and often declining fiscal resources. The Bank's expanding research in environmental economics includes the design of methods to measure environmental costs and benefits of both broader policies and specific projects, a set of basic environmental indicators, and guidelines for environmental management.

The Bank's Industrial Pollution Project System is being developed to model the scale and toxicity of pollution created at the national, regional, local, or project level. This research draws on information collected from developed countries on toxic releases collected to establish pollution coefficients for different production technologies. These can be applied to the relatively widely available data on industrial production in developing countries to estimate the toxicity of the resulting pollution. Related research to determine the least-cost means to reduce overall concentrations of pollution is encompassed in a software package supported by the government of the Netherlands, the World Health Organisation, and the Pan American Health Organization.

Another study examines the least-cost method of reducing pollution in developing countries. The case studies of Mexico and Indonesia indicate that indirect instruments, such as taxes on "dirty" fuels, can reduce use of these fuels and thus pollution at a relatively low cost in terms of reduced efficiency. The tax-based approach also generates government revenues while lowering administrative expenses.

Research on amelioration of irrigation-induced salinity recommends the use of water-efficient strains and techniques. An international assessment of agricultural technologies examines land improvements, protected crop cultivation, and the roles of the public and private sectors in the delivery of seeds.

The full range of research in the Environment Department is described in detail in its annual report, *The World Bank and the Environment.*

Macroeconomic issues and management. The optimal role that governments should play in an economy has long been a controversial topic. A comprehensive evaluation of the success of eight East Asian economies looks at the effect of their economic policies and actions. The study finds that growth rates from 1960 to 1990 were high and sustained, that the fruits of growth were shared relatively equitably, and that the outcome was influenced by the government's close involvement with subsectoral policymaking. What is also clear from this research, however, is that the prerequisites for success are so rigorous and the risks of failure so great that policymakers seeking to follow the East Asian path should focus first on achieving macrostability and promoting the fundamentals, such as human resources. A degree of intervention with regard to export or industrial development could be helpful, but it should have lower priority and be managed with considerable care.

Another research project has analyzed the effects of fiscal, monetary, trade, financial, and social policies on national growth. Among the study's findings were affirmations of the importance for growth and investment of the government's role in education and public infrastructure and further confirmation of the adverse effects of inflation, budget deficits, and macroeconomic instability on growth and investment. It also found surprisingly strong evidence linking long-term increases in productivity to investments in the narrow category of machinery.

Infrastructure and urban development. A major research project, begun in 1991, has assessed the status of the housing sector in more than fifty countries. The findings provide the basis for a policy framework for housing policy in each participating country and for comparison and development of related policies in other countries, as well.

Another project, on indirect government participation in the economy, grew out of an earlier study of impediments to manufacturing efficiency in Nigeria caused by infrastructural bottlenecks. The new study is looking at ways to increase private-sector entry and exit in infrastructure services outside the capital or primary cities, drawing on case studies from Indonesia and Thailand.

The Bank's fifth annual Conference on Development Economics surveyed four topics: a reassessment of the government's role in financial intermediation, regulation of private industry, the economics of regress, and the economics of energy and the environment. In addition

to the eleven papers presented, the government's role in the provision and maintenance of infrastructure was the subject of a roundtable discussion. The full set of papers, together with discussant comments, the keynote speech, and a summary of the roundtable discussion, will be published in the *Proceedings of the World Bank Annual Conference on Development Economics, 1993.*

Technical Assistance

Technical assistance has always been related to the Bank's operations, and widespread policy changes in developing countries have made this operational link even more crucial. But many of the Bank's borrowing member countries, including countries in transition to market economies, lack the institutional capability that would enable them to address the policy changes involved. Consequently, the Bank is taking an increasingly active role in providing technical assistance in areas of policy reform, institutional development, and capacity building upstream of normal lending operations.

Technical assistance for institutional development ("soft" technical assistance), which addresses the areas of policy development and capacity building, now dominates technical assistance financed through Bank lending. The purpose of such technical assistance is both technical and policy oriented. In the technical domain, it may be called upon to provide advice on the reform of government machinery, address civil-service salary scales, or introduce computer technology into national tax or customs agencies. On the policy side, it may provide advice to governments on a range of national policies in such areas as economic restructuring, education, environment, industrial protection, and privatization.

These are areas on which national consensus is not always present. As a result, the management and implementation of technical assistance for institutional development are far more problematic than of technical assistance associated with physical investment ("hard" technical assistance).

Technical-assistance approaches designed at the project level must adjust to meet a more complex mandate, and the Bank is responding to the challenge. Technical assistance is increasing as a proportion of Bank lending, and assistance for institutional development is rising as a proportion of technical assistance.

The volume of technical assistance in which the Bank is involved as lender, provider, or administrator has more than doubled (in current dollars) in the past decade. It amounted to $2.7 billion in 1992. Much of the growth in technical assistance financed under Bank loans has occurred in the area of institutional development, which now accounts for roughly two thirds of the total dollar value of all technical assistance funded under newly approved loans.

Project-financed technical assistance by the Bank in calendar year 1992 amounted to $2.5 billion, an increase of $0.5 billion over last year's total. Of this amount, $1.9 billion, or 75 percent of the total, funded components of projects, while $0.6 billion was accounted for by thirty-two freestanding technical-assistance loans.

Although almost all investment projects now contain a technical-assistance component for institutional-related issues, some components of projects approved during the past year are worthy of special mention: Russia's mass corporatization and privatization programs are being supported by Bank technical assistance, a forestry and environment-training program tailored to the needs of the private sector is under way in Gabon, while training and studies associated with Venezuela's national parks management project are being provided. Some projects contain both hard and soft technical assistance. In the Lao People's Democratic Republic, for example, technical assistance is being provided to establish a computerized rural-electrification planning system and to train staff of the state electricity company in accounting systems and financial processing.

Of the thirty-two freestanding loans, six were in support of privatization programs. This represents a change from previous years in which the focus was primarily on public-sector management.

During 1992, special efforts were made to implement the recommendations of a task force that had been mandated to take stock of the Bank's changing technical-assistance role and suggest ways to improve its developmental impact. The recommendations fell into three broad categories: internal management of technical assistance at the Bank, the establishment of an Institutional Development Fund (IDF), and technical-assistance coordination, including improved relations between the Bank and other multilateral agencies, the United Nations Development Programme (UNDP) in particular.

To implement the recommendations on the management of technical assistance, each of the Bank's six operational regions was required to prepare an action plan to improve its management of technical assistance. Although the regional plans necessarily vary in focus and detail, reflecting, as they do, the differing needs of the countries they serve, certain common concerns have been addressed. Thus, all six plans seek to:

• heighten the emphasis in country economic and sector work (CESW) on institutional constraints, particularly in cases in which these constraints are systemic;

• include in country-assistance strategies actions to resolve systemic issues identified in the CESW;

• secure, through joint consultations with borrowers, country commitment to ameliorate these constraints;

• ensure that the design of technical assistance for institutional development establishes (a) a link with upstream CESW strategy work and the borrower's ownership of and commitment to such a strategy, (b) greater participation by borrowers and beneficiaries in project design and implementation, and (c) monitorable outcomes linking development objectives and input requirements; and

• include in project documents the expected timeframe for major milestones.

In addition, a "Handbook on Technical Assistance" was published. The handbook covers thirty-two topics, each of which is presented as a module to give the reader quick access to Bank policy and experience in a particular aspect of technical assistance. The handbook has been widely disseminated within and outside the Bank.

In its "Guidelines for Use of Consultants," the Bank emphasizes the role of domestic consultants in Bank-financed projects and encourages borrowers to employ them either alone or in combination with foreign firms.

To some extent, local consultants have been handicapped by a lack of marketing expertise. This constraint is now being addressed by the Bank, which, in cooperation with local professional societies, is developing appropriate training courses. The Bank has also issued instructions to staff to ensure that consultants hired by borrowers are competent in local language skills. This is particularly important in social-sector projects where public participation is emphasized. A revised "Handbook on Consulting Services" will shortly be issued to provide detailed guidance to Bank staff, as well as—for the first time—to borrower staff on how to ensure better selection and supervision of technical assistance. Furthermore, the Bank is beginning to implement an active business-information program in borrowing countries in order to promote domestic consulting industries.

The IDF, a $25 million grant facility, became operational on July 1, 1992. The IDF provides grants of up to $500,000 per activity to cover the cost of upstream institutional development and capacity building. All Bank borrowers may apply for IDF grants. During its first year of business, fifty-seven grants were made to forty-six countries for a total of $16.3 million, or an average amount of $286,000 per grant.

Grants may not be made for project preparation or in support of a planned or an ongoing Bank-financed activity. A Bankwide committee responsible for approving the grants gives special consideration to grant requests that are either innovative or seize upon a special opportunity. For example, grants have been made to finance the creation of aid-coordination mechanisms in a number of Central Asian republics of the former Soviet Union, the introduction of value-added taxes in three countries, and institutional support for Nicaragua's environmental-protection agency.

As a major source of technical assistance, the Bank interacts with, and maintains a close working relationship with the UNDP, the Development Assistance Committee of the OECD, and many of the specialized agencies of the United Nations system. The relationship with the UNDP is reviewed from time to time by a joint task force that is chaired jointly by the associate administrator of the UNDP and the Bank's vice president for Human Resources Development and Operations Policy. In order to learn from their experience, the two institutions are undertaking, with the help of UNDP financing, empirical studies to evaluate the performance of six countries—Bolivia, Central African Republic, Ghana, Morocco, Sri Lanka, and Tanzania—in utilizing funding for capacity building.

During calendar year 1992, the Bank acted as executing agency for 175 UNDP-financed projects with a total value of $348 million and generating disbursements of $74 million, down 16 percent from the previous year. The decline is the result of diminishing UNDP resources and the shift toward national execution of technical-assistance projects.

Interagency Cooperation

As part of the process of United Nations reform, the secretary-general of the UN, Boutros Boutros-Ghali, called for a major review of the Administrative Committee on Coordination (ACC). The ACC, which was established to coordinate the assistance activities of the UN system, is comprised of heads of UN specialized agencies and organizations. The Bank supported and participated in the secretary-general's efforts that led to a reform of the functioning of the ACC and a streamlining of the structure and operation of its subsidiary bodies.

During the past year, the World Health Organisation (WHO) has been an active participant in the preparation of the Bank's *World*

Development Report 1993, which has as its theme, investing in health. Substantial use was made of WHO's technical expertise, particularly in health-policy and health-strategy cost-effectiveness, health-technology choice, and health financing. WHO also worked on a jointly sponsored assessment of the global burden of disease, which became a key element of the report. The United Nations Children's Fund (UNICEF), bilateral agencies, and other institutions also contributed to the report.

The Bank continued to expand its cooperation with a number of key agencies and organizations as it intensified its focus on poverty reduction. For example, the Bank, the United Nations Development Programme (UNDP), UNICEF, WHO, the International Labour Organisation (ILO), the Food and Agriculture Organization of the UN (FAO), and the World Food Programme (WFP) worked together on a recent multisectoral project in Madagascar aimed at protecting vulnerable groups during structural adjustment.

The International Fund for Agricultural Development (IFAD) and the Bank are collaborating on specific investment activities that address key poverty problems, the first phase of which covers Bolivia, Côte d'Ivoire, Honduras, Pakistan, and Zimbabwe. In Bolivia and Honduras, the emphasis is on agricultural projects with a poverty orientation. In Côte d'Ivoire, the Bank and IFAD are studying the effect of adjustment on smallholders. In Zimbabwe, the collaboration involves helping the government design a "social-dimensions" component for its structural-adjustment program.

The Bank is also collaborating with the United Nations Fund for Population Activities (UNFPA). For a recent Bank-assisted project in Indonesia, UNFPA initiated the work on the information, education, and communications component. UNFPA developed prototypes of short films on population and financed an evaluation of this activity. It also provided a pilot for a Bank-financed subcomponent stressing youth involvement in population education by establishing youth centers and conducting training. UNFPA is also one of three UN agencies (in addition to UNICEF and WHO) participating in the IDA-led Bangladesh Population and Health Consortium. The consortium, which also includes fifteen external donors, is helping to finance the largest population and health project ever assisted by the Bank (total project costs are estimated at slightly more than $600 million).

With UNICEF, the Bank is undertaking a special joint review in Ghana, Guinea, Uganda, and Zimbabwe of government efforts in preparing UNICEF-sponsored national programs of action that focus especially on the needs of women and children. The two agencies have also collaborated on a number of recent projects. UNICEF's on-the-ground presence often gives it a crucial role in project implementation, as well as in the identification and pre-appraisal stages of the project cycle. The recently approved Second Health, Population, and Rural Water Supply Project in Mali exemplifies cooperation between IDA and UNICEF over the project cycle. Because UNICEF's operations are more decentralized and flexible than the Bank's, UNICEF is able to fill unforeseen needs with dispatch as they emerge during government-donor reviews of implementation.

An ongoing joint initiative with the UNDP and the African Development Bank is the African Capacity Building Initiative (ACBI), launched in 1991. The objective of the initiative is to strengthen African capacity and institutions in policy analysis and development management in order to enhance Africa's ability to train expert policy analysts and managers. In addition, the UNDP and the Bank are implementing, with UNDP funding, a pilot study of capacity building in six countries (Bolivia, Central African Republic, Ghana, Morocco, Sri Lanka, and Tanzania). It will form the basis on which the two institutions can better coordinate their efforts in capacity building, consistent with their comparative advantage.

The Bank has also expanded its cooperation with organizations working in the field of employment and labor issues. As part of a four-day Bank/International Monetary Fund (IMF) seminar in November 1992, staff from both institutions met with international labor-union officials for discussions on the implications for workers of structural-adjustment policies financed by the two institutions. The seminar represented the latest in a series of consultations among the Bank, the IMF, trade unions, and other concerned UN organizations, in particular the ILO, on development-policy issues of shared interest, particularly structural-adjustment programs and employment issues.

Relations with nongovernmental organizations. The Bank's relationship with nongovernmental organizations (NGOs) continued to expand in depth and magnitude in fiscal year 1993. This relationship is manifest at both the policy level and through Bank-supported lending operations. The Bank continues to work with developing-country governments to increase the involvement of NGOs in Bank-supported activities—especially in the early stages of project planning and design—as a means for greater effectiveness.

Table 5-2. **Regional and Sectoral Patterns in World Bank-NGO Operational Collaboration, Fiscal 1974–93**

	Total 1974–89		1990		1991		1992		1993	
	No.	%	No.	%	No.	%	No.	%	No.	%
By region (number of projects)										
Africa	140	55	23	48	41	47	30	46	30	41
East Asia and Pacific	26	10	6	12	13	15	6	9	11	15
South Asia	32	13	11	23	16	8	9	14	7	10
Europe and Central Asia	3	1	—	—	3	3	3	4	2	3
Latin America and the Caribbean	38	15	8	17	13	15	12	18	14	19
Middle East and North Africa	16	6	—	—	2	2	6	9	9	12
Total	255	100	48	100	88	100	66	100	73	100
By sector (number of projects)										
Adjustment related	7	3	6	13	14	16	7	11	5	7
Agriculture/rural development	110	43	19	40	21	24	21	32	14	19
Education	25	10	6	12	10	11	6	9	6	8
Environment	4	2	3	6	5	6	10	15	13	18
Industry/energy	24	9	1	2	10	11	6	9	8	11
Infrastructure/urban development	47	18	4	8	12	14	6	9	8	11
Population, health, and nutrition	34	13	9	19	14	16	8	12	16	22
Rehabilitation/reconstruction	4	2	—	—	2	2	2	3	3	4
Total	255	100	48	100	88	100	66	100	73	100

Table 5-3. **NGO-associated Projects by Sector, Fiscal 1993**

Sector	Projects with NGO collaboration (number)	Projects with NGO collaboration (%)	All Bank projects
Population, health, and nutrition	16	64	25
Agriculture and rural development	24	53	45
Water supply and sewerage	5	42	12
Urban development	6	38	16
Nonproject	5	29	17
Education	9	28	32
Energy	5	22	23
Technical assistance	2	11	19
Transportation	1	4	27
Industry	0	0	12
Public-sector management	0	0	8
Telecommunications	0	0	5
Development finance companies	0	0	4
Small-scale enterprises	0	0	0

The number of approved projects that provide opportunities for NGO involvement has increased substantially in the past few years. In fiscal year 1993, 30 percent of all new projects involved NGOs (see Table 5-2). NGOs were involved most heavily in the agriculture and rural development and the population, health, and nutrition sectors (see Table 5-3).

The involvement of relevant NGOs, and especially beneficiary groups, in the planning of Bank-supported projects has been encouraged by the Bank's executive directors and its senior management. To facilitate interaction early in the project cycle, the Bank periodically makes available to NGOs a list of prospective Bank-supported activities in which

Bank staff see potential for NGO involvement. The fruits of these efforts are reflected in the increased number of projects in which NGOs are engaged in the identification and design stages.

The Bank attaches great value to its ongoing discussions with NGOs on environment, poverty reduction, popular participation, and a variety of other issues. The Bank-NGO dialogue is both formal—through the World Bank-NGO Committee and consultations on specific issues—and informal—through ad hoc discussions that build on personal contacts. Through constructive dialogue, the Bank and NGOs learn from each other, and together, work to help address the root causes of poverty and environmental degradation.

The Bank-NGO Committee continues to be an important forum for policy debate, concentrating on participatory development and social and environmental consequences of structural adjustment. Increasingly, however, special consultations are convened outside this forum to discuss particular upcoming issues. This trend builds on the generally positive experience reported by all parties involved in the past two years' consultations (on forestry, energy, and water-resource management).

In fiscal 1993 the Bank organized a consultation in Paris on the draft of *World Development Report 1993*, as well as a consultation with African NGOs on the topic, "Better Health in Africa." In recognition of NGO concerns about future IDA priorities, the Bank arranged for a group of NGOs from developing countries to meet with IDA deputies and senior Bank staff to present their concerns. Their constructive criticism was influential in encouraging many NGOs to stress the importance of full IDA replenishment. Consultations with NGOs on energy policy have continued, and a small NGO consultation was held prior to finalizing the draft of the Bank's forthcoming policy paper on agriculture.

The Bank, together with the other two implementing agencies of the Global Environment Facility (GEF)—the UNDP and the United Nations Environment Programme—conducted meetings with concerned NGOs prior to meetings of GEF participants in Abidjan (December 1992) and Beijing (May 1993). NGOs contribute to the GEF through use of the UNDP-administered $5 million grant "window" that supports NGO initiatives in biodiversity.

The Economic Development Institute continues to work with NGOs to increase their role in poverty reduction, both through cooperation with, or participation in, official (government and donor) programs and through their own independent activities. National or regional workshops that deal with ways for governments and NGOs to cooperate to improve development programs are under way in health, resettlement, and water. With cofinancing from donors, including the governments of Japan and the Netherlands, the EDI also supports a number of NGO-led, multiyear institutional-development programs. The principal programs address urban poverty in Latin America, strategic planning in francophone Africa, poverty reduction in Africa, and women as entrepreneurs. These programs are either organized by local NGOs or conducted in close collaboration with them. They have the dual aims of enhancing the effectiveness and efficiency of NGO programs and of building training capacity in developing regions to serve NGOs in the long run.

Cooperation with the Commission of the European Communities (CEC) and with the Organisation for Economic Co-operation and Development (OECD). The Bank had an active year of cooperation with the Commission of the European Communities. A highlight was a meeting in October 1992 in Brussels by the Bank's president with the president of the CEC and four commission members. The presidents of the two institutions focused on increased collaboration and the role of their institutions in assisting the transition process in the republics of the former Soviet Union (FSU).

Regular operational contacts continued between the CEC and regional offices; a substantive working relationship already exists in Africa, the Middle East and North Africa, and Central and Eastern Europe. In matters concerning the FSU, the Bank and the CEC are entering into a new era of collaboration: The visit of a CEC team in February 1993 to Washington for a first round of detailed sectoral discussions marked the beginning of regular and increasing exchanges on respective plans and programs.

A new commission was appointed in January 1993, and the commissioner for development cooperation visited the Bank soon thereafter to brief senior management on his portfolio.

The Bank's liaison with the CEC is supported by a staff member working out of the Bank's Paris office. This permits the Bank to monitor CEC trends and developments of importance to the Bank, to promote collaboration in areas where little interaction exists, and to ensure a Bank presence at the CEC.

The Bank actively pursues a dialogue on policies and practices of mutual concern to bilateral and multilateral aid donors with the OECD and its Development Assistance Committee (DAC). Data are regularly exchanged

between the Bank and the DAC, especially with regard to aid flows, as well as debt and financial transfers. Aid effectiveness, popular participation and good governance, military expenditures, and migration issues have featured prominently in the recent dialogue between the Bank and the DAC. A Bank staff member based in Paris monitors issues raised in the DAC forum, where the Bank has observer status.

A recently published manual, *DAC Principles for Effective Aid*, culminated years of work on issues such as project appraisal, technical assistance, procurement practices, tied aid, policy lending, environmental assessments, and women in development. Bank staff have been actively involved in helping develop these "best-practice" guidelines. An emphasis on aid effectiveness will continue to guide the dialogue between the institutions.

Cooperation with regional banks. The African Development Bank and the World Bank continue to maintain close collaboration on operational and policy matters. The AfDB participates in joint appraisal missions and public-expenditure reviews with the Bank, and there is an increasing amount of AfDB cofinancing of Bank operations.

The two institutions work closely on several key development issues and programs, including support of structural-adjustment programs under the special program of assistance, poverty reduction, environmental assessments and action plans, regional economic integration, and women in development. The two institutions are engaged in coordinating their analytical and operational approaches to these development issues. The Bank and the AfDB consult with each other on a regular basis, including during their respective annual meetings.

The Bank strengthened its relationship with the Asian Development Bank (AsDB) in a number of ways during the past year. Arrangements continued for the AsDB to take the lead role on formal cofinancing for projects in the Pacific islands and for the Bank to engage in parallel financing with the AsDB in other countries for projects within a sector (rather than cofinancing a single project).

In May 1993, the two banks continued their practice of holding an annual coordination meeting on the occasion of the AsDB's annual meeting, at which views were exchanged on a number of areas of mutual interest, including resource mobilization, portfolio management, country issues, and cofinancing prospects. Earlier in the year, the Bank shared the analysis and findings of its Task Force on Portfolio Management with the AsDB and exchanged views on how the AsDB might undertake a similar review. Finally, the Bank, as chairman of the consultative group on the Philippines, invited the AsDB to join the informal "core group" of lenders, which, in addition to the World Bank and the AsDB, includes the International Monetary Fund, Japan, and the United States. The AsDB participated in the core-group meeting that was held in Washington during the spring meetings of the Development Committee; discussions also took place on the steps that lie ahead when normal lending activities in Cambodia and Viet Nam are resumed.

Cooperation with the Inter-American Development Bank (IDB) continued in fiscal 1993. During the year, the IDB provided $804 million of cofinancing for ten World Bank projects, or about one quarter of all cofinancing in the region. The two institutions continue to coordinate their activities at all levels, including economic and sector work, project appraisal, and policy dialogue. Cooperation was particularly close in the two cases of Argentina (debt buyback operations) and El Salvador (adjustment program).

The Bank is also deepening its long-standing cooperation with the Caribbean Development Bank (CDB) in both lending activities and economic and sector work. The CDB will increasingly be taking over the role of developing economic and sector reports, including poverty assessments, for the smaller Caribbean nations.

The growth in activities by the World Bank and the European Bank for Reconstruction and Development (EBRD) in the countries of the Europe and Central Asia region has required a significant cooperative effort. Contacts have taken place at all levels. At the task-manager level, collaborative arrangements have led to joint activities, for instance, in support of privatization in Russia and Ukraine, on financial-sector development in Bulgaria and Romania, and on regionwide energy issues—often in conjunction with other European multilateral institutions. At a higher level, visits by department directors and other senior staff of the two institutions have taken place to exchange views and anticipate opportunities for further collaboration.

Cooperation on agricultural research. The Consultative Group on International Agricultural Research (CGIAR), comprising forty-one public and private-sector members, is jointly sponsored by the Bank, the FAO, and the UNDP. Indonesia joined the CGIAR in 1992, increasing the group's number of developing country members to eight. Thirty countries are members of the CGIAR.

Decisions made by the group during the past year will change the way in which the CGIAR conducts its business, further develop its emphasis on sustainability, and lead to a consolidation of programs (the number of CGIAR centers will drop from eighteen to sixteen.)

Two committees of donors, for finance and for oversight, were established during the year, marking the first major change in governance since the group was established in 1971. The finance committee, which consists of donor institutions, will work in areas that include resource mobilization, funding modes, core and project funding, and resource allocation. The World Bank was elected to chair the committee. The oversight committee, which consists of individual donor representatives, will seek to improve review mechanisms, oversee the operation of checks and balances within the CGIAR system and, overall, will ensure that all CGIAR activities are conducted with due diligence.

In 1993, the group reaffirmed its emphasis on the two-pronged strategy of combining growth in productivity with sustainability of the natural-resource base on which productivity depends. The five-year work programs of CGIAR centers (1994–98) restructured activities and reallocated resources to integrate productivity concerns with the sustainability of natural resources. Soils and water, biodiversity, and human-resource development were earmarked for CGIAR involvement in the Agenda 21 manifesto.

Two new international centers were welcomed into the group during the past year: the Center for International Forestry Research (established in Bogor, Indonesia) and the Manila-based International Center for Living Aquatic Resources Management.

Noting the importance of livestock to the rural poor, the group decided that the CGIAR system required a single, unified global strategy and program and a single institution to conduct livestock research. The CGIAR's two Africa-based livestock-research centers—the International Livestock Centre for Africa and the International Laboratory for Research on Animal Diseases—will form the core of the new, unified institution.

Harmonizing various options proposed for how best to pursue international research in banana and plantain in association with developing-country partners, the CGIAR decided that research programs currently coordinated by the International Network for the Improvement of Banana and Plantain (INIBAP) based in Montpellier, France would evolve into a single research consortium (to include the INIBAP) for germplasm improvement administered by the Rome-based International Board for Plant Genetic Resources in cooperation with the International Institute of Tropical Agriculture, located in Ibadan, Nigeria.

CGIAR centers reported a number of significant research achievements including, in particular, new varieties of potato and cassava that could help farmers in developing countries to step up food output and reduce the use of costly and hazardous chemical pesticides.

For several years, the International Potato Center (CIP) in Lima, Peru has led an effort to develop host plant resistance in potatoes, which traditionally require the heaviest application of pesticides among the world's major food crops. The "hairy potato," which earned its name from the hair-like trichomes on its leaves and stems, traps and kills pest insects as they try to eat or reproduce on potato plants. Field tests in various countries have shown it resists everything from thrips to aphids, the potato tuber moth, and the Colorado potato beetle. The new variety, developed in association with scientists at Cornell University (New York), could save countries of the developing world some of the $300 million they spend annually on pesticides used in potato production. For this research achievement, the CGIAR honored CIP with the 1992 biennial King Baudouin Award for International Agricultural Research.

The insect resistance of the "hairy potato" comes from its breeding with a wild potato species with high trichome density. It is the first recorded instance of a wild relative being used for developing insect resistance in a potato fit for human consumption.

Recent advances in breeding high-yielding varieties of cassava, a major food crop in the tropics, have led to the emergence of a "super cassava," which could make it easier for sub-Saharan Africa to avoid periodic food shortages and improve food security. Originating in Brazil, cassava—also known as manioc or yucca—is the world's most important root and tuber crop after potatoes, and is grown in all tropical regions. In Africa it is the main staple of over 200 million people and is grown extensively from Senegal to Mozambique. Cassava's starchy roots are edible, and its leaves are rich in vitamin A. Cassava stores well in the ground. The plant is highly drought resistant; under extreme conditions it sheds leaves to reduce evaporation, thus protecting the root.

The International Institute for Tropical Agriculture (IITA) in Ibadan, Nigeria, has successfully tested varieties that could increase yields per hectare on farmers' fields from the current African average of 12 tons to about 40 tons. The newest lines of cassava owe this

potential for high yield to multiple sets of chromosomes obtained through crosses between cassava and some of its wild relatives. Such so-called polyploid cassavas, lined with more than the normal number of chromosomes, show not only higher yields but also promise of other improved traits.

The new varieties could thus help improve Africa's food security, for instance, during periodic droughts, by providing a plentiful and reliable source of carbohydrates. In Southern Africa, where cassava is infrequently grown, they could help reduce dependence on maize, the main staple, which is vulnerable to drought.

Total funding for CGIAR-supported research in calendar year 1993 is expected to be some $300 million, slightly lower than in 1992.

The Administrative Budget, Personnel, and Administration

The Bank's administrative budget for fiscal 1993, as approved in fiscal 1992 by the executive directors, was $1,251 million. In October 1992, the executive board approved $20 million in emergency-assistance grants to support the relief efforts of agencies working in Somalia. Late in fiscal 1993, the executive directors approved an administrative budget for fiscal 1994 of $1,388.7 million (see Table 5-4), an increase of 11.0 percent over the original budget of the previous year. The budget reflects the Bank's program priorities for the coming year: supporting poverty reduction, increasing the developmental effectiveness of Bank operations, and supporting policy reforms in a large number of countries, including new and reactivating members.

The fiscal 1994 budget was the first to be prepared under the revised system approved last year. The new process, designed to reduce complexity while increasing transparency and cost-consciousness, included:

- the preparation of a Planning Directions Paper, with indicative three-year planning and provisional resource guidelines, for review in February by the Committee of the Whole;
- the preparation in February and March by units of detailed three-year business plans, including proposed budgets for the coming fiscal year, consistent with the provisional guidelines;
- the preparation of the Bankwide budget proposal for the new fiscal year, formulated within the three-year business-planning framework, presented to the executive directors for consideration in June; and
- the Bankwide application of dollar budgets to enhance individual managers' ability to make effective resource trade-offs.

World Bank regular and fixed-term staff on board at the end of fiscal year 1993 totaled 6,197, of whom 4,005 were higher-level staff from 121 nations. The total number of staff increased 2.5 percent from the previous year; higher-level staff grew by 2.9 percent. Of the higher-level staff, 58 percent were from industrialized countries, while the remaining 42 percent were from developing countries. The proportions at the end of fiscal year 1992 were the same.

Women employed as higher-level staff by the Bank increased from 27.4 percent of the total to 28.4 percent during fiscal 1993. The Bank recruited 239 new higher-level staff in fiscal 1993, of whom 41 percent were from developing countries and 31 percent were women. Some thirty of the Bank's recruits were selected through the Young Professionals Program; thirteen were from developing countries, and nineteen were women.

At the end of the year, a total of 913 higher-level, long-term consultants (those with contracts with a duration of six months or more) were working for the Bank, and 533 regular and fixed-term staff were in special positions.

The Bank's organizational structure was adjusted in fiscal 1993 to provide better support and leadership in the key thematic areas of development assistance in the 1990s—environmentally sustainable development, private-sector development, and human-resource development. The improved structure will also better enable the Bank to effectively balance country focus, sector expertise, and thematic emphases in its operational work.

The reorganization, effective January 1, 1993, replaced the vice presidency for Sector and Operations Policy with three new vice presidencies: Human-resource Development and Operations Policy, Finance and Private-sector Development, and Environmentally Sustainable Development. Within the regions, the sector-operations divisions were strengthened, while the technical departments were recast to mirror the new thematic vice presidencies. Research responsibilities were consolidated under the vice president, Development Economics. By pooling a critical mass of technical and sectoral expertise on a global rather than a strictly regional basis, the new structure allows the Bank to respond more flexibly to changing needs among the regions, which is critical to ensuring efficient use of resources despite high degrees of uncertainty at the country level.

Personnel and administration continued to focus on helping the Bank and its staff meet the challenges of fiscal 1993. Priorities included the completion of recruitment for the expanded

Table 5-4. **World Bank Budget by Expense Category and Administrative Program, Fiscal Years 1991–94**
(millions of US dollars)

Item	Actual 1991	Actual 1992	Actual 1993	1994 program
Expense category				
Staff costs[a]	612.0	699.9	771.4	875.8
Consultants	78.0	89.2	103.1	112.1
Contractual services/representation	33.5	37.3	42.9	45.4
Operational travel	96.9	113.5	122.0	131.9
Overhead[a]	151.5	176.1	209.1	211.5
Direct contributions to special grants program[b]	57.0	58.6	80.7	86.1
President's contingency[c]	—	—	—	13.6
Reimbursements	(65.2)	(100.5)	(95.3)	(99.9)
Additional funding for RSBP[d]	—	—	—	12.2
Total	963.6	1,074.0	1,233.9[e]	1,388.7
Administrative Program[f]				
Operational	441.3	507.2	607.3	619.9
Financial	68.3	77.0	85.0	90.0
Development and advisory[g]	158.9	178.9	169.9	216.2
Administrative support	95.2	109.2	119.0	123.8
Corporate management and legal services	44.6	52.0	55.1	57.6
Total	808.3	924.3	1,036.3	1,107.5
Overhead/benefits[h]	109.2	132.0	146.9	194.1
President's contingency	—	—	—	13.6
Reimbursements	(65.2)	(100.5)	(95.3)	(99.9)
Net administrative programs	852.3	955.8	1,087.9	1,215.3
Special programs[b]	65.0	65.7	88.7	96.4
Boards	36.5	41.0	44.8	51.0
Operations evaluation	10.0	11.4	12.5	13.7
Additional funding for RSBP[d]	—	—	—	12.2
Total budget	963.7	1,074.0	1,233.9[e]	1,388.7

— Not applicable.

NOTE: Details may not add to totals because of rounding.

a. Fiscal 1991–92 figures differ from fiscal 1992 *Annual Report* due to reclassification of certain expense items.

b. Includes Institutional Development Fund in fiscal 1993 and fiscal 1994.

c. Allocations from president's contingency have been included in respective categories/programs for fiscal 1991–93.

d. Retired staff benefits plan.

e. Excludes $20.0 million for Somalia relief.

f. Includes allocated staff benefit expenses (fiscal 1991–93) and budget (fiscal 1994).

g. Includes reorganized policy, research, and dissemination programs.

h. Centrally managed overhead and benefits, excludes overhead for special grants program.

Europe and Central Asia (ECA) region, implementation of the recent organizational changes, strengthening the personnel-management system and policy framework, and pursuing the rehabilitation of the Bank's main facilities complex.

Expansion of Bank activities in the republics of the former Soviet Union led to the addition of 140 positions to the staffing of the ECA region in mid 1992. By the end of 1992, most of these positions had been filled, either through external recruitment or internal reassignment. During this period the Bank's approach to both recruitment and long-term staff planning was strengthened through the establishment of Sectoral/Operational Staffing Groups, formed

to identify strategic staffing issues and clear candidates for recruitment.

While more focused attention on career planning and central coordination of reassignments were goals of the personnel function in fiscal 1993, the overriding priority was staffing the three new vice presidencies and facilitating other staff movements resulting from organizational changes. The improved reassignment processes were implemented on a small scale at first, but coverage has since been broadened to include virtually all staff. The Career Development Review, a career planning tool for staff used by the institution for training and reassignment purposes, was introduced in fiscal 1993, as was a new performance-management process for managers that bases evaluations on critical job competencies.

The Bank's strategy to improve the representation of women at senior organizational levels and to address in a meaningful way issues affecting women as Bank staff received continued attention in fiscal 1993 through the appointment of a Senior Adviser on Women's Issues. In January 1993, the Bank created the Office of the Historian to develop and maintain an authoritative record of events, policies, and activities of the Bank Group, and to report on trends in the Bank's evolution that could contribute to understanding the Bank's work. Another significant initiative completed during fiscal 1993 was a study of the relationship between work and family life of staff in the Bank, which recommended modification of several personnel policies and practices, the creation of relevant support programs, and the institution of pilot studies on other potential changes intended to reduce conflicts between family needs and job requirements. The recommendations are being implemented.

Other areas of personnel and administration were also active in improving the workplace environment during fiscal 1993. In August 1992, the Bank began the practice of using dual contractors for its travel-service requirements for the first time, an arrangement that has proven successful. The dual-contractor concept was extended to food services in January 1993. Efforts to develop an information-technology "enterprise network," a centrally managed and supported service using a standard interface and allowing voice, video, graphic, image, text, and numeric data to be shared easily throughout the institution and with external entities, have also progressed in fiscal 1993 with the extension of the pilot network into the Latin America and the Caribbean region.

The rehabilitation of the Bank's main complex buildings, due to be completed in fiscal 1996, continued on schedule. By the end of fiscal 1993 the first phase was virtually completed, and occupancy was scheduled to be completed early in fiscal 1994. When finished, the new complex will accommodate 1,200 more staff than the buildings that were replaced and will provide a full array of modern headquarters support services that could not be accommodated in the older buildings.

International Finance Corporation

The International Finance Corporation (IFC), a member of the World Bank Group, promotes private enterprise in its developing member countries. It does this by financing sound private-sector projects, mobilizing debt and equity financing in the international markets for private companies, and providing technical assistance and advisory services to businesses and governments.

The growth of the IFC's operations in fiscal 1993 was exceptionally strong. Financing approved for IFC's own account was $2.1 billion for 185 projects, compared with $1.8 billion for 167 projects in fiscal 1992. The IFC achieved one of its key objectives, increasing equity and quasi-equity investments to help companies in developing countries achieve a better balance between debt and equity financing. At $519 million, equity and quasi-equity investments accounted for 24 percent of financing approved for IFC's own account.

It was another record year for the IFC's resource-mobilization activities. It approved $1.8 billion in financing to be mobilized through loan syndications and the underwriting of securities issues and investment funds. Projects approved by the IFC had total investment costs of $17 billion; this means that other investors and lenders will provide a total of seven dollars for every dollar approved by the IFC.

The corporation approved projects in fifty-four countries, compared with fifty-one countries in fiscal 1992. It also approved a number of projects with a regional or international scope. As a result of the improved business environment in Asia, Latin America, Central and Eastern Europe, and the Middle East and North Africa, IFC's approvals in those regions showed a marked increase over fiscal 1992. The corporation approved its first three projects in Russia (two oil-development ventures and a credit line to a financial institution), as well as its first projects in Lebanon since 1978. It also approved its largest investments to date in the Czech Republic and Poland and expanded its investment activities in China, with three new projects. In sub-Saharan Africa, as a result of the difficult investment

environment and the smaller average size of projects financed by the IFC, investment approvals were lower than in fiscal 1992. The IFC strengthened its focus on small and medium-sized enterprises and capital-market development, while continuing to play a catalytic role in large mining and energy projects. It also helped launch two investment funds that will invest exclusively in African companies, among the first of their kind in the region.

Projects approved spanned a broad range of sectors, including financial services, tourism, mining, petrochemicals, oil and gas development, telecommunications, agribusiness, and manufacturing. The infrastructure sector witnessed a particularly sharp increase in IFC activity, as many developing countries have begun to open up the telecommunications, power-generation, transportation, and water-supply sectors to private investors. Nearly 18 percent of total financing approved by the IFC—$379 million—will go to private-sector projects in infrastructure.

The volume of capital-markets projects approved by the IFC also increased, to $385 million. The corporation approved fifty-seven, projects involving the creation or expansion of financial institutions, the establishment of investment funds, the underwriting of securities issues, and credit lines to financial intermediaries. The IFC is helping to establish a fund that will provide equity capital for private-sector power projects in Latin America as well as a fund that will invest in gold-mining companies in different developing regions. Another fund being established will provide equity capital for companies being privatized in Morocco. The IFC approved the underwriting of eleven securities offerings with a total value of $978 million, including the first global equity issue by a Colombian company.

The IFC increased the volume and variety of risk-management services offered to clients. It approved eight projects involving risk-management techniques such as interest-rate and currency swaps or the provision of multi-instrument facilities for companies in Asia, Europe, and Latin America.

In fiscal 1993, the IFC developed a new tool for foreign investors interested in emerging stock markets, the IFC Investable Indexes, which measure the performance of 650 stocks in eighteen such markets. The indexes provide a neutral benchmark that is consistent across markets and take into account any corporate or legal restrictions applying to foreign investment in the stock markets covered.

New commitments signed during the year reached $1.5 billion, compared with $1.3 billion in fiscal 1992. Disbursements reached $1.1 billion, down 1 percent from fiscal 1992. The IFC's disbursed portfolio grew by 9 percent, to reach $5.4 billion at June 30, 1993.

Advisory operations also increased sharply, particularly in connection with privatization and restructuring. There was also a greater regional diversity in the IFC's advisory work as a result of new engagements in Asia, sub-Saharan Africa, and the Middle East. It continued to advise government authorities in Russia and Ukraine on privatization and received a mandate to provide advice on the privatization of a large agribusiness consortium in Odessa. In connection with capital-market development, the IFC provided technical assistance in thirty-one countries or regions. It worked on the drafting of securities laws and regulations, the establishment of supervisory and enforcement entities and mechanisms for securities markets, and the creation or development of stock exchanges. It also collaborated with the World Bank on several financial-sector reviews and helped government authorities in several countries design sector-development strategies.

The Foreign Investment Advisory Service (FIAS), which is supervised by a committee consisting of representatives of the IFC, MIGA, and the Bank, completed thirty-one advisory assignments in twenty-eight countries during the year.

The corporation's financial performance was satisfactory during the year, with net income reaching $142 million, a return of 5.6 percent on IFC's net worth, which reached $2.7 billion at June 30, 1993, compared with $2.4 billion at June 30, 1992. The corporation borrowed $1.3 billion in the international markets, almost double the amount borrowed in fiscal 1992. Its largest borrowing during the year—and in its history—was a ¥40 billion bond issue, the IFC's first Euroyen bond issue. During the year the IFC's executive board authorized a warrant-issuance program that will contribute to a lowering of the IFC's funding costs.

The corporation's membership increased to 155 countries in fiscal 1993. In response to the growing demand for its services as countries around the world accelerate the move to a market economy, the IFC expanded its presence worldwide. It opened a representative office in Frankfurt to develop contacts with companies interested in investing in Central and Eastern Europe. It opened resident missions in Beijing, Buenos Aires, Mexico City, and Moscow. The corporation and the Africa Project Development Facility each opened a branch in Accra to handle increased demand for advice and project finance for small and-medium-sized enterprises in Ghana.

The corporation's board of governors approved a $1 billion general capital increase for IFC at the end of fiscal 1992. In fiscal 1993 the board of governors approved a $150 million selective capital increase to accommodate the memberships of the former Soviet republics and the Marshall Islands. These capital increases supported the expansion of IFC's operations during the fiscal year.

Details of the IFC's fiscal year can be found in its annual report, published separately.

Multilateral Investment Guarantee Agency

Established in April 1988, the Multilateral Investment Guarantee Agency (MIGA) is the youngest member of the World Bank Group. MIGA was established with the objective of encouraging the flow of foreign direct investment (FDI) to, and among, developing member countries. It does this by offering political-risk investment insurance coverage to private investors and providing promotional and advisory services to assist its developing-member countries in their efforts to attract and retain FDI.

The demand for MIGA's services and guarantees is increasing as the world is experiencing a steady growth of private investment over a wide spectrum of industries in developing countries.

Member relations. Fiscal 1993 saw a dramatic increase in country membership in MIGA—from eighty-five at the beginning of the year to 107 by June 30, 1993. Of these twenty-two new members, fourteen were countries from Central and Eastern Europe and the Middle East. MIGA's subscribed capital increased to $948 million, and net income, before provisioning, was $26 million. MIGA assumed a total of $745 million in contingent liabilities in respect of its guarantee program.

The guarantee program. Consistent with its mandate, MIGA may only insure new investments, including the expansion of existing investments, privatizations, and financial restructuring.

For projects to qualify for MIGA's insurance, they must be registered with MIGA before the investments are made or are irrevocably committed. MIGA can insure up to 90 percent of the investment amount, subject to a current limit of $50 million of coverage per project. Eligible investments include equity, loans made or guaranteed by equity holders, and certain other forms of direct investment. MIGA may also insure loans made by nonequity holders if the agency is also insuring other investments in the borrowing enterprise. MIGA's standard policy covers investments for fifteen years; in exceptional cases, coverage may be extended to twenty years. MIGA also cooperates with national investment-insurance agencies and private insurers to coinsure or reinsure eligible investments. In fiscal 1993, MIGA issued its sixth reinsurance policy in favor of the Ministry of International Trade and Industry, which is responsible for Japan's official export-credit and investment insurance.

MIGA issued a record twenty-seven contracts during fiscal 1993 totaling $374 million in coverage. Fourteen host governments are expected to benefit, in aggregate, by the facilitating of some $1.9 billion in foreign investments, the creation of an estimated 1,720 jobs, and other less tangible but equally important benefits involving the transfer of technology and employee training.

As the agency has grown in the years since its establishment, the regional coverage of its guarantee program has broadened.

In Africa, MIGA has issued guarantees for a cobalt-extraction project in Uganda, a foreign bank reentry into Tanzania, and a gold mine in Ghana; in the Middle East and Europe region, guarantees were issued to companies for projects located in the Czech Republic, Poland, Turkey, and Saudi Arabia; in Latin America, guarantees were issued for projects located in Argentina, Guyana, and Jamaica; and within the Asian region, projects were guaranteed in Bangladesh, China, and Pakistan.

Indicative of the widening list of companies availing themselves of MIGA's guarantees, the agency offered coverage to firms from four new countries: Belgium, Saudi Arabia, Spain, and Switzerland. The project in Turkey involving a Saudi Arabian investor was the first MIGA contract involving two countries that are not members of the OECD. In one significant development, MIGA's discussions with banking regulators in a number of countries has led to formal arrangements whereby banks domiciled in six countries—Belgium, France, Japan, Spain, Sweden, and the United Kingdom—are now exempted from provisioning for country risk if they have a MIGA guarantee.

Promotional and advisory services. In implementing its second mandate, MIGA provides promotional and advisory services to its developing-member countries to support their efforts to attract foreign direct investment. These services are provided both directly, through the Policy and Advisory Services Department (PAS) and through the Foreign Investment Advisory Service (FIAS). The services that PAS provides include the organization of investment-promotion conferences and other promotional activities, executive-development

programs, foreign-investment policy roundtables, institution-building assistance, and research. Through FIAS, a range of specialized advisory assistance to governments is also provided.

During fiscal 1993, MIGA organized a regional investment-promotion conference in Botswana covering general investment opportunities in Botswana itself, as well as regional tourism-sector possibilities in neighboring Lesotho, Namibia, Swaziland, and Zambia. Other promotional events included cosponsorship of a mining-investment conference in Namibia, an investor-services workshop in Uganda, and an investment mission to Guyana. Another investment mission was held during the September 1992 annual meetings to promote investment opportunities in El Salvador.

MIGA conducted executive-development programs for business executives in Guyana, Namibia, Swaziland, and Zambia, and, following up on a foreign investment-policy roundtable for sub-Saharan Africa arranged in fiscal 1992, MIGA and FIAS organized three workshops (in Tanzania, Uganda, and Zimbabwe) for policy implementors in June 1993. In these workshops, civil servants from developing countries that have successfully undertaken deregulation shared their experience on streamlining regulatory procedures with their counterparts in the three countries.

MIGA's advisory assistance also included significant work on the legal framework for FDI in member states. MIGA has worked with a number of countries as they have liberalized the laws applying to foreign investments. Several countries entered into bilateral treaties for the protection and promotion of foreign investments. MIGA also concluded legal-protection agreements with six member countries that will make it easier for MIGA to issue investment guarantees.

Thirty-one advisory projects were completed by FIAS in twenty-eight countries (many of them members of MIGA) during the year, of which approximately one third were in Africa, one fourth were in Asia, and the remainder in Latin America and the Caribbean, Eastern Europe, and Middle East and North Africa. FIAS provides member governments with advice on policy and institutional issues affecting FDI flows. Most of the advisory work, as in earlier years, was focused on diagnostic studies and reviews of specific investment policies.

Examples of advisory work undertaken during the year included diagnostic reviews of the investment environment in Mauritania, Paraguay, and Russia; development of proposals for foreign investment-promotion agencies in Bangladesh and Russia, and of investment-promotion strategies in China, Venezuela, and Viet Nam; assistance in revising investment codes in Mozambique and Zambia; advice on institutional development (Côte d'Ivoire and Morocco) and a number of investment-policy issues in Egypt, the Pacific islands, and the United Arab Emirates. FIAS also conducted seminars aimed at improving investment-promotion capabilities in Bolivia, Tanzania, Uganda, Viet Nam, and Zimbabwe.

International Centre for Settlement of Investment Disputes

The International Centre for Settlement of Investment Disputes (ICSID) is a separate international organization established under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the Convention) that was opened for signature in 1965 and entered into force the following year.

ICSID seeks to encourage greater flows of international investment by providing facilities for the conciliation and arbitration of disputes between governments and foreign investors. In addition, ICSID undertakes advisory, research, and publications activities in the area of foreign-investment law.

During fiscal 1993, ICSID's membership continued to grow with the ratification of the convention by Armenia, Azerbaijan, Belarus, China, Costa Rica, the Czech Republic, Georgia, Lithuania, the Federated States of Micronesia, and Turkmenistan. As of June 30, 1993, 109 countries had become members of ICSID; an additional fourteen countries had signed but not yet ratified the convention.

During the same period, requests for arbitration were registered in two new cases. In addition, one annulment decision was rendered, and three cases were amicably settled. As of June 30, 1993, three cases were pending before the centre.

ICSID's publications include a semiannual law journal, "ICSID Review—Foreign Investment Law Journal," and multivolume collections of *Investment Laws of the World* and *Investment Treaties*. Two issues of the law journal and four releases of the investment laws and treaties collections were published in fiscal 1993.

Details of ICSID's activities during fiscal 1993 appear in its annual report, which is published separately.

Section Six
1993 Regional Perspectives

Africa

Sub-Saharan Africa is in the midst of unprecedented change—political, economic, and social. Although 1992 was not a good year for the region as a whole, countries that persisted in their economic reforms fared better than the rest, and even in those that did poorly, for whatever reason, the seeds for more hopeful change were planted. All countries, nevertheless, including the good performers, have a long distance to travel on the road toward sustainable per capita growth with equity.

The region's gross domestic product (GDP)—excluding the Republic of South Africa—is estimated to have grown by 1.8 percent in calendar 1992. Although this growth rate compares favorably with that which occurred in 1990, when GDP increased by 1.6 percent, it represents no improvement over the average annual growth of 2.6 percent in 1986–90 and is below the region's population growth rate of 3 percent. Moreover, if Nigeria were excluded (it grew by 4.8 percent in 1992), GDP growth drops to just slightly more than 1 percent.

Other indicators of economic performance were mixed; consumption per capita, investment, and exports grew faster in 1992 than in

Table 6-1. **Africa: 1991 Population and Per Capita GNP of Countries that Borrowed during Fiscal Years 1991–93**

Country	Population[a] (thousands)	Per capita GNP[b] (US dollars)	Country	Population[a] (thousands)	Per capita GNP[b] (US dollars)
Angola	9,460	n.a.	Lesotho	1,813	580
Benin	4,886	380	Madagascar	12,032	210
Botswana	1,319	2,530	Malawi	8,796	230
Burkina Faso	9,272	290	Mali	8,707	280
Burundi	5,653	210	Mauritania	2,025	510
Cameroon	11,881	850	Mauritius	1,087	2,410
Cape Verde	380	750	Mozambique	16,128	80
Central African Republic	3,086	390	Niger	7,911	300
Chad	5,826	210	Nigeria	98,983	340
Comoros	492	500	Rwanda	7,125	270
Congo	2,350	1,120	São Tomé and Principe	118	400
Côte d'Ivoire	12,360	690	Senegal	7,625	720
Djibouti	452	n.a.	Seychelles	69	5,110
Equatorial Guinea	427	330	Sierra Leone	4,243	210
Ethiopia	52,792	120	Sudan	25,836	n.a.
Gabon	1,168	3,780	Tanzania[c]	25,201	100
Gambia, The	902	360	Togo	3,773	410
Ghana	15,336	400	Uganda	16,899	170
Guinea	5,880	460	Zaire	38,631	n.a.
Guinea-Bissau	1,001	180	Zambia	8,319	n.a.
Kenya	25,006	340	Zimbabwe	10,079	650

NOTE: The 1991 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1993*.

n.a. Not available.

a. Estimates from mid 1991.

b. *World Bank Atlas* methodology, 1989–91 base period.

c. The GNP per capita refers to mainland Tanzania only.

1991, albeit from a depressed level. Large fiscal deficits (an average 11.4 percent of GDP) and high rates of inflation (an average 45 percent, with rates for Angola, Sudan, and Zaire exceeding 100 percent) continued throughout the year. Despite an increase in the volume of exports, the external sector did not do well, largely because of unfavorable terms of trade, which deteriorated by 6 percent. As a result, the region's current-account deficit widened to nearly 10 percent of GDP. Increased recourse to foreign savings was needed to meet the financing needs caused by larger domestic investment and consumption (some of it drought-related), which could not be covered by the sluggish growth in domestic savings. As in previous years, most countries could not fully service their external debt. Interest arrears continued to climb, reaching about $14 billion in 1992, or more than three times the level of 1987. Despite incidences of debt forgiveness and reschedulings, the region's debt stock changed little from the 1991 level when it amounted to 111 percent of GDP and 345 percent of exports. The annual debt-service ratio also remained high and unchanged at about 28 percent.

Four factors largely explain this economic performance: the worldwide recession, which resulted in sluggish world demand for the region's exports and depressed world commodity prices; the drought in Eastern and Southern Africa; civil strife in parts of the region; and slippage in economic management, as well as a further deterioration in the financial situation of a number of western and central African countries.

There were significant variations in country economic outcomes. Ten Eastern and Southern African countries were affected by the worst drought in memory, which caused the region's total cereals production to drop by half in 1991–92. The countries hardest hit were Kenya (GDP grew by just 1.8 percent in 1992), Lesotho (1.6 percent), Malawi (−7.7 percent), Mozambique (−1.4 percent), South Africa (−2.0 percent), Zambia (−10 percent), and Zimbabwe (−8.2 percent). The effect of drought on food consumption would have been even more serious had it not been for the large emergency food aid provided by donors. Food aid to Kenya, Malawi, Mozambique, Tanzania, and Zambia amounted to about $500 million during the drought period, representing

Table 6-2. **Lending to Borrowers in Africa, by Sector, Fiscal Years 1984–93**
(millions of US dollars)

Sector	Annual average, 1984–88	1989	1990	1991	1992	1993
Agriculture and rural development	509.6	754.8	997.4	504.9	697.5	318.3
Development finance companies	188.7	311.6	127.6	138.8	419.9	—
Education	108.3	88.2	350.7	265.9	402.9	417.4
Energy						
Oil, gas, and coal	34.0	31.2	—	300.0	48.5	—
Power	130.1	138.4	230.0	155.0	76.0	356.0
Industry	89.5	81.4	105.1	—	406.0	335.8
Nonproject	358.5	1,019.0	271.6	832.6	895.0	414.2
Population, health, and nutrition	65.6	81.3	232.7	432.8	100.3	131.2
Public-sector management	51.3	—	45.6	5.7	76.7	20.6
Small-scale enterprises	17.4	270.0	130.0	—	—	—
Technical assistance	69.9	144.6	56.0	81.9	88.0	131.8
Telecommunications	29.4	103.3	225.0	12.8	—	89.1
Transportation	382.4	248.7	543.6	309.5	242.8	474.5
Urban development	111.2	414.0	360.4	98.3	222.6	61.2
Water supply and sewerage	61.8	238.2	257.2	256.0	297.4	67.2
Total	2,207.7	3,924.7	3,932.9	3,394.2	3,973.6	2,817.3
Of which: IBRD	828.2	1,560.6	1,147.0	662.9	738.4	47.0
IDA	1,379.5	2,364.1	2,785.9	2,731.3	3,235.2	2,770.3
Number of operations	79	81	86	77	77	75

— Zero.

NOTE: Details may not add to totals because of rounding.

Schoolgirls walk home along a street in Victoria, Seychelles. Expanding the role of women in the African region's economies has led to increased school enrollment for girls.

over one fourth the value of the region's cereal imports in a normal year.[1] Food aid was managed, on the whole, by the recipient countries themselves in a highly effective manner.

Several countries suffered also from unfavorable world prices. Countries exporting petroleum, coffee, cocoa, cotton, and copper were hurt more than others. For example, Burundi's coffee export earnings dropped by 30 percent in 1992—despite virtually unchanged volume. The drop in world cotton prices hurt the region's major cotton exporters—especially the Sahelian producers (see Box 6-1). Despite the internal adjustment measures that were undertaken, a number of countries experienced severe economic difficulties, notably on the external side; in large countries such as Cameroon and Côte d'Ivoire, GDP declined by 3.4 percent and 2.4 percent, respectively, while in Gabon, Kenya, and Senegal, growth was modest. The combined effects of external factors were so overwhelming that contractionary effects—including a cut in social expenditures—could not be averted. At the same time, pass-through reductions in prices paid to producers of traditional exports have adversely affected producer incentives.

Not all the countries of the region performed poorly. Botswana and Mauritius continued to perform well. Despite civil strife, Sudan, which broke with past economic policies and was helped by unusually bountiful harvests, registered a high rate of growth. Most countries receiving assistance through the special program of assistance (SPA) for low-income, debt-distressed African countries performed better than the region as a whole.[2] Furthermore, in a core group of fifteen countries that has implemented policy reforms successfully over time, economic outcomes have been impressive. All key performance indicators for this group have been better than those for the entire region. On average, GDP grew 3.3 percent a year during 1991 and 1992—4 to 5 percent in the case of Benin, Burundi, The

[1] The Bank contributed to this effort by helping mobilize assistance. In addition, the Bank—through a restructuring of existing projects, acceleration of disbursements, and lending for new emergency projects—financed imports of grains and agricultural inputs, agricultural credit, rehabilitation of water-supply and power systems, and technical assistance.

[2] The SPA, now in its second phase, covers the period 1991–93. Under this phase, seventeen donors have pledged approximately $7 billion in cofinancing and coordinated financing with $2.9 billion of IDA adjustment credits to help cover the financing gaps of twenty-seven currently eligible sub-Saharan countries. As of December 31, 1992, SPA donors had allotted $5.3 billion—76 percent of their total pledges—and had disbursed $2.5 billion, or 47 percent of the total allocations.

Box 6-1. Cotton Crisis in the Sahel

Cotton production in the Sahel is a success story in search of a happy ending. From its introduction in the early fifties, cotton quickly became the main cash crop for the majority of peasants. Cotton production witnessed large productivity increases through (a) the development and introduction of new technologies (improved seeds and agronomic practices) that helped other agricultural crops, as well (especially cereals and groundnuts) and (b) the efforts of cotton companies that were given full autonomy to determine production, research, marketing, and pricing policies. At the international level, cotton was the last major crop to be caught in the generalized drop of commodity prices in the 1980s.

The fall in the world market prices of cotton in 1992—from 182 cents/kg in 1990 and 168 cents/kg in 1991 to less than 130 cents/kg—has had a devastating effect on the major Sahelian producers of that commodity (Burkina Faso, Chad, and Mali): Foreign-exchange earnings have plummeted; deficits have increased in the cotton sector (estimated at a cumulative CFAF37 billion for the 1992 and 1993 crop seasons—equivalent to about $150 million and representing a quarter of the corresponding value of cotton exports from the three countries); public finances have become increasingly strained, as governments have not only lost tax revenues but are also being called upon to provide support to their cotton sectors; and the only cash revenue of a large part of the population has come under downward pressure.

The crisis of the past two years has three specific causes: the entry of Uzbekistan (which traditionally supplied the Soviet Union) into the world market, with a supply of 1.25 million tons; a 50 percent increase in the exports of Australia and Pakistan; and sustained large exports from the United States.

The response of the main Sahelian cotton producers to this crisis has been rapid (as it has been in the coastal countries, particularly Benin). Producer prices for seed cotton have been reduced in Burkina Faso (by more than 15 percent), and rigorous measures have been taken to reduce ginning costs significantly and to improve marketing efficiency further in all three countries. Further producer-price reductions are planned should world market prices remain at their depressed state. Governments have also responded by virtually eliminating all export taxes, significantly reducing import duties on inputs, and soliciting external assistance to restore financial equilibrium to their cotton sectors. However, as these countries belong to a monetary zone with a common currency, they can maintain competitiveness by relying only on internal adjustment measures, which have their limitations: At current world market prices translated into the common currency, revenues are far from covering variable costs, despite sustained attempts to increase efficiency (although the situation varies by country).

Gambia, Ghana, Mali, Nigeria, Tanzania, and Uganda. The efficiency of this core group, as measured by export growth and the degree of capacity utilization, improved significantly in relation to other countries in the region. Exports have grown at a yearly rate of 5 percent (or nearly twice the rate for the region), and while the level of investment did not fully recover, the productivity of investment improved more than elsewhere in the region. Countries in this group have also improved their fiscal situation by increasing revenues. Their financial imbalances (internal and external) have thus been reduced drastically, which, in turn, has reduced inflationary pressures.

Countries Facing Special Circumstances

In the past twelve months, international attention has focused on Somalia, where restoration of peace and the establishment of a functioning government appears to be a prerequisite for addressing the urgent needs of the country. An agreement signed in March 1993, which provides for the formation of a transitional national council, if implemented, could be the basis for the reestablishment of a central authority empowered to govern the country.

Nearly all the other countries of the region, too, are in transition in one way or another—from war to peace, from centralized political systems to pluralistic ones, from government-controlled economic management and structures to market economies. Two (Nigeria and South Africa) are of special interest because of their weight, the difficulty of their transition, and their ability to influence developments elsewhere.

Nigeria is passing through a critical period in its complex transition to civilian rule. The initial stages of electing state and local executives and legislative assemblies have been completed, and the handover of power to an elected president was still scheduled to have been completed in August despite the cancellation of June's presidential election results. A Transitional Council, appointed in January 1993, was charged with the task of reversing the considerable deterioration, since late 1990, in the country's economic and financial performance and alleviating rising social tensions.

Growth in GDP slowed to about 4.5 percent in 1991–92, compared with an average 7.2 percent over the preceding three years. Inflationary pressures are mounting, mainly as a result of expansionary fiscal policies that increased the federal budget deficit to 10.6 percent of GDP in 1992, and the naira is steadily depreciating. In response to the continuing depletion of external reserves and declining capital inflows, the authorities have replaced the interbank market for foreign exchange with an auction system. Despite completion of a debt and debt-service reduction operation with its commercial creditors, Nigeria's external debt burden remains high, amounting to 95 percent of its GDP in 1992. In the same year, the debt-service ratio was 37 percent. It is against this background that the Transitional Council has been preparing a medium-term program of fiscal and structural reforms that could help mobilize international support.

In South Africa, constitutional negotiations were resumed during the year, spurred by a continued decline in economic growth, widespread drought, escalating unemployment, and endemic violence. As the prospects improved for the lifting of financial sanctions, investor interest in South Africa began to revive, although civil strife remained a serious deterrent. For its part, the Bank expanded its program of economic and sector studies and capacity building, which aims to provide some of the analytical and technical tools the country will need to revive the economy, improve income distribution, and plan for long-term economic restructuring. Technical studies and papers on policy alternatives, aided by inputs from a wide range of institutional sources in South Africa, including numerous grassroots organizations, have been prepared. In addition, the Bank's Economic Development Institute has begun a three-year program of assistance to South African universities to implement courses in economic and project management. The Bank, with donor support, is also providing technical help to South African institutions to carry out the country's first comprehensive poverty assessment.

Progress Made in Key Areas

Despite its many problems, the region is better situated now than it was a year ago in terms of the potential for change.

Although the economic parameters were not generally favorable in 1992, progress continued in a number of key areas. Almost all economies have been made more responsive to market signals, although important rigidities remain. While population growth has not yet abated, a growing number of countries have been moving from rhetoric to action on the need for family planning. Increasing agricultural productivity has begun to reoccupy the center stage it deserves. Although investment is still below the levels required to achieve sustainable per capita growth, public-investment programs are increasingly free of large-scale projects of questionable merit. More countries are willing and ready—having progressed along the adjustment path—to join others in efforts toward regional integration and harmonization of policies and regulations. Efforts to strengthen institutional capacity—particularly the policy-analysis and economic-management capabilities of governments—have been bolstered through the creation of the Africa Capacity Building Foundation. And while poverty remains pervasive, more countries are giving attention to estimating, as a first step, its extent and composition and to targeting policies and expenditures toward the poor and other vulnerable groups.

Based on developments in the first six months of fiscal 1993, prospects exist for positive, if modest, per capita income growth for the region in 1993 or in 1994. Political transition is progressing in a number of countries. The drought seems to have ended. The decline in commodity prices seems to have bottomed out. Still, the optimistic outlook calls for renewed caution, as weather conditions and commodity prices are inherently uncertain. Even if the drought has ended, its effects may linger. For example, the inventory of seeds has to be rebuilt, and livestock herds have to be brought to at least pre-drought levels. Moreover, some of the government institutions emerging from the two-year process of political transition are still fragile, and important political conflicts remain to be resolved.

Agriculture, the Critical Sector

Achieving the economic growth objective for the region of at least 4 percent to 5 percent a year—as set forth in the Bank's long-term perspective study[3]—requires agricultural growth rates of at least that amount. Agriculture still accounts for about a third of the region's GDP, and its role in economic transformation is crucial for its provision of investment capital, foreign exchange, and labor to other sectors of the economy. Agricultural production is also the most important source of the income needed to improve food security and reduce poverty, as most of the poor and food-insecure are rural people.

[3] World Bank. 1989. *Sub-Saharan Africa: From Crisis to Sustainable Growth*. Washington, D.C.

During the period 1965–80, the region's agricultural-value added, in constant prices, increased by only 1.8 percent annually, compared with a population growth rate of 2.7 percent. The agricultural growth rate declined further, to 0.6 percent in the early 1980s, but recovered to 2.4 percent in 1986–89. Data on food production, trade, and aid show a still bigger improvement than value added for the sector as a whole: Food production rebounded strongly, arresting the decline in per capita production after 1985, despite an acceleration of the population growth rate to 3.1 percent; the aggregate food imports of the region declined from 11 million tons in 1985 to 7.7 million tons in 1990; and food aid has been halved, falling from 4.8 million tons to 2.5 million tons. The countries that have shown significant improvement in agriculture in the past five years include Benin, Burkina Faso, Ghana, Guinea-Bissau, Kenya, Nigeria, and Tanzania. On the whole, adjusting countries have recorded higher agricultural growth than the rest.

The agriculture sector now receives more serious domestic policy attention and thus benefits from better producer incentives, improved rural infrastructure, greater rural credit, more sustained interest in the role of women, and increased recognition of the crucial importance of farming systems and environmental sustainability. Moreover, the suitable technological messages delivered through the "training-and-visit" (T&V) extension system now used in thirty African countries have begun to produce results: Recent studies of the experience in three countries (Burkina Faso, Côte d'Ivoire, and Kenya) indicate that the T&V system has contributed to yield increases of between 15 percent to 100 percent, depending on the crop.[4] Against these achievements, however, have been setbacks resulting from drought, civil disturbances, and poor economic policy. These setbacks, natural and man-made, underline the fragility of agricultural development on the continent, despite the recent progress.

The main constraints to agricultural development in the region include the demand and price conditions for the region's exports, slow progress in introducing improved agricultural techniques, lack of coordination of policy advice from the donor community, and the institutional and other problems responsible for the less-than-satisfactory performance of agricultural-investment projects.

World markets and prices. Although short-term projections suggest virtually no improvement in world prices for most of the commodities exported by the region, those African agroindustries that restructured, increased efficiency, and cut costs in the late 1980s and early 1990s should do well, as in the past. Many African countries have extremely low production costs, relative proximity to European markets, and special trade relations with some European countries. It is possible, therefore, for African enterprises to capture enough of the projected expansion in world demand in a low-price competitive environment to contribute markedly to agricultural growth.

Use of appropriate technologies. Most of the region's agricultural growth over the past thirty years has come from the expansion of cultivated area on which an increasing agricultural population has applied traditional farming methods. Notwithstanding the relatively recent introduction of the T&V system, the knowledge-based revolution in agriculture, the basis of agricultural development elsewhere in the world, has lagged behind in Africa (except in the case of cotton production, which witnessed large increases in several countries). Reasons include: (a) weak systems of agricultural research and extension and the related problem of insufficient budgetary appropriations; (b) a tendency to discourage initiative at the farm and enterprise levels by setting agricultural-producer prices too low and by maintaining overvalued domestic currencies; (c) ill-conceived public agricultural projects that actively discouraged autonomous farmer organizations and cooperatives and farmer participation in their management; and (d) inappropriate technical assistance, as well as inadequate aid coordination in the fields of agricultural research and extension.

The Bank's Agricultural Strategy

The Bank's agricultural strategy for Africa aims at creating the conditions that could, over time, allow the objectives of the long-term perspective study for the sector to be exceeded. It is derived from an analysis of past performance, including policies and projects that have and have not worked, the main constraints facing the sector, and success stories in African agriculture. It has five main elements:

- *Creation of an appropriate policy environment for private-sector farming, and agricultural marketing, processing, and credit.* The aim is to allow profitability—of farming, agroprocessing, marketing, and ancillary economic

[4] In May 1993, a seminar of the executive board of the Bank was convened to discuss the subject of the "T&V" management system of agricultural extension in Africa, which currently is helping to increase the productivity of some 25 million farm families.

Table 6-3. **Commitments, Disbursements, and Net Transfers in Africa**
(millions of US dollars; fiscal years)

Item	Nigeria			Côte d'Ivoire			Sudan			Total region		
	start 1993	1993	1989–93	start 1993	1993	1989–93	start 1993	1993	1989–93	start 1993	1993	1989–93
IBRD and IDA commitments		244	3,138		24	989		—	193		2,817	18,097
Undisbursed balance	2,721			447			253			13,659		
Gross disbursements		250	1,694		45	846		62	465		2,620	13,282
Repayments		309	1,265		174	703		10	58		952	4,234
Net disbursements		−58	429		−130	142		51	407		1,668	9,048
Interest and charges		270	1,281		161	760		7	40		794	4,080
Net transfer		−328	−852		−291	−618		44	367		874	4,968

— Zero.

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest amounts of public or publicly guaranteed long-term debt. Details may not add to totals because of rounding.

activities—to be the force that drives their development.

• *Technological advancement at the farm and enterprise level.* Agricultural-research systems need to be rehabilitated and refocused in nearly every African country to make them more responsive to both farmers' needs and the emerging challenges facing agriculture. These challenges include improving the quality of African exports to match world demand and managing land and water resources in a sustainable manner.

• *Development of farmers' participation and empowerment.* This element embodies the widespread finding that active farmer participation in agricultural projects and policymaking is an important condition of success.

• *Developing physical and social infrastructure, including roads and rural water supply, education, and health facilities.* To redress past urban bias, there needs to be a reallocation of public-sector investments from the largest cities to secondary towns and rural areas.

• *Natural-resource management and forest conservation.* Natural-resource management requirements vary from country to country. Generally, whether in areas with substantial forest resources or in areas that are heavily farmed, the problems reflect market failure; contributing factors are poverty and changes in the environment brought on by droughts and other phenomena. The incentive system must be reformed in ways that encourage good natural-resource management practices.

This agricultural strategy has been discussed with representatives of twenty African countries and most major donor agencies, as well as with many nongovernmental and academic institutions. The response has been generally favorable, and the degree of agreement on the strategic priorities remarkable.

The Bank's Strategy for the Region

The Bank's operational program for the region aims at the achievement of concrete progress toward the objectives—in particular, growth of 4 to 5 percent a year, preferably more—of the long-term perspective study. Progress of this magnitude, with priority attention to poverty reduction and environmental sustainability, requires achieving significant on-the-ground results and benefits in a number of areas such as investment, savings, productivity, and human-resource development. Necessary conditions include greater ownership of programs by governments and constituencies; closer attention to the design and, in particular, the implementation of programs and projects, including those financed by the Bank; timely availability of adequate financial resources, including alleviation of the region's debt burden; proper coordination of all forms of external assistance; and active private-sector development. Maximizing the impact of assistance calls for flexibility and quick-response capability on the part of the Bank, as well as for channeling assistance to good performers that can and do make the most productive use of it. The already-established gradual shift by the Bank from adjustment operations to sector and project lending is expected to continue, with poverty reduction and capacity building remaining priority objectives of both lending and economic and sector work.

In all of these areas, the Bank expects to continue to work closely with donors, bilateral and multilateral, especially under the auspices of the SPA. At the SPA meeting in October 1992, donors unanimously agreed that SPA is an extremely effective aid coordination mechanism and expressed their willingness to support the next phase of SPA, covering the

period 1994–96. They agreed that SPA should pursue its basic mandate of supporting policy reform programs by continuing to provide quick-disbursing balance of payments assistance. However, donors stressed that under SPA-3, a more robust supply response in the recipient countries was needed to accelerate growth rates and reduce poverty. This will require increasing the efficiency of public investment programs supported by donors. There is a proposal under consideration to improve donor financing of key sector investment programs in order to increase the efficiency of investment financing, reduce the costs involved in the present fragmentation of donor efforts, and to reinforce the impact of the policy reform programs. While there is general agreement on its objectives, the proposal will be further revised to take into account some clarifications recommended by donors. SPA donors stressed that this initiative not divert resources from SPA's central purpose which is the provision of balance of payments support to countries that are implementing policy reforms. Under the leadership of the World Bank, the donors and the Bank are jointly developing a SPA-3 paper outlining the objectives, priorities, and financing requirements for the next phase of SPA, 1994–96. This paper will be discussed at the SPA donors' meeting in October 1993, at which time donors will be expected to make their pledges in support of SPA-3.

The implementation of Bank projects in the region improved during the year, although the proportion of projects with less-than-satisfactory performance is still large. Continuing this improvement is a top priority requiring action on two fronts: improving project quality at the design stage and better supervision of implementation. These are the objectives of an ongoing, detailed action program that aims at securing borrower ownership; building on beneficiary assessments; restructuring portfolios where needed; preparing implementation-action plans for active projects; strengthening auditing, local accounting, and procurement functions among borrowers; and increasing the involvement of the Bank's field offices. At the root of the implementation problem is generally the absence of capacity. There is a need for all donors to assure, in particular, full local participation in the identification and design of projects and programs and to rely less on technical assistance that is often ill-conceived and managed. The Bank is actively pursuing these capacity-building initiatives.

Improving project implementation requires, above all, imaginative approaches. One such approach is under way in Senegal, where twenty-five project directors responsible for the execution of Bank-assisted projects have formed an informal association to improve project implementation. The group's work has already produced encouraging results: Communications among project entities have improved, cross-fertilization of experience and ideas is taking place, and various joint studies are now under way. The association has also been influential in cutting through the bureaucracy in key ministries, while impressing on the Bank the need to expedite action at its end.

East Asia and Pacific

Although world growth rates in output and trade slowed in the opening years of the current decade, the East Asia and Pacific region has demonstrated a remarkable resilience, maintaining its impressive growth rates of the 1980s. In 1992, growth in gross domestic product (GDP) grew by 8.9 percent and in exports by 13.6 percent.

That growth has been broadly shared. Over the past quarter of a century, average living standards have nearly quadrupled, and the region has made notable progress in social development and in reducing the "gender gap." Increasing prosperity has moved many people out of absolute poverty. The number of people below the poverty line has fallen by more than one percentage point a year even as the population was expanding at 2 percent a year; currently, only about 10 percent of the population is estimated to be living below the poverty line.

***Table 6-4.* East Asia and Pacific: 1991 Population and Per Capita GNP of Countries that Borrowed during Fiscal Years 1991–93**

Country	Population[a] (thousands)	Per capita GNP[b] (US dollars)
China	1,149,523	370
Fiji	741	1,930
Indonesia	181,305	610
Korea, Republic of	43,268	6,330
Lao People's Democratic Republic	4,261	220
Malaysia	18,178	2,520
Maldives	221	460
Mongolia	2,250	n.a.
Papua New Guinea	3,964	830
Philippines	62,868	730
Solomon Islands	325	690
Thailand	57,151	1,570
Vanuatu	151	1,150
Western Samoa	161	960

NOTE: The 1991 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1993*.

n.a. Not available.

a. Estimates from mid 1991.

b. *World Bank Atlas* methodology, 1989–91 base period.

Progress has also been rapid in the social indicators of development, in particular in meeting basic needs in health, nutrition, and education. Much of this progress is undoubtedly attributable to rapid growth of income. But most of the countries in the region have also pursued deliberate policies to improve the quality of life and the accumulation of human capital. Over the years the gender gap has also narrowed in many areas of social development, such as in life expectancy, infant mortality, and school enrollment. Much remains to be done, however, in reducing the gap further by improving the status of women and their legal access to credit, property rights, and opportunities for economic advancement.

If these trends were to be sustained, East Asia could become the first developing region to overcome poverty in the course of the next generation. But that is not going to happen automatically. Most countries in the region, therefore, are faced with a complex reform agenda in the decades ahead for the continuation of poverty reduction and the sustainability of growth.[5]

The agenda for most of the countries of the region—whether they be socialist economies in transition, island economies, or middle-income economies—includes:

- *Alleviation of infrastructural bottlenecks, which comprise a major obstacle to growth.* In some countries, bottlenecks occur because investment in infrastructure has not kept pace with growth. In others the cause is poor management, inadequate maintenance, and improper pricing practices. In every country the entities responsible for the provision of infrastructure will have to focus on pricing actions, improved management, and clarity of perfor-

[5] World Bank. 1993. *Sustaining Rapid Development in East Asia and the Pacific*. Washington, D.C.

mance. And, by virtue of institutional limitations and the need for finance, the private sector will be called upon to provide a large amount of needed investment; that, in turn, will require improvements in legal and regulatory frameworks so as to make private participation more effective.

• *Reduction of adverse environmental impacts, which have been caused by industrialization, population pressures, and urbanization.* Most countries of the region have legislated environmental standards and have established institutions to oversee their implementation. Clearly, however, a number of these institutions are weak and need strengthening. In addition, a number of broad issues that go beyond the formulation of standards must be addressed. The political will needed to tackle environmental problems needs to be strengthened as do programs for correcting price distortions that still cause inefficiencies.

• *Reforms in the financial sector and issues of enterprise reform, even in some of the more advanced economies.* The socialist economies, generally speaking, face problems associated with the establishment of a truly functioning banking system. The challenges of enterprise reform, privatization, and private-sector development cut across all country groupings, however.

• *Continued progress in social development,* for a significant portion of the region's population lives just above the poverty line and could easily slip back. Continued focus on agricultural development is clearly important. So, too, is the need to maintain the emphasis on adequate and effective family-planning programs and on the general provision of health care, including confronting the growing problem of AIDS. The efficiency of all social expenditures, whether for health or education, will be critical. Placing greater emphasis on preventive, as against curative, measures for health care will be one such avenue.

• *Liberalization of the various trade and investment regimes of the region* to respond to the slowdown in the world economy, the growing protectionism in industrial countries, and the concomitant interest in regional trading arrangements. Although East Asian countries have resisted the calls for the establishment of an Asian trade bloc, concerns about growing regionalism elsewhere have accelerated activity on regional integration schemes among the

***Table 6-5.* Lending to Borrowers in East Asia and Pacific, by Sector, Fiscal Years 1984–93**
(millions of US dollars)

Sector	Annual average, 1984-88	1989	1990	1991	1992	1993
Agriculture and rural development	740.8	459.6	743.0	1,374.7	836.7	1,089.3
Development finance companies	160.7	764.0	65.0	150.0	—	457.0
Education	321.5	170.3	434.4	592.0	474.1	478.9
Energy						
Oil, gas, and coal	105.1	—	86.0	—	100.0	225.0
Power	448.7	846.5	813.0	275.0	1,745.9	760.0
Industry	160.8	421.0	3.0	511.0	82.7	250.0
Nonproject	280.0	390.0	250.0	250.0	70.0	200.0
Population, health, and nutrition	56.7	165.6	—	164.0	129.6	200.4
Public-sector management	—	—	—	32.0	—	63.0
Small-scale enterprises	119.7	160.0	—	140.0	—	—
Technical assistance	18.1	—	—	30.0	17.0	160.0
Telecommunications	6.2	12.7	391.7	—	375.0	134.0
Transportation	684.4	720.4	504.7	323.6	1,122.5	1,132.0
Urban development	336.5	—	86.2	543.1	228.0	110.0
Water supply and sewerage	93.2	—	349.0	177.8	275.0	310.0
Total	3,532.4	4,110.1	3,726.0	4,563.2	5,456.5	5,569.8
Of which: IBRD	2,977.6	3,520.8	3,066.8	3,471.0	4,386.9	4,404.8
IDA	554.7	589.3	659.2	1,092.2	1,069.6	1,165.0
Number of operations	39	39	36	39	46	45

— Zero.

NOTE: Details may not add to totals because of rounding.

A crowded riverside kampong *in Jakarta, Indonesia underscores the need for improved water, sanitation, and hygiene services. Contrary to popular perception, low-income economies dominate the East Asia and Pacific region.*

countries of the Association of Southeast Asian Nations (ASEAN)—Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Early in 1992, member states signed an agreement on the Common Effective Preferential Tariff scheme for the ASEAN free-trade area that promises to reduce tariffs on all manufactured goods and processed agricultural products to the 0-to-5 percent range over a fifteen-year period. Reductions will proceed on a fast track for fifteen product groups, bringing tariffs to the new low level in seven to ten years. Although these initiatives for reducing trade barriers are welcome, it is important that they not be viewed as, or develop into, exclusionary arrangements.

Continued vigilance in sustaining policy reforms and redoubled efforts in mobilizing resources will be necessary for sustained development of the region during the 1990s. Over the past twenty-five years the region has needed only about 1 percent of its GDP in foreign savings to maintain its high rate of growth. For the 1990s these requirements are projected to grow as high as 3 percent of GDP. A large part of these additional resource requirements could come from within the Asia region and through market-oriented foreign private investment.

Not to be lost sight of amid the impressive averages for the region is its tremendous diversity. It includes the Republic of Korea, a country ready to graduate from the ranks of those called "developing," as well as the Lao People's Democratic Republic (Lao PDR) and Cambodia, which number among the world's poorest. The region includes China, the world's most populous country, and the Marshall Islands and Kiribati, two of the least populous. It also includes rapidly growing Malaysia and Thailand, as well as the Philippines, where per capita incomes have stagnated for more than a decade. Each country in the region must find its own way to deal with the challenges that confront it; for each country those challenges have a different degree of urgency and importance.

The composition of the Bank borrowers in the region is changing rapidly as well. Despite the perception held by many that the region is predominantly made up of market-oriented, middle-income economies, about 80 percent of the population lives in low-income socialist economies in transition (Cambodia, China, Lao PDR, Mongolia, and Viet Nam); another 15 percent lives in two large island economies (Indonesia and the Philippines), whose per capita GDP is barely above low-income classi-

fication. With the growing maturity of the Bank's middle-income borrowers (Korea, Malaysia, and Thailand—which constitute only slightly more than 5 percent of the region's population), low-income countries dominate the region. Although their performance has been promising, the challenges facing them remain formidable.

Socialist Economies in Transition

Some 1.3 billion people live in socialist economies in East Asia, three times the population in the states of the former Soviet Union (FSU) and Eastern Europe. Excluding China, the East Asian population living in socialist economies exceeds the total population of Central and Eastern Europe (excluding the FSU). China, Lao PDR, and Viet Nam have economically outperformed their European comparators, while Cambodia and Mongolia, for different reasons, face enormous obstacles in sustaining reforms.

China recorded the region's strongest overall economic expansion in 1992—12 percent. In some provinces—mostly in those coastal provinces that face the South China sea—growth rates were at historically unprecedented levels (20 percent or above). Exports increased about 18 percent, while imports rose an even faster 26 percent. Spurred on by continued policy liberalization and returning investor confidence, foreign direct investment flowed in at the record level of about $11 billion in 1992, double the amount registered in 1991. With the acceleration of growth, inflationary pressures are increasing. Although average retail prices in the country rose only some 5.4 percent in 1992, the cost-of-living index in major cities rose by more than 13 percent. Bold programs for trade liberalization and enterprise reforms have been developed that include efforts to introduce greater competitiveness and better incentives for the private sector. Reforms in the financial sectors, the social security system, and housing are also under way.

On the reform front, 1992 witnessed moves to widen still further China's "open door" to foreign direct investment, with particular reference to tertiary sectors such as commerce, insurance, and finance. The year also witnessed considerable activity in some of the traditionally sensitive areas of enterprise reform, including improvement of the legal/regulatory framework for shareholding enterprises and promulgation of a new operating mechanism for state-owned enterprises. The mechanism defines a wide range of powers to be exercised exclusively by enterprise managers, correspondingly excluding government agencies from intrusion into day-to-day management.

The economic fortunes of Lao PDR and Mongolia, both active Bank borrowers, continued to diverge. In the former, agricultural output grew 8.7 percent, leading to a strong overall GDP growth of 7.2 percent, up from 4 percent during the previous year. The sustained growth in output was associated with a smaller trade deficit, lower inflation of about 6 percent by the end of the year, and a stable exchange rate. Privatization of state-owned enterprises continued, and new guidelines improved the openness of evaluation and bidding procedures. Significant reforms are also under way to decentralize public administration, banking, and fiscal policy. In Mongolia, GDP declined an estimated 7.6 percent in 1992, following a 9.9 percent drop in 1991. The level of external trade has not begun to recover from the collapse of the Council for Mutual Economic Assistance trade and payments system; as a result, industries are facing shortages of key imported inputs. Electricity outages—resulting from a lack of spare parts and intermittent deliveries of petroleum products—are occurring.

Slowdown Welcomed in Middle-income Economies

Although Korea, Malaysia, and Thailand experienced slower GDP growth in 1992, they all welcomed the slowdown as a desirable correction of earlier overheating. Growth slowed the most in Korea, where GDP growth fell from 8.4 percent in 1991 to 4.7 percent in 1992. Beginning in mid 1991, the Korean government tried to curb domestic demand by restricting construction activities, reducing official wage guidelines for large companies, and tightening its fiscal stance. Inflation fell to 6.2 percent in 1992 after rising to 9.3 percent in 1991, but growth slowed more than expected, with fixed investment in construction and equipment showing particular weakness. As the domestic economy slowed, so did the growth of imports; because exports remained buoyant, the current-account deficit fell to about $4.6 billion.

Malaysia's economic growth rate began to moderate during the second half of 1992, and for the period July 1992–June 1993, growth is expected to cool off to a more moderate 7 percent after averaging 8.9 percent over the previous five years. The signs of a slowdown could be seen in falling manufactures orders, a soft property market, and declining export growth. Foreign direct investment has started to flatten out, partly in response to the slowdown in Japan's growth but also because of

Table 6-6. **Commitments, Disbursements, and Net Transfers in East Asia and Pacific**
(millions of US dollars; fiscal years)

Item	China			Philippines			Indonesia			Total region		
	start 1993	1993	1989–93	start 1993	1993	1989–93	start 1993	1993	1989–93	start 1993	1993	1989–93
IBRD and IDA commitments		3,172	9,216		628	3,431		868	7,366		5,570	23,426
Undisbursed balance	6,168			2,075			5,150			15,467		
Gross disbursements		1,575	6,419		673	2,420		1,167	6,215		4,071	18,394
Repayments		221	744		336	1,513		735	2,950		2,592	11,288
Net disbursements		1,354	5,676		337	907		432	3,266		1,479	7,106
Interest and charges		314	1,168		326	1,496		860	3,801		1,992	9,274
Net transfer		1,040	4,508		11	−589		−428	−535		−513	−2,168

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest amounts of public or publicly guaranteed long-term debt. Details may not add to totals because of rounding.

greater competition from China, Indonesia, and Thailand. Privatization reforms are moving rapidly, as firms in power generation, water supply, public transport, telecommunications, and sewerage and toxic-waste collection and treatment have been put on the auction block.

Thailand's economic slowdown, which began in 1991, continued. Real GDP growth fell slightly to about 7.5 percent, down from the nearly double-digit rate of 1987–90. A slackening of private investment, including foreign direct investment, was responsible for much of the slowdown. Export growth remained strong, however, and import growth slowed, cutting the current-account deficit from about 8 percent of GDP in 1991 to about 6.5 percent in 1992.

Island Economies, Large and Small

Geography imposes special constraints on the island economies of the region. The cost of maintaining the quality of infrastructure and the reach of social services is high, and the administrative and management challenges in achieving the right balance between decentralized decisionmaking and central control are complex.

Indonesia and the Philippines, the two large island economies of the region, were preoccupied with stabilization programs during the past year. In Indonesia, import growth decelerated as domestic demand was restrained for a second consecutive year through contractionary monetary policy. Fiscal policy also supported efforts at restraining demand. As a result, inflation was contained at 4.9 percent. Nonetheless, the Indonesian economy continued to perform robustly in 1992, with nonoil GDP growing at an estimated 7.7 percent and overall GDP at 6.1 percent. Nonoil exports grew by more than 20 percent for a second consecutive year, outpacing world trade growth and, together with lower global interest rates and somewhat higher oil prices, contributing to a marked improvement in the current account. The Philippines continued the tight fiscal and conservative monetary policies that were put in place in 1991, and the presence of macroeconomic stability has encouraged capital reflows from abroad, enabled reserves to accumulate, and dampened inflation to the single-digit level. The stringent stabilization measures have exacted a cost in economic activity, however, as GDP stagnated in 1992 after having fallen by 1 percent in 1991.

Papua New Guinea experienced continued rapid growth in 1992, largely because of the ongoing development of the country's oil and mineral wealth. The main policy challenge for the government is in how to allocate the increased resources effectively among programs to help the rural poor and investments to increase productivity and competitiveness, while saving a portion of the revenues for when they can be absorbed efficiently. The recently elected government is moving on a number of fronts to use the new resources to promote development.

The small Pacific island economies were buffeted by bad weather, unfavorable prices for commodity exports, and continued economic recession in their primary trading partners during 1992. Despite these travails, Fiji, the largest of the small island economies, registered a 4.1 percent growth rate as sugar exports increased and manufactured exports grew modestly. Continued low copra prices and stagnant tourism affected the other islands, whose growth performance was mixed over the year. Except for Fiji, these countries receive substantial levels of concessional foreign assistance that support large government

sectors and buffer the effects of external shocks.

The Bank's Strategy for the Region

The direction of the region's lending program in fiscal 1993 and the underlying economic and sector work were guided by the key challenges facing the region. Among the challenges is the sustainability of development, which requires that increased attention be paid to environmental issues and the elimination of infrastructure bottlenecks. Because the region has the largest share (44 percent) of Bank projects with potentially significant environmental impacts, a great deal of work has been devoted to assessing possible environmental impacts and developing action plans to mitigate those that might be adverse. Five freestanding environment projects, with loan commitments totaling some $502 million, were approved during the year.

Over the past three years Bank lending has averaged about forty-three projects a year, and the level of commitments has been about $5.2 billion (see Table 6-5). Only a few adjustment operations have been designed for the countries of the region, because East Asian economies have been relatively free from the balance-of-payments crises that precipitate the need for them.

In the near term, significant changes in country composition and country weights in the Bank's overall program can be expected. Korea, Malaysia, and Thailand are becoming relatively less prominent in terms of the Bank's financial and staff resources compared with the socialist economies in transition.

On the analytical side, the issues of socialist transition, state-enterprise reform, banking systems, and safety nets are going to be demanding of Bank staff resources because few successful models exist on which recommendations can be patterned.

The Bank is also going to face the challenge of absorbing reactivating countries—Cambodia and Viet Nam. The Bank will need to learn about them, and they will have to learn about the Bank. Even in the more traditional borrowing countries of the region—China, Indonesia, and the Philippines, for example—the strong movement toward decentralization and the Bank's need for liaison with, and a focus on, local authorities and local decisionmaking systems will pose new challenges.

Even the Bank's traditional nuts-and-bolts activity—basic infrastructure financing—is taking on an added dimension. The need for private-sector participation and for establishing regulatory frameworks is growing. So, too, is the need to ensure that appropriate and adequate environmental assessment and mitigation plans are prepared and implemented and to increase beneficiary participation and consult with the multitude of parties affected by Bank-assisted operations. Finally, the continuing need to reconcile growth and equity with environmental considerations presents a further continuing challenge to the borrowing countries of the region—and to the Bank.

South Asia

A fifth of the world's population and nearly half of the world's poor (estimated at between 310 million and 560 million) live in the countries of the South Asia region.[6] During the 1980s, economic growth in the region averaged 5.2 percent a year, compared with 3.9 percent among low-income countries (excluding India and China). However, population grew at 2.2 percent, and governments have been hard pressed to meet ever-expanding needs. Nearing the middle of the decade, South Asia's countries face many challenges in setting forth on a path of sustained development that can simultaneously stimulate growth, reduce poverty, and protect the environment.

Regional Issues in Perspective

Growth in the South Asia region during the 1980s of 5 percent was significantly higher than during 1965–80 (3.6 percent). Indeed, among regions, it was exceeded—albeit significantly so—only by that in East Asia and the Pacific. Nevertheless, because all countries (save for Sri Lanka) have population growth rates in excess of 2 percent, 5 percent growth in GDP was not sufficient to affect greatly per capita incomes or to create enough jobs to go around for the growing numbers of people entering the labor force. In addition, this rate of growth was accompanied by increasing fiscal and balance-of-payments difficulties.

The Gulf crisis of 1991–92, coupled with political upheavals in the Soviet Union, which sharply diminished traditional export markets, brought into sharp focus major weaknesses in India's development strategy of previous decades. Pakistan has thus far avoided a crisis, but its reserve position needs strengthening, and the government has yet to bring chronic fiscal deficits under control. Bangladesh, Nepal, and Sri Lanka remain highly dependent on concessional funding to support public-investment programs and are hence vulnerable to external shocks in an environment in which aggregate aid is unlikely to expand and competition for scarce funds is becoming increasingly severe.

These circumstances led governments to reconsider their existing macroeconomic and sectoral policies. Experience elsewhere suggests that sustained growth is essential for poverty reduction and that macroeconomic stabilization and structural reforms are crucial for growth. Governments in Bangladesh, India, Nepal, Pakistan, and Sri Lanka all initiated, renewed, or expanded economic-reform programs in the early 1990s. In 1992, those programs moved forward and, in some cases, accelerated.[7] However, reforms must be supported by institutions with the capacity to implement and monitor development policies and programs, by infrastructure that provides an environment that can generate supply responses from the private sector, by investments in human resources, and by safety-net programs that help to mitigate the transitional costs of adjustment and, more generally, ensure that basic living standards are met for all.

***Table 6-7.* South Asia: 1991 Population and Per Capita GNP of Countries that Borrowed during Fiscal Years 1991–93**

Country	Population[a] (thousands)	Per capita GNP[b] (US dollars)
Bangladesh	110,564	220
India	866,499	330
Nepal	19,401	180
Pakistan	115,844	400
Sri Lanka	17,190	500

NOTE: The 1991 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1993*.

a. Estimates from mid 1991.

b. *World Bank Atlas* methodology, 1989–91 base period.

[6] The higher estimate is based on an international poverty line set at $31 per person per month, in 1985 constant purchasing-power parity (PPP) prices. The lower count is based on a poverty line of $23 per person per month, also in 1985 constant PPP prices. The worldwide total of poor people using the high and low poverty lines is 1,138 million and 644 million, respectively.

[7] The fiscal years of the region's countries vary widely. Year-specific numbers in this section, therefore, correspond roughly, unless otherwise indicated, to calendar years.

Countries in the region have initiated or renewed efforts in each of these areas.

The past year was distinguished by a slow but steady rate of economic recovery in all countries except Pakistan. Sri Lanka was a strong performer, with a real rate of growth in gross domestic product (GDP) in excess of 5 percent anticipated. Economic performance in India also improved: Growth is estimated at 4 percent in 1992, after falling from 5.6 percent in 1990 to 1.2 percent in 1991. The slowdown in Bangladesh's economic performance in the previous two years abated somewhat in 1992, with growth estimated at about 4 percent; Nepal's economy continued to grow at a steady (if unspectacular) rate of 4 percent; and GDP growth in Pakistan is estimated to have declined to between 4 and 5 percent. Moderation of growth in Pakistan was largely the result of devastating floods in September 1992 that caused extensive loss of life and damage to crops, infrastructure, and property.

To achieve sustainable growth geared to poverty reduction, countries in the region share a common and continuing agenda of improved economic management through deepening public-sector reforms and private-sector development, sharpening the effect of specific poverty-reduction efforts, ensuring the environmental sustainability of development strategies, and improving project implementation and aid-effectiveness. Significant progress was made in a number of these areas over the past year.

Improved Economic Management

Most South Asian countries recognize that restructuring the relative roles of the public and private sectors is indispensable for sustainable growth. Recent progress is most evident in three areas: fiscal reforms, public-enterprise and regulatory reforms, and trade reforms. In the public sector, the primary focus is on structural reforms to underpin medium-term fiscal adjustment, particularly tax reform and expenditure reduction and restructuring, as well as promoting increased competitiveness of public enterprises through privatization, wider share ownership, removal of entry barriers, and, where necessary, liquidation.

India and Bangladesh made noteworthy progress in deepening and broadening the

Table 6-8. **Lending to Borrowers in South Asia, by Sector, Fiscal Years 1984–93**
(millions of US dollars)

Sector	Annual average, 1984–88	1989	1990	1991	1992	1993
Agriculture and rural development	942.4	976.8	668.0	773.0	336.1	480.7
Development finance companies	118.0	638.8	175.0	3.5	28.4	—
Education	78.4	314.2	580.8	307.1	145.6	339.0
Energy						
Oil, gas, and coal	386.4	590.0	—	735.2	330.0	12.0
Power	923.5	1,147.0	1,012.3	200.0	730.0	960.0
Industry	305.4	235.0	500.0	577.0	—	65.8
Nonproject	128.0	62.5	94.4	7.0	655.2	403.5
Population, health, and nutrition	54.7	124.6	192.5	388.5	377.5	827.0
Public-sector management	—	—	—	—	—	—
Small-scale enterprises	33.3	—	—	71.0	—	—
Technical assistance	8.4	—	—	—	25.0	—
Telecommunications	93.4	—	—	57.0	55.0	—
Transportation	333.7	416.4	184.0	178.9	306.0	—
Urban development	239.8	41.5	—	—	—	120.0
Water supply and sewerage	87.0	125.0	89.9	306.6	—	208.2
Total	3,732.4	4,671.8	3,496.9	3,604.8	2,988.8	3,416.2
Of which: IBRD	2,261.5	2,884.3	1,725.5	1,540.1	1,348.0	1,145.0
IDA	1,470.9	1,787.5	1,771.4	2,064.7	1,640.8	2,271.2
Number of operations	34	30	25	30	23	26

— Zero.

NOTE: Details may not add to totals because of rounding.

Indian women washing laundry and drawing water at a traditional well. An IDA credit of $92 million, approved in fiscal 1993, supports improved access to water in rural areas.

scope of adjustment and fiscal-reform programs in the past year. In India, the overall public-sector deficit declined from 12 percent of GDP in 1990 to an estimated 8 percent in 1992. A sizable part of the overall reduction was reflected in a lower deficit of the central government, which fell from 8.4 percent of GDP in 1990 to 5.3 percent in 1992. It is expected to ease further, to 4.7 percent of GDP, by early 1994. Initially, India's public-investment program suffered major cuts in 1990 and 1991 despite pressing requirements for public investments in human resources and physical infrastructure. Early in 1993, however, the government introduced a budget that calls for increased spending in the social sectors and improvements in their targeting and sustainability.

By contrast, Bangladesh's fiscal-reform program is strongest on the revenue side. Tax reform has led to an increase in government revenues from 8.8 percent of GDP in 1989 to an estimated 11.5 percent in the past year. These increases are mainly the result of the introduction of a value-added tax (VAT) in 1991, which replaced sales taxes on imports and a number of excise taxes on domestic production. By the end of June 1992, VAT revenues amounted to 23 percent of total tax revenues.

In all economies of South Asia a restructured and more efficient public sector is only one component of the reform agenda. For sustainable growth, a rejuvenated and dynamic private sector must play a complementary role. Much remains to be done to improve the enabling environment for private-sector development (by expanding infrastructure, particularly in rural areas, improving the business environment through deregulation and trade and exchange-rate reforms, and developing the financial sector, for instance) and to support privatization efforts.

Significant progress was made during the past year in liberalizing the trade regime in a number of countries. For example, India initiated important reforms that eliminated quantitative restrictions on all imports of capital and intermediate goods, simplified the tariff structure, and reduced tariff rates for a wide range of capital and intermediate goods. India is now moving rapidly towards closer integration with the world economy.

In addition, governments have helped to develop a more hospitable environment for private-sector development by undertaking important reforms in deregulation: Foreign-exchange controls are being fully or partially lifted, and investment licensing is being elimi-

nated. The government of Nepal, for example, introduced measures in mid 1992 to promote private-sector participation in industry, and additional measures were introduced in February 1993 to improve further the economic environment through, for instance, the unification of the exchange rate, a move to full convertibility of current-account goods-and-services transactions, and the removal of a number of trade restrictions. India likewise reunified its exchange rate in late February, while Bangladesh unified its official and secondary exchange markets in January of the previous year. In India, Pakistan, and Sri Lanka, the removal of many restrictions on foreign direct and portfolio investments has resulted in a significant increase in expressions of investor interest (though increases in actual flows have been modest, except in the case of Pakistan, where portfolio and foreign direct investment has increased substantially in recent years).

The response by the private sector to these reforms has been particularly marked in Pakistan and Sri Lanka. Private investment in Sri Lanka rose from 7 percent of GDP in 1978 to 15 percent in 1992 and from 7.7 percent to 9.4 percent of GDP over the same period in Pakistan. In Pakistan, private investment continues to account for 50 percent of total investment, and its resilience is the primary reason why Pakistan's growth and export performance has remained buoyant despite high fiscal deficits and domestic borrowing.

All countries have embarked on public-enterprise reform and privatization programs, albeit with varying degrees of success. Efforts at privatization are being pursued most aggressively in Pakistan (the government's objective is to withdraw completely from all industrial activities). Of the 103 manufacturing enterprises offered for sale to the private sector, 69 had already been sold by the end of 1992. Sri Lanka's privatization effort is also noteworthy; twenty-two public enterprises have been wholly or partially divested, divestiture of another thirty-two is well advanced, and the privatization of a further seventeen has been approved by the government. India still faces a daunting task; the public-enterprise sector accounts for some 7 percent of GDP and employs 6 million workers (out of a total public-sector workforce of 19 million). Recent measures have been taken to reduce the number of areas reserved for the public sector, to facilitate the restructuring or closing of loss-making state-owned enterprises (SOEs), and to eliminate a wide range of privileges in order to increase competitive pressures on the SOEs that remain. To facilitate the restructuring process, the government established a social safety-net instrument, the National Renewal Fund, in February 1992 to provide compensation and transitional support to displaced employees.

A Broader Strategy for Poverty Reduction

Reduction of poverty and improvements in living conditions are central development goals of all the governments of the region. It is now universally recognized that high and sustained growth is necessary for poverty reduction. However, the vast majority of South Asia's poor live in rural areas and depend on agriculture for their livelihood. Development of a sound growth strategy for the agriculture sector, therefore, is essential to the achievement of sustained poverty reduction.

Growth alone, however, is not sufficient. While South Asia's growth record has been good over the past decade—and there is incontrovertible evidence that these high growth rates have resulted in rising per capita consumption by the poor, especially in Pakistan and India—the pace of improvements in social indicators has not kept pace with increases in growth rates. With the exception of Sri Lanka, life expectancy in South Asia is far shorter than in East Asia. Of every ten children born, at least one is expected to die before reaching the age of one, and nearly half the children in the region do not finish primary school. The status of women is a particular concern. Again, with the exception of Sri Lanka, women have significantly less education, more health problems, lower life expectancy, and often work many more hours than men.

In recent years, South Asia's governments have paid more attention to policies and sectoral reforms that encourage greater use of the poor's most abundant asset: labor. Steps have been taken in most countries to reorient the pattern of public expenditures to better address the needs of the poor. The prominent place of women among the beneficiaries of these initiatives reflects a growing and welcome commitment to improving economic opportunities for women. For example, the government of Pakistan, with donor support, is now putting in place a social-action plan that establishes realistic development targets in the social sectors, while clearly identifying the policy and implementation reforms needed to achieve the country's human-resource development and poverty-reduction goals. The plan, designed to reverse years of neglect in, and accelerate the pace of, human-resource development, emphasizes family planning and the education of girls.

Progress in India and Bangladesh in reducing poverty levels and improving social indicators

Table 6-9. **Commitments, Disbursements, and Net Transfers in South Asia**
(millions of US dollars; fiscal years)

Item	India			Pakistan			Bangladesh			Total region		
	start 1993	1993	1989–93	start 1993	1993	1989–93	start 1993	1993	1989–93	start 1993	1993	1989–93
IBRD and IDA commitments		2,678	11,896		429	3,445		172	1,847		3,416	18,419
Undisbursed balance	11,609			2,947			1,772			17,617		
Gross disbursements		1,954	10,436		537	2,743		338	1,664		3,022	15,778
Repayments		834	2,986		166	572		28	89		1,048	3,718
Net disbursements		1,120	7,450		370	2,171		310	1,575		1,974	12,060
Interest and charges		828	3,575		203	765		37	163		1,089	4,597
Net transfer		292	3,875		167	1,406		273	1,412		885	7,463

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest amounts of public or publicly guaranteed long-term debt. Details may not add to totals because of rounding.

has been of particular note. This trend appears to have slowed in the latter part of the 1980s, however, reflecting the global economic slowdown.

Future progress on poverty reduction depends crucially on the success of ongoing reforms because of their implications for sustained growth. The scope for poverty reduction through redistribution of wealth is limited, particularly in economies such as Bangladesh that historically have experienced low growth and low incomes. In India, initiatives are under way to improve smallholder productivity and increase rural off-farm employment opportunities: Rural credit institutions are being reformed, rural infrastructure is being expanded, the neglect of rainfed areas is being redressed, and programs that provide research and extension services are being strengthened. The recent upturn in the growth of agricultural GDP, combined with significantly lower rates of inflation, has almost certainly improved the welfare levels of the rural poor. In Bangladesh, the government took steps in 1992 to liberalize agricultural-input marketing and grain-trading arrangements, thereby markedly improving the availability of pesticides and fertilizers and increasing incomes of smallholders.

Better access to basic services and safety-net programs is important as well: Budgetary measures were taken in 1992 in India to increase the level of central-government support for activities funded under its National Renewal Fund, and special efforts are being made to extend basic services to areas with low coverage and high concentrations of vulnerable groups (women, the poor, scheduled castes, and tribes). Efforts are under way in Bangladesh to rationalize existing social safety-net programs, which currently reach an estimated 5 million people, and better target them to serve the needs of the truly poor. Innovative programs have also been introduced to improve poor children's access to primary education.

Coping with Environmental Challenges

In all countries of the region, population pressure, poverty, and environmental degradation are intimately interconnected. Economic growth has been accompanied by air pollution and congestion, soil erosion, land degradation, and deforestation. In addition, the environment suffers from incentive regimes that encourage intensive use of high-polluting energy, inefficient use of surface and groundwater, underinvestment in sanitation and waste management, and inadequate protection of soils and forests. Initiatives are under way in each country of the region to correct the incentive regime and improve environmental regulations and institutions. Environmental-action plans have been prepared or are under preparation in all countries of the region, and the Bank is assisting in the initial steps of putting in place the required institutions and policy frameworks and in helping ensure implementation of identified policies.

While much remains to be done, there have been some notable, recent successes in community and agroforestry projects, water management, and industrial-pollution control in the region. For example, concern for sustainable development has already had a strong influence on forestry activities in India. The government recognizes, in its National Forestry Policy, that it is necessary to enlist the cooperation of local populations and the private sector in forest protection, management, and development and to encourage forest users and farmers to take a more proactive role in forest development. Efforts are under way in Bang-

ladesh to increase the wood and other forest resources available to rural households; in Nepal, a series of forestry projects is aimed at involving local user groups in reforestation and improving the management of forestry resources to combat the effects of soil erosion; and in Pakistan, the government has recently approved a national conservation strategy that is being developed into a national environmental-action plan.

The Bank's Strategy for the Region

The World Bank is supporting government efforts that are laying the basis for faster, sustained, and poverty-reducing growth while improving environmental management. It does so through its lending and policy dialogue, which includes support for structural and sectoral adjustment, development of an enabling environment for private-sector expansion, increased and better targeted government interventions in human-resource development, strengthened environmental programs, and improvements in project implementation.

Bank lending to countries of the South Asia region totaled $3,416.2 million, an increase of $427.4 million over the previous year. The lending program stresses both short-term and long-term measures to address the needs of the poor. Overall, twelve operations (accounting for $1,075 million) contained specific mechanisms for reaching the poor and were included in the program of targeted interventions. Seven operations (accounting for $1,166 million) focused on human-resource development, while three (accounting for $324.8 million), had overriding environmental or natural-resource management goals. Lending for environmental sustainability and natural-resource management is expected to double in fiscal 1994.

Adjustment lending rose $100 million over the previous year's level; three new adjustment operations were approved in the amount of $900 million, accounting for 26 percent of the lending volume. In India, the government's willingness to increase the pace of human-resource development, pursue public-enterprise reforms, and further liberalize trade and adjustment regimes provided the basis of two adjustment operations, totaling $800 million.

Progress was made in strengthening country portfolios, and efforts will be stepped up in upcoming years. New measures were instituted early in the year to strengthen project supervision and portfolio-performance monitoring, including the preparation of sectoral-supervision strategies, country-implementation reviews that focus on generic issues, as well as on poorly performing projects, and an increased role in implementation support for the Bank's field offices. The Bank is working closely with borrowers to ensure more timely project start-ups and has adopted a more proactive stance toward project restructuring, cancellation, and closure. This stance, for example, has resulted in recent, large cancellations of IBRD operations (fifteen projects valued at $850 million) and redeployment of IDA funds (eighteen projects valued at $379 million) in India. The overall aim of these actions is to strengthen implementation performance and improve overall aid-effectiveness in the region.

Europe and Central Asia

Almost all the Bank's member countries of the region—from Central and Eastern Europe to Central Asia—have embarked on a path of transformation that has few parallels in history. The reform agenda being followed by many countries in the region is wide, ranging from price and trade liberalization to privatization and the imposition of financial discipline on enterprises and to the creation of an environment conducive to new enterprise development. The diversity of country experience and implementation capacity has already become evident, reflecting, among other things, the historical and institutional heritage of each country, the duration of the reform effort, and political priorities.

***Table 6-10.* Europe and Central Asia: 1991 Population and Per Capita GNP of Countries that Borrowed during Fiscal Years 1991–93**

Country	Population[a] (thousands)	Per capita GNP[b] (US dollars)
Albania	3,301	n.a.
Armenia	3,418	2,150
Bulgaria	8,975	1,840
Cyprus	710	8,640
Czech Republic	n.a.	n.a.
Estonia	1,562	3,830
Hungary	10,344	2,720
Kyrgyzstan	4,453	1,550
Latvia	2,641	3,410
Lithuania	3,741	2,710
Moldova	4,363	2,170
Poland	38,245	1,790
Romania	22,974	1,390
Russia	148,700	3,220
Slovak Republic	n.a.	n.a.
Turkey	57,326	1,780
Ukraine	52,031	2,340

NOTE: The 1991 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1993*.

n.a. Not available.

a. Estimates from mid 1991.

b. *World Bank Atlas* methodology, 1989–91 base period.

For several countries, this process is now in its third year, and the results have been uneven. Some countries, such as Hungary, Poland, and Czechoslovakia's successor republics, which started earlier and benefited from pre-World War II antecedents, or the Republic of Slovenia, which intensified reforms started under the former Yugoslavia and escaped relatively unharmed from the breakup of that country, have advanced further in developing the legal and institutional frameworks needed for a market economy. Their progress has been furthered by continued, strong commitment to the reform process. Other countries are just beginning, and their recent history includes no market-economy precedents.

The successor states of the former Soviet Union (FSU) and the Baltic states have faced a series of additional difficulties arising from the dissolution of the union, which has immensely complicated their efforts at stabilization and transformation. Moreover, in a number of the newly independent states of the FSU, a consensus has not yet emerged on the kind of role that a market economy and private ownership should play in the effort to achieve higher living standards.

During fiscal 1993, eleven of the Soviet Union's successor states joined the Bank, as did Latvia and Lithuania (the Russian Federation and Estonia had joined in June 1992). The Czech and Slovak republics became separate Bank members on January 1, 1993, upon the dissolution of the Czech and Slovak Federal Republic. In February 1993, the Bank's executive directors adopted resolutions terminating the membership of the Socialist Federal Republic of Yugoslavia in the World Bank and permitting each of the five successor republics to become a member of the Bank Group's institutions provided that each fulfills the requirements set out in the membership resolution. Croatia and Slovenia became members of the Bank on February 25, 1993.

To increase the Bank's ability to provide assistance, resident missions were established in Kiev, Riga (to serve the Baltic states), Tashkent (to serve the Central Asian states of

Kyrgyzstan, Tadjikistan, Turkmenistan, and Uzbekistan), Almaty (Kazakhstan), Tirana (Albania), and Budapest (to focus on social-sector issues in Central and Eastern Europe). There are currently twelve Bank field offices serving the region.

Transition to a Market Economy

The decline in output among the countries in transition continued in 1992, although there were significant differences in trends: While output declines accelerated in the Baltic states and the republics of the FSU, in most other countries declines moderated, and Poland actually experienced a gain in gross domestic product (GDP). (Countries experiencing civil wars and ethnic conflicts clearly suffered deeper declines unrelated to the economics of transition.) After a cumulative reduction of GDP in Central and Eastern Europe of about 25 percent since 1989, there were some encouraging signs of recovery:

- Private-sector activity grew rapidly (and has not been fully captured in the official statistics); in Poland, about a half million new private businesses were created in 1991–92, and the private sector now accounts for about half of total output; in Romania, the private-sector accounted for 25 percent of GDP in 1992, and more than 400,000 businesses have been created.
- Following the collapse of the Council for Mutual Economic Assistance (CMEA) trading system in 1990–91, exports to the rest of the world expanded rapidly and became sufficient in 1992 (in the cases of Hungary and Poland) to generate significant overall export growth (the first half of 1993 saw export earnings fall significantly, however, the result primarily of lackluster economic performance in Western Europe). Hard-currency exports in a number of other countries, including Czechoslovakia and Slovenia, increased rapidly.[8]
- Foreign direct investment has also increased, doubling in the case of Czechoslovakia to about $1.2 billion in 1992. Cumulative foreign capital participation in Hungary is estimated at close to $5 billion.

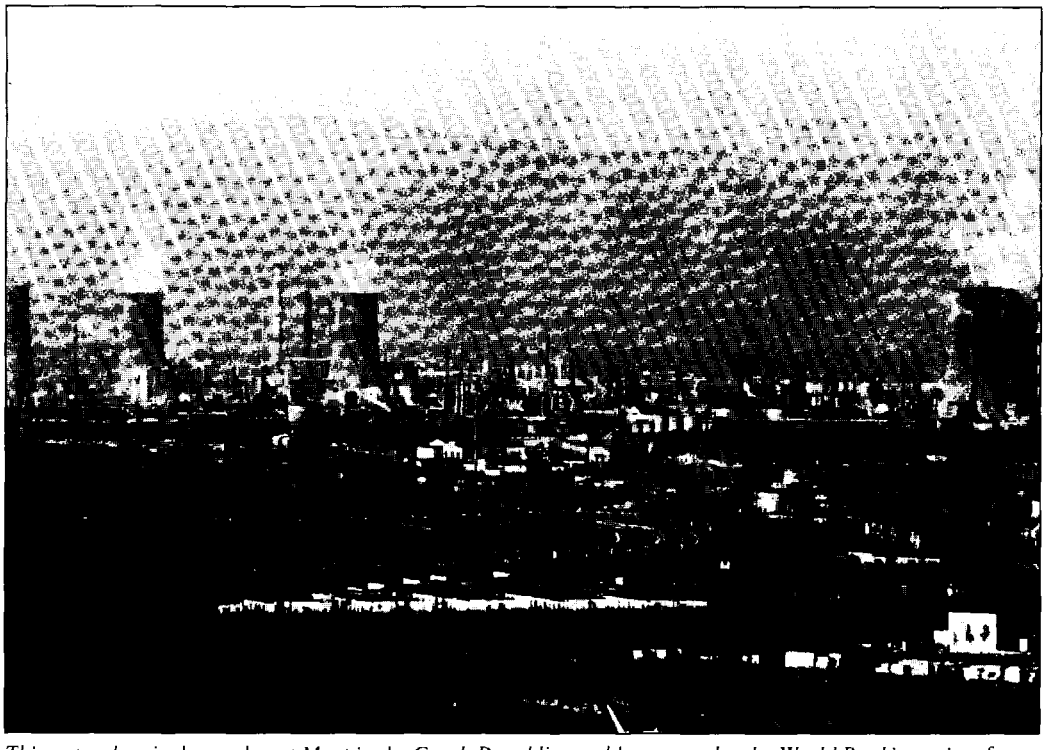
[8] All references to Czechoslovakia in this section are made with respect to events that occurred in calendar year 1992. Czechoslovakia ceased to be a member of the Bank and was succeeded by the Czech Republic and the Slovak Republic on January 1, 1993.

Table 6-11. **Lending to Borrowers in Europe and Central Asia, by Sector, Fiscal Years 1984–93**
(millions of US dollars)

Sector	Annual average, 1984–88	1989	1990	1991	1992	1993
Agriculture and rural development	253.5	490.0	263.0	100.0	155.0	525.4
Development finance companies	240.6	29.8	260.0	480.0	—	—
Education	66.3	—	90.2	250.0	—	67.0
Energy						
Oil, gas, and coal	52.0	110.0	—	520.0	246.0	703.0
Power	274.2	—	250.0	600.0	270.0	—
Industry	149.0	344.5	66.0	330.0	—	55.0
Nonproject	75.2	—	600.0	1,000.0	691.1	1,245.0
Population, health, and nutrition	—	75.0	—	—	280.0	91.0
Public-sector management	—	—	—	—	200.0	202.0
Small-scale enterprises	80.0	—	—	—	60.0	—
Technical assistance	—	—	—	17.0	9.2	133.0
Telecommunications	14.0	—	—	270.0	—	30.0
Transportation	212.7	233.0	445.0	300.0	—	378.0
Urban development	30.8	—	—	—	200.0	285.0
Water supply and sewerage	83.8	60.0	216.0	—	32.0	129.5
Total	1,532.0	1,342.3	2,190.2	3,867.0	2,143.3	3,843.9
Of which: IBRD	1,532.0	1,342.3	2,190.2	3,867.0	2,102.2	3,739.5
IDA	—	—	—	—	41.1	104.4
Number of operations	14	10	14	19	14	30

— Zero.

NOTE: Details may not add to totals because of rounding.



This petrochemical complex at Most in the Czech Republic would come under the World Bank's project for an Environmental Master Plan for Northern Bohemia, which is under preparation.

In 1992, inflation declined significantly in Czechoslovakia, Hungary, and Poland to levels of 10 percent, 20 percent, and 43 percent, respectively. However, fiscal deficits widened in each country (primarily reflecting the continued weakness of the enterprise sector), hampering the prospects for recovery. Inflation in Slovenia also dropped rapidly during 1992 to a monthly rate of 2 percent at the end of the year. Inflation also declined in Bulgaria, although its level there, as well as in Albania and Romania, continues to undermine the efficiency of market pricing and the environment for investment.

In the countries of the FSU, output declines and inflation both accelerated in 1992 because price liberalization was not accompanied by any sustained reduction of financial transfers to state enterprises. Real GDP declined by an average of about 20 percent in 1992. A central factor underlying this large fall has been the breakdown in supply links among enterprises, both within and across states. This breakdown reflected not only the collapse of the prior system of centrally planned production and trade but also the decline in efficiency of the payments system and the acceleration of inflation. Interstate trade is estimated to have declined by about 50 percent between 1990 and 1992. Output declines in the smaller states of the FSU have tended to exceed the average, reflecting their greater dependence on interstate trade, substantial terms-of-trade losses (in the case of energy importers), and the loss of budgetary transfers from the previous Soviet Union budget, which, in some cases, exceeded 10 percent of domestic GDP.

The increase in inflation in the ruble area to about 25 percent to 30 percent a month in early 1993 was caused primarily by massive credit expansion aimed at rescuing loss-making state enterprises and reducing the stock of interenterprise arrears. A lack of coordination between the Russian fiscal and central-bank authorities, with the latter reporting primarily to the legislative branch of government, added to the difficulty of stabilization. Moreover, with inflation outcomes in the ruble area dominated by the Russian Federation, there was little incentive for the other states using the ruble to tighten financial policies unilaterally. The depreciation of the ruble exchange rate also complicated and delayed plans for extending price liberalization; measured at the market exchange rate, most energy and raw-material prices were but a small fraction of international

prices, increasing the incentives for smuggling and capital flight.

The difficulties of coordinating financial policies within the ruble area led several states to introduce, or at least initiate plans to introduce, their own currencies. In mid 1992, the Baltic states became the first to introduce their own currencies. Ukraine formally left the ruble area in November 1992, establishing the karbovanets, while Kyrgyzstan introduced the som in May 1993. In Georgia, coupons were issued in April 1993 as a first step toward leaving the ruble area, and authorities intend to introduce the lari later in 1993.

Privatization and Enterprise Reform

The success of the various stabilization efforts in the region will be critically dependent on the success of adjustment efforts at the enterprise level. Success at this level requires privatization and restructuring for the majority of state enterprises, financial-sector reform that creates the incentive for banks to act in a commercially rational manner, and the imposition of hard budget constraints. Equally critical to success will be the removal of entry barriers and creation of new private enterprises to absorb the potentially large losses in employment that will inevitably result from enterprise reform.[9] The Czech Republic, Hungary, Poland, the Slovak Republic, and Slovenia have advanced furthest in creating new legal frameworks for private-sector activity through either new legislation or adaptation of earlier civil and commercial codes.

Privatization of retail trade and small service establishments, using simple auction methods or employee buyouts, has progressed furthest. In several countries (Czechoslovakia, Hungary, Poland), small-scale privatization of commerce and retail trade has essentially been completed. In Romania, small-scale privatization is well advanced. Over 2,000 assets have been sold, 85 percent of the land has been given back to former owners, and practically the entire housing stock is privately owned. In the Russian Federation, more than 30,000 small enterprises have been privatized. In Bulgaria, restitution of property has been the main avenue toward privatization. A few countries, such as Lithuania, have privatized a large part of the housing stock, while Armenia has privatized about 90 percent of agricultural land.

Privatization of large state enterprises has proven more difficult and controversial, and progress has generally fallen far short of expectations. The traditional method, that of direct sales to a new owner (used in Hungary and Poland, for example), has resulted in relatively few successful transactions and, for the most part, has involved foreign investors. Domestic residents generally do not have the financial resources to buy larger companies, and public offerings through the stock exchange have proved lengthy and cumbersome. Employee and management buy-outs have been more successful, particularly for small and medium enterprises. In the majority of these cases, shares have been sold at substantial discounts or have been given away; as a result, these privatizations have generated accusations of favoritism and inequity, particularly in the case of larger enterprises.

Privatization in Central Asia has progressed at a slower pace than elsewhere in the region. In Kyrgyzstan, however, some 2,300 enterprises, mostly in the small-scale trade and services sector, and accounting for about 12 percent of total fixed assets, had been privatized by January 1993. Azerbaijan recently adopted a comprehensive law that provides a sound basis for enacting privatization and enterprise reform.

In view of the problems associated with case-by-case privatization, several countries have adopted innovative mass-privatization schemes that transfer ownership to the population at large, for example, by issuing vouchers at a nominal fee that entitle citizens to purchase shares in state enterprises either directly or through newly created investment funds. Czechoslovakia pioneered this concept and successfully transferred ownership of more than 1,500 large state enterprises to its citizens during 1992. Due to their large holdings of shares (70 percent), voucher investment funds will play a crucial role in the transformation and corporate governance of privatized state enterprises.

Several countries subsequently adopted voucher-based, mass-privatization schemes (Lithuania, Romania, Russia) or are considering their introduction (Kazakhstan, Poland, Slovenia). Lithuania has introduced vouchers that can be exchanged for a wide range of state assets, including housing, commercial establishments, and shares in large state enterprises. Vouchers have also been used extensively to buy real estate and small and medium-sized enterprises. However, the impact upon corporate governance following mass privatization is not yet clear.

[9] Unemployment rates in Bulgaria, Hungary, and Poland are estimated at between 13 percent and 15 percent of the labor force. While officially registered unemployment in most of the states of the FSU remained negligible in early 1993 (less than 1 percent), the extent of overmanning among state enterprises there may be even greater than in Central and Eastern Europe.

Table 6-12. **Commitments, Disbursements, and Net Transfers in Europe and Central Asia**
(millions of US dollars; fiscal years)

Item	FSU			Turkey			Poland			Total region		
	start 1993	1993	1989–93	start 1993	1993	1989–93	start 1993	1993	1989–93	start 1993	1993	1989–93
IBRD and IDA commitments		1,630	1,630		559	2,828		900	3,511		3,844	13,587
Undisbursed balance	—			2,966			2,108			8,332		
Gross disbursements		346	346		261	2,265		397	897		1,760	6,746
Repayments		—	—		768	3,149		—	—		1,053	7,561
Net disbursements		346	346		−507	−884		397	897		708	−815
Interest and charges		—	—		465	2,495		54	72		750	4,220
Net transfer		346	346		−972	−3,379		343	825		−42	−5,035

— Zero.

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest amounts of public or publicly guaranteed long-term debt. The FSU comprises the now independent republics of Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Krygyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Details may not add to totals because of rounding.

Country Cases—Poland, Russia, and Estonia

Poland. After two years of declining output (of almost 20 percent), economic conditions in Poland improved during 1992. Despite a serious drought that affected all of Central Europe, overall GDP growth in 1992 is estimated at 1 to 2 percent. Industrial production, driven by a healthy expansion of exports, rose nearly 15 percent above the December 1991 level. Average inflation, which reached almost 600 percent in 1990, declined to an annualized rate of 30 percent in the second half of 1992. After incurring substantial reserve losses in 1991, Poland's external performance also improved: A trade surplus of about $600 million allowed the country to strengthen its reserve position to a level equaling the cost of five months of imports.

Private-sector activity has been largely responsible for the transformation and growth in the economy. Initially concentrated in trade and commerce, private-sector activity has since expanded to industry and construction, where it accounts for over half and a third of output, respectively. This expansion constitutes a positive response to the changes in the incentive environment and is indicative of the potential for growth in the Polish economy.

Despite the abatement of the recession, the overall financial position of the public-enterprise sector remains weak. Many enterprises are severely constrained by debts accumulated in the past two years; others have been allowed to continue to operate for lack of a workable exit mechanism. While most state-owned enterprises (SOEs) were plagued by inappropriate product mixes, outdated technologies, and excessive payrolls at the beginning of the reform period, some firms controlled costs, found export markets, and used their resources effectively. Improvement in these firms' short-term performance appears to have been caused by a significant hardening, since mid 1992, of budget constraints facing SOEs. Moreover, commercial banks have become increasingly reluctant to finance lossmakers.[10]

Russian Federation. Russia's program of economic reform was launched in early 1992 with the removal of formal controls on almost all prices and with the intention to support price liberalization by tight fiscal and monetary policies aimed at restoring macroeconomic stability. Large macroeconomic imbalances continued, however, and the second half of the year saw rapid growth in expenditures (a major factor was increased subsidies to SOEs), and the consolidated government deficit for 1992 was about 30 percent of GDP, or roughly the same level as in 1991. Although monetary policy was tightened at the beginning of the year, the money supply expanded rapidly beginning in February and continuing throughout the year, as the central bank helped finance the widening budget deficit and expanded credit to commercial banks at well above the targeted rate. Interest rates were highly negative in real terms, and much of the credit was earmarked

[10] A $450 million commitment from the Bank to Poland, approved in fiscal 1993, is supporting the government's Enterprise and Bank Restructuring and Privatization Program, which, by tackling simultaneously the debt-overhang problem of SOEs and bank-portfolio problems, is addressing the central constraint to the resumption of sustained growth in Poland.

for specific sectors or regions. Lax fiscal and monetary policy fueled continued inflation, which reached 1,500 percent for the year as measured by the urban consumer price index.

Industrial production declined by about 20 percent in 1992, while agricultural production, benefiting from a good grain harvest, was down by only about 6 percent. Part of the decline in production was undoubtedly due to the disruption of interrepublic trade following the formal demise of the Soviet Union. The continued problems with interenterprise supply links was also a strong factor.

Rapid privatization of most of the SOE sector, as intended by the government, will be a monumental task. Important progress, however, has been achieved in some areas of privatization. As part of a mass-privatization program (MPP), covering approximately 24,000 enterprises, vouchers were distributed to all Russian citizens beginning in October 1992 and began to be actively traded in large cities.[11] The MPP has already privatized some 600 medium and large firms through voucher auctions carried out in approximately 30 *oblasts*. Approximately 350 enterprises were privatized in April 1993 alone, and more than 1,000 enterprises are awaiting privatization through voucher auctions. Privatization in Russia in its initial stage has largely involved corporatizing existing public-sector companies and forcing them to operate in a commercial framework. Ownership transfers are leaving control of management largely in the hands of existing managers and employees. That, by itself, however, is an important step since it reduces the number of enterprises with access to central-bank resources or finance from the budget.

Estonia. Among both the Baltic states and the republics of the FSU, Estonia's stabilization efforts have met with the most initial success. The introduction of the kroon, the new currency, was backed by tight fiscal and monetary policies. Both fiscal and current accounts were in surplus in 1992, and international reserves increased through the year. Monthly inflation rates fell from 60 percent in the first quarter of 1992 to below 2 percent in February 1993. While output in 1992 was about 40 percent below its level of 1989, there were signs of recovery in 1993 based on increased private-sector activity and rapid growth of exports to Western Europe. Estonia's early success in stabilization has provided a solid basis for pursuing its program of structural transformation.

The Bank's Strategy for the Region

The Bank is now engaged in one of the greatest efforts in its history. Over the past eighteen months, working relationships in the region have been established with fifteen new members, numerous new resident missions have been opened, and several groundbreaking projects have been prepared. Given the rapid pace of developments in the region, Bank assistance has required flexible and innovative approaches. Lessons from the experience of individual countries have had to be synthesized and shared quickly to improve the quality of subsequent policy advice. Economic and sector work have been closely linked to project development, and both activities have emphasized the provision of technical assistance. Identifying the appropriate lending vehicles to ensure complementarity between the incentive for reform and financial assistance has provided an ongoing challenge in a situation of incomplete price liberalization, ambiguous public/private ownership boundaries, and a fragile environment for property rights.

The Bank's operational activities are grounded in a rapidly expanding stock of economic and sector work. During fiscal 1993, comprehensive country economic memoranda were completed, or are in the process of being completed, for each new member country. Analysis of enterprise and financial-sector reform and their links, as well as assessments of the priorities for private-sector development, have expanded rapidly. Issues of public finance, involving fiscal decentralization and public-administration reform, are receiving increased scrutiny. Institutional-development efforts in the region have been supported by Institutional Development Fund grants to help governments (Albania, Kazakhstan, Kyrgyzstan, Latvia, and Poland, for example) reorient their institutions in the direction of a market economy.

A growing body of work on social protection and human resources is under way for the states of the FSU, building in part on the stock of expertise developed from studies of Hungary, Poland, and Romania. Social-sector reviews were completed for Kyrgyzstan, Russia, and Ukraine during the year. Sectoral work has focused on agriculture, energy, telecommunications, and housing—areas where policy reforms are judged to be essential for bringing forth an early supply response. Environmental studies have been launched for Albania, Belarus, and Ukraine, following the comple-

[11] Enterprises not in the MPP tend to be the largest enterprises, and some of them are in single-enterprise towns. Such enterprises typically provide a significant level of social services. Given their size and special circumstances, it is likely that privatization of these enterprises will take some time, and many of them may require significant restructuring before they can be privatized.

tion of such work for most East European countries and Cyprus. The Bank is also actively participating in developing environmental-action plans for the Baltic and Black seas (as well as for the Danube river) and in a program for the preservation of the Aral sea.

The Bank's initial lending instrument in Estonia, Kyrgyzstan, Latvia, Lithuania, and Russia was the rehabilitation loan, in which quick-disbursing funds finance a positive list of imports for the maintenance of critical elements of production and infrastructure. Institution-building assistance that provides technical assistance in the key areas needed to facilitate market reform was the vehicle for the Bank's first loans to Armenia and Ukraine. A major oil-sector project in Russia, which, with cofinancing with the European Bank for Reconstruction and Development and official credit agencies, provides about $1 billion ($610 million in World Bank funds) for the rehabilitation of oil-producing operations in western Siberia, is founded on a range of agreements, including reforms in the legal framework that would make the sector more conducive to foreign investment. At peak production, the project is expected to provide about 33,000 tons per day of incremental oil, generating $1.5 billion per year in revenue. In Moldova, a $26 million loan is providing the government with urgently needed resources to assist its recovery from drought. The elapsed time between project preparation and approval was approximately six weeks.

Two sector-adjustment operations, involving $320.0 million in Bank funds, were approved during the year. One structural-adjustment loan, for $450 million, was approved. Twenty-seven other operations, involving commitments of $3,074 million, were approved. Included among their number were two freestanding environmental projects in Turkey that involve water supply and sanitation and watershed rehabilitation. The latter project includes a reforestation element in Eastern Anatolia and conservation of genetic diversity; the conservation component is being financed by a $5.1 million grant from the Global Environment Facility.

Portfolio performance. Managing the region's portfolio presents an ongoing challenge, given the complexity of the transition effort and the unfamiliarity of the new Bank members in dealing with the Bank. Indispensable technical-assistance and capacity-building operations, in particular, are inherently costly and complex to manage. In fiscal 1993, intensive efforts in training new borrowers in procurement, disbursement, accounting, and auditing procedures were initiated. The establishment of new resident missions in the region is intended, in part, to strengthen substantially the Bank's supervisory capacity. The frequency and intensity of portfolio reviews were enhanced in a number of countries; in some cases (Poland and Turkey, for example), countrywide portfolios were reviewed jointly by the Bank and officials from the governments concerned. Nonetheless, regional supervisory costs, already the highest in the Bank, are expected to grow as the size of the portfolio increases.

Latin America and the Caribbean

The Latin America and the Caribbean region continued its economic progress during 1992. Growth in gross domestic product (GDP) was positive, as it was in 1991, and inflation continued to be moderate in most countries. However, regional aggregates tend to be misleading, because they are heavily influenced by performance in Brazil, the largest country in the region, with nearly 40 percent of regional GDP. Total output fell 1 percent in Brazil in 1992, and inflation rose to more than 1,100 percent.

For the rest of the region, GDP growth was 4.6 percent, with per capita income growth of 2.7 percent, and for most countries, inflation was in the range of 20 percent to 50 percent. The sharp decline in inflation was particularly noticeable in Argentina, Nicaragua, and Peru, where only a few years ago annual inflation rates of more than 1,000 percent had been registered. By contrast, 1992 inflation rates in Argentina, Nicaragua, and Peru stood at 17 percent, 20 percent, and 57 percent (down from more than 7,000 percent in 1990), respectively. The rise in Argentina's wholesale price index for 1992 was but 3 percent. The economic recovery of the region is even more remarkable in the context of an international environment that has provided limited opportunities for export growth. Total regional exports increased from $122 billion in 1990 to only $126 billion in 1992 as a result of the recession in the United States and other market economies.

Two major debt agreements between commercial banks and Argentina and Brazil further signaled an end to the debt-crisis era.[12] Both agreements include arrangements for the restructuring of old debts and the payment of arrears. The two deals together cover about $67 billion in principal and approximately $12 billion in interest arrears. These two countries also reached agreements during 1992 with the Paris Club to reschedule about $6.3 billion of official debts. In addition, Paraguay purchased most of its bank debt and agreed to eliminate arrears to bilateral creditors, while Bolivia and Guyana received support from the Debt-reduction Facility for IDA-only Countries to repurchase outstanding commercial-bank debt. Countries with remaining unresolved bilateral and/or commercial-debt problems include Ec-

***Table 6-13.* Latin America and the Caribbean: 1991 Population and Per Capita GNP of Countries that Borrowed during Fiscal Years 1991–93**

Country	Population[a] (thousands)	Per capita GNP[b] (US dollars)
Argentina	32,713	2,790
Barbados	258	6,630
Belize	194	2,010
Bolivia	7,347	650
Brazil	151,428	2,940
Chile	13,386	2,160
Colombia	32,841	1,260
Costa Rica	3,064	1,850
Dominican Republic	7,197	940
Ecuador	10,782	1,000
El Salvador	5,278	1,080
Guatemala	9,467	930
Guyana	802	430
Haiti	6,593	370
Honduras	5,259	580
Jamaica	2,376	1,380
Mexico	83,306	3,030
Nicaragua	3,794	460
Panama	2,466	2,130
Paraguay	4,397	1,270
Peru	21,945	1,070
St. Kitts and Nevis	39	3,960
Trinidad and Tobago	1,253	3,670
Uruguay	3,112	2,840
Venezuela	19,787	2,730

NOTE: The 1991 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1993*.

a. Estimates from mid 1991.

b. *World Bank Atlas* methodology, 1989–91 base period.

[12] The agreement with Argentina has been signed, while the one for Brazil is expected to be signed later in 1993.

uador, Guatemala, Nicaragua, Panama, and Peru.[13]

Strong stabilization and reform programs in the region, combined with relatively low interest rates in the United States, have provided an environment that has attracted a substantial inflow of capital to the more successful adjusting countries (Argentina, Colombia, Chile, Mexico, and Venezuela).[14] In 1992, this inflow amounted to $57 billion, substantially higher than the $40 billion of the year before. This return capital, however, has posed economic-management challenges in several countries, as governments have attempted to limit exchange-rate appreciation and increases in domestic money supplies.

The establishment of stable economies with low tariffs has laid the basis for renewed discussions on regional integration. The North American Free Trade Agreement (NAFTA) among Canada, Mexico, and the United States has been signed, but is still subject to legislative ratification. Although full implementation would occur over a fifteen-year period, NAFTA is a major step towards free trade among these three countries. Chile, which has indicated its interest in joining NAFTA, has also signed bilateral trade agreements with Bolivia, Colombia, Mexico, and Venezuela.

The MERCOSUR Agreement among Argentina, Brazil, Paraguay, and Uruguay, also continues to make progress. Almost all tariffs within the MERCOSUR bloc would be eliminated by 1994, and a common external tariff will be adopted later in 1993. In the Caribbean, members of the Caribbean Common Market (CARICOM) have agreed to reduce their external tariff ceiling from 45 percent to 20 percent by 1998. Bolivia, Colombia, Ecuador, and Venezuela have also agreed to a free-trade arrangement to be enacted during the period 1992–95, along with a common external tariff to be adopted in 1995.

Progress in Adjustment

Almost all countries in the region that were affected by the debt crisis have implemented or are implementing adjustment programs. Chile and Mexico, which have established a trend of positive per capita income growth with modest inflation, represent the clearest cases of success. In some cases, new adjustment programs have been launched in countries that previously had lagged in their adjustment efforts (Guatemala, Ecuador). In other cases, adjustment programs are being extended and deepened (Argentina, Jamaica, Peru).

In Guatemala, the government faced a fiscal and balance-of-payments crisis when it took office in 1991. The public sector was generally inefficient, with limited resources and capacity to provide social services, as indicated by poor health indicators and low literacy levels. A poor resource-mobilization effort produced low overall savings rates and unsustainable fiscal deficits. These deficits, combined with large central-bank losses, caused inflation to accelerate. Accumulated arrears to multilateral lenders led to a suspension of disbursements.

During 1991, tight monetary policies reduced inflation from 60 percent to 10 percent and led to positive real interest rates, attracting a return flow of private capital. Temporary tax measures increased government revenues and, combined with expenditure reductions, led the overall public-sector deficit to decline to 1.2 percent of GDP. During 1992, the government kept inflation and the public-sector deficit at levels comparable with those of 1991. The government also cleared arrears to all multilateral lenders and received support for its stabilization and economic and social-reform program in the form of a standby arrangement with the International Monetary Fund and a $120 million loan from the Bank. The government's program includes the implementation of comprehensive tax reform, restructuring of public enterprises, tariff reform and the elimination of nontariff barriers, financial-sector reforms to strengthen prudential norms and bank supervision and to restructure public banks, and measures to improve the delivery of social services. The government is also establishing, with Bank support, a social-investment fund aimed at addressing the needs of the most vulnerable rural poor.

In Ecuador, a program of reform is beginning to take root. The new administration, which took office in August 1992, immediately took steps to reduce a projected public-sector deficit of close to 7 percent of GDP for the year. Relying primarily on a doubling of domestic energy prices, expenditure reductions, and a small tax increase, the government essentially eliminated the deficit on an annual basis. It also took steps to reduce the impact of these measures on the poor by holding constant public-transport prices, by limiting tariff increases paid by smaller users of electricity, and establishing a social-emergency fund. In addition, the government fully liberalized interest rates, reduced reserve requirements, and devalued the official exchange rate by 34

[13] Peru, which had been in nonaccrual status with the World Bank since August 1987, cleared all arrears on March 18, 1993, with a payment of $867 million.

[14] Although Brazil is not an example of a "successful adjusting country," it has nonetheless attracted large inflows of capital, amounting to $10 billion in 1992.

percent. These measures have provided a fiscal cushion to allow time for more fundamental structural measures to take place in the public sector. The government also announced the closing and consolidation of several public-sector agencies, began a program of privatization and deregulation, and adopted a new and comprehensive budget law to allow a further rationalization of state activities.

Post-Adjustment: A New Role for the Public Sector

The years of crisis have had a profound effect on people's attitude toward government and its institutions. There now exists a consensus on the need for reform and its direction—smaller governments, more open, market-oriented economies, and increased attention to human resources and economic inequities. Perhaps the greatest single change in people's attitude to economic-development philosophy has been a recognition that there should be limits to the extent of governmental intervention, that public monopoly can be as distorting as private monopoly, and that indefinite protection of private enterprises through the erection of high tariffs and nontariff barriers can perpetuate rents without adding to broadly based national prosperity.

The economic mismanagement of the precrisis and crisis years has taken a heavy toll on public institutions. The general expansion of the state in the years before 1982 resulted in a proliferation of organizations and public activities that strained the managerial capacity of governments. While publicly administered prices lagged behind inflation, public enterprises became increasingly dependent on government funds and politicized. In addition, public-sector employment increased to offset rising unemployment, and real salaries fell because of budget stringencies, resulting in a loss of skilled manpower and an erosion of morale.

Governments in the region have done well in adopting and implementing programs of adjustment, all of which have included some measures to reduce the role of the state in economic activities (Argentina, Chile, Mexico, for example). However, major improvements in the efficiency of government services as they affect the lives of ordinary people—particularly the quality and coverage of social services—have not followed. The capacity for for-

Table 6-14. **Lending to Borrowers in Latin America and the Caribbean, by Sector, Fiscal Years 1984–93**
(millions of US dollars)

Sector	Annual average, 1984–88	1989	1990	1991	1992	1993
Agriculture and rural development	1,170.8	161.8	855.7	941.5	1,569.6	390.0
Development finance companies	510.5	1,164.3	471.1	844.5	577.0	125.0
Education	89.4	140.0	—	595.3	786.1	588.7
Energy						
Oil, gas, and coal	109.1	94.0	—	260.0	110.1	33.1
Power	668.2	736.0	897.5	—	—	372.0
Industry	226.7	860.0	—	200.0	300.0	250.0
Nonproject	498.1	692.0	1,378.0	422.3	593.8	1,318.1
Population, health, and nutrition	54.5	99.0	389.2	337.3	47.5	374.0
Public-sector management	—	500.0	350.0	604.0	325.0	323.0
Small-scale enterprises	189.4	155.0	77.5	—	—	—
Technical assistance	20.4	50.7	59.0	68.8	48.2	88.1
Telecommunications	6.0	45.0	—	—	—	—
Transportation	407.7	149.3	1,029.0	114.0	438.2	1,149.0
Urban development	294.7	675.0	450.0	364.0	616.0	718.5
Water supply and sewerage	136.7	320.0	7.7	485.0	250.0	439.0
Total	4,382.2	5,842.1	5,964.7	5,236.7	5,661.5	6,168.5
Of which: IBRD	4,300.3	5,703.7	5,726.7	5,067.2	5,256.5	5,851.8
IDA	81.9	138.4	238.0	169.5	405.0	316.7
Number of operations	43	43	41	44	45	50

— Zero.

NOTE: Details may not add to totals because of rounding.

A worker collects bags of corn from an agricultural produce-distribution center in the Brazil interior. The centers provide staples for poor rural communities.

mulating and implementing sectoral programs and projects is weak, particularly at the state and provincial-government level. Leaner governments need to focus on areas that are uniquely best suited to the public sector: reducing poverty and providing social services, protecting the environment, providing basic infrastructure, and ensuring justice and security.

Making Up for the "Lost Decade"

In most countries of the region the poor suffered inordinately during the years of crisis. As growth slowed, poverty and unemployment rose, and income distribution became increasingly skewed (see Box 6-2). In Mexico, for instance, real wages declined 15 percent between 1982 and 1992. Many countries did not make adequate efforts to collect needed revenues, social expenditures shrunk substantially, and social programs suffered because of the general decline in governmental implementation capacity. In Brazil and Argentina, a large proportion of the increased revenues of the states and provinces was spent on paying for a higher public-sector wage bill rather than on improving social services.

Compared with the developing countries of East Asia, those in Latin America and the Caribbean have spent a smaller proportion of their gross national product on education and health. If economic growth is to be embraced by, and have meaning for, the people and if it is to be sustained, countries of the region will have to target more education, health, and nutrition programs toward the poor. Improvements in efficiency and management of such programs will be as necessary to their success as increased revenues to fund them.

An unfortunate consequence of economic crisis is that policymakers and economic managers remain focused on short-term issues and tend to neglect the fundamental questions related to issues of sustainable development. Governments in the region are beginning to realize that preventing the degradation of the environment is not a matter of aesthetics; rather, it is a fundamental aspect of sustainable development. The June 1992 United Nations Conference on Environment and Development (the "Rio Conference") served to increase the region's consciousness on these issues. Many countries are setting up environmental-protection agencies, and environmental issues are gradually being integrated into investment projects: For example, Mexico is implementing a comprehensive program to contain pollution in Mexico City, and Brazil has begun to

Box 6-2. Trends in Income Distribution and Poverty

Latin America has historically been a region with a high degree of income inequality relative to other regions in the world. A recent study undertaken by the Bank indicates that this continues to be true.[1] Overall, the bottom 20 percent of the population on the income-distribution scale received only 4 percent of total income in 1989. At the same time, 32 percent of the region's population was living in poverty, up from 22 percent in 1980.[2] By the end of the 1980s, the incidence of poverty was higher in the cities than in the countryside—a reversal of the situation of ten years earlier. It is estimated that at the end of the decade, 69 million poor people lived in urban areas as opposed to 64 million poor who lived in rural areas. However, the probability of being poor is higher for people living in rural areas.

Most of the region's poverty is located in a distinct set of countries. In 1989, more than 44 percent of the region's poor lived in Brazil alone, although that country was home to only one third of the region's population. Mexico and Peru had 11 percent and 9 percent of the poor, respectively, while an additional 19 percent lived in a group of relatively small countries consisting of Bolivia, El Salvador, Guatemala, Haiti, Honduras, and Nicaragua.

Over the decade of the 1980s, rapidly growing countries tended to show reductions in income inequality and poverty levels (Colombia, Costa Rica, Uruguay). Conversely, countries with declining per capita incomes had worsening income distribution and poverty levels (Argentina, Brazil, Panama, Venezuela). Similarly, during the business cycle, income-distribution becomes increasingly skewed, and levels of poverty rise during a recession, while the opposite occurs during a period of recovery. Since a worsening of income distribution means that the share of income belonging to the rich is increasing, the implication is they are better able to protect themselves from the impact of a recession than are the poor. To the extent that adjustment programs improve the prospects for stable and sustainable economic growth, they also act to reduce poverty, particularly in the long run. In the past decade, countries that failed to implement needed economic reforms effectively experienced the sharpest rise in poverty (Brazil and Peru, for example).

An analysis of income inequality for individuals in the labor market shows that, on average, differences in individual educational levels account for approximately 25 percent of total inequality. In nineteen of twenty cases examined, education demonstrates the highest marginal contribution to total income inequality among the labor force. Lack of educational attainment is the factor most associated with the probability of belonging to the bottom 20 percent of the income scale. The strong relationship between education differentials as a source of income inequality has important policy implications. Given that labor is the principal asset of the poor, improvements in the provision and quality of education represent a key mechanism for reducing overall inequality and lowering the number of people living in poverty.

[1] World Bank. 1993. "Poverty and Income Distribution in Latin America: The Story of the 1980s." Technical Department, Latin America and the Caribbean.

[2] Poverty is defined here as a situation in which the income of an individual is less than $60 a month in 1985 purchasing-power parity (PPP) United States dollars.

implement a program to protect its tropical forests. However, much more needs to be done in using prices, policies, institutions, and controls to manage and conserve natural resources.

During the 1980s, there was a sharp drop in investments in infrastructure in the region. In a number of countries there was disinvestment in infrastructure—especially in the form of inadequate maintenance and erosion in coverage and reliability, notably in the power, roads, water supply, and telecommunications sectors. Current infrastructure deficiencies are high—18 percent of the region's population has no access to public water supply, 42 percent has no sanitation facilities, some 30 percent lacks electricity, and about 45 percent of the roads have been so poorly maintained as to require reconstruction or rehabilitation.

There are several reasons for these deficiencies, chief among which are weak public finances, inadequate cost recovery, and the poor financial state of infrastructure enterprises. These factors, together with the steady erosion during much of the 1980s of management skills in many public enterprises and a politicization of enterprise policies and decisions, threaten to constrain future growth and development. The constraints facing the power and transportation sectors are particularly worrisome, and their investment requirements are large—in electric power alone, the region should invest $7 billion to $13 billion a year during the next eight years to keep from falling further behind. The capacity of public organizations to mobilize funds and execute projects of such magnitude is limited, although greater reliance on the publicly regulated private sector for the provision of these services may help to overcome these public-sector limitations.

A few countries, Chile and Mexico, for example, have made significant progress in

Table 6-15. **Commitments, Disbursements, and Net Transfers in Latin America and the Caribbean**
(millions of US dollars; fiscal years)

Item	Brazil			Mexico			Argentina			Total region		
	start 1993	1993	1989–93	start 1993	1993	1989–93	start 1993	1993	1989–93	start 1993	1993	1989–93
IBRD and IDA commitments		819	4,848		1,154	9,363		1,960	3,899		6,169	28,874
Undisbursed balance	5,039			3,825			1,433			16,340		
Gross disbursements		550	3,794		1,201	8,926		1,427	2,871		5,164	23,008
Repayments		1,255	5,784		993	4,228		337	1,451		4,396	17,753
Net disbursements		−705	−1,990		208	4,698		1,090	1,420		769	5,254
Interest and charges		607	3,310		922	3,819		207	1,007		3,119	13,239
Net transfer		−1,312	−5,300		−714	879		883	413		−2,350	−7,985

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest amounts of public or publicly guaranteed long-term debt. Details may not add to totals because of rounding.

improving public services. Argentina is successfully undertaking major reforms of its public sector.

The Bank's Strategy for the Region

Most of the larger countries in the region are well advanced in the initial phase of their economic adjustment. For them, the basic issue of the future is the strengthening of the institutional capacity for macroeconomic management in key sectors such as human resources and the environment, and in state and local governments. With the revival of private capital flows, the Bank's accent today in the larger countries of the region is less on resource transfers and more on institutional development, human-resource development, the environment, and natural-resource management.

In the IDA-recipient countries of the region, and in some other countries in the initial phases of reform and reconstruction, resource transfers, within the context of suitable economic management, remain a basic concern of the Bank. In these countries, the Bank's activities are coordinated in the context of consultative groups and other mechanisms to mobilize external assistance. In fiscal 1993, the Bank chaired consultative group meetings for Bolivia, El Salvador, Nicaragua, and Peru, as well as the Caribbean Group for Cooperation in Economic Development, which includes Jamaica, Guyana, and other Caribbean countries.

Overall, the share of adjustment lending to the countries of the region is declining, and the lending program is increasingly emphasizing loans for poverty reduction, improvements in social-sector activities, protection of the environment, and private-sector development. For example, it is expected that during fiscal 1993–95, human-resource and poverty-oriented lending will account for more than 30 percent of project approvals, about double the percentage reached during fiscal 1987–90.

The issues of quality and implementation are central to the operations of the Bank in the region. Multiple project objectives, excessive project complexity, and inadequate institutional and fiscal capacity in borrowing countries have adversely affected the implementation of some projects. During the past year, a concerted effort was made to restructure the portfolio of projects in Argentina, Brazil, and Colombia. This effort will continue, as necessary. The design of projects is being simplified, and project quality is being improved through training of Bank staff, as well as through improved feedback from, and improved dialogue with, borrowers.

Middle East and North Africa

As the Gulf crisis began to unfold in late 1991, all countries of the Middle East and North Africa region found themselves economically jeopardized; most, however, managed to perform better in 1992 than had been at first anticipated (see Table 6-17). Jordan's gross domestic product (GDP), for example, registered an unexpected increase of almost 12 percent, as returning migrants—although initially swelling the ranks of the unemployed—brought with them enough savings to generate a housing-construction boom. This boom is unsustainable, however, and the prospects for both GDP growth and employment generation are not promising.

Several other countries also experienced high rates of GDP growth. In Iran and Lebanon, continued rehabilitation of economic infrastructure and increased utilization of capacity were important factors, while in Tunisia, agriculture continued to perform strongly, and tourism recovered quickly.

***Table 6-16.* Middle East and North Africa: 1991 Population and Per Capita GNP of Countries that Borrowed during Fiscal Years 1991–93**

Country	Population[a] (thousands)	Per capita GNP[b] (US dollars)
Algeria	25,680	1,980
Egypt	53,602	610
Iran, Islamic Republic of	57,727	2,170
Jordan[c]	3,664	1,050
Lebanon	3,708	n.a.
Morocco	25,668	1,030
Tunisia	8,237	1,500
Yemen	12,544	520

NOTE: The 1991 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1993*.

n.a. Not available.

a. Estimates from mid 1991.

b. *World Bank Atlas* methodology, 1989–91 base period.

c. Estimates refer to East Bank only.

Where growth performance was less impressive, the cause was rarely directly related to the Gulf crisis. Morocco's 3 percent decline in overall GDP in 1992, for example, was the result of a severe drought that slashed agricultural output. Algeria's economic crisis has resulted from a severe shortage of foreign exchange; an inability to import enough intermediate and capital goods has mired the economy into a situation of low or negative growth over the past several years and has resulted in an increase in unemployment to 20 percent of the labor force. Egypt's slow growth reflects continued weak investment performance by the private sector and the low productivity of public investment. In Yemen, the effects of the Gulf crisis—returning migrants and reduced inflows of external resources—are still hampering economic performance.

Despite the disruptions caused by the Gulf crisis, economic reform remains high on the agenda of most countries. Morocco and Tunisia continue to lead the way. Disciplined fiscal and monetary policies have resulted in further declines in inflation, to about 6 percent, in both countries; low levels of inflation, together with further steady progress on structural reforms, have resulted in increased foreign direct investment in both countries, the most convincing evidence of the strength of a government's program.

Elsewhere in the region, the depth and breadth of economic reform are varied:

- Iran, for example, has aggressively pursued unification of the exchange rate, major reductions of tariffs, and widespread removal of import quotas. However, expansion of credit to nonfinancial public enterprises and the private sector, combined with depreciation of the exchange rate and decontrol of prices, pushed inflation up to 20 percent in both 1991 and 1992.
- Egypt has stayed the course with its adjustment program and is now tackling the always difficult task of public-enterprise reform and privatization.
- Stabilization remains the priority in Jordan and, to a lesser extent, Lebanon, where the

Two workers from the government family-planning office in Tunis make their rounds. Family-planning programs are well advanced in Tunisia, unlike elsewhere in the region.

urgency lies in reconstruction and rehabilitation of the economy. Although the fiscal deficit in Jordan fell from 18 percent of GDP in 1991 to 6 percent in 1992, this reflected exceptional circumstances, and further measures to achieve a permanent reduction in the deficit are necessary. Lebanon also saw its fiscal deficit decline, but at 13 percent of GDP, it still remains high. At the same time, the real appreciation of the Lebanese pound has led to a sharp surge in imports, causing the current-account deficit to deteriorate further.

***Table 6-17.* Recent Economic Performance in the Middle East and North Africa, Selected Countries**
(percentage rate of growth in real GDP)

Country	1990	1991	1992 (estimate)
Algeria	−1.3	0.2	2.9
Egypt	2.5	2.3	0.3
Iran, Islamic Republic of	10.7	8.1	7.0
Jordan	1.7	1.6	11.7
Morocco	3.7	5.1	−3.0
Tunisia	7.6	3.9	8.0
Yemen	−3.7	−3.9	0.0

- The process of reform has experienced most difficulty in Algeria and Yemen. In the former country, progress has been slow because of changes in government leadership and continuing social tensions, exacerbated by a heavy debt-service burden. In Yemen, the economic situation has deteriorated, with macroeconomic imbalances at the time of unification exacerbated by the Gulf crisis. The government has adopted a number of measures to ease these problems, but political commitment to reform is yet to be confirmed.

Development Issues

The eight countries in which the Bank is most active are characterized by surpluses of labor. For them, labor is the key to development. Endowed with a large pool of skilled, relatively inexpensive manpower and a dynamic and entrepreneurial trading class, and located on the doorstep of the huge European market, these countries, given the right incentives and policies, have the potential for superior economic performance.

Despite their potential, they share a problem that imposes a severe strain on the fabric of

Table 6-18. **Lending to Borrowers in Middle East and North Africa, by Sector, Fiscal Years 1984–93**
(millions of US dollars)

Sector	Annual average, 1984–88	1989	1990	1991	1992	1993
Agriculture and rural development	269.9	647.0	129.0	13.2	299.2	463.0
Development finance companies	183.4	—	170.0	235.0	—	—
Education	87.0	251.0	30.5	241.4	75.0	115.2
Energy						
Oil, gas, and coal	8.0	5.5	—	84.0	160.0	—
Power	97.4	165.0	15.5	114.0	220.0	165.0
Industry	42.2	10.8	124.5	365.0	—	130.0
Nonproject	78.0	200.0	450.0	310.0	525.0	—
Population, health, and nutrition	11.0	4.5	119.0	245.0	26.8	188.0
Public-sector management	—	—	130.0	—	—	—
Small-scale enterprises	15.6	—	—	—	—	—
Technical assistance	3.3	23.0	26.0	—	9.0	—
Telecommunications	62.4	—	—	—	—	100.0
Transportation	103.4	63.0	79.0	162.0	—	35.0
Urban development	31.9	58.0	105.5	250.0	110.0	684.0
Water supply and sewerage	243.7	48.0	12.0	—	57.0	—
Total	1,237.4	1,475.8	1,391.0	2,019.6	1,482.0	1,880.2
Of which: IBRD	1,186.8	1,421.5	1,323.5	1,784.0	1,324.0	1,756.4
IDA	50.5	54.3	67.5	235.6	158.0	123.8
Number of operations	21	22	20	20	17	19

— Zero.

NOTE: Details may not add to totals because of rounding.

society: unemployment. Rates of unemployment of around 15 percent are found in Egypt, Iran, Morocco, and Tunisia, rise to about 20 percent in Algeria and Jordan, and peak at around 25 percent in Lebanon and Yemen. This phenomenon is exacerbated in many countries by the imbalance between economic growth and population growth. In the 1970s, economic growth exceeded population growth by a comfortable margin (see Table 6-19). In the 1980s, however, the situation began to change, and by the second half of the decade population growth exceeded or nearly equaled growth in gross domestic product (GDP) in all countries except Morocco and Tunisia.

Countries that have successfully raised the welfare of their people and avoided serious unemployment have done so by realizing output growth that exceeds population growth by at least 2 percentage points. With an anticipated population growth in the region of about 2.5 percent, this implies that the countries of the region must grow at around 5 percent a year. This could be realized if rates of investment were around 25 percent of GDP and if the incremental capital-output ratio (ICOR), which is an aggregate measure of the efficiency of investment, were around five. In fact, during the 1980s the eight countries were investing, on average, about 20 percent of GDP and had an ICOR of around ten.

Judging by past performance in the region, it should not be unrealistic to anticipate necessary increases in investment and in efficiencies in investment—given the requisite political will. Moreover, the severity of the task varies among countries. Egypt, Morocco, and Tunisia, for example, are not far from the required magnitudes. In Algeria, Jordan, and Yemen, however, the efficiency of investment is unusually low. With population growth rates of above 3 percent, Iran, Jordan, and Yemen face the most challenging task, for the higher the population growth rate, the higher GDP growth must be to generate sufficient and productive job opportunities. Although policies to move countries closer to the described growth path must be specific to individual countries, they will all flow from reforms in macroeconomic stabilization, private-sector development, public-sector management, and management of external debt.

First, macroeconomic stabilization is a necessary condition for the development of a

dynamic private sector and for achievement of the fundamental objectives of economic growth and poverty reduction. Macroeconomic imbalances have historically been quite significant, especially in the Mashreq. Some countries in the region, again Morocco and Tunisia in particular, have already made substantial progress on this front: Fiscal deficits have been brought down significantly and are 3 percent of GDP or less, inflation is in single digits, and exchange rates are realistic and reasonably stable.

Second, efforts to stimulate the private sector are crucial. Most countries in the region, especially Algeria and Egypt, have relied heavily on a public sector-dominated approach to development and face a difficult road of privatization. And, although initial conditions vary, improvements in the structure of incentives and property-rights systems are needed to provide the private sector with the confidence and safeguards required for increased levels of job-creating investment.

Third, management improvements in the public sector are clearly needed. No matter what the final division of responsibility between the private and public sectors, the latter's ability to function effectively is crucial to each country's economic performance. Civil-service reforms are especially needed in Egypt, Jordan, and Yemen, for example. Elsewhere, in Iran and Lebanon, for instance, considerable technical assistance will be required to help rebuild administrative cadres. A redirection of, and improvements in, the quality of public investment are also needed throughout the region.

Fourth, it is essential that external debt be managed prudently. The past build-up of external debt is a reflection of the decision to postpone correction of fundamental macroeconomic imbalances. As a result, by 1988 the ratio of external debt to exports exceeded 300 percent in Egypt, Morocco, and Syria. This ratio now stands at about 200 percent in Algeria, over 200 percent in Morocco, and at about 290 percent in the countries of the Mashreq; consequently, most of the countries of the region are now either cut off from voluntary lending or retain only marginal access to the international capital market. Although implementation of reform policies is essential to the ultimate restoration of creditworthiness, some countries—Jordan, for example—may need special forms of debt relief.

If reforms in these four areas are pursued vigorously, the eight countries will be able to achieve a better balance between population growth and economic growth—essentially by raising the latter. This still leaves them—and the other countries of the region, as well—with unusually high rates of population growth. Family-planning programs have already been started in Egypt and Iran and are well advanced in Tunisia. Such programs need to be complemented by better maternal health care and increased educational opportunities for girls.

Although the region as a whole has made good progress on most of the basic measures of social well being such as longevity, morbidity, and literacy, progress has come from an unusually low base. As a result, many countries still lag behind various comparators: The rate of secondary school enrollment for girls in Morocco is 30 percent compared with 56 percent for all lower middle-income countries; 124 out of every 1,000 babies die within their first year in Yemen compared with a low-income country average of 51; 52 percent of the adult population in Egypt is illiterate compared with only 40 percent in the low-income comparator group; and population growth exceeds 3 percent a year in Iran, Iraq, Jordan, Oman, Syria,

Table 6-19. **Output and Population Growth, 1970–90**
(percent)

	Real GDP growth rate			Population growth rate		
Country	1970–80	1980–85	1985–90	1970–80	1980–85	1985–90
Algeria	5.7	5.3	0.1	3.1	3.2	2.8
Egypt	8.0	7.0	2.5	2.1	2.6	2.3
Iran, Islamic Republic of	0.7	8.6	−0.8	3.2	3.5	3.8
Jordan	n.a.	n.a.	−0.7	3.8	3.9	4.4
Lebanon	n.a.	n.a.	n.a.	0.8	0.0	0.1
Morocco	5.6	3.3	3.9	2.4	2.6	2.6
Tunisia	7.5	4.2	3.2	2.2	2.6	2.1
Yemen	n.a.	n.a.	n.a.	2.8	3.1	3.1

n.a. Not available.

and Yemen compared with less than 2 percent in middle-income countries.

The World Bank has responded to these challenges by reviewing its strategies for all active borrowing countries in the region. As a result, during the course of the past fiscal year, updated and refocused strategies either were adopted or were close to being completed for all countries. The Bank's country focus has been broadened and deepened by other forms of strategic thinking. One approach has been to take a sectoral slant by analyzing specific sectoral issues that are common to most countries of the region; work on human resources and the environment has been pursued in this fashion. Another approach arises in the case of issues that can only be treated at a regional level through regional cooperation.

The Bank's Strategy for the Region

The Bank's country-assistance strategies are designed to meet the specific needs of country groups. One group, consisting of Tunisia and Morocco, has achieved macroeconomic stability and is advanced in structural reform. In both countries the Bank's strategy has shifted from an emphasis on adjustment to one on long-run development. A second group, consisting of Egypt and Jordan, has started on the path of reform. In these countries the Bank's strategy calls for a mix of investment and adjustment lending. A different set of problems is encountered in a third group of countries (Iran and Lebanon) that is engaged in economic reconstruction and rehabilitation and to which the Bank has resumed lending operations. Initial emphasis by the Bank has been to address the urgent needs of rehabilitation and stabilization. A fourth group, consisting of Algeria and Yemen, is in need of fairly fundamental economic reforms; here, however, difficult domestic situations are delaying the process. In these two countries, the Bank is providing limited new commitments in support of projects that can deliver a high social return.

Sectoral strategies, applicable to a range of the region's borrowers, are also being developed by the Bank and molded to the needs of specfic countries. A three-pronged strategy to support human-resource development, critical to both economic growth and poverty reduction and an area that until recently has been relatively neglected, is one example of this approach. The first prong emphasizes expansion and improvement of basic services (primary health care, family planning, basic education, clean water, and proper sanitation, for example) that are critical to improvements in the well-being of the poor. The second deals with the need to improve and rationalize an already extensive system of higher-level services. Thus, universities must restructure, hospitals have to provide more cost-effective treatment and care, and vocational training has to be more responsive to the needs of the market. The third, which focuses on critical problems in the labor market, has as its goal the creation of employment opportunities, especially for youths. Although economic growth remains the ultimate solution, elimination of wage regulations, improved information flows, job counseling, better systems of social insurance, and well-targeted relief programs can play an important complementary role.

This more general strategy is being fitted into more detailed country-specific economic analysis and investment operations. For example, basic services are being provided through basic education projects in Algeria, Egypt, and Yemen, through health and family-planning projects in Iran and Yemen, and through water supply and sewerage projects in Morocco, Tunisia, and Yemen. Attention to higher-level services forms a large part of the Bank's future program in several countries. In the meantime, post-basic education is the subject of sector work in Tunisia, as are education expenditures in Morocco. During the past fiscal year, other areas of concern—labor markets and social safety nets—were addressed through the completion of an analysis of labor markets in four countries; in addition, social security and safety nets in Egypt, Iran, and Tunisia are being analyzed. Poverty assessments are also being undertaken throughout the region.

Another area critical to development—environment and water resources—provides a further example of the Bank's sectoral approach. The distribution of water and habitable land in the region is such that the population is concentrated along coastal areas and in river valleys. This phenomenon, combined with rapid population growth, has created some unique environmental challenges. Four are regarded as critical: the worsening urban environment, the scarcity and degradation of water resources, the degradation of land and forest resources, and the neglect of regional commons. While neglect of regional commons and the existence of environmental problems that extend beyond country boundaries are not unique to the region, solutions to the challenges they pose are particularly crucial to the region's future development.

These problems are being tackled at the country level, as well as at a multicountry or regional level. At the country level, national environmental-action plans have been completed for almost all active countries, environmental components have been incorporated

Table 6-20. **Commitments, Disbursements, and Net Transfers in Middle East and North Africa**
(millions of US dollars: fiscal years)

	Egypt			Algeria			Morocco			Total region		
Item	start *1993*	*1993*	*1989–93*	start *1993*	*1993*	*1989–93*	start *1993*	*1993*	*1989–93*	start *1993*	*1993*	*1989–93*
IBRD and IDA commitments		208	1,410		240	1,685		549	2,507		1,880	8,249
Undisbursed balance	1,333			1,476			1,383			5,833		
Gross disbursements		232	701		207	1,324		347	2,097		1,251	5,998
Repayments		199	921		171	719		289	1,118		936	4,100
Net disbursements		33	−220		36	605		58	979		315	1,897
Interest and charges		125	670		116	454		259	1,142		706	3,142
Net transfer		−92	−890		−80	151		−201	−163		−391	−1,245

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest amounts of public or publicly guaranteed long-term debt. Details may not add to totals because of rounding.

into sectoral projects, and freestanding projects that address forestry (Tunisia), marine pollution (Egypt), and water-resource management (Algeria, Tunisia) issues have been approved. Many problems relating to the environment and water extend beyond the boundaries of a single country, however.

One illustration of the multicountry approach for addressing an environmental problem involves the development of a successful framework for coordinating action around the Mediterranean. The first phase of a multicountry and multidonor program for the protection of the Mediterranean—the Mediterranean Environmental Technical Assistance Program, undertaken in collaboration with the European Community, the European Investment Bank, and the United Nations Development Programme—is fully committed and on schedule, and a second, larger phase is being launched.

Similarly, the Bank is organizing one element of its approach to development issues along regional lines. This involves efforts to foster more applied and policy-oriented economic research. As an initial step in this process, a conference was held in Cairo in June 1993 and attended by about eighty economists. At issue was the possible establishment of a regional institution that would set standards, serve as a research network, and fund and publish high-quality, policy-oriented economic research.

Another initiative involves the establishment by the Bank of a council of advisers comprising prominent academics and businessmen, many with experience in government, drawn from all over the region. The meetings of the council, the first of which took place in January 1993, provide a forum for discussion and exchange of views on key issues—not just between the Bank and the advisers but also among the advisers themselves.

Finally, in response to a request by participants of the Multilateral Working Group on Regional Economic Development, in the context of the multilateral Middle East peace talks, the Bank carried out an in-depth analysis of the development needs of select economies of the region, including the occupied territories of the Gaza Strip and the West Bank.

During the year, the Bank sent five small teams to the occupied territories to undertake field work and collect data in five areas: infrastructure, human resources, agriculture, private-sector development, and macroeconomics. The Bank's main findings and recommendations, which will be discussed with the Israelis, Jordanians, and Palestinians, will be incorporated into a regional report to the Multilateral Working Group.

In a separate progress report submitted to the Multilateral Working Group in May, the Bank noted that, based on preliminary findings, anticipated investment requirements for priority social and economic infrastructure (transport, power, water and sewerage, health, and education) in the occupied territories were substantial, on the order of hundreds of millions of dollars—and perhaps approaching $1 billion—over the next five years.

From Strategy to Implementation

The way the Bank has structured its work programs and deployed its resources has been influenced by the continuing uncertainty of country conditions in many parts of the region. As a result, a premium has been placed on the Bank's ability to respond quickly to changes in the political and economic environment. Total staff resources in fiscal 1993 were approximately at the same level as in the year before,

but, within the total, significant redeployments were made across service categories and countries in light of evolving conditions. Thus, resources for the Iran program were increased substantially in both fiscal 1992 and 1993 to update knowledge, to provide the government with policy advice in key areas (especially on trade and safety nets), and to lay the foundation for a gradually increasing lending program. Similarly, there has been an increase in the program of reimbursable technical assistance to the Gulf countries. Offsetting these increases has been a reduction in resources to Egypt from the high level reached in fiscal 1992, when substantial economic and sector work was completed.

Additional emphasis on portfolio management has also influenced the way the Bank is structuring its work program. Increased attention to portfolio management requires actions that go beyond mere intensification of supervision of individual operations. Comprehensive reviews of each country's portfolio began in fiscal 1992 with Algeria, followed by Egypt and Morocco in fiscal 1993. A comprehensive follow-up review of the Algerian portfolio was begun late in fiscal 1993. Reviews of Tunisia and Yemen are slated for completion in fiscal 1994, and, by the end of 1995, portfolios for most countries will have been reviewed. These reviews are expected to lead to a strengthening of the country dialogue, linkages between new lending volumes and country performance, the addressing of systemic issues (procurement and resettlement, for example) at the country level, and the identification of operations for redesign and/or closure. In the longer term, the Bank will open additional field offices to facilitate country dialogue and to improve project implementation.

Section Seven
Summaries of Projects Approved for IBRD and IDA Assistance in Fiscal 1993

Acronyms and Abbreviations Used in This Section

ADF—African Development Fund
AfDB—African Development Bank
AIDAB—Australian International Development Assistance Bureau
AsDB—Asian Development Bank
BADEA—Arab Bank for Economic Development in Africa
BCIE—Banco Centroamericano de Integración Económica
BEAC—Banque des etats de l'Afrique centrale
BITS—Swedish Agéncy for International Technical and Economic Cooperation
CABEI—Central American Bank for Economic Integration
CAF—Andean Development Fund
CCCE—Caisse centrale de coopération économique
CDB—Caribbean Development Bank
CFD—Caisse Française de développement
CIDA—Canadian International Development Agency
DANIDA—Danish International Development Agency
EBRD—European Bank for Reconstruction and Development
EC—European Community
EDF—European Development Fund
EIB—European Investment Bank
FAC—Fonds d'aide et de coopération
FAO—Food and Agriculture Organization of the U.N.
FINNIDA—Finnish International Development Agency
GATT—General Agreement on Tariffs and Trade
GEF—Global Environment Facility
IDB—Inter-American Development Bank
IFAD—International Fund for Agricultural Development
JICA—Japan International Cooperation Agency
KFAED—Kuwait Fund for Arab Economic Development
NORAD—Norwegian Agency for Development Cooperation
ODA—Overseas Development Administration
OECF—Overseas Economic Cooperation Fund
OPEC—Organization of the Petroleum Exporting Countries
PAHO—Pan American Health Organization
PHARE—Pologne-Hongrie : aide à la réconstruction économique
SDC—Swiss Development Corporation
SIDA—Swedish International Development Authority
UNDP—United Nations Development Programme
UNESCO—United Nations Educational, Scientific, and Cultural Organization
UNICEF—United Nations Children's Fund
USAID—United States Agency for International Development
WFP—World Food Programme
WWF—World Wildlife Fund

Agriculture and Rural Development

ALBANIA: IDA—$20 million. The government's agricultural sector-reform program will be supported over an eighteen-month period, and a line of credit will be provided to the government for onlending to rural entrepreneurs through the new Agricultural Bank. Technical assistance is included. Cofinancing is expected from the OECF ($15 million), the EC's PHARE ($10 million), and the Netherlands ($2 million). Total cost: $47 million.

ALBANIA: IDA—$2.4 million. The government's rural poverty-alleviation program will be supported by financing its year-long pilot phase during which local infrastructure will be repaired and rehabilitated (thereby creating employment in rural areas) and small-scale credit provided to meet the immediate needs of farmers and rural microentrepreneurs. Cofinancing is expected from the EC ($2 million) and the UNDP ($400,000). Total cost: $4.8 million.

BENIN: IDA—$3.8 million. The second phase of the government's long-term strategy to develop a viable rural financial-intermediation system and for promoting broad-based economic growth and improved living conditions in rural areas will be supported. Cofinancing is anticipated from the CFD ($2.8 million), the SDC ($1.9 million), the

Data used in this section have been compiled from documentation provided at the time of project approval.

FAC ($900,000), IFAD ($400,000), and the EC ($200,000). Total cost: $15.1 million.

BURKINA FASO: IDA—$7.5 million. Through a program of institution building and strengthening and the establishment of an integrated early-warning system, the ability to plan, implement, and monitor food-security interventions will be increased. At the household level, mechanisms to cope with food insecurity will be improved by diversifying income sources of the rural poor and by making more efficient use of available food, especially for children under the age of three and for lactating mothers. Cofinancing is anticipated from Germany ($1.5 million) and the WFP ($1.1 million). Total cost: $12.8 million.

BURUNDI: IDA—$3.1 million. The production and marketing of agricultural products will be diversified and efficiency improvements stimulated through provision of assistance to the government in privatizing publicly held agroindustries and to private entrepreneurs in developing agribusinesses. Cofinancing is expected from the EC ($1.2 million) and Belgium and the CCCE ($100,000 each). Total cost: $6.2 million.

CHILE: IBRD—$45 million. The operation and efficiency of existing and future small and medium-sized irrigation schemes will be improved and the welfare of small farmers in poor areas enhanced through a project designed to improve the allocation and sustainability of investments and strengthen the capabilities of user groups and small farmers. Total cost: $118.7 million.

CHINA: IBRD—$325 million; IDA—$165 million. Financial support will be provided over a six-year period to introduce a bulk grain-handling logistical system in four grain-transport corridors, improve domestic design and implementation capacity in grain-distribution logistics through technical assistance and training, and develop two national grain markets and a grain-marketing information network. Total cost: $991.4 million.

CHINA: IBRD—$100 million; IDA—$100 million. Recurring severe flooding in the Taihu basin, the country's most industrialized and highly productive agricultural area, will be prevented through engineering measures to control floods and improve land drainage. In addition, the quantity and quality of raw water used for the water supply of Shanghai and other urban centers will be improved, and inland water transportation will be expanded and improved. Total cost: $497.3 million.

CHINA: IDA—$147 million. More than 4 million people in Sichuan province, many of them farmers living in very poor counties, will benefit from a project that attempts to address the key constraints limiting agricultural productivity: the shortage and irregular availability of water; water and soil losses caused by erosion; inadequate and weak linkages between production, processing, and marketing activities; and limited technical and agricultural-extension services. Total cost: $287.6 million.

CHINA: IDA—$115 million. A sizable portion of the country's 200 million farmers is expected to benefit from increased agricultural production and incomes as a result of a project that seeks to strengthen those institutions that provide support services to farmers. Total cost: $238.3 million.

COLOMBIA: IBRD—$250 million. The government will be helped to introduce and sustain financial and trade-policy changes in the agriculture sector, particularly through the elimination of subsidized interest rates and directed lending. Institution-building assistance is included. Total cost: $1,522 million.

EGYPT: IDA—$22 million. Incomes among the poorer segments of the rural Bedouin population, estimated to number about 61,000, are expected to rise from a project that seeks to break the cycle of natural-resource degradation and poverty in the country's northwest coastal zone by providing support for improved natural-resource management approaches and practices, coupled with agricultural development. Total cost: $29.5 million.

EL SALVADOR: IBRD—$40 million. About 143,000 small and medium-scale farmers are to benefit from a project that seeks to upgrade the country's agricultural research and extension services. In addition, public and private-sector institutions will be strengthened through a program of institutional development, staff and procedural rationalization, and support-services privatization. Total cost: $56.5 million.

GABON: IBRD—$22.5 million. The management and protection of the country's forest resources will be improved through institution-building assistance, a program of forestry and environment training and research, preparation of a forest inventory and the subsequent rehabilitation of depleted forests, and the creation and maintenance of biodiversity reserves. Cofinancing is anticipated from the EC ($4.3 million), the WWF ($1.7 million), and others ($3.4 million). Total cost: $38.2 million.

THE GAMBIA: IDA—$12.3 million. Most of the more than half million people living in rural areas are expected to benefit from a project that seeks to strengthen support services in agricultural extension, research, and training, as well as promote self-reliance and farmer empowerment. Cofinancing is expected from IFAD ($3.6 million). Total cost: $17.2 million.

GHANA: IDA—$22.5 million. The nutrition, income, and standard of living of many rural families will be improved through a substantial increase in livestock production, to be generated

through better animal disease-control services, the dissemination of improved technologies in forage and livestock production, improved breeding stock, and facilitating access to markets. Total cost: $29.1 million.

GHANA: IDA—$18.1 million. By focusing on improved resource-management capability through the reorganization and strengthening of institutions involved in environmental-resource management, the capacity of both the government and people to manage environmental resources will be strengthened. In addition, environmental-management skills in sectoral and local government agencies will be developed. Cofinancing is expected from the GEF ($7.2 million), DANIDA ($4.3 million), and the ODA ($900,000). Total cost: $35.9 million.

GUINEA: IDA—$20.8 million. Through a program of institution building and management support, provision of specialized technical services, and construction of access roads, the supply response in the agricultural-export sector will be enhanced. Cofinancing ($600,000) is anticipated from the FAC. Total cost: $24.6 million.

HUNGARY: IBRD—$100 million. Through a program of financial and technical assistance, the operational and pricing efficiency of product markets will be strengthened, thereby improving the business environment so that producers and trading companies can adjust efficiently to changing market conditions. Total cost: $254.5 million.

INDIA: IDA—$117 million. Close to 4 million people will benefit from a project designed to increase rural incomes and reduce poverty among tribal people in Bihar state through a program of agricultural development, provision of minor irrigation and drainage, upgrading of rural roads, and accelerated implementation of an existing handpump program. Total cost: $132 million.

INDIA: IDA—$106 million. The Rajasthan state government's Agricultural-development Project—designed to accelerate growth, reduce poverty, conserve resources, rationalize public expenditures, and encourage private-sector investment—will be supported through policy reforms and the financing of investments in crop husbandry, horticulture, animal husbandry, water resources, agricultural research and training, rural roads, and environmental strengthening. Total cost: $130.3 million.

INDIA: IDA—$92 million. The rubber subsector will be expanded and strengthened through the replanting of old, low-yielding rubber, new rubber plantings, productivity enhancements through improved management of inputs, and the upgrading or establishment of processing facilities. In addition, tribal people in Tripura state—a nontraditional rubber-growing area—will benefit through the expansion of rubber-based production systems on degraded land. Total cost: $143.8 million.

INDIA: IDA—$54.7 million. About 80,000 small and marginal farm families are expected to benefit directly from project activities associated with the reclamation over a seven-year period of approximately 45,000 hectares of salt-affected (sodic) land in ten districts of Uttar Pradesh. Institutional strengthening is included. Total cost: $80.2 million.

INDONESIA: IBRD—$54 million. About 50,000 families are expected to benefit directly from a project that supports a six-year program of groundwater development designed to provide irrigation for some 25,000 hectares in eleven provinces. Total cost: $84.9 million.

INDONESIA: IBRD—$32 million. Agricultural production, particularly paddy, will be stabilized, and environmentally sound crop-production systems promoted by strengthening and expanding the national integrated pest-management (IPM) program; training of about 800,000 farmers (of whom 30 percent will be women) in IPM; financing of field investigations and studies to develop appropriate, farmer-responsive technology; and strengthening of the regulatory and environmental management of pesticides. Cofinancing ($7 million) is expected from USAID. Total cost: $53 million.

IRAN: IBRD—$157 million. The incomes of some 46,000 farm families are expected to increase through the improvement and upgrading of four existing irrigation and drainage systems and the upgrading of agricultural extension and research. In addition, the planning and implementation capacity of sector institutions is to be improved through provision of technical assistance and training. Total cost: $311.7 million.

KENYA: IDA—$20 million. The impact of the recent drought on people living in the country's northern arid and semi-arid districts will be alleviated through measures to regenerate productive capacity in agriculture and livestock production and improve water-supply and basic health services. Total cost: $29.6 million.

KENYA: IDA—$19.4 million. Through provision of technical assistance, training, and equipment, the cotton and oilseeds subsectors will be developed. Technical assistance will also be provided to help restructure the sugar subsector and make the cooperative subsector more efficient and responsive to member needs. Institution-building assistance is included. Total cost: $21.5 million.

MADAGASCAR: IDA—$3.7 million. Technical assistance will be provided to help stimulate and support the creation of a savings and loan movement at the grassroots level that would provide sustainable financial services to its

members and, over time, develop banking and borrowing relationships with formal institutions. Total cost: $4.6 million.

MALAWI: IDA—$45.8 million. Through support for agricultural research and agricultural-extension activities, increased availability of improved seeds and fertilizers, and provision of technical assistance and training for institutional strengthening, affordable and sustainable technologies suitable for a range of smallholders will be developed, and farm incomes and food security will be enhanced. Cofinancing ($12.7 million) is expected from the AfDB. Total cost: $64.8 million.

MALAWI: IDA—$25 million. The foundation for the sustainability of rural financial services will be laid through the corporatizing and conversion of the Smallholder Agricultural Credit Administration into an autonomous company and its preparation for privatization and transformation into a private rural bank. Total cost: $36.7 million.

MOLDOVA: IBRD—$26 million. In the wake of the unusually severe drought of 1992, inputs for the 1993 agricultural season will be financed, thus increasing the availability of food for the domestic economy and export and facilitating the reduction of poverty. Total cost: $31.2 million.

MOROCCO: IBRD—$215 million. A second project seeks to make large-scale irrigation more efficient, cost-effective, and sustainable through provision of infrastructure rehabilitation, a program of institution building, improvements in water-use efficiency, and implementation of needed policy reforms. Total cost: $367.3 million.

MOZAMBIQUE: IDA—$20 million. The country's National Reconstruction Program, whose primary objective is to undertake pilot activities to encourage decentralized rural economic recovery while creating the institutional capacity and procedures necessary to address broader post-war rehabilitation needs, will be supported. Total cost: $23.1 million.

NEPAL: IDA—$28 million. New headworks facilities for the Sunsaru Morang Irrigation Project, the country's largest, will be provided so as to alleviate problems of siltation that have caused the loss of function of a significant part of the 68,000 hectares that make up the command area. Total cost: $30 million.

PAKISTAN: IDA—$54.2 million. Productivity on 121,000 hectares of waterlogged lands in the southeastern corner of Punjab province will be increased through water-conservation measures, construction of surface drains, field trials for subsurface drainage, irrigation and drainage research, technical assistance, and training. Total cost: $70.6 million.

PAKISTAN: IDA—$28.8 million. The sustainable and economically efficient use of land resources in one of the country's poorest and most environmentally vulnerable areas, Azad Jammu and Kashmir, will be provided through improvements in the policy framework, restructuring and strengthening of public institutions responsible for land-management resources, and piloting test programs in community management of natural resources. Total cost: $36 million.

PHILIPPINES: IBRD—$51.3 million. Incomes and employment opportunities for about 460,000 low-income farm families will increase through sustainable improvements in the operational efficiency of the country's national irrigation systems serving about 640,000 hectares. Total cost: $69.6 million.

POLAND: IBRD—$300 million. The government's medium-term agriculture sector-adjustment program, which redefines the nature and role of government in relation to the agriculture sector and supports sectoral adjustment efforts toward a competitive market-oriented economy, will be assisted. (Up to $100 million of the $300 million will be set aside to help support a debt and debt-service reduction program with the country's commercial creditors.)

TUNISIA: IBRD—$69 million. Sustainable integrated development and management of the country's forest resources (with the active involvement of the poor populations dependent on forests and the private sector) will be promoted. Cofinancing ($700,000) is expected from the AfDB. Total cost: $148.1 million.

TURKEY: IBRD—$77 million. In three low-income provinces of Eastern Turkey, fertility will be restored to badly degraded soils and erosion in upland areas reduced through support of watershed-rehabilitation activities. In addition, farmer incomes should increase through improvements in fuelwood, fodder, and agricultural production. Cofinancing ($5.1 million) is expected from the GEF. Total cost: $115.5 million.

UGANDA: IDA—$25 million. The government's strategy for improving productivity and diversification in the agricultural sector will be assisted by a project that supports key activities of the newly established National Agricultural Research Organization; strengthens the linkages and coordination among the research system, the extension service, and the agricultural faculties of Makerere University and agricultural colleges; and improves agricultural education and training capacity. Total cost: $28.9 million.

UGANDA: IDA—$15.8 million. Improved efficiency is being sought in the delivery and impact of extension in sixteen selected districts (at least two from each of the country's six agroecological zones). Emphasis will also be placed on the development of human-resource

capacity, including management skills. Technical assistance is included. Total cost: $17.8 million.

VENEZUELA: IBRD—$55 million. Through provision of assistance to the National Institute of Parks and other key public agencies involved in environmental protection, national capacity to manage the country's national and urban parks, natural monuments, and wildlife refuges and reserves will be expanded. Funds in support of applied environmental research and public environmental education will also be made available. Total cost: $96 million.

ZAMBIA: IDA—$33 million. Sound lending practices in the agricultural sector will be introduced by providing targeted credit at commercial lending rates to the sector through the commercial-banking system, and measures to increase private-sector participation in rural maize marketing and milling, input supply, rural transportation, and rural road maintenance will be supported. Technical assistance is included. Cofinancing ($12.5 million) is expected from the AfDB. Total cost: $68 million.

Development Finance Companies

CHINA: IBRD—$150 million. The Tianjin municipal government will be assisted in restructuring its industrial sector through provision of funds to be onlent to enterprises in the machine-tool, construction-equipment, automotive-parts, electronic-components, and electric-motors subsectors for restructuring and modernization. Total cost: $222 million.

COLOMBIA: IBRD—$50 million. The country's export-development process will be accelerated during the early years of trade liberalization through, in particular, the streamlining of trade-administration mechanisms and ensuring consistency with GATT requirements and by helping existing and potential exporters to better assess export markets, adapt products, build export-market share, and secure export financing. Total cost: $86.6 million.

ECUADOR: IBRD—$75 million. The efficiency of the country's productive and financial sectors will be increased through a project that seeks to develop the private sector by accelerating private investment through the provision of term financing, improving financial-sector performance, and encouraging allocative efficiency through support of trade-liberalization reforms.

INDONESIA: IBRD—$307 million. A program of governmental regulatory and institutional reforms in the financial sector, designed to lower the risk of financial instability, enhance the efficiency of resource allocation, and transform the five state commercial banks into sound and effective financial intermediaries (and prepare them for future privatization) will be supported through institution-building assistance and provision of a line of credit to be onlent to the private sector for investment projects. Total cost: $3,576 million.

Education

ALGERIA: IBRD—$40 million. This project, the first step in a long process that aims at improving quality and efficiency in basic and secondary education, seeks to introduce a pilot system for assessing learning outcomes and quality in basic and secondary education, strengthen the quality of pedagogic-research programs, and promote a more effective use of pedagogic materials in schools. Total cost: $64 million.

BANGLADESH: IDA—$68 million. A significant increase in secondary school enrollment of girls will be stimulated through provision of an integrated, catalytic package of activities, thereby enlarging the stock of educated women capable of participating fully in the economic and social development of the country. Total cost: $80 million.

BOLIVIA: IDA—$50.7 million. Some 200,000 children between six months and six years of age will benefit from a project that seeks to (a) improve children's readiness to succeed in school and beyond by facilitating their physical, emotional, social, and cognitive development; (b) enhance the status of women by increasing their employment opportunities and expanding their knowledge of education, health, and nutrition; and (c) increase community and private-sector participation in the social-development process. Cofinancing is anticipated from the WFP ($11.9 million), the EC ($1.8 million), UNICEF ($1.3 million), and USAID ($600,000), while a financing gap of $44.1 million is expected to be financed by food aid from bilateral agencies. Total cost: $140.2 million.

BOLIVIA: IDA—$40 million. A second Social Investment Fund Project will continue to provide assistance to the government in improving coverage and quality of health, water-supply, sanitation, and education services, targeting primarily the rural poor, including indigenous peoples and disadvantaged women and children. Cofinancing ($5 million) is expected from the OPEC Fund for International Development. Total cost: $70 million.

BRAZIL: IBRD—$212 million. Improvements in schooling quality for about 3 million children in the first four grades of primary school in four northeast states will be supported, thereby contributing to reduced dropout and repetition rates and increased student learning. Total cost: $378.6 million.

CHAD: IDA—$19.3 million. The access, quality, and efficiency of primary education, primarily in rural areas and for girls nationwide, will be improved through the construction and

rehabilitation of classrooms, purchase and distribution of textbooks, improvements to teacher training, and development and implementation of a program to accelerate girls' education. Support for local education initiatives and institution-building assistance is included. Cofinancing ($5.6 million) is expected from Germany. Total cost: $33.9 million.

CHINA: IDA—$100 million. Civil works, equipment, materials, specialist services, and training will be provided in support of lower middle school (LMS) teacher training, thus helping to bring pre-service LMS teacher training up to prescribed standards nationwide. Total cost: $256.4 million.

COTE D'IVOIRE: IDA—$6.7 million. Technical assistance and training, as well as a complement of new equipment, will be provided so as to build capacity into the country's human-resources ministries to implement the government's human-resources development program. Total cost: $7.9 million.

EGYPT: IDA—$55.5 million. Access to the country's basic education system will be improved and the system's efficiency increased through a project whose principal components include institutional development, a program of in-service teacher training, and school construction and rehabilitation. Total cost: $73.8 million.

GHANA: IDA—$65.1 million. Through investments in physical infrastructure (construction of classrooms and headteachers, houses) and implementation of key policy and management changes (increasing the official teaching hours from four to five a day, increasing community involvement in education, provision of teacher training), significant improvements are expected in enrollments, learning outcomes, teachers' performance, and community interest—especially in the country's 1,983 most deprived primary schools. Total cost: $73.3 million.

GHANA: IDA—$45 million. The government's tertiary education-reform program, which stresses quality improvements in teaching and learning, improved management, establishment of a system combining autonomy and accountability for universities, and a gradual expansion of enrollments, will be supported. Total cost: $51.4 million.

INDIA: IDA—$165 million. The institutional capacity needed to plan, manage, and evaluate basic-education development in Uttar Pradesh will be developed. In addition, through improvements in the quality of schools and access to them, as well as upgrading of teacher skills, female dropout rates may be halved, learning achievement increased by half, and access to basic education provided for 600,000 currently unserved students in ten project districts. Total cost: $193.9 million.

JAMAICA: IBRD—$32 million. The government will be assisted in improving the quality and equity of lower secondary education and in strengthening its capacity to plan and monitor improvements in the quality of education and to undertake sophisticated social-policy analysis. Cofinancing ($2.7 million) is expected from the Netherlands. Total cost: $40.7 million.

KENYA: IDA—$52.1 million. Funds from IDA reflows will be provided to supplement the education sector-adjustment credit, approved in fiscal 1992 in the amount of $100 million.

KOREA, REPUBLIC OF: IBRD—$60 million. Selected agricultural and veterinary colleges will be assisted in their efforts to strengthen the teaching of environment-related courses, which, in turn, would lead to better-prepared professionals becoming available to work in environmental fields in the public and private sectors. In addition, the capacity for environmental research in the colleges will be upgraded. Total cost: $97.3 million.

LAO PEOPLE'S DEMOCRATIC REPUBLIC: IDA—$19 million. By improving student and teacher performance in primary and lower secondary schools, developing mechanisms for assuring the provision of appropriate primary and secondary school facilities, promoting efficiency in the allocation and use of resources, and strengthening educational administration and management, the immediate needs for quality improvement in basic education will be addressed. Cofinancing is anticipated from the SDC ($9.8 million) and Norway ($3 million). Total cost: $37.5 million.

MALAYSIA: IBRD—$141 million. About 250,000 student places will be created through a third primary and secondary education-sector project that also emphasizes the promotion of educational quality, expansion of equitable access, and increased efficiency of sectoral resource management. Total cost: $342 million.

MALAYSIA: IBRD—$107 million. The quality and quantity of higher-level technical manpower for industry will be increased through the expansion of the country's training capacity and improvements in the quality of pre-service training for higher-level skilled workers and technicians. Total cost: $185 million.

MAURITANIA: IDA—$12.5 million. The government will be assisted in implementing its long-term development strategy for establishing a coherent technical-education and vocational-training system that is staffed largely by national instructors, efficient, of good quality, and responsive to labor- market demands. Institutional-strengthening measures are included. Cofinancing ($2.2 million) is anticipated from the FAC. Total cost: $16.4 million.

MAURITIUS: IBRD—$20 million. The government will be assisted in implementing its education-development program, whose main objective is to improve access to, and the quality of, secondary education, with the specific target of increasing secondary enrollment by 15,000 students over the period 1993–98. Total cost: $78.7 million.

MEXICO: IBRD—$174 million. The government's efforts to promote private sector-led growth and ease the costs of labor mobility will be supported through a project that seeks to increase productivity and competitiveness in small and medium-sized enterprises, provide education and training opportunities to displaced and unemployed workers, and improve the availability, timeliness, and dissemination of labor-market information. Total cost: $355.9 million.

MEXICO: IBRD—$80 million. The quality and efficiency of the country's nonformal "initial education" program (which, through community educators, teaches child-development skills to parents of children (up to three years old)) will be improved, thus enhancing the quality of life of some 1.2 million children and their parents. Cofinancing ($1 million) is anticipated from the UNDP/UNICEF/UNESCO. Total cost: $115 million.

MOZAMBIQUE: IDA—$48.6 million. Capacity in key public institutions and skill areas will be built and maintained by increasing the quantity and improving the quality of graduates from Eduardo Mondlane University and through quality improvements in upper secondary education. Institution-building assistance is included. Total cost: $60.3 million.

MOZAMBIQUE: IDA—$15.5 million. Capacity in key public institutions and skill areas will be built and maintained through a program of technical assistance and training designed to strengthen legal institutions and develop public administration and management skills. Total cost: $17.5 million.

NIGERIA: IDA—$8 million. A five-year pilot project that supports early childhood development through the development, production, and distribution of video-taped programs and printed support materials has been designed to develop basic communication and social skills among preschoolers and sensitize parents to the need of early childhood development. Cofinancing ($500,000) is expected from UNICEF and the Bernard Van Leer Foundation. Total cost: $10.2 million.

PAKISTAN: IDA—$106 million. Access, equity, and efficiency in Balochistan's primary-education system, particularly for girls, will be improved, as will the quality of the learning environment for all schools. Institution-building assistance is included. Total cost: $120 million.

PAPUA NEW GUINEA: IBRD—$35 million. Enrollment in upper secondary education will be increased, the quality of primary and lower secondary education improved, school maintenance strengthened, and education planning and management reinforced. In addition, policies and strategies to address three key problems—female education, cost effectiveness, and teacher education—will be developed. Total cost: $51.3 million.

SENEGAL: IDA—$40 million. Primary classroom construction in the country's most educationally underserved regions will be financed, as will programs to increase the enrollment of girls and improve the quality of education. In addition, the quality and efficiency of secondary and higher education will be improved and education-sector planning and management strengthened. Cofinancing ($5.8 million) is expected from Germany. Total cost: $72.8 million.

SOLOMON ISLANDS: IDA—$16.9 million. Access to secondary education, particularly at the senior level, will be expanded by about 40 percent while increasing female participation to 45 percent. In addition, five new day junior secondary schools at the village level will be constructed, primary and secondary schools will be supplied with textbooks, and classrooms and staff houses at the primary level damaged or destroyed by Cyclone Nina will be rehabilitated or reconstructed. Technical assistance is included. Cofinancing ($800,000) is anticipated from Japan. Total cost: $18.8 million.

TURKEY: IBRD—$67 million. An Employment and Training Project seeks to improve allocative efficiency through the diversification of employment services; improve the absorption of unemployed, unskilled workers in productive employment; improve the efficiency of labor-market decisions by providing better information of employment prospects and training requirements by occupation; and promote productive employment of women. Total cost: $107.4 million.

UGANDA: IDA—$52.6 million. Specific investment expenditures in the areas of primary education and related teacher training will be financed, and the institutional ability to monitor the pattern of sectoral resource mobilization and allocation will be strengthened. In addition, the strategic-planning capacity of the Ministry of Education and Sports will be enhanced. Cofinancing ($25 million) is anticipated from USAID. Total cost: $104.1 million.

YEMEN: IDA—$19.7 million. Female enrollment in grades 1 through 6 in rural areas will be increased by providing adequate classrooms and improving their utilization, as well as by promoting the recruitment of female teachers. In addition, educational quality will be improved

through the establishment of a cost-effective distance-education system for the training of teachers and the development of a unified curriculum, a new textbook series, and standardized student-achievement tests. Total cost: $25 million.

ZAMBIA: IDA—$32 million. About 1.5 million primary school pupils and 5,000 education managers are to benefit from an education-rehabilitation project that seeks to arrest further decline in education quality, increase access to education and improve the learning environment, and strengthen professional and administrative support to teachers and to schools. Cofinancing ($6.1 million) is expected from the Netherlands, FINNIDA, the ODA, SIDA, and UNICEF. Total cost: $42.8 million.

Energy

ARGENTINA: IBRD—$300 million. The early operation of the massive Yacyreta hydroelectric project will be ensured through completion of its basic permanent structures, installation of its first six units, and its connection to the national grid, and future private-capital participation in the scheme will be encouraged. In addition, needed environmental-protection and resettlement measures will be implemented. Cofinancing is anticipated from the IDB ($31.5 million) and suppliers' credits ($560.2 million). Total cost: $2,591.1 million.

BULGARIA: IBRD—$93 million. A first energy project seeks to increase the efficiency of NEK, the national electricity company, reduce its generating costs, enhance the stability of the electric grid, add peaking capacity, and improve dam safety. Total cost: $126 million.

CHINA: IBRD—$300 million. Construction in Zhejiang province of China's largest pumped-storage hydroelectric plant (together with associated equipment and transmission lines) will greatly increase critically needed peak-power generation capability and improve the quality of the power supply in the east China power grid. Institution-strengthening measures are included. Total cost: $720.3 million.

CHINA: IBRD—$100 million. The rapidly growing demand for electricity in Fujian province will be met through the completion of a hydroelectric power facility—begun in 1987—on the Min river. Technical assistance and training are included. Total cost: $321 million.

GHANA: IDA—$80 million. A portion of the time slice (1993–97) of the country's electricity-investment program, covering connections to the national power grid of all the district capitals not supplied from the grid, will be financed. Institutional-strengthening assistance is included. Cofinancing is anticipated from the Netherlands ($25.1 million), DANIDA ($19.5 million), the CCCE ($5 million), and others ($5.2 million). Total cost: $185.3 million.

GUINEA: IDA—$50 million. The transitional costs associated with the privatization of the national power utility will be financed, and the regulatory framework in the power sector will be improved. In addition, a parallel program of priority investments, to be financed by eight bilateral and multilateral donors, will be undertaken. Cofinancing is expected from the EIB ($25 million). Total cost: $150 million.

HONDURAS: IDA—$33.1 million. Funds from IDA reflows will be provided to supplement the energy-sector adjustment credit, approved in fiscal 1992 in the amount of $50.6 million.

HONDURAS: IDA—$12 million. ENEE, the national power company, will be assisted in carrying out an emergency program of sealing the foundation of the Morazan dam to control pressure buildups and subsequent erosive flows and to improve ENEE's monitoring of dam performance and emergency preparedness. Cofinancing ($1.6 million) will be provided by the IDB. Total cost: $17.4 million.

INDIA: IBRD—$400 million. Funds will provided to help the National Thermal Power Corporation (NTPC) finance a five-year time slice of its least-cost investment program of new coal and gas-based power stations, and the corporation will be assisted in meeting its targets for capacity additions through increased mobilization of funds from internal resources, domestic and foreign capital markets, and through joint operations with the private sector. In addition, the NTPS's environmental and resettlement and rehabilitation-management capability will be strengthened. Total cost: $4,960 million.

INDIA: IBRD—$350 million. The capacity of the newly established Power Grid Corporation of India to improve efficiency in power transmission and system operations will be developed, thereby improving the efficiency of system operations, reducing transmission losses, encouraging private investment in power generation, and facilitating competition in power generation. Cofinancing is anticipated from the ODA ($3 million) and the AsDB ($1 million). Total cost: $764 million.

INDIA: IBRD—$75 million; IDA—$115 million. Private-sector investments in renewable-energy subprojects will be financed, Tamil Nadu Newsprint and Papers Limited's bagasse-based paper mill will be expanded, and technical assistance for institutional development of the Indian Renewable Energy Development Agency and for the promotion of renewable-energy technologies will be provided. Cofinancing is anticipated from DANIDA ($50 million), the GEF ($26 million), and the SDC ($4 million). Total cost: $450 million.

INDIA: IBRD—$20 million. Technical assistance will be provided to state electricity boards and other power utilities to solicit and evaluate private power proposals, select and negotiate developers, as well as assist in the solicitation and selection process for the privatization of existing utilities. Total cost: $20.5 million.

INDIA: IDA—$12 million. Bharat Coking Coal Ltd. will be assisted in the preparation of a program to control mine fires in the Jharia coalfield (about seventy have been identified as being major) and to deal with the environmental and social implications of the fires. Total cost: $14.3 million.

INDONESIA: IBRD—$104 million. Through the implementation of the second phase of the Cirata hydroelectric scheme on the Citarum river, the peaking electricity-generating capacity of the State Electricity Corporation will be expanded in an economically and environmentally sound manner. Consulting services, training, and studies are included. Cofinancing ($149.2 million) is expected in the form of export credits. Total cost: $398.8 million.

IRAN: IBRD—$165 million. Through the addition of generating capacity, the financing of distribution equipment, and provision of technical assistance, the supply/demand gap in the power sector should be reduced and efficiency enhancements achieved. Cofinancing in the form of suppliers' or export credits ($48 million) is expected. Total cost: $414 million.

JAMAICA: IBRD—$60 million. Urgently required power-generation capacity will be provided, the enabling environment needed to attract private investments in the power sector will be established, and the government's deregulation and privatization program in the energy sector will be supported. Cofinancing ($56 million) is expected from the IDB. Total cost: $60 million.

KOREA, REPUBLIC OF: IBRD—$120 million. The efficiency of the country's energy sector will be improved and the reliability of petroleum supply enhanced by establishing a more efficient supply and distribution system through the construction of a pipeline network, improving environmental quality and safety standards, developing an appropriate energy-conservation program, and increasing institutional capacity. Total cost: $809.7 million.

LAO PEOPLE'S DEMOCRATIC REPUBLIC: IDA—$36 million. Electricity supply will be extended to more consumers in the country's central and southern regions, the quality of supply will be enhanced for existing consumers there, and prospects for additional exports of electric power developed. Institution-building assistance is included. Total cost: $49.3 million.

PHILIPPINES: IBRD—$110 million. Power shortages in Luzon will be alleviated by expanding the transmission system in the Bataan/Batangas areas west of Manila to connect several private-sector build-operate-and-transfer projects and by rehabilitating two units of the Bataan oil-fired thermal power plant. Technical assistance to strengthen the capacity of the National Power Corporation is included. Cofinancing ($500,000) is being provided by Japan. Total cost: $159.8 million.

RUSSIA: IBRD—$610 million. Essential inputs will be provided to support existing oil-production operations in western Siberia, thereby providing—at peak production—12 million tons of incremental oil annually, representing a 3 percent increase in national output. Cofinancing is expected from the EBRD ($250 million) and the Netherlands ($6 million). Total cost: $1,035 million.

RWANDA: IDA—$26 million. The reliability and cost-effectiveness of the national electricity system, as well as the efficiency in the use of the country's energy resources, will be increased through a project that seeks to strengthen the institutional, regulatory, and policy environment and rehabilitate and improve key elements of the power infrastructure. Cofinancing is anticipated from the EIB ($7.9 million) and the CCCE ($2.7 million). Total cost: $39 million.

TANZANIA: IDA—$200 million. A sixth power project aims at meeting the growing demand for electricity at least cost through the construction of the Lower Kihansi hydroelectric scheme, helping the government restructure the power sector, improving energy efficiency, and promoting the development and operation of natural gas-fueled generation by private investors. Training and institution-building assistance are included. Cofinancing is expected from the ODA ($3.1 million) and, possibly, others (Belgium, DANIDA, the EIB, and NORAD) in the amount of $128.8 million. Total cost: $440.4 million.

THAILAND: IBRD—$109 million. The distribution system of the Metropolitan Electricity Authority (responsible for power distribution in metropolitan Bangkok) will be expanded, and electric energy efficiency will be promoted through the implementation of a five-year, demand-side management plan. Cofinancing of distribution expansion is expected from the AsDB ($109 million), while cofinancing for the energy-efficiency component is expected from the OECF ($25 million), the GEF ($9.5 million), and Australia ($6 million). Total cost: $549.6 million.

THAILAND: IBRD—$105 million. The country's ability to increase the supply of natural gas will be enhanced through expansion of the gas-transmission system and strengthening of the Petroleum Authority of Thailand. Staff training is included. Cofinancing is anticipated from the

AsDB ($58 million) and the export-import banks of Japan and the United States ($52 million and $7.3 million, respectively). Total cost: $370 million.

WESTERN SAMOA: IDA—$1 million. Supplemental funds will be provided to help finance the Afulilo Hydroelectric Project, approved in fiscal 1987 in the amount of $3 million.

Industry

ANGOLA: IDA—$21 million. Technical assistance and training will be provided to strengthen the Banco Nacional de Angola and to develop banking infrastructure, mainly through the establishment of a national check-clearing system, construction of a training center for financial-sector staff, and the training of a core of financial professionals. Total cost: $23.6 million.

BULGARIA: IBRD—$55 million. Investment and export credits will be made available to the private sector to encourage a strong supply response to ongoing governmental reforms and to enable them to undertake efficient investments and export transactions. Technical assistance will also be provided for participating financial intermediaries to build capacity for project appraisal and supervision and to strengthen general banking functions. Total cost: $110 million.

CHINA: IBRD—$250 million. By focusing on cost-effective water-pollution control, which is accorded the highest priority in the environment-management strategy for the southern Jiangsu region (one of China's most industrialized locales), the widening gap between economic development and environmental protection will be reduced in an efficient and effective manner. Total cost: $588 million.

EGYPT: IBRD—$130 million. The government will be assisted in implementing strategies for the development of the tourism sector, thereby increasing foreign-exchange earnings and employment and arresting environmental degradation of the Nile river and of tourist areas on the Red sea. In addition, a coastal zone-management plan for the Red sea coast will be developed. Total cost: $805 million.

GHANA: IDA—$41 million. Through the establishment of a revolving export-credit refinance and guarantee facility and the provision of technical assistance, the growth of private exporters will be stimulated and their number expanded, and an environment in which exporters can flourish will be fostered. Total cost: $51 million.

KENYA: IDA—$23.3 million. Technical, financial, and institutional assistance will be provided in support of the government's parastatal-reform program, designed to improve resource allocation and increase production efficiency. Cofinancing is anticipated from the ODA ($4.2 million), the EC ($480,000), the Netherlands ($480,000), and the UNDP ($400,000). Total cost: $31.8 million.

MADAGASCAR: IDA—$6.3 million. Through the provision of technical assistance to reorganize the central bank, strengthen the Financial Supervisory Commission, improve accounting and auditing standards, and pursue privatization of banks, investment and growth in the productive sectors will be facilitated. Cofinancing is expected from USAID ($3 million), Switzerland ($600,000), and the BITS ($500,000). Total cost: $10.4 million.

MALI: IDA—$12 million. By improving the regulatory infrastructure for private-sector operations, as well as the functioning of key private-sector support institutions, the private sector's ability to respond to policy reforms under way will be improved and its prospects for leading the growth of the country's economy enhanced. Total cost: $13.9 million.

PERU: IBRD—$250 million. The government's privatization program and related sectoral policy, legal, and regulatory reforms—designed to promote competition and private investment and improve economic efficiency and fiscal performance—will be supported.

SRI LANKA: IDA—$60 million. Wide-ranging reforms of the policy and regulatory environment in the financial sector will be supported, and credit will be made available to participating credit institutions to enable them to offer term loans to private enterprises. Technical assistance is included. Cofinancing is expected from USAID ($7 million) and the Netherlands ($5 million). Total cost: $153.6 million.

SRI LANKA: IDA—$5.8 million. Funds from IDA reflows will be provided to supplement the public manufacturing enterprise-adjustment credit, approved in fiscal 1991 in the amount of $120 million.

TANZANIA: IDA—$11.3 million. Funds from IDA reflows will be provided to supplement the financial sector-adjustment credit, approved in fiscal 1992 in the amount of $200 million.

UGANDA: IDA—$100 million. Policy and institutional reforms in Uganda's financial system will be supported, thus helping to establish the conditions for a deeper, more efficient, and diversified financial sector with a stronger banking system at its core.

ZAMBIA: IDA—$100 million. Balance-of-payments support will be provided for the next stages of Zambia's parastatal-reform and privatization program, a key component of the country's ongoing structural-adjustment program.

ZAMBIA: IDA—$20.9 million. Funds from IDA reflows will be provided to supplement the

privatization and industrial-reform credit, approved in fiscal 1992 in the amount of $200 million.

Nonproject

ARGENTINA: IBRD—$450 million. This debt and debt-service reduction loan, which will finance interest and principal collateral for the par bonds that Argentina will issue in exchange for eligible debt, supports the implementation of a debt agreement between the country and its commercial-bank creditors on the restructuring of about $29 billion in public external debt.

ARGENTINA: IBRD—$400 million. A financial-sector adjustment loan seeks to assist in reducing the role of the state in the financial sector, strengthen the banking sector and its supervisory framework, and provide resources for the country's debt and debt-service reduction arrangements.

BANGLADESH: IDA—$100 million. A second industrial sector-adjustment credit supports efforts to extend import liberalization, promote exports, and develop the private sector.

BANGLADESH: IDA—$3.5 million. Funds from IDA reflows will be provided to supplement the second industrial sector-adjustment credit, approved in fiscal 1993 in the amount of $100 million.

BOLIVIA: IDA—$11.1 million. Funds from IDA reflows will be provided to supplement the structural-adjustment credit, approved in fiscal 1992 in the amount of $40 million.

COSTA RICA: IBRD—$100 million. The government's structural-adjustment program, which aims at achieving economic stabilization and sustainable economic growth, will be supported by a third structural-adjustment loan. Cofinancing ($80 million) is anticipated from the IDB.

ESTONIA: IBRD—$30 million. Foreign exchange will be provided to finance critically needed imports while supporting the government in the implementation of its ongoing stabilization and structural-reform program.

ETHIOPIA: IDA—$250 million. The government's comprehensive structural-adjustment program, designed to transform the instruments of economic management and raise investment, particularly by the private sector, will be supported.

ETHIOPIA: IDA—$25 million. Funds will be made available to help finance an emergency recovery and rehabilitation project for Eritrea, which includes interventions in the productive sectors, infrastructure rehabilitation, community-level activities, and institution/capacity building. Cofinancing is expected from Italy ($24.3 million), the EC ($23 million), SIDA ($9.1 million), Denmark ($6.5 million), Germany ($5.5 million), the UNDP ($2.5 million), and the Netherlands ($2.2 million). Total cost: $106.7 million.

GHANA: IDA—$6.5 million. Funds from IDA reflows will be provided to supplement the private-investment and sustained development-promotion program, approved in fiscal 1991 in the amount of $120 million.

GUATEMALA: IBRD—$120 million. The government's economic-modernization and social-development program, designed to strengthen public finances, improve the efficiency of public enterprises, further liberalize trade, promote financial-sector reform, and intensify efforts to reduce poverty, will be supported. Cofinancing ($75 million) is expected from the IDB.

GUINEA: IDA—$100,000. Funds from IDA reflows will be provided to supplement the second structural-adjustment credit, approved in fiscal 1988 in the amount of $65 million.

GUYANA: IDA—$3.5 million. Funds from IDA reflows will be provided to supplement the second structural-adjustment credit, approved in fiscal 1990 in the amount of $74.6 million.

INDIA: IBRD—$300 million. Measures recently taken by the government to liberalize further the external sector and investment regime will be supported.

JAMAICA: IBRD—$75 million. The remaining gaps in the country's adjustment agenda—involving trade reform, deregulation of key domestic productive activities, privatization, and reforms designed to enhance the business environment—will be addressed.

KYRGYZSTAN: IDA—$60 million. This first lending operation in the country provides support for the government's reform efforts by providing foreign exchange for imports critical to production and for technical assistance critical to the implementation of systemic reform measures. Total cost: $60.3 million.

LATVIA: IBRD—$45 million. Foreign exchange will be provided to finance critically needed imports and technical assistance in support of the government's program of stabilization and economic reform. Cofinancing ($250,000) is being provided by Sweden.

LITHUANIA: IBRD—$60 million. The government's economic-reform program is being supported through the provision of foreign exchange to finance critically needed imports. Cofinancing (about $4 million) is being provided by the EC's PHARE and Sweden.

MALAWI: IDA—$5.9 million. Funds from IDA reflows will be provided to supplement the entrepreneurship-development and drought-recovery credit, approved in fiscal 1992 in the amount of $120 million.

NICARAGUA: IDA—$8.5 million. Funds from IDA reflows will be provided to supplement

the economic-recovery credit, approved in fiscal 1992 in the amount of $110 million.

PERU: IBRD—$150 million. Supplemental funds will be provided to support the government's macroeconomic stabilization program and broad-based structural reforms taken in macroeconomic policy, the fiscal sector, the social sector, privatization, agriculture, and labor policy.

PHILIPPINES: IBRD—$200 million. The government's economic-integration program will be supported by a policy loan designed to strengthen the country's balance-of-payments position; support the consolidation of a suitable medium-term framework in which structural reform, coupled with debt and debt-service reduction, can be pursued in a growth-oriented manner; support macroeconomic management; and improve the environment for private investment.

POLAND: IBRD—$450 million. The government's Enterprise and Bank Restructuring and Privatization Program, which addresses the central constraints to the resumption of sustained growth—the unclear structure of state enterprise ownership and the debts of those enterprises—will be supported. Up to $100 million of the loan will be used to support a commercial debt and debt-service reduction package with the country's commercial creditors.

RUSSIA: IBRD—$600 million. Foreign exchange will be provided to finance imports needed in support of the country's program of stabilization and economic reform.

SIERRA LEONE: IDA—$300,000. Funds from IDA reflows will be provided to supplement the reconstruction-import credit, approved in fiscal 1992 in the amount of $43.1 million.

UGANDA: IDA—$1.4 million. Funds from IDA reflows will be used to supplement the structural-adjustment credit, approved in fiscal 1992 in the amount of $125 million.

ZIMBABWE: IDA—$125 million. Funds will be made available in support of the second phase of the country's structural-adjustment program, which will focus on generating a more rapid supply response, while continuing efforts to restore macroeconomic stability, improve public-sector management, and shield the poor and vulnerable groups from harsh transitional effects arising from adjustment.

Population, Health, and Nutrition

ANGOLA: IDA—$19.9 million. Improvements will be made to the Ministry of Health's policymaking and managerial capabilities, thus contributing to a better planned and more focused development of the health sector. In addition, the ongoing national AIDS-control and family-planning program will be strengthened, and selected health facilities will be rehabilitated. Total cost: $22.2 million.

BURUNDI: IDA—$10.4 million. A social-action project will improve the living conditions of the rural poor (especially women and youths) through the provision of income-generating activities and by enhancing their access to essential social infrastructure and potentially increased employment opportunities. In addition, the government's poverty-monitoring capacity will be increased, thereby improving its formulation of social and macroeconomic policy. Total cost: $15.7 million.

CHILE: IBRD—$90 million. Through support for critical policy and institutional reforms and priority health-facility investments, the efficiency of resource use in the public health system will be enhanced and the quality of health services in selected areas improved. Total cost: $298.8 million.

COLOMBIA: IBRD—$50 million. The health status and welfare of nearly 8 million people, including 6 million classified as poor, will be improved as a result of a project—representing the first phase of a ten-to-twelve year program to strengthen the public-health system—that has been designed to develop local management capacity and provide incentives (in the form of central government grants) to support municipal provision of a basic package of primary health services. Total cost: $83.1 million.

ECUADOR: IBRD—$70 million. Basic health care, including nutrition and water and sanitation coverage, will be expanded to reach the poorest populations, the quality of basic health-care services will be improved, and the capacity of public institutions involved in the delivery of social services will be increased. Cofinancing ($500,000) is expected from the UNDP. Total cost: $102.2 million.

GUATEMALA: IBRD—$20 million. Poverty-alleviation efforts, focused in particular on indigenous communities and women's groups, will be assisted through support for social-assistance, social-infrastructure, economic-infrastructure, and credit subprojects, to be financed by a newly created Social Investment Fund. Cofinancing is anticipated from Germany ($18 million), the BCIE ($10 million), the UNDP ($700,000), and, possibly, others ($8 million). Total cost: $80 million.

GUINEA-BISSAU: IDA—$8.8 million. By financing high-priority investments, through coordinating efforts with other donor agencies, and by strengthening institutions and developing human capacity-building measures, the government will be assisted in improving the delivery and quality of primary health care and other social services for a wider base of the population. Total cost: $9.7 million.

HONDURAS: IDA—$25 million. More than a quarter million poor people, including about

120,000 pregnant and nursing women and mothers of children attending the first three grades of primary school, are to benefit from a project that seeks to expand nutrition assistance and strengthen the delivery of basic health services. In addition, some 60,000 people are to benefit from the provision of rural water supply and sanitation. Cofinancing is expected from the WFP ($10 million), USAID ($3 million), the UNDP ($330,000), UNICEF ($110,000), PAHO ($80,000), and others ($3.5 million). Total cost: $54.2 million.

HUNGARY: IBRD—$91 million. Targeted, cost-effective interventions in public health, critical rehabilitation of selected institutional-care facilities, the introduction of management-information systems in hospitals, and training in public health and health-services management will be supported. Total cost: $132.6 million.

INDIA: IDA—$500 million. The initial phase of the government's social safety-net sector-adjustment program, which mainly covers primary education; primary health care; disease control; nutrition; and compensation, redeployment, and retraining of surplus workers from state enterprises, will be supported. Cofinancing is anticipated from the EC ($184.5 million), the AsDB ($100 million), the Netherlands ($55.6 million), USAID ($35 million), and Germany ($31.3 million).

INDIA: IDA—$194 million. The pace of improvement in the nutritional and health status of preschool children and pregnant and nursing women will be accelerated by strengthening the present Integrated Child Development Services model in Bihar and Madhya Pradesh through improved service delivery, communications, worker and supervisor training, and monitoring and evaluation. Total cost: $248.8 million.

INDIA: IDA—$85 million. By financing the incremental costs of a six-year time slice of an enhanced National Leprosy Eradication Program, leprosy could be eliminated as a public-health problem by the year 2000. Total cost: $138.3 million.

INDONESIA: IBRD—$93.5 million. As many as 1.5 million families living in five provinces (three from the Eastern region) are expected to benefit from a project designed to elevate infant, child, and maternal health status by improving the effectiveness of community health and nutrition interventions. Cofinancing is expected from Germany ($18.5 million). Total cost: $164.1 million.

IRAN: IBRD—$141.4 million. By expanding the primary health-care network—primarily in selected rural areas where health conditions are particularly poor and existing health services are relatively inadequate—and through expansion of the government's family-planning program, health conditions in rural areas will improve and population growth rates will be reduced. Total cost: $294 million.

JORDAN: IBRD—$20 million. The health status of the population will be enhanced through qualitative improvements in the Ministry of Health's primary and hospital services and through reform of the ministry's organization, management, finances, and planning capacity. Cofinancing ($2.4 million) is anticipated from Finland, France, Germany, the United Kingdom, the United States, and the EC. Total cost: $30 million.

KOREA, REPUBLIC OF: IBRD—$30 million. The access of the poor to medical-care services will be increased, the quality of care in public hospitals improved, and the safety and quality of food and drugs will be better assured though a public hospital-modernization project that also provides for institution-building assistance and preparation and implementation of an action plan and studies on major health-policy issues. Total cost: $43.6 million.

MADAGASCAR: IDA—$21.3 million. Food insecurity and malnutrition in the country's two most food-insecure provinces will be reduced through income-generating projects and targeted nutrition programs that will be implemented by nongovernmental organizations and local communities. Cofinancing is expected from the WFP ($7.3 million), Japan ($500,000), and UNICEF ($400,000). Total cost: $32.4 million.

MOZAMBIQUE: IDA—$6.3 million. The national capacity to analyze the major causes of food insecurity in the country will be enhanced, and macro and sectoral programs designed to relieve household food insecurity will be designed and implemented. Cofinancing is anticipated from the FAO ($1 million) and the Save the Children Fund ($500,000). Total cost: $8.2 million.

NICARAGUA: IDA—$25 million. A range of small-scale subprojects in social and economic infrastructure and social services will be financed through the country's Social Investment Fund (FISE), thus helping the government to sustain its efforts at poverty reduction and maintain social cohesion during the period of economic adjustment. Technical assistance is included. Cofinancing is anticipated from the IDB ($16 million), Germany ($13 million), Switzerland ($3.5 million), Japan ($700,000), and the UNDP ($400,000). Total cost: $68 million.

PAKISTAN: IDA—$48 million. The health status of people living in the provinces of Balochistan and Punjab will be improved as a result of a project designed to assist in the implementation of provincial health-development programs

emphasizing primary health care and preventive and promotional services. Cofinancing is expected from Germany ($22.2 million) and the ODA ($12.2 million). Total cost: $114 million.

PAPUA NEW GUINEA: IBRD—$6.9 million. Family-planning service delivery will be supported as will a group of activities designed to build up long-term capacity for the population program. Cofinancing is anticipated from the AIDAB ($10 million) and the AsDB ($6.8 million). Total cost: $32.7 million.

PHILIPPINES: IDA—$70 million. Improvements in service delivery, institutional strengthening of the health departments of project local governments and of the Department of Health's capacity (after devolution) to support local health departments, and support for local nongovernmental organizations active in the health and nutrition field are intended to benefit directly the health and nutrition status of an estimated 900,000 slum-dwelling households living in urban areas of Metro Manila, Metro Cebu, and Cagayan de Oro. Cofinancing ($3.1 million) is anticipated from Australia. Total cost: $82.2 million.

VENEZUELA: IBRD—$94 million. Low-income populations in rural and peri-urban areas throughout the country are to benefit from a project that seeks to control both vector and waterborne endemic diseases (malaria, in particular). In addition, the planning and management capacity of public-health institutions to control endemic diseases will be increased. Total cost: $188 million.

YEMEN: IDA—$26.6 million. The Ministry of Public Health will be assisted in contributing to the implementation of the national population policy, articulated in 1991, to reduce fertility and maternal and infant mortality. Technical assistance and training are included. Total cost: $30.2 million.

ZIMBABWE: IDA—$64.5 million. The incidence and impact of sexually transmitted infections will be reduced through provision of critical programmatic and commodity support to the government's program for sexually transmitted disease prevention and care. Cofinancing ($14.8 million) is expected from the ODA. Total cost: $87.3 million.

Public-sector Management

ARGENTINA: IBRD—$300 million. Assistance will be made available for privatizing/restructuring of public industrial enterprises, reducing public finances and deficits, and improving the environment for competitive private-sector activity and investment.

BURKINA FASO: IDA—$7 million. Through the financing, over a four-year period, of consultant services, expert advise, and the purchase of equipment, institutional and staff capacities will be created to provide the support required for sustainable growth of the private sector. Total cost: $9 million.

GUYANA: IDA—$12 million. Basic public services will be improved by establishing a longer-term salary structure (thus enabling the government to attract and retain essential staff) and by carrying out a related recruitment program. In addition, the government will be assisted in strengthening economic-policymaking and key public-sector management systems. Total cost: $22 million.

HUNGARY: IBRD—$132 million. Reforms in the social-insurance system—designed to improve the targeting of cash benefits, improve efficiency in the system and introduce new incentive structures, control expenditures and increase productivity in the health sector, and increase institutional capacity—will be supported. Total cost: $201.3 million.

MADAGASCAR: IDA—$1.4 million. Funds from IDA reflows will be provided to supplement the public-sector adjustment credit, approved in fiscal 1988 in the amount of $125 million.

MAURITANIA: IDA—$2.2 million. Funds from IDA reflows will be provided to supplement the public enterprise sector-adjustment credit, approved in fiscal 1990 in the amount of $40 million.

PHILIPPINES: IBRD—$63 million. Improvements in tax administration will be supported through provision of technical assistance, staff training, hardware, software, priority equipment, and facilities. Total cost: $106.2 million.

RUSSIA: IBRD—$70 million. The capacity of the Federal Employment Service to process the anticipated upsurge of benefit claims from the rapidly growing numbers of unemployed following economic restructuring and privatization will be increased through the provision of equipment and technical assistance. Institution-building assistance is included. Total cost: $133 million.

SIERRA LEONE: IDA—$10 million. A program of technical assistance has been designed to increase the effectiveness of budgeting and expenditure control and accountability (focal points of the government's reform program), standards of public administration, and the efficiency (while reducing the size) of the public-enterprise sector. Total cost: $11.2 million.

URUGUAY: IBRD—$11 million. Technical assistance will be provided to support the government's program of public-enterprise reform/privatization, especially in the fields of telecommunications, power, and transport. Cofinancing ($2.4 million) is being provided by Japan. Total cost: $19 million.

Technical Assistance

ALBANIA: IDA—$4 million. The government's ability to formulate and implement reforms in macroeconomic management, enterprise restructuring and privatization, and financial-sector reform will be improved through the provision of technical assistance. Total cost: $4.6 million.

ARMENIA: IBRD—$12 million. This first loan to Armenia will help finance an institution-building project designed, in the short run, to help the government design and implement economic-reform programs and, in the longer run, to develop the government's institutional capacity to manage a private market economy and build up the private sector. Cofinancing is expected from USAID ($3.7 million) and the EC ($1 million). Total cost: $17.2 million.

BOLIVIA: IDA—$4.8 million. Support will be provided to build up the technical capacity of newly created environmental institutions and to help the government design a policy framework that responds to critical environmental needs, primarily in the areas of deforestation, soil erosion, water pollution, and loss of biodiversity. In addition, education initiatives to raise social awareness of environmental issues will be supported. Total cost: $5.5 million.

CHILE: IBRD—$11.5 million. The institutional framework to manage environmental protection and conservation of natural resources will be established, and priority sectors engaged in environmental protection and conservation of natural resources will be supported, thereby contributing to Chile's sustainable and efficient economic development. Total cost: $32.8 million.

CHINA: IDA—$60 million. Technical assistance, training, and equipment, designed to strengthen institutional capacity and policymaking capabilities of the central bank and the Ministry of Finance, will be provided in support of the development of an efficient and stable financial sector. Cofinancing ($4.6 million) is to be provided by Japan. Total cost: $65.7 million.

CHINA: IDA—$50 million. About a dozen discrete subprojects, to be executed by institutions involved in activities related to China's economic-reform program, will be financed. In addition, a line of credit will be made available to finance feasibility studies, preinvestment, and technical assistance needed to prepare projects for future World Bank assistance. Total cost: $60 million.

CHINA: IDA—$50 million. Technical assistance, designed to strengthen the capacities and selected policies and programs of two institutions of national importance to China's environment, the Chinese Academy of Sciences and the National Environmental Protection Agency, will be provided. Total cost: $76 million.

COTE D'IVOIRE: IDA—$17 million. Technical assistance and training, as well as a complement of new equipment, will be provided so as to build capacity in the Ministry of Economy, Finance, and Plan, the Ministry of Employment and Civil Service, and the Ministry of Justice to assist the government in implementing its medium-term economic-adjustment program. Total cost: $20.1 million.

EQUATORIAL GUINEA: IDA—$2.4 million. The government will be assisted in maximizing revenues from the off-shore Alba condensate and gas field and in strengthening its technical and financial capability to monitor oil companies' activities in the country. Total cost: $2.7 million.

NIGERIA: IDA—$20 million. The government's efforts in the areas of fiscal management, privatization, and commercialization will be supported. In addition, through an institutional-support and studies component, assistance will be provided to key agencies involved in implementing the government's reform program. Cofinancing ($1 million) is anticipated from the UNDP. Total cost: $27 million.

PERU: IBRD—$30 million. The government will be assisted in the preparation and implementation of its privatization program and related sectoral policy, legal, and regulatory reforms. Cofinancing ($6.5 million) is expected from Canada, Japan, the CAF, and the UNDP. Total cost: $43.3 million.

PERU: IBRD—$11.8 million. An energy and mining technical-assistance project seeks to assist the government in implementing sector strategies and policies (especially demonopolization and privatization of state-owned enterprises), complete the legal and regulatory reform of the energy and mining sectors, and strengthen the institutional capacity of the Ministry of Energy and Mines. Cofinancing ($3 million) is anticipated from Japan. Total cost: $17.5 million.

RUSSIA: IBRD—$90 million. Assistance to help implement the government's privatization program will be provided, and technical assistance in the areas of policy formulation and design of enterprise reform, privatization, corporate governance, anti-monopoly activities, and business development will also be furnished. Cofinancing ($43.4 million) is expected from the EBRD. Total cost: $159.4 million.

TANZANIA: IDA—$34.9 million. Support will be provided the government in implementing its parastatal-reform and civil-service reform program and in improving selected aspects of its macro-management system. Cofinancing ($7 million) is expected from the ODA. Total cost: $45.7 million.

TANZANIA: IDA—$20 million. Accounting and auditing standards will be improved, as will the legal framework and the administration of justice, through a project that aims at strengthening

key institutions involved in both activities through improvements in their human and material resources. Cofinancing ($200,000) is anticipated from SIDA. Total cost: $22.5 million.

UGANDA: IDA—$29 million. The quantity, quality, and timeliness of key financial data that underpin decision making will be increased and improved through the introduction of new systems and equipment at the Ministry of Finance and Economic Planning, the Uganda Revenue Authority, and the Bank of Uganda. Staff training is included. Total cost: $33 million.

UKRAINE: IBRD—$27 million. The government will be assisted in implementing economic reforms in three areas—enterprise reform, financial-sector reform, and public financial management—and strengthening institutions essential to the transition to a market economy through the provision of consulting services, training, and equipment. Total cost: $29 million.

VENEZUELA: IBRD—$30 million. This first instance of Bank support for judicial reforms seeks to improve the country's enabling environment for private-sector development and reduce both the private and social costs of litigation by financing investments in the management of the judicial system, administration of the courts, training of judicial personnel, and rehabilitation of physical infrastructure. Total cost: $60 million.

ZAMBIA: IDA—$8.5 million. Through provision of policy support and capacity-building assistance, the elements required for the creation of a sustainable, efficient system for managing the country's road network will be put in place. In addition, detailed preparatory engineering work for the first-year program of a proposed multiyear roads-rehabilitation project will be financed. Total cost: $9 million.

Telecommunications

BULGARIA: IBRD—$30 million. The government's policy and institutional reforms of the telecommunications sector will be supported, and the 1993–97 time slice of the sector's least-cost investment program will be financed. Cofinancing is expected from the EIB ($75.1 million) and the EBRD ($39.4 million). Total cost: $339.8 million.

GUINEA: IDA—$14.6 million. The newly created Société des télécommunications and the Office de la poste guinéenne will be launched on a firm basis by financing key appointments in administrative and operational positions. In addition, the Ministry of Communication will be reorganized as the policymaker and regulator for the sector. Total cost: $16.6 million.

MOROCCO: IBRD—$100 million. Sector reform and physical expansion of the country's telecommunications sector will be supported through technical assistance to strengthen institutional capabilities and the financing of a time slice of the 1992–94 investment program of the National Post and Telecommunications Authority. Cofinancing, amounting to about $330 million, is anticipated from Canada, France, Sweden, and export-credit agencies. Total cost: $1,203.6 million.

PHILIPPINES: IBRD—$134 million. The part of the Philippine Long Distance Telephone Company's investment program for 1992–96 that aims, for the most part, at extending and improving telephone facilities in provincial areas, will be financed. Institution-building assistance is included. Total cost: $288 million.

TANZANIA: IDA—$74.5 million. A market-oriented regulatory and policy framework for the telecommunications sector will be established, and the local and long-distance network will be rehabilitated and expanded. Institution-building assistance is included. Cofinancing is expected from the AfDB ($45.9 million), SIDA ($41.7 million), the EC ($17.2 million), DANIDA ($8.3 million), and the JICA ($2.2 million). Total cost: $220.1 million.

Transportation

ALBANIA: IDA—$18 million. Roads will be rehabilitated, maintained, or constructed (and maintenance equipment and spare parts provided); quays and port surfaces at Durres will be repaired; and technical assistance and training provided. Cofinancing ($6.4 million) is anticipated from the KFAED. Total cost: $27 million.

ANGOLA: IDA—$41 million. Transportation infrastructure, a casualty of the country's civil war, will be rehabilitated and overdue maintenance performed. In addition, employment in the private sector will be promoted through the development of small and medium-scale enterprises using labor-intensive technologies in road-maintenance activities. Technical assistance is included. Cofinancing is expected from SIDA ($3.3 million) and the CCCE and DANIDA ($3 million each). Total cost: $64.9 million.

ARGENTINA: IBRD—$340 million. A four-year time slice of the routine and periodic-maintenance program of the National Highway Directorate (DNV), as well as of that organization's road-reconstruction needs, will be financed. Technical assistance and training are included. Total cost: $756 million.

BRAZIL: IBRD—$88 million. The condition of the road networks in the states of Alagoas and Santa Catarina will be improved by ensuring that adequate priority is given to funding for rehabilitation and maintenance, designing and implementing appropriate rehabilitation and maintenance strategies and programs, and

strengthening maintenance capabilities. Environmental guidelines for state roads will also be developed and implemented. Total cost: $224.3 million.

CAPE VERDE: IDA—$12.5 million. The country's comparative advantage for the production of international services will be enhanced through port and shipping modernization, as well as institutional development; in addition, land-transport costs and domestic freight rates will be reduced by improving road conditions, reorganizing inter-island shipping, and rehabilitating port facilities at Fogo island. Cofinancing is anticipated from BADEA ($10 million), the Swedish Import Support Program ($10 million), Germany ($7 million), the OPEC Fund for International Development ($5 million), France ($5 million), the EIB ($5 million), the ADF ($3.9 million), and the Netherlands ($3.3 million). Total cost: $78.4 million.

CHAD: IDA—$37 million. A program of road maintenance and bridge strengthening on the country's existing priority road network will be undertaken, and about 300 kilometers of secondary roads that link a region of agricultural potential and main consumption centers will be rehabilitated. Institution-strengthening measures are included. Cofinancing is expected from the EDF ($22 million), the BEAC ($15 million), the OPEC Fund for International Development ($6 million), and the CFD ($4.2 million). Total cost: $121.4 million.

CHINA: IBRD—$420 million. The Ministry of Railways' efforts in preparing the railway system to better serve a future market-oriented economy by making available more railway services and by improving the quality and efficiency of services will be supported through a project designed to provide a balanced focus between institutional development and technological modernization. Total cost: $1,183.5 million.

CHINA: IBRD—$240 million. Congestion in two major traffic corridors in Guandong province will be relieved through the construction of 226 kilometers of new, four-lane, divided highways. In addition, more than 1,000 kilometers of provincial and national roads will be upgraded and rehabilitated. Technical assistance and training are included. Total cost: $795.1 million.

CHINA: IBRD—$150 million. Shanghai's congested port facilities along the Huangpo river will be relieved through provision of new and replacement cargo-handling equipment and the first-stage construction of two new terminals located away from the city center. Technical assistance is included. Total cost: $424.3 million.

CHINA: IBRD—$120 million. Henan province's road network will be improved, with a particular focus on relieving congestion in the heavily trafficked east-west corridor, through the construction of an access-controlled expressway (120 kilometers), rehabilitation and improvement of five provincial roads, and the upgrading to all-weather status of six rural roads. Total cost: $300.7 million.

ETHIOPIA: IDA—$96 million. Urgently needed rehabilitation of the country's main transport lifeline (portions of the Addis Ababa-Assab road, in particular) will be financed to ensure that it remains open and functional. In addition, government efforts to install an axle-load control system, strengthen highway management, and maintain an adequate road-maintenance program will be supported. Total cost: $109.3 million.

GHANA: IDA—$76.2 million. The cost of travel will be reduced and the quality of transport services will be increased by improving road surfaces and reducing congestion in Accra and Sekondi/Takoradi. In addition, transport terminals and selected junctions in Ghana's five main cities will be improved, and fifty kilometers of nonmotorized vehicle tracks constructed in Accra. Total cost: $87.6 million.

GUYANA: IDA—$26 million. Deteriorated critical sections of the country's sea-defenses system will be repaired and reconstructed, and, through a program of rehabilitation and maintenance of roads and institution-building assistance, the overall performance and efficiency of the transport sector will be improved. Cofinancing is expected from the CDB ($6 million). Total cost: $34 million.

HONDURAS: IDA—$65 million. The institutional and regulatory framework of the transportation sector will be improved, and transport infrastructure in the country's main trade corridors will be improved and rehabilitated, thus supporting the government's export-led growth strategy. Cofinancing is expected from the IDB ($190 million), Spain ($50 million), the CABEI ($30 million), USAID ($20 million), and Taiwan, China ($20 million). Total cost: $545.7 million.

HUNGARY: IBRD—$90 million. The backlog of highway-rehabilitation works will be addressed and a road-safety program implemented through a project that also provides technical assistance designed to improve the effectiveness of roads administration and expenditure, particularly in maintenance. Total cost: $161.1 million.

INDONESIA: IBRD—$155 million. Through provision of civil works; routine and periodic maintenance; equipment, spare parts, and supplies; training; and technical assistance, the capability of government agencies that manage the development of district roads will be enhanced, and the quality and capacity of the road network in selected districts in eastern Indonesia will be improved in a sustainable way. Total cost: $331.3 million.

INDONESIA: IBRD—$42.1 million. In the wake of the December 1992 earthquake on the island of Flores that killed almost 2,000 people and caused

an estimated $274 million in damage to homes and public infrastructure, roads and bridges will be reconstructed, as will education, health, and other facilities. Technical assistance is included, and measures to help mitigate the impact of possible future disasters will be introduced. Total cost: $62.9 million.

JORDAN: IBRD—$35 million. An economically and financially viable and efficient transport sector will be promoted through the continued upgrading of foreign-trade arteries, especially seriously substandard road sections; rehabilitation and strengthening of priority road links and provision of technical assistance in the areas of policy and institutional development. Cofinancing ($19.9 million) is anticipated from the EIB. Total cost: $80.1 million.

MEXICO: IBRD—$480 million. Past investments in the federal highway network will be protected and enhanced through investments in rehabilitation and resurfacing of paved highways, and a road traffic-safety program, which seeks to increase public road-safety awareness and improve driver behavior, will be undertaken. Institution-strengthening measures are included. Cofinancing, totaling $120,000, is expected from France, Sweden, and the United Kingdom. Total cost: $1,560 million.

MOZAMBIQUE: IDA—$9.3 million. The government will be assisted in its restructuring of the Empresa Nacional de Porto e Caminhos de Ferro de Mocambique in order to improve its long-term efficiency. Cofinancing is anticipated from USAID ($600,000) and the ODA ($100,000). Total cost: $10.5 million.

NIGERIA: IDA—$85 million. Inter-city transport within Oyo and Osun states will be improved and transport costs reduced through improvements in the condition of the two state road networks. Institution-building assistance is included. Total cost: $118 million.

NIGERIA: IDA—$68 million. A sustainable improvement program for high-priority roads in Jigawa and Kano states will be supported through institutional strengthening and the financing of civil works to upgrade, rehabilitate, and maintain roads. Total cost: $91.8 million.

POLAND: IBRD—$150 million. The modernization and transformation of the transport sector will be supported and accelerated through the financing of a portion of the investment program of the General Directorate of Public Roads. Institution-building assistance is included. Total cost: $296.8 million.

ROMANIA: IBRD—$120 million. More than 1,000 kilometers of national roads will be rehabilitated, and material and equipment, as well as technical assistance and training, will be provided to the road subsector, thus helping to increase the efficiency of the transport sector and accommodate expected changes in transport demand. In addition, urgently needed track-maintenance equipment, spare parts, and training will be provided to the railways. Cofinancing is being provided by the EBRD and the EIB ($80 million each). Total cost: $405 million.

SEYCHELLES: IBRD—$4.5 million. Tourist access on Praslin island will be facilitated through rehabilitation of the main road network, airport improvements, and the enhancement of reliable water supplies, while environmentally sensitive areas elsewhere will be preserved or restored through support for programs in resource management, biodiversity conservation, and marine pollution control. Cofinancing ($1.8 million) is being provided by the GEF. Total cost: $7 million.

SIERRA LEONE: IDA—$45 million. The first four-year time slice of a seven-year road-rehabilitation and road-maintenance program will be financed, thus bringing the country's road network back from a state of near collapse. Institution-building assistance is included. Cofinancing is expected from the AfDB ($14.4 million), the EC ($11.9 million), the UNDP ($5.7 million), and the JICA ($5 million). Total cost: $92.7 million.

VENEZUELA: IBRD—$150 million. The deterioration of the existing highway network will be slowed through improved maintenance, and the management of public highways and related funding will be strengthened through the implementation of a program of decentralization and institution building. Cofinancing ($200 million) is being provided by the IDB. Total cost: $840 million.

WESTERN SAMOA: IDA—$5.1 million. Supplemental finance will be supplied to help fund the ongoing Emergency Road Rehabilitation Project, approved in fiscal 1990 in the amount of $14 million.

Urban Development

ALGERIA: IBRD—$200 million. A quick housing-supply response will be triggered and market-oriented reforms of the housing sector supported and enhanced by accelerating the completion of both the public-housing program and the private unfinished stock through the supply of construction materials and the provision of technical assistance on sector-policy formulation and implementation. Total cost: $585.2 million.

ARGENTINA: IBRD—$170 million. Flood-reconstruction needs (in transport, energy, housing, education and health facilities, and water and sewerage services, as well as for emergency flood-control works) will be financed, and a sound institutional framework for coordination and implementation of the government's overall rehabilitation program will be provided. Total cost: $318.6 million.

BRAZIL: IBRD—$128.5 million. The financial, institutional, and organizational policy changes required to achieve sustainable, integrated multimodal transport in the Rio de Janeiro metropolitan region will be consolidated. In addition, stations, track, rolling stock, power supply, and fencing of the right of way will be rehabilitated, and associated equipment will be provided. Total cost: $272 million.

CHINA: IDA—$110 million. The planning and delivery of urban services to four major cities in Zhejiang province will be strengthened through provision of technical assistance and finance for investments in water supply and waste disposal, land development, traffic management, and pollution control. Total cost: $231 million.

LEBANON: IBRD—$175 million. The government's National Emergency Reconstruction Program, designed as a multisectoral operation focusing on emergency repairs and the rehabilitation of physical and social infrastructure, will be supported. Total cost: $223.9 million.

MAURITANIA: IDA—$12 million. Temporary new employment opportunities will be created in urban areas through the implementation of a program of labor-intensive public-works projects, a package of technical and managerial assistance and training will be offered to private local contractors and engineering firms, and institution-building assistance will be provided to relevant government entities. Cofinancing ($4.8 million) is expected from the UNDP, the WFP, France, and (possibly) the EC, Germany, and Spain. Total cost: $20 million.

MEXICO: IBRD—$220 million. The government's program to reduce air pollution in Mexico City will be aided through a project that supports the development of emission standards for new vehicles; provides lines of credit to finance either the replacement of old, high-use vehicles with new, emission-controlled vehicles or their conversion to LPG or natural gas; and finances the installation of vapor-recovery systems at gas stations. Technical assistance and institutional-strengthening measures are included. Total cost: $1,086.7 million.

MEXICO: IBRD—$200 million. The quality and efficiency of urban-transport systems in medium-sized cities will be improved, the federal government will be assisted in decentralizing responsibility for the provision and maintenance of urban services and infrastructure, economically justified improvements to transport infrastructure will be financed, and the adverse environmental effects of urban-transport operations will be mitigated. Total cost: $471.1 million.

MOROCCO: IBRD—$130 million. Some 2,800 resettled squatter households and 9,150 low-income households as owner-occupants will directly benefit from a project that provides a replicable system for providing low-income families with serviced lots at affordable prices. Total cost: $321.5 million.

MOROCCO: IBRD—$104 million. Subloans to local governments will fund about 250 subprojects aimed at rehabilitating and expanding urban and rural infrastructure and services. In addition, technical assistance and training will help improve the institutional capabilities of the communal infrastructure fund (FEC) and local governments as well as central information systems to monitor the local sector. Total cost: $182.3 million.

MOZAMBIQUE: IDA—$23.2 million. The government's decentralization program will be supported by assisting its municipal reform and capacity-building initiatives through a program of technical assistance and studies. Total cost: $24.5 million.

PAKISTAN: IDA—$100 million. The government will be assisted in implementing a national program aimed at restoring vital infrastructure destroyed or damaged in the September 1992 floods in order to minimize the disruption to economic activity and social services. Cofinancing ($100 million) is expected from the AsDB. Total cost: $397.2 million.

SIERRA LEONE: IDA—$26 million. Essential urban infrastructure to support economic growth in Greater Freetown and, in particular, to improve living conditions of low-income households will be provided. Institutional support and technical assistance are included. Total cost: $36 million.

SRI LANKA: IDA—$20 million. Transport bottlenecks and traffic congestion in central Colombo will be ameliorated, thereby reducing the economic costs of traffic delays. In addition, traffic-safety improvements will be implemented, and adequate air-quality standards and emission-control measures will be promoted. Institutional-strengthening measures are included. Cofinancing is anticipated from CIDA ($500,000) and the UNDP ($500,000). Total cost: $25.3 million.

TUNISIA: IBRD—$75 million. Through a program of institutional strengthening and the financing of priority infrastructure investments, the efficiency of local governments (municipalities and regional councils) in decision making, resource mobilization and allocation, and project financing and implementation will be enhanced. Total cost: $207.7 million.

TURKEY: IBRD—$285 million. Essential housing, infrastructure, and other facilities damaged during the March 1992 earthquake in the northeast part of the country will be reconstructed.

Water Supply and Sewerage

BRAZIL: IBRD—$245 million. A cost-effective approach to control water pollution in two of the most congested and polluted metropolitan areas of the country will be developed through the creation of two urban water-basin authorities—for the Guarapiranga river near São Paulo and for the upper Iguacu river in Curitiba—and the financing of water pollution-control investments. Total cost: $494 million.

BRAZIL: IBRD—$145 million. A substantial portion of the population of the metropolitan area of Belo Horizonte, estimated at about 3 million people, is expected to benefit from a project that seeks to restore water quality in the system of rivers and reservoirs and improve the standard of living in areas surrounding the water bodies. Technical assistance is included. Total cost: $307.6 million.

BURKINA FASO: IDA—$4.2 million. The Ouagadougou Water Supply Project will be prepared by financing consultant services for the preparation of final designs and bidding documents, the dam and transmission-main components, and the environmental-assessment and resettlement plan. Institution-building assistance is included. Cofinancing ($2.3 million) is expected from the CFD. Total cost: $6.6 million.

CHINA: IDA—$120 million. Changchun Municipality's water supply will be improved so as to meet domestic needs of the urban population and support industrial growth, and industrial and domestic water pollution will be reduced through physical works and changes in the institutional and regulatory framework. Total cost: $266.3 million.

COSTA RICA: IBRD—$26 million. The government and the Costa Rican Water Supply and Sewerage Institute (AyA) will be helped in their attempt to strengthen the institutional framework for the provision of water and sewerage services in the country. In addition, segments of San Jose's population will benefit from the construction of sewerage facilities in low-income areas of the city. Total cost: $40 million.

INDIA: IDA—$92 million. About 1,200 villages in Karnataka state, encompassing 4.8 million people, are to benefit from a project that seeks to improve access to potable rural water-supply systems (through construction of new, or rehabilitation of existing, water-supply schemes) and environmental-sanitation facilities (through programs focusing on latrine usage and provision of sullage drains). Total cost: $117.8 million.

INDONESIA: IBRD—$80 million. About 2 million people living in some 1,400 poor villages are expected to benefit from a project that will provide safe, adequate, and easily accessible water-supply and sanitation services and support a program of health and hygiene education. Total cost: $123.3 million.

KOREA, REPUBLIC OF: IBRD—$110 million. Wastewater-treatment plants in Kwangju and Seoul will be expanded, thereby alleviating pollution of the Yongsan river and the lower reaches of the Han river and significantly reducing health hazards now posed for downstream agriculture, the municipal and industrial water supply, and recreation. Total cost: $530.7 million.

NIGERIA: IDA—$63 million. Existing storm drainage on Lagos mainland and nearby Lagos island and Apapa will be reconstructed, dredged, regraded, and aligned, thus improving the long-term ability of the Lagos metropolitan area to sustain and improve its function as an urban center. Technical assistance and training are included. Cofinancing ($2 million) is expected from the JICA. Total cost: $85.8 million.

PAKISTAN: IDA—$91.9 million. Supplemental funds will be made available to help finance the Second Karachi Water Supply and Sanitation Project, approved in fiscal 1989 in the amount of $125 million.

PARAGUAY: IBRD—$23 million. About 250,000 rural dwellers will benefit from the building of water-supply systems and sanitation facilities through differential service levels based on community ability to pay for and maintain them. Technical assistance, as well as equipment and spare parts, will also be provided. Total cost: $36.3 million.

SRI LANKA: IDA—$24.3 million. About 650,000 people living in rural areas (and, to a lesser extent, small towns) are expected to benefit from a project that will develop, implement, and maintain community-based water-supply and sanitation schemes. Total cost: $32.3 million.

TURKEY: IBRD—$129.5 million. The demand for water-supply, sewerage, flood-protection, and solid-waste services in Greater Bursa—the country's fifth largest city—will be met through a program of civil works and the supply of equipment. In addition, the management of those services will be improved through provision of technical assistance. Total cost: $258.4 million.

Table 7-1. **Trends in Lending, IBRD and IDA, Fiscal Years 1991–1993**

Sector	1991 IBRD	1991 IDA	1991 Total	1992 IBRD	1992 IDA	1992 Total	1993 IBRD	1993 IDA	1993 Total
	millions of US dollars								
Agriculture and rural development	1,913.1	1,794.2	3,707.3	2,525.7	1,368.4	3,894.1	1,918.8	1,347.9	3,266.7
Development finance companies	1,695.0	156.8	1,851.8	802.0	223.3	1,025.3	582.0	—	582.0
Education	1,515.5	736.2	2,251.7	1,299.6	584.1	1,883.7	968.0	1,038.2	2,006.2
Energy									
Oil, gas, and coal	1,750.0	149.2	1,899.2	879.0	115.6	994.6	928.0	45.1	973.1
Power	1,189.0	155.0	1,344.0	2,813.9	228.0	3,041.9	2,093.0	520.0	2,613.0
Industry	1,767.1	215.9	1,983.0	382.7	406.0	788.7	685.0	401.6	1,086.6
Nonproject	1,940.0	881.9	2,821.9	1,970.0	1,460.1	3,430.1	2,980.0	600.8	3,580.8
Population, health, and nutrition	647.0	920.6	1,567.6	307.0	654.7	961.7	706.8	1,104.8	1,811.6
Public-sector management	636.0	5.7	641.7	525.0	76.7	601.7	576.0	32.6	608.6
Small-scale enterprises	166.0	45.0	211.0	60.0	—	60.0	—	—	—
Technical assistance	104.5	93.2	197.7	69.4	127.0	196.4	212.3	300.6	512.9
Telecommunications	270.0	69.8	339.8	375.0	55.0	430.0	264.0	89.1	353.1
Transportation	915.9	472.1	1,388.0	1,618.7	490.8	2,109.5	2,584.6	584.1	3,168.7
Urban development	1,077.1	178.3	1,255.4	994.0	382.6	1,376.6	1,687.5	291.2	1,978.7
Water supply and sewerage	806.0	419.4	1,225.4	534.0	377.4	911.4	758.5	395.4	1,153.9
Total	16,392.2	6,293.3	22,685.5	15,156.0	6,549.7	21,705.7	16,944.5	6,751.4	23,695.9
	percentage distribution								
Agriculture and rural development	11.7	28.5	16.3	16.7	20.9	17.9	11.3	20.0	13.8
Development finance companies	10.3	2.5	8.2	5.3	3.4	4.7	3.4	—	2.5
Education	9.2	11.7	9.9	8.6	8.9	8.7	5.7	15.4	8.5
Energy									
Oil, gas, and coal	10.7	2.4	8.4	5.8	1.8	4.6	5.5	0.7	4.1
Power	7.3	2.5	5.9	18.6	3.5	14.0	12.4	7.7	11.0
Industry	10.8	3.4	8.7	2.5	6.2	3.6	4.0	5.9	4.6
Nonproject	11.8	14.0	12.4	13.0	22.3	15.8	17.6	8.9	15.1
Population, health, and nutrition	3.9	14.6	6.9	2.0	10.0	4.4	4.2	16.4	7.6
Public-sector management	3.9	0.1	2.8	3.5	1.2	2.8	3.4	0.5	2.6
Small-scale enterprises	1.0	0.7	0.9	0.4	—	0.3	—	—	—
Technical assistance	0.6	1.5	0.9	0.5	1.9	0.9	1.3	4.5	2.2
Telecommunications	1.6	1.1	1.5	2.5	0.8	2.0	1.6	1.3	1.5
Transportation	5.6	7.5	6.1	10.7	7.5	9.7	15.3	8.7	13.4
Urban development	6.6	2.8	5.5	6.6	5.8	6.3	10.0	4.3	8.4
Water supply and sewerage	4.9	6.7	5.4	3.5	5.8	4.2	4.5	5.9	4.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

— Zero.

Table 7-2. **Projects Approved for IBRD and IDA Assistance in Fiscal Year 1993, by Region**
(amounts in millions of US dollars)

Region and country	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Africa						
Angola	—	—	3	81.9	3	81.9
Benin	—	—	1	3.8	1	3.8
Burkina Faso	—	—	3	18.7	3	18.7
Burundi	—	—	2	13.5	2	13.5
Cape Verde	—	—	1	12.5	1	12.5
Chad	—	—	2	56.3	2	56.3
Côte d'Ivoire	—	—	2	23.7	2	23.7
Equatorial Guinea	—	—	1	2.4	1	2.4
Ethiopia	—	—	3	371.0	3	371.0
Gabon	1	22.5	0	—	1	22.5
Gambia, The	—	—	1	12.3	1	12.3
Ghana	—	—	7	354.4	7	354.4
Guinea	—	—	3	85.5	3	85.5
Guinea-Bissau	—	—	1	8.8	1	8.8
Kenya	—	—	3	114.8	3	114.8
Madagascar	—	—	3	32.7	3	32.7
Malawi	—	—	2	76.7	2	76.7
Mali	—	—	1	12.0	1	12.0
Mauritania	—	—	2	26.7	2	26.7
Mauritius	1	20.0	0	—	1	20.0
Mozambique	—	—	6	122.9	6	122.9
Nigeria	—	—	5	244.0	5	244.0
Rwanda	—	—	1	26.0	1	26.0
Senegal	—	—	1	40.0	1	40.0
Seychelles	1	4.5	0	—	1	4.5
Sierra Leone	—	—	3	81.3	3	81.3
Tanzania	—	—	4	340.7	4	340.7
Uganda	—	—	5	223.8	5	223.8
Zambia	—	—	4	194.4	4	194.4
Zimbabwe	—	—	2	189.5	2	189.5
Total	3	47.0	72	2,770.3	75	2,817.3
East Asia and Pacific						
China	10	2,155.0	8	1,017.0	18	3,172.0
Indonesia	8	867.6	—	—	8	867.6
Korea, Republic of	4	320.0	—	—	4	320.0
Lao People's Democratic Republic	—	—	2	55.0	2	55.0
Malaysia	2	248.0	—	—	2	248.0
Papua New Guinea	2	41.9	—	—	2	41.9
Philippines	5	558.3	1	70.0	6	628.3
Solomon Islands	—	—	1	16.9	1	16.9
Thailand	2	214.0	—	—	2	214.0
Western Samoa	—	—	—	6.1	—	6.1
Total	33	4,404.8	12	1,165.0	45	5,569.8
South Asia						
Bangladesh	—	—	2	171.5	2	171.5
India	5	1,145.0	10	1,532.7	15	2,677.7
Nepal	—	—	1	28.0	1	28.0
Pakistan	—	—	5	428.9	5	428.9
Sri Lanka	—	—	3	110.1	3	110.1
Total	5	1,145.0	21	2,271.2	26	3,416.2

Region and country	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Europe and Central Asia						
Albania	—	—	4	44.4	4	44.4
Armenia	1	12.0	—	—	1	12.0
Bulgaria	3	178.0	—	—	3	178.0
Estonia	1	30.0	—	—	1	30.0
Hungary	4	413.0	—	—	4	413.0
Kyrgyzstan	—	—	1	60.0	1	60.0
Latvia	1	45.0	—	—	1	45.0
Lithuania	1	60.0	—	—	1	60.0
Moldova	1	26.0	—	—	1	26.0
Poland	3	900.0	—	—	3	900.0
Romania	1	120.0	—	—	1	120.0
Russian Federation	4	1,370.0	—	—	4	1,370.0
Turkey	4	558.5	—	—	4	558.5
Ukraine	1	27.0	—	—	1	27.0
Total	25	3,739.5	5	104.4	30	3,843.9
Latin America and the Caribbean						
Argentina	6	1,960.0	—	—	6	1,960.0
Bolivia	—	—	3	106.6	3	106.6
Brazil	5	818.5	—	—	5	818.5
Chile	3	146.5	—	—	3	146.5
Colombia	3	350.0	—	—	3	350.0
Costa Rica	2	126.0	—	—	2	126.0
Ecuador	2	145.0	—	—	2	145.0
El Salvador	1	40.0	—	—	1	40.0
Guatemala	2	140.0	—	—	2	140.0
Guyana	—	—	2	41.5	2	41.5
Honduras	—	—	3	135.1	3	135.1
Jamaica	3	167.0	—	—	3	167.0
Mexico	5	1,154.0	—	—	5	1,154.0
Nicaragua	—	—	1	33.5	1	33.5
Paraguay	1	23.0	—	—	1	23.0
Peru	3	441.8	—	—	3	441.8
Uruguay	1	11.0	—	—	1	11.0
Venezuela	4	329.0	—	—	4	329.0
Total	41	5,851.8	9	316.7	50	6,168.5
Middle East and North Africa						
Algeria	2	240.0	—	—	2	240.0
Egypt	1	130.0	2	77.5	3	207.5
Iran, Islamic Republic of	3	463.4	—	—	3	463.4
Jordan	2	55.0	—	—	2	55.0
Lebanon	1	175.0	—	—	1	175.0
Morocco	4	549.0	—	—	4	549.0
Tunisia	2	144.0	—	—	2	144.0
Yemen	—	—	2	46.3	2	46.3
Total	15	1,756.4	4	123.8	19	1,880.2
Grand total	122	16,944.5	123	6,751.4	245	23,695.9

— Zero.

NOTE: Supplements are included in the amount but are not counted as separate lending operations. Joint IBRD/IDA operations are counted only once, as IBRD operations.

Table 7-3. **IBRD and IDA Cumulative Lending Operations, by Major Purpose and Region, June 30, 1993**
(millions of US dollars)

	IBRD loans to borrowers, by region[a]						
Purpose[b]	Africa	East Asia and Pacific	South Asia	Europe and Central Asia	Latin America and the Carib-bean	Middle East and North Africa	Total
Agriculture and rural development							
Agricultural credit	319.8	886.5	1,078.5	1,996.4	2,910.9	1,155.9	8,348.0
Agriculture sector loan	107.3	562.3	226.3	595.7	3,038.1	609.0	5,138.7
Agroindustry	30.0	620.2	61.4	894.1	1,228.4	224.2	3,058.3
Area development	1,628.6	1,599.9	283.2	738.0	3,870.4	258.5	8,378.6
Fisheries	—	92.7	14.0	7.0	16.2	41.0	170.9
Forestry	372.0	78.0	—	221.0	116.0	190.5	977.5
Irrigation and drainage	110.2	3,920.0	814.6	1,421.4	2,769.5	1,604.2	10,639.9
Livestock	170.7	80.0	248.0	179.5	1,042.0	46.5	1,766.7
Perennial crops	634.5	1,525.4	—	50.0	123.0	58.0	2,390.9
Research and extension	154.2	423.4	25.0	209.9	735.0	52.5	1,600.0
Total	3,527.3	9,788.4	2,751.0	6,313.0	15,849.5	4,240.3	42,469.5
Development finance companies	1,284.0	4,405.0	2,187.2	3,575.3	8,013.1	2,540.8	22,005.4
Education	542.5	3,986.3	55.0	1,055.3	3,079.5	1,719.2	10,437.8
Energy							
Oil, gas, and coal	400.2	1,711.0	4,466.5	2,213.4	1,410.2	660.7	10,862.0
Power	1,782.1	10,431.7	9,104.6	4,413.2	11,599.7	2,052.3	39,383.6
Total	2,182.3	12,142.7	13,571.1	6,626.6	13,009.9	2,713.0	50,245.6
Industry							
Engineering	27.7	10.0	—	—	9.5	11.0	58.2
Fertilizer and other chemicals	—	758.0	1,570.3	603.9	848.5	27.0	3,807.7
Industry sector loan	15.6	1,728.8	1,691.4	1,959.0	1,659.5	716.7	7,771.0
Iron and steel	20.0	—	189.0	281.0	1,067.0	231.8	1,788.8
Mining, other extractive	533.5	—	—	—	997.5	237.2	1,768.2
Paper and pulp	48.4	5.5	104.2	209.1	20.0	50.0	437.2
Textiles	63.0	157.4	—	167.7	—	139.6	527.7
Tourism sector loan	54.5	25.0	—	56.0	187.5	170.6	493.6
Total	762.7	2,684.7	3,554.9	3,276.7	4,789.5	1,583.9	16,652.4
Nonproject	2,068.6	4,029.3	610.0	6,280.9[c]	6,930.6	2,105.0	22,024.4[c]
Population, health, and nutrition	289.4	717.9	31.3	446.0	1,456.8	421.6	3,363.0
Public-sector management	—	95.0	—	402.0	2,090.0	130.0	2,717.0
Small-scale industry	440.7	1,266.5	80.0	460.0	1,985.6	354.0	4,586.8
Technical assistance	138.8	95.0	—	155.2	418.3	57.8	865.1
Telecommunications	510.2	1,284.7	712.5	410.3	508.3	671.5	4,097.5
Transportation							
Airlines and airports	59.0	9.2	5.6	7.0	218.5	—	299.3
Highways	1,817.8	5,422.4	738.9	2,402.2	7,173.5	1,356.1	18,910.9
Pipelines	—	—	37.0	—	23.3	57.5	117.8
Ports and waterways	285.9	1,558.5	437.2	625.8	523.7	967.0	4,398.1
Railways	733.5	2,970.8	1,406.4	1,093.0	1,938.5	237.5	8,379.7
Transportation sector loan	66.1	527.2	184.0	432.0	259.6	30.0	1,498.9
Total	2,962.3	10,488.1	2,809.1	4,560.0	10,137.1	2,648.1	33,604.7
Urban development	933.7	2,908.3	319.1	639.2	5,187.6	1,621.1	11,609.0
Water supply and sewerage	1,169.8	1,857.4	103.0	1,295.8	4,062.7	1,987.5	10,476.2
Grand total	16,812.3	55,749.3	26,784.2	35,496.3	77,518.5	22,793.8	235,154.4

— Zero

a. Except for the total amount shown in footnote d, no account is taken of cancellations subsequent to original commitment. IBRD loans to the IFC are excluded.

b. Operations have been classified by the major purpose they finance. Many projects include activity in more than one sector or subsector.

IDA credits to borrowers, by region							
Africa	East Asia and Pacific	South Asia	Europe and Central Asia	Latin America and the Carib-bean	Middle East and North Africa	Total	IBRD and IDA
554.0	743.2	2,209.4	—	23.5	74.2	3,604.3	11,952.3
1,369.4	283.7	193.5	20.0	1.4	—	1,868.0	7,006.7
364.5	218.0	716.9	—	16.5	45.0	1,360.9	4,419.2
1,627.1	1,368.3	1,154.9	2.4	108.6	168.1	4,429.4	12,808.0
55.7	88.2	199.1	—	—	67.3	410.3	581.2
391.0	520.2	699.1	—	38.9	—	1,649.2	2,626.7
855.6	1,016.1	5,906.9	80.0	18.5	396.5	8,273.6	18,913.5
479.7	88.1	267.1	20.5	67.5	5.0	927.9	2,694.6
488.9	300.5	283.0	15.0	3.2	—	1,090.6	3,481.5
650.1	120.5	767.8	—	21.0	20.4	1,579.8	3,179.8
6,836.0	4,746.8	12,397.7	137.9	299.1	776.5	25,194.0	67,663.5
1,476.1	211.5	563.2	35.0	144.1	64.0	2,493.9	24,499.3
2,715.1	1,360.1	2,267.1	—	176.9	358.5	6,877.7	17,315.5
450.0	66.0	390.4	—	148.2	74.0	1,128.6	11,990.6
1,562.1	308.8	3,745.5	25.7	201.7	252.9	6,096.7	45,480.3
2,012.1	374.8	4,135.9	25.7	349.9	326.9	7,225.3	57,470.9
44.0	—	—	—	—	—	44.0	102.2
35.0	35.0	904.0	—	—	21.4	995.4	4,803.1
1,011.2	71.3	337.3	—	—	29.5	1,449.3	9,220.3
40.0	—	—	—	—	—	40.0	1,828.8
19.9	16.0	—	—	49.5	—	85.4	1,853.6
50.0	—	—	—	—	—	50.0	487.2
20.0	29.7	75.0	—	—	7.0	131.7	659.4
18.0	16.0	4.2	—	—	48.5	86.7	580.3
1,238.1	168.0	1,320.5	—	49.5	106.4	2,882.5	19,534.9
4,311.7	110.0	3,899.2	101.1	484.3	35.0	8,941.3	30,965.7[c]
1,073.6	487.9	2,316.5	—	170.0	303.6	4,351.6	7,714.6
405.0	—	—	—	12.0	—	417.0	3,134.0
228.7	56.5	311.5	—	27.5	2.3	626.5	5,213.3
968.1	240.7	125.5	4.0	43.3	32.6	1,414.2	2,279.3
441.2	101.8	882.2	—	—	83.0	1,508.2	5,605.7
14.0	7.5	2.5	—	—	—	24.0	323.3
3,225.4	590.2	867.1	—	338.3	180.2	5,201.2	24,112.1
—	—	—	—	—	—	—	117.8
423.2	161.2	262.0	—	16.0	9.2	871.6	5,269.7
628.6	206.7	1,017.5	—	45.0	38.5	1,936.3	10,316.0
545.4	19.8	314.7	18.0	—	30.0	927.9	2,426.8
4,836.6	985.4	2,463.8	18.0	399.3	257.9	8,961.0	42,565.7
1,152.3	492.4	1,522.3	2.3	127.0	73.0	3,369.3	14,978.3
930.1	494.2	1,847.6	—	78.8	203.2	3,553.9	14,030.1
28,624.7	9,830.1	34,053.0	324.0	2,361.7	2,622.9	77,816.4	312,970.8[d]

c. Includes $497 million in European reconstruction loans made before 1952.

d. Cancellations amount to $20,156.4 million for the IBRD and $3,620.5 million for IDA, totaling $23,776.9 million.

Table 7-4. **Projects Approved for IBRD and IDA Assistance in Fiscal Year 1993, by Sector**
(millions of US dollars)

Sector[a]	IBRD	IDA	Total
Agriculture and Rural Development			
Albania—Agriculture sector loan	—	20.0	20.0
Albania—Area development	—	2.4	2.4
Benin—Agricultural credit	—	3.8	3.8
Burkina Faso—Agriculture sector loan	—	7.5	7.5
Burundi—Agroindustry	—	3.1	3.1
Chile—Irrigation and drainage	45.0	—	45.0
China—Agroindustry	325.0	165.0	490.0
China—Area development	—	115.0	115.0
China—Area development	—	147.0	147.0
China—Irrigation and drainage	100.0	100.0	200.0
Colombia—Agricultural credit	250.0	—	250.0
Egypt—Area development	—	22.0	22.0
El Salvador—Agriculture sector loan	40.0	—	40.0
Gabon—Forestry	22.5	—	22.5
Gambia, The—Research and extension	—	12.3	12.3
Ghana—Agriculture sector loan	—	18.1	18.1
Ghana—Livestock	—	22.5	22.5
Guinea—Agriculture sector loan	—	20.8	20.8
Hungary—Agricultural credit	100.0	—	100.0
India—Area development	—	106.0	106.0
India—Area development	—	117.0	117.0
India—Irrigation and drainage	—	54.7	54.7
India—Perennial crops	—	92.0	92.0
Indonesia—Irrigation and drainage	54.0	—	54.0
Indonesia—Irrigation and drainage	32.0	—	32.0
Iran, Islamic Republic of—Irrigation and drainage	157.0	—	157.0
Kenya—Agriculture sector loan	—	19.4	19.4
Kenya—Agricultrual sector loan	—	20.0	20.0
Madagascar—Agricultural credit	—	3.7	3.7
Malawi—Agriculture sector loan	—	45.8	45.8
Malawi—Agriculture sector loan	—	25.0	25.0
Moldova—Agriculture sector loan	26.0	—	26.0
Morocco—Irrigation and drainage	215.0	—	215.0
Mozambique—Agriculture sector loan	—	20.0	20.0
Nepal—Irrigation and drainage	—	28.0	28.0
Pakistan—Irrigation and drainage	—	54.2	54.2
Pakistan—Irrigation and drainage	—	28.8	28.8
Philippines—Irrigation and drainage	51.3	—	51.3
Poland—Agricultural credit	300.0	—	300.0
Tunisia—Forestry	69.0	—	69.0
Turkey—Agricultural credit	77.0	—	77.0
Uganda—Research and extension	—	25.0	25.0
Uganda—Research and extension	—	15.8	15.8
Venezuela—Agriculture sector loan	55.0	—	55.0
Zambia—Agriculture sector loan	—	33.0	33.0
Total	1,918.8	1,347.9	3,266.7

Sector[a]	IBRD	IDA	Total
Development Finance Companies			
China	150.0	—	150.0
Colombia	50.0	—	50.0
Ecuador	75.0	—	75.0
Indonesia	307.0	—	307.0
Total	582.0	—	582.0
Education			
Algeria	40.0	—	40.0
Bangladesh	—	68.0	68.0
Bolivia	—	50.7	50.7
Bolivia	—	40.0	40.0
Brazil	212.0	—	212.0
Chad	—	19.3	19.3
China	—	100.0	100.0
Côte d'Ivoire	—	6.7	6.7
Egypt	—	55.5	55.5
Ghana	—	45.0	45.0
Ghana	—	65.1	65.1
India	—	165.0	165.0
Jamaica	32.0	—	32.0
Kenya	—	52.1	52.1[b]
Korea, Republic of	60.0	—	60.0
Lao People's Democratic Republic	—	19.0	19.0
Malaysia	107.0	—	107.0
Malaysia	141.0	—	141.0
Mauritania	—	12.5	12.5
Mauritius	20.0	—	20.0
Mexico	80.0	—	80.0
Mexico	174.0	—	174.0
Mozambique	—	48.6	48.6
Mozambique	—	15.5	15.5
Nigeria	—	8.0	8.0
Pakistan	—	106.0	106.0
Papua New Guinea	35.0	—	35.0
Senegal	—	40.0	40.0
Solomon Islands	—	16.9	16.9
Turkey	67.0	—	67.0
Uganda	—	52.6	52.6
Yemen	—	19.7	19.7
Zambia	—	32.0	32.0
Total	968.0	1,038.2	2,006.2
Energy			
Oil, gas, and coal			
Bulgaria	93.0	—	93.0
Honduras	—	33.1	33.1[b]
India	—	12.0	12.0
Korea, Republic of	120.0	—	120.0
Russian Federation	610.0	—	610.0
Thailand	105.0	—	105.0
Total	928.0	45.1	973.1

(continued)

Table 7-4 *(continued)*

Sector[a]	IBRD	IDA	Total
Energy *(continued)*			
Power			
Argentina	300.0	—	300.0
China	100.0	—	100.0
China	300.0	—	300.0
Ghana	—	80.0	80.0
Guinea	—	50.0	50.0
Honduras	—	12.0	12.0
India	400.0	—	400.0
India	75.0	115.0	190.0
India	350.0	—	350.0
India	20.0	—	20.0
Indonesia	104.0	—	104.0
Iran, Islamic Republic of	165.0	—	165.0
Jamaica	60.0	—	60.0
Lao People's Democratic Republic	—	36.0	36.0
Philippines	110.0	—	110.0
Rwanda	—	26.0	26.0
Tanzania	—	200.0	200.0
Thailand	109.0	—	109.0
Western Samoa	—	1.0	1.0[b]
Total	2,093.0	520.0	2,613.0
Industry			
Angola—Engineering	—	21.0	21.0
Bulgaria—Industry sector loan	55.0	—	55.0
China—Industry sector loan	250.0	—	250.0
Egypt—Tourism sector loan	130.0	—	130.0
Ghana—Industry sector loan	—	41.0	41.0
Kenya—Industry sector loan	—	23.3	23.3
Madagascar—Engineering	—	6.3	6.3
Mali—Industry sector loan	—	12.0	12.0
Peru—Mining, other extractive	250.0	—	250.0
Sri Lanka—Industry sector loan	—	60.0	60.0
Sri Lanka—Industry sector loan	—	5.8	5.8[b]
Tanzania—Industry sector loan	—	11.3	11.3[b]
Uganda—Industry sector loan	—	100.0	100.0
Zambia—Industry sector loan	—	100.0	100.0
Zambia—Industry sector loan	—	20.9	20.9[b]
Total	685.0	401.6	1,086.6
Nonproject			
Argentina	450.0	—	450.0
Argentina	400.0	—	400.0
Bangladesh	—	100.0	100.0
Bangladesh	—	3.5	3.5[b]
Bolivia	—	11.1	11.1[b]
Costa Rica	100.0	—	100.0
Estonia	30.0	—	30.0
Ethiopia	—	250.0	250.0
Ethiopia	—	25.0	25.0
Ghana	—	6.5	6.5[b]
Guatemala	120.0	—	120.0
Guinea	—	0.1	0.1[b]

Sector[a]	IBRD	IDA	Total
Nonproject *(continued)*			
Guyana	—	3.5	3.5[b]
India	300.0	—	300.0
Jamaica	75.0	—	75.0
Kyrgyzstan	—	60.0	60.0
Latvia	45.0	—	45.0
Lithuania	60.0	—	60.0
Malawi	—	5.9	5.9[b]
Nicaragua	—	8.5	8.5[b]
Peru	150.0	—	150.0[b]
Philippines	200.0	—	200.0
Poland	450.0	—	450.0
Russian Federation	600.0	—	600.0
Sierra Leone	—	0.3	0.3[b]
Uganda	—	1.4	1.4[b]
Zimbabwe	—	125.0	125.0
Total	2,980.0	600.8	3,580.8
Population, Health, and Nutrition			
Angola	—	19.9	19.9
Burundi	—	10.4	10.4
Chile	90.0	—	90.0
Colombia	50.0	—	50.0
Ecuador	70.0	—	70.0
Guatemala	20.0	—	20.0
Guinea-Bissau	—	8.8	8.8
Honduras	—	25.0	25.0
Hungary	91.0	—	91.0
India	—	194.0	194.0
India	—	500.0	500.0
India	—	85.0	85.0
Indonesia	93.5	—	93.5
Iran, Islamic Republic of	141.4	—	141.4
Jordan	20.0	—	20.0
Korea, Republic of	30.0	—	30.0
Madagascar	—	21.3	21.3
Mozambique	—	6.3	6.3
Nicaragua	—	25.0	25.0
Pakistan	—	48.0	48.0
Papua New Guinea	6.9	—	6.9
Philippines	—	70.0	70.0
Venezuela	94.0	—	94.0
Yemen	—	26.6	26.6
Zimbabwe	—	64.5	64.5
Total	706.8	1,104.8	1,811.6
Public-sector Management			
Argentina	300.0	—	300.0
Burkina Faso	—	7.0	7.0
Guyana	—	12.0	12.0
Hungary	132.0	—	132.0
Madagascar	—	1.4	1.4[b]

(continued)

Table 7-4 (continued)

Sector[a]	IBRD	IDA	Total
Public-sector Management *(continued)*			
Mauritania	—	2.2	2.2[b]
Philippines	63.0	—	63.0
Russian Federation	70.0	—	70.0
Sierra Leone	—	10.0	10.0
Uruguay	11.0	—	11.0
	576.0	32.6	608.6
Technical Assistance			
Albania	—	4.0	4.0
Armenia	12.0	—	12.0
Bolivia	—	4.8	4.8
Chile	11.5	—	11.5
China	—	50.0	50.0
China	—	60.0	60.0
China	—	50.0	50.0
Côte d'Ivoire	—	17.0	17.0
Equatorial Guinea	—	2.4	2.4
Nigeria	—	20.0	20.0
Peru	30.0	—	30.0
Peru	11.8	—	11.8
Russian Federation	90.0	—	90.0
Tanzania	—	34.9	34.9
Tanzania	—	20.0	20.0
Uganda	—	29.0	29.0
Ukraine	27.0	—	27.0
Venezuela	30.0	—	30.0
Zambia	—	8.5	8.5
Total	212.3	300.6	512.9
Telecommunications			
Bulgaria	30.0	—	30.0
Guinea	—	14.6	14.6
Morocco	100.0	—	100.0
Philippines	134.0	—	134.0
Tanzania	—	74.5	74.5
Total	264.0	89.1	353.1
Transportation			
Albania—Transportation sector loan	—	18.0	18.0
Angola—Railways	—	41.0	41.0
Argentina—Highways	340.0	—	340.0
Brazil—Highways	88.0	—	88.0
Cape Verde—Transportation sector loan	—	12.5	12.5
Chad—Transportation sector loan	—	37.0	37.0
China—Highways	120.0	—	120.0
China—Ports and waterways	150.0	—	150.0
China—Railways	240.0	—	240.0
China—Railways	420.0	—	420.0
Ethiopia—Highways	—	96.0	96.0
Ghana—Highways	—	76.2	76.2
Guyana—Highways	—	26.0	26.0
Honduras—Highways	—	65.0	65.0
Hungary—Transportation sector loan	90.0	—	90.0
Indonesia—Highways	155.0	—	155.0
Indonesia—Highways	42.1	—	42.1

Sector[a]	IBRD	IDA	Total
Transportation *(continued)*			
Jordan—Highways	35.0	—	35.0
Mexico—Highways	480.0	—	480.0
Mozambique—Ports and waterways	—	9.3	9.3
Nigeria—Highways	—	68.0	68.0
Nigeria—Highways	—	85.0	85.0
Poland—Highways	150.0	—	150.0
Romania—Highways	120.0	—	120.0
Seychelles—Transportation sector loan	4.5	—	4.5
Sierra Leone—Highways	—	45.0	45.0
Venezuela—Highways	150.0	—	150.0
Western Samoa—Highways	—	5.1	5.1[b]
Total	2,584.6	584.1	3,168.7
Urban Development			
Algeria	200.0	—	200.0
Argentina	170.0	—	170.0
Brazil	128.5	—	128.5
China	—	110.0	110.0
Lebanon	175.0	—	175.0
Mauritania	—	12.0	12.0
Mexico	200.0	—	200.0
Mexico	220.0	—	220.0
Morocco	130.0	—	130.0
Morocco	104.0	—	104.0
Mozambique	—	23.2	23.2
Pakistan	—	100.0	100.0
Sierra Leone	—	26.0	26.0
Sri Lanka	—	20.0	20.0
Tunisia	75.0	—	75.0
Turkey	285.0	—	285.0
Total	1,687.5	291.2	1,978.7
Water Supply and Sewerage			
Brazil	145.0	—	145.0
Brazil	245.0	—	245.0
Burkina Faso	—	4.2	4.2
China	—	120.0	120.0
Costa Rica	26.0	—	26.0
India	—	92.0	92.0
Indonesia	80.0	—	80.0
Korea, Republic of	110.0	—	110.0
Nigeria	—	63.0	63.0
Pakistan	—	91.9	91.9[b]
Paraguay	23.0	—	23.0
Sir Lanka	—	24.3	24.3
Turkey	129.5	—	129.5
Total	758.5	395.4	1,153.9
Grand total	16,944.5	6,751.4	23,695.9

— Zero.

NOTE: For additional details, see Tables 7-5 and 7-6.

a. Many projects include activity in more than one sector or subsector.

b. Supplementary financing to a previous loan, not counted as a separate operation.

Table 7-5. Statement of IBRD Loans Approved during Fiscal Year 1993

Borrower or guarantor and purpose	Date of approval	Maturities	Principal amount (US$ millions)
Algeria			
Basic and Secondary Education Support Project	16-Mar-93	1997/2010	40.0
Housing Completion and Sector Development Project	04-Mar-93	1997/2010	200.0
Argentina			
Road Maintenance and Rehabilitation Sector Project	03-Jun-93	1998/2008	340.0
Financial Sector Adjustment Loan	16-Feb-93	1998/2008	400.0
Second Public Enterprise Reform Loan	05-Jan-93	1997/2010	300.0
Debt and Debt Service Reduction Loan	05-Jan-93	1998/2008	450.0
Yacyreta Hydroelectric Project II	29-Sep-92	1997/2009	300.0
Flood Rehabilitation Project	29-Sep-92	1997/2009	170.0
Armenia			
Institution Building Project	30-Mar-93	1998/2013	12.0
Brazil			
Rio de Janeiro Metropolitan Transport Decentralization Project	29-Jun-93	1999/2008	128.5
Second Northeast Basic Education Project	13-May-93	1999/2008	212.0
Water Quality and Pollution Control Project	02-Jul-92	1997/2007	9.0
Brazil (Guarantor)			
Minas Gerais Water Quality and Pollution Control Project	05-Jan-93	1998/2007	145.0
Alagoas State Highway Management Project	22-Dec-92	1998/2008	38.0
Santa Catarina State Highway Management Project	22-Dec-92	1998/2008	50.0
São Paulo Water Quality and Pollution Control Project	02-Jul-92	1997/2007	119.0
Parana Water Quality and Pollution Control Project	02-Jul-92	1998/2007	117.0
Bulgaria			
Private Investment and Export Finance Project	24-Jun-93	1998/2010	55.0
Bulgaria (Guarantor)			
Telecommunications Project	13-Apr-93	1997/2010	30.0
Energy Project	09-Mar-93	1997/2010	93.0
Chile			
Health Sector Reform Project	17-Nov-92	1998/2009	90.0
Irrigation Development Project	17-Nov-92	1998/2010	45.0
Environmental Institutions Development Project	17-Nov-92	1998/2010	11.5
China			
Grain Distribution and Marketing Project	17-Jun-93	1998/2013	325.0
Tianhuangping Hydroelectric Project	18-May-93	1999/2013	300.0
Southern Jiangsu Environmental Protection Project	25-Mar-93	1998/2013	250.0
Sixth Railway Project	25-Mar-93	1998/2013	420.0
Tianjin Industrial Development Project	16-Mar-93	1998/2013	150.0
Taihu Basin Flood Control Project	23-Feb-93	1998/2013	100.0
Shanghai Port Restructuring and Development Project	22-Dec-92	1998/2013	150.0
Guangdong Provincial Highway Project	17-Nov-92	1998/2013	240.0
Henan Highway Project	17-Nov-92	1998/2013	120.0
Second Shuikou Hydroelectric Project	01-Sep-92	1998/2012	100.0
Colombia			
Municipal Health Services Project	08-Jun-93	1998/2010	50.0
Export Development Project	25-May-93	1999/2010	50.0
Colombia (Guarantor)			
Agricultural Sector Credit Project	18-Mar-93	1997/2010	250.0
Costa Rica			
Third Structural Adjustment Loan	15-Apr-93	1997/2010	100.0

Borrower or guarantor and purpose	Date of approval	Maturities	Principal amount (US$ millions)
Costa Rica (Guarantor)			
Second Water Supply and Sewerage Project	17-Jun-93	1998/2010	26.0
Ecuador			
Second Social Development Project	21-Jul-92	1998/2012	70.0
Ecuador (Guarantor)			
Private Sector Development Project	01-Jun-93	1999/2013	75.0
Egypt (Guarantor)			
Private Sector Tourism Infrastructure and Environment Management Project	17-Dec-92	1998/2013	130.0
El Salvador			
Agricultural Sector Reform and Investment Project	18-Mar-93	1998/2013	40.0
Estonia			
Rehabilitation Loan	01-Oct-92	1998/2007	30.0
Gabon			
Forestry and Environment Project	02-Jul-92	1998/2007	22.5
Guatemala			
Economic Modernization Loan	24-Nov-92	1998/2012	120.0
Social Investment Fund Project	24-Nov-92	1998/2012	20.0
Hungary			
Health Services and Management Project	20-Apr-93	1998/2008	91.0
Pensions Administration and Health Insurance Project	20-Apr-93	1998/2008	132.0
Roads Project	22-Dec-92	1998/2007	90.0
Hungary (Guarantor)			
Product Market Development Project	13-Jul-92	1998/2007	100.0
India			
External Sector and Investment Liberalization Program	24-Jun-93	1999/2013	300.0
India (Guarantor)			
NTPC Power Generation Project	29-Jun-93	1998/2013	400.0
Technical Assistance Project for Private Power Development	24-Jun-93	1999/2013	20.0
POWERGRID System Development Project	23-Mar-93	1998/2013	350.0
Renewable Resources Development Project	17-Dec-92	1998/2013	75.0
Indonesia			
Water Supply and Sanitation for Low Income Communities Project	24-Jun-93	1999/2013	80.0
Cirata Hydroelectric Phase II Project	11-May-93	1999/2013	104.0
Groundwater Development Project	13-Apr-93	1998/2013	54.0
Flores Earthquake Reconstruction Project	13-Apr-93	1999/2013	42.1
Integrated Pest Management Training Project	30-Mar-93	1998/2013	32.0
Eastern Indonesia Kabupaten Roads Project	23-Mar-93	1998/2013	155.0
Third Community Health and Nutrition Project	22-Dec-92	1998/2013	93.5
Financial Sector Development Project	12-Nov-92	1998/2012	307.0
Iran, Islamic Republic of			
Primary Health Care and Family Planning Project	25-Mar-93	1998/2010	141.4
Irrigation Improvement Project	16-Mar-93	1998/2010	157.0
Iran, Islamic Republic of (Guarantor)			
Power Sector Efficiency Improvement Project	30-Mar-93	1998/2010	165.0

(continued)

Table 7-5 (continued)

Borrower or guarantor and purpose	Date of approval	Maturities	Principal amount (US$ millions)
Jamaica			
Private Sector Development Adjustment Loan	15-Jun-93	1998/2010	75.0
Reform of Secondary Education Project	25-Mar-93	1997/2010	32.0
Energy Sector Deregulation and Privatization Project	02-Jul-92	1997/2009	60.0
Jordan			
Health Management Project	16-Mar-93	1998/2013	20.0
Third Transport Project	11-Mar-93	1998/2013	35.0
Korea, Republic of			
Petroleum Distribution and Sector Management Improvement Project	03-Jun-93	1998/2008	120.0
Environmental Research and Education Project	03-Jun-93	1998/2008	60.0
Public Hospital Modernization Project	01-Sep-92	1998/2007	30.0
Kwangju and Seoul Sewerage Project	13-Apr-93	1998/2008	110.0
Latvia			
Rehabilitation Loan	22-Oct-92	1998/2009	45.0
Lebanon			
Emergency Reconstruction and Rehabilitation Project	04-Mar-93	1997/2010	175.0
Lithuania			
Rehabilitation Loan	22-Oct-92	1997/2009	60.0
Malaysia			
Polytechnic Development Project	16-Mar-93	1998/2010	107.0
Third Primary and Secondary Education Sector Project	08-Dec-92	1998/2010	141.0
Mauritius			
Education Sector Development Project	23-Mar-93	1998/2010	20.0
Mexico (Guarantor)			
Highway Rehabilitation and Traffic Safety Project	24-Jun-93	1999/2008	480.0
Medium Size Cities Urban Transport Project	16-Feb-93	1998/2008	200.0
Labor Market and Productivity Enhancement Project	15-Dec-92	1998/2007	174.0
Transport Air Quality Management Project for the Mexico City Metropolitan Area	15-Dec-92	1998/2007	220.0
Initial Education Project	08-Sep-92	1996/2007	80.0
Moldova			
Emergency Drought Recovery Project	11-Mar-93	1998/2010	26.0
Morocco			
First Municipal Finance Project	10-Jun-93	1999/2013	4.0
Land Development Project for Low-Income Families	10-Jun-93	1999/2013	66.0
Second Large-Scale Irrigation Improvement Project	30-Mar-93	1998/2013	215.0
Morocco (Guarantor)			
Land Development Project for Low-Income Families	10-Jun-93	1998/2013	40.0
Land Development Project for Low-Income Families	10-Jun-93	1999/2013	12.0
Land Development Project for Low-Income Families	10-Jun-93	1999/2013	12.0
First Municipal Finance Project	10-Jun-93	1999/2013	100.0
Telecommunications Sector Restructuring Project	02-Feb-93	1998/2012	100.0
Papua New Guinea			
Population and Family Planning Project	13-Apr-93	1998/2013	6.9
Education Development Project	08-Dec-92	1998/2013	35.0
Paraguay			
Third Rural Water Supply and Sanitation Project	10-Sep-92	1998/2012	23.0

Borrower or guarantor and purpose	Date of approval	Maturities	Principal amount (US$ millions)
Peru			
Energy and Mining Technical Assistance Project	01-Jun-93	1999/2013	11.8
Privatization Adjustment Loan	20-Apr-93	1998/2013	250.0
Structural Adjustment Loan (supplement)	21-Dec-92	1998/2012	150.0
Privatization Technical Assistance Project	10-Dec-92	1998/2013	30.0
Philippines			
Second Irrigation Operations Support Project	20-May-93	1999/2013	51.3
Tax Computerization Project	11-May-93	1998/2013	63.0
Economic Integration Program	10-Dec-92	1998/2013	200.0
Philippines (Guarantor)			
Power Transmission and Rehabilitation Project	22-Jun-93	1999/2013	110.0
Telephone System Expansion Project	08-Oct-92	1998/2012	134.0
Poland			
Agriculture Sector Adjustment Loan	04-May-93	1997/2010	300.0
Enterprise and Financial Sector Adjustment	04-May-93	1998/2010	450.0
Roads Project	09-Mar-93	1998/2010	150.0
Romania			
Transport Project	13-Apr-93	1998/2010	120.0
Russia			
Privatization Implementation Assistance Project	17-Dec-92	1998/2010	90.0
Employment Services and Social Protection Project	24-Nov-92	1998/2007	70.0
Rehabilitation Loan	06-Aug-92	1998/2007	600.0
Russia (Guarantor)			
Oil Rehabilitation Project	17-Jun-93	1999/2010	610.0
Seychelles			
Environment and Transport Project	22-Dec-92	1998/2008	4.5
Thailand (Guarantor)			
Distribution System and Energy Efficiency	27-Apr-93	1997/2010	109.0
Bongkot Gas Transmission Project	07-Jul-92	1997/2009	105.0
Tunisia			
Second Forestry Development Project	11-May-93	1999/2010	69.0
Municipal Sector Investment Project	02-Jul-92	1997/2009	75.0
Turkey			
Eastern Anatolia Watershed Rehabilitation Project	11-Mar-93	1998/2010	77.0
Employment and Training Project	10-Dec-92	1998/2010	67.0
Earthquake Rehabilitation and Reconstruction Project	23-Jul-92	1998/2009	285.0
Turkey (Guarantor)			
Bursa Water and Sanitation Project	11-Mar-93	1998/2010	129.5
Ukraine			
Institution Building Project	08-Jun-93	1999/2010	27.0
Uruguay			
Public Enterprise Reform Loan	03-Sep-92	1998/2007	11.0
Venezuela			
Highway Maintenance Project	22-Dec-92	1998/2007	150.0
National Parks Management Project	08-Dec-92	1998/2008	55.0
Endemic Disease Control Project	08-Dec-92	1998/2007	94.0
Judicial Infrastructure Project	06-Aug-92	1998/2007	30.0
Total			16,944.5

NOTE: All loans approved in fiscal 1993 are at variable interest rates.

Table 7-6. Statement of IDA Credits Approved during Fiscal Year 1993

Country and purpose	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$ equivalent
Albania				
Agriculture Sector Adjustment Credit	24-Jun-93	2003/2033	14.2	20.0
Transport Project	20-May-93	2003/2033	13.0	18.0
Technical Assistance Project for Economic Reform	13-May-93	2003/2033	2.9	4.0
Rural Poverty Alleviation Pilot Project	23-Feb-93	2003/2032	1.8	2.4
Angola				
Health Project	11-May-93	2003/2033	14.2	19.9
Transport Recovery Project	03-Sep-92	2002/2021	30.0	41.0
Financial Institutions Modernization Project	03-Sep-92	2002/2032	14.8	21.0
Bangladesh				
Female Secondary School Assistance Project	11-Mar-93	2003/2033	49.5	68.0
Second Industrial Sector Adjustment Credit (supplement)	23-Dec-92	2002/2032	2.5	3.5
Second Industrial Sector Adjustment Credit	27-Oct-92	2002/2032	72.2	100.0
Benin				
Second Rural Savings and Loan Cooperative Rehabilitation Project	29-Jun-93	2003/2033	2.8	3.8
Bolivia				
Integrated Child Development Project	29-Jun-93	2003/2033	35.8	50.7
Second Social Investment Fund Project (SIF)	29-Jun-93	2003/2033	28.3	40.0
Structural Adjustment Credit (supplement)	23-Dec-92	2001/2031	8.0	11.1
Environmental Technical Assistance Project	10-Dec-92	2003/2032	3.3	4.8
Burkina Faso				
Engineering Credit for the Ouagadougou Water Supply Project	22-Jun-93	2003/2033	3.0	4.2
Private Sector Assistance Project	18-Mar-93	2003/2033	5.1	7.0
Food Security and Nutrition Project	09-Jul-92	2003/2032	5.5	7.5
Burundi				
Social Action Project	13-May-93	2003/2033	7.5	10.4
Agribusiness Promotion Project	03-Sep-92	2003/2032	2.3	3.1
Cape Verde				
Transport and Infrastructure Project	04-Mar-93	2003/2033	8.9	12.5
Chad				
Second Transport Sector Project	22-Jun-93	2003/2033	26.2	37.0
Basic Education Project	25-May-93	2003/2033	13.9	19.3
China				
Environmental Technical Assistance Project	22-Jun-93	2003/2028	35.3	50.0
Grain Distribution and Marketing Project	17-Jun-93	2003/2028	118.9	165.0
Zhejiang Multicities Development Project	25-Mar-93	2003/2028	79.3	110.0
Effective Teaching Services Project	16-Mar-93	2003/2027	72.1	100.0
Taihu Basin Flood Control Project	23-Feb-93	2003/2027	72.8	100.0
Agricultural Support Services Project	23-Feb-93	2003/2028	83.7	115.0
Changchun Water Supply and Environmental Project	09-Feb-93	2003/2028	86.6	120.0
Reform, Institutional Support, and Preinvestment Project	15-Dec-92	2003/2027	35.5	50.0
Financial Sector Technical Assistance Project	29-Sep-92	2003/2027	42.1	60.0

Country and purpose	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$ equivalent
China *(continued)*				
Sichuan Agricultural Development Project	07-Jul-92	2003/2027	107.7	147.0
Côte d'Ivoire				
Human Resources Management Project	01-Jun-93	2003/2028	4.7	6.7
Economic Management Project	25-May-93	2003/2028	12.3	17.0
Egypt				
Matruh Resource Management Project	27-May-93	2003/2028	15.9	22.0
Basic Education Improvement Project	25-Mar-93	2003/2027	40.0	55.5
Equatorial Guinea				
Second Petroleum Technical Assistance Project	02-Jul-92	2002/2032	1.8	2.4
Ethiopia				
Structural Adjustment Credit	29-Jun-93	2003/2033	176.5	250.0
Recovery and Rehabilitation Project for Eritrea	30-Mar-93	2003/2033	18.1	25.0
Road Rehabilitation Project	19-Nov-92	2002/2032	66.4	96.0
Gambia, The				
Agricultural Services Project	12-Jan-93	2003/2032	8.8	12.3
Ghana				
Primary School Development Project	10-Jun-93	2003/2033	46.9	65.1
Private Enterprise and Export Development Project	25-May-93	2003/2033	29.6	41.0
Urban Transport Project	25-May-93	2003/2033	55.0	76.2
National Electrification Project	04-Mar-93	2003/2033	55.2	80.0
Private Investment and Sustained Development Promotion (supplement)	23-Dec-92	2001/2031	4.7	6.5
National Livestock Services Project	08-Dec-92	2003/2032	15.3	22.5
Tertiary Education Project	27-Oct-92	2003/2032	31.2	45.0
Environmental Resource Management Project	15-Oct-92	2003/2032	12.6	18.1
Guinea				
Structural Adjustment II (supplement)	23-Dec-92	1998/2028	0.1	0.1
Post and Telecommunications Technical Assistance Project	10-Dec-92	2003/2032	10.0	14.6
Power II Project	28-Jul-92	2002/2032	36.5	50.0
National Agricultural Export Promotion Project	02-Jul-92	2002/2032	15.2	20.8
Guinea-Bissau				
Social Sector Project	23-Feb-93	2003/2033	6.4	8.8
Guyana				
Public Administration Project	30-Mar-93	2003/2027	8.6	12.0
Infrastructure Rehabilitation Project	25-Mar-93	2003/2033	19.0	26.0
Second Structural Adjustment Credit (supplement)	23-Dec-92	2000/2030	2.5	3.5
Honduras				
Transport Sector Rehabilitation Project	16-Feb-93	2003/2033	46.9	65.0
Nutrition and Health Project	05-Jan-93	2003/2033	17.8	25.0

(continued)

Table 7-6 (continued)

Country and purpose	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$ equivalent
Honduras *(continued)*				
Energy Sector Structural Adjustment Credit (supplement)	23-Dec-92	2002/2031	23.9	33.1
Morazan Dam Emergency Project	04-Aug-92	2003/2032	8.8	12.0
India				
National Leprosy Elimination Project	29-Jun-93	2003/2028	60.0	85.0
Uttar Pradesh Basic Education Project	10-Jun-93	2003/2028	116.5	165.0
Uttar Pradesh Sodic Lands Reclamation Project	10-Jun-93	2003/2028	39.5	54.7
Karnataka Rural Water Supply and Environmental Sanitation Project	20-Apr-93	2003/2028	66.3	92.0
Second Integrated Child Development Services Project	09-Mar-93	2003/2027	141.6	194.0
Social Safety Net Sector Adjustment Program	17-Dec-92	2003/2027	354.7	500.0
Renewable Resources Development Project	17-Dec-92	2003/2027	81.6	115.0
Jharia Mine Fire Control Project	17-Dec-92	2003/2027	8.6	12.0
Bihar Plateau Development Project	19-Nov-92	2003/2027	80.7	117.0
Agricultural Development Project—Rajasthan	12-Nov-92	2003/2027	73.1	106.0
Rubber Project	02-Jul-92	2002/2027	66.4	92.0
Kenya				
Emergency Drought Recovery Project	23-Feb-93	2003/2033	14.6	20.0
Education Sector Adjustment Credit (supplement)	23-Dec-92	2001/2031	37.6	52.1
Second Agricultural Sector Management Project	15-Dec-92	2003/2032	13.8	19.4
Parastatal Reform and Privatization Technical Assistance Project	08-Dec-92	2003/2032	16.1	23.3
Kyrgyzstan				
Rehabilitation Credit	13-May-93	2003/2033	43.3	60.0
Lao People's Democratic Republic				
Education Development Project	27-Apr-93	2003/2033	13.7	19.0
Provincial Grid Integration Project	06-Oct-92	2003/2032	25.3	36.0
Madagascar				
Financial Institutions Development Technical Assistance Project	20-May-93	2003/2033	4.6	6.3
Food Security and Nutrition Project	18-Mar-93	2003/2033	15.5	21.3
Rural Finance Technical Assistance Project	16-Feb-93	2003/2033	2.7	3.7
Public Sector Adjustment Credit (supplement)	23-Dec-92	1998/2028	1.0	1.4
Malawi				
Rural Financial Services Project	15-Jun-93	2003/2033	18.0	25.0
Agricultural Services Project	15-Jun-93	2003/2033	33.0	45.8
Entrepreneurship Development and Drought Recovery Credit (supplement)	23-Dec-92	2002/2032	4.3	5.9
Mali				
Private Sector Assistance Project	12-Nov-92	2002/2032	8.2	12.0
Mauritania				
Technical Education and Vocational Training Support Project	22-Jun-93	2003/2033	8.9	12.5

Country and purpose	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$ equivalent
Mauritania *(continued)*				
Construction Capacity and Employment Project	02-Feb-93	2003/2032	8.7	12.0
Public Enterprise Sector Adjustment Credit (supplement)	23-Dec-92	2000/2030	1.6	2.2
Mozambique				
Local Government Reform and Engineering Project	29-Jun-93	2003/2033	16.4	23.2
Food Security Capacity Building Project	27-Apr-93	2003/2033	4.6	6.3
Rural Rehabilitation Project	30-Mar-93	2003/2032	14.5	20.0
Maputo Corridor Revitalization (Technical Assistance) Project	19-Jan-93	2003/2033	6.6	9.3
Capacity Building: Human Resources Development Project	19-Nov-92	2003/2032	34.1	48.6
Capacity Building: Public Sector and Legal Institutions Development Project	19-Nov-92	2003/2032	10.9	15.5
Nepal				
Sunsari Morang Headworks Project	05-Nov-92	2003/2032	19.0	28.0
Nicaragua				
Economic Recovery Credit (supplement)	23-Dec-92	2002/2031	6.1	8.5
Social Investment Fund Project	17-Nov-92	2003/2032	17.3	25.0
Nigeria				
Lagos Drainage and Sanitation Project	17-Jun-93	2003/2028	44.5	63.0
Second Multistate Roads Project	27-Apr-93	2003/2027	61.4	85.0
Development Communication Pilot Project	13-Apr-93	2003/2028	5.9	8.0
Economic Management Technical Assistance Project	05-Nov-92	2003/2027	14.7	20.0
First Multistate Roads Project	21-Jul-92	2002/2027	49.8	68.0
Pakistan				
Northern Resource Management Project	15-Jun-93	2003/2028	20.4	28.8
Balochistan Primary Education Program	13-Apr-93	2003/2028	76.4	106.0
1992 Flood Damage Restoration Project	04-Mar-93	2003/2027	72.8	100.0
Second Family Health Project	23-Feb-93	2003/2028	35.0	48.0
Second Karachi Water Supply and Sanitation Project (supplement)	09-Feb-93	1999/2023	66.4	91.9
Fordwah Eastern Sadiqia (South) Irrigation and Drainage Project	02-Jul-92	2002/2027	39.6	54.2
Philippines				
Urban Health and Nutrition Project	08-Jun-93	2003/2028	50.5	70.0
Rwanda				
Energy Sector Rehabilitation Project	09-Feb-93	2003/2032	18.5	26.0
Senegal				
Second Human Resources Development	18-Mar-93	2003/2033	29.1	40.0
Sierra Leone				
Freetown Infrastructure Rehabilitation Project	10-Jun-93	2003/2033	18.4	26.0
Reconstruction Import Credit (supplement)	23-Dec-92	2002/2032	0.2	0.3
Road Rehabilitation and Maintenance Project	22-Dec-92	2003/2032	32.0	45.0
Public Sector Management Support Project	19-Nov-92	2003/2032	6.9	10.0

(continued)

Table 7-6 (continued)

Country and purpose	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$ equivalent
Solomon Islands				
Third Education and Training Project	25-May-93	2003/2033	12.2	16.9
Sri Lanka				
Colombo Urban Transport Project	18-May-93	2003/2033	14.4	20.0
Private Finance Development Project	20-Apr-93	2003/2033	43.2	60.0
Public Manufacturing Enterprise Adjustment (supplement)	23-Dec-92	2001/2030	4.2	5.8
Community Water Supply and Sanitation Project	10-Dec-92	2003/2032	16.9	24.3
Tanzania				
Parastatal and Public Sector Reform Project	10-Jun-93	2003/2033	25.2	34.9
Power VI Project	06-May-93	2003/2033	144.2	200.0
Third Telecommunications Project	27-Apr-93	2003/2033	53.6	74.5
Financial Sector Adjustment Credit (supplement)	23-Dec-92	2002/2031	8.2	11.3
Financial and Legal Management Upgrading	09-Jul-92	2002/2032	14.6	20.0
Uganda				
Financial Sector Adjustment Credit	20-May-93	2003/2033	72.8	100.0
Primary Education and Teacher Development Project	13-May-93	2003/2033	38.0	52.6
Structural Adjustment Credit (supplement)	23-Dec-92	2002/2031	1.0	1.4
Agricultural Research and Training Project	15-Dec-92	2003/2032	17.8	25.0
Agricultural Extension Project	29-Sep-92	2003/2032	11.0	15.8
Economic and Financial Management Project	04-Aug-92	2002/2032	21.2	29.0
Western Samoa				
Afulilo Hydroelectric (supplement)	22-Apr-93	1997/2036	0.8	1.0
Emergency Road Rehabilitation Project (supplement)	09-Mar-93	2000/2030	3.7	5.1
Yemen				
Family Health Project	24-Jun-93	2003/2033	18.8	26.6
Basic Education Project	09-Jul-92	2002/2032	14.5	19.7
Zambia				
Second Privatization and Industrial Reform Credit (supplement)	24-Jun-93	2003/2033	72.1	100.0
Transport Engineering and Technical Assistance	17-Jun-93	2003/2033	6.2	8.5
Privatization and Industrial Reform Credit (supplement)	23-Dec-92	2002/2032	15.1	20.9
Education Rehabilitation Project	27-Oct-92	2003/2032	22.2	32.0
Agricultural Marketing and Processing Infrastructure Project	08-Sep-92	2002/2032	24.1	33.0
Zimbabwe				
Second Structural Adjustment Credit	29-Jun-93	2003/2028	88.3	125.0
Sexually Transmitted Infections Prevention and Care Project	17-Jun-93	2003/2028	45.6	64.5
Total			4,832.2	6,751.4

NOTE: Starting with the sixth replenishment of IDA, credits are expressed in special drawing rights (SDRs). The US-dollar equivalent of the original principal amount of credits denominated in SDRs is shown at the rate approved by the executive board. All credits approved in fiscal 1993 have a service charge of 0.75 percent on the disbursed and outstanding balance. Details may not add to totals because of rounding.

Table 7-7. **IBRD and IDA Cumulative Lending Operations, by Borrower or Guarantor, June 30, 1993**
(amounts in millions of US dollars)

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Afghanistan	—	—	20	230.1	20	230.1
Africa region	1	15.0	1	45.5	2	60.5
Albania	—	—	5	85.5	5	85.5
Algeria	52	4,420.5	—	—	52	4,420.5
Angola	—	—	8	248.8	8	248.8
Argentina	55	8,133.3	—	—	55	8,133.3
Armenia	1	12.0	—	—	1	12.0
Australia	7	417.7	—	—	7	417.7
Austria	9	106.4	—	—	9	106.4
Bahamas, The	5	42.8	—	—	5	42.8
Bangladesh	1	46.1	138	6,132.8	139	6,178.9
Barbados	10	95.4	—	—	10	95.4
Belgium	4	76.0	—	—	4	76.0
Belize	5	33.3	—	—	5	33.3
Benin	—	—	36	491.5	36	491.5
Bhutan	—	—	5	22.8	5	22.8
Bolivia	14	299.3	39	896.7	53	1,196.0
Botswana	20	280.7	6	15.8	26	296.5
Brazil	199	20,553.1	—	—	199	20,553.1
Bulgaria	5	445.0	—	—	5	445.0
Burkina Faso	—	1.9	41	665.8	41	667.7
Burundi	1	4.8	44	658.1	45	662.9
Cameroon	44	1,294.4	15	253.0	59	1,547.4
Cape Verde	—	—	6	36.8	6	36.8
Caribbean region	3	63.0	2	32.0	5	95.0
Central African Republic	—	—	23	386.9	23	386.9
Chad	—	—	26	388.2	26	388.2
Chile	53	3,245.4	—	19.0	53	3,264.4
China	74	9,614.4	53	6,870.7	127	16,485.1
Colombia	134	7,888.6	—	19.5	134	7,908.1
Comoros	—	—	10	55.1	10	55.1
Congo	10	216.7	8	74.6	18	291.3
Costa Rica	37	866.9	—	5.5	37	872.4
Côte d'Ivoire	62	2,887.9	4	146.2	66	3,034.1
Cyprus	30	418.8	—	—	30	418.8
Czechoslovakia	2	696.0	—	—	2	696.0
Denmark	3	85.0	—	—	3	85.0
Djibouti	—	—	8	51.6	8	51.6
Dominica	—	—	3	11.0	3	11.0
Dominican Republic	21	566.9	3	22.0	24	588.9
East African Community	10	244.8	—	—	10	244.8
Eastern Africa region	—	—	1	45.0	1	45.0
Ecuador	51	1,848.9	5	36.9	56	1,885.8
Egypt	55	3,901.8	31	1,309.5	86	5,211.3
El Salvador	23	433.1	2	25.6	25	458.7
Equatorial Guinea	—	—	9	45.0	9	45.0
Estonia	1	30.0	—	—	1	30.0
Ethiopia	12	108.6	51	1,785.8	63	1,894.4
Fiji	13	152.9	—	—	13	152.9
Finland	18	316.8	—	—	18	316.8

(continued)

Table 7-7 (continued)

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
France	1	250.0	—	—	1	250.0
Gabon	10	176.8	—	—	10	176.8
Gambia, The	—	—	21	146.6	21	146.6
Ghana	9	207.0	70	2,411.5	79	2,618.5
Greece	17	490.8	—	—	17	490.8
Grenada	—	—	1	5.0	1	5.0
Guatemala	23	725.1	—	—	23	725.1
Guinea	3	75.2	40	829.9	43	905.1
Guinea-Bissau	—	—	18	186.9	18	186.9
Guyana	12	80.0	10	212.5	22	292.5
Haiti	1	2.6	31	453.0	32	455.6
Honduras	33	717.3	12	350.6	45	1,067.9
Hungary	30	3,505.9	—	—	30	3,505.9
Iceland	10	47.1	—	—	10	47.1
India	152	21,744.2	196	20,449.3	348	42,193.5
Indonesia	177	18,921.9	46	931.8	223	19,853.7
Iran, Islamic Republic of	39	2,058.1	—	—	39	2,058.1
Iraq	6	156.2	—	—	6	156.2
Ireland	8	152.5	—	—	8	152.5
Israel	11	284.5	—	—	11	284.5
Italy	8	399.6	—	—	8	399.6
Jamaica	56	1,179.9	—	—	56	1,179.9
Japan	31	862.9	—	—	31	862.9
Jordan	35	1,098.4	15	85.3	50	1,183.7
Kenya	46	1,200.0	61	2,138.2	107	3,338.2
Korea, Republic of	104	7,944.0	6	110.8	110	8,054.8
Kyrgyzstan	—	—	1	60.0	1	60.0
Lao People's Democratic Republic	—	—	17	335.2	17	335.2
Latvia	1	45.0	—	—	1	45.0
Lebanon	5	291.6	—	—	5	291.6
Lesotho	1	110.0	22	213.2	23	323.2
Liberia	21	156.0	14	114.5	35	270.5
Lithuania	1	60.0	—	—	1	60.0
Luxembourg	1	12.0	—	—	1	12.0
Madagascar	5	32.9	56	1,108.2	61	1,141.1
Malawi	9	124.1	54	1,242.9	63	1,367.0
Malaysia	81	3,326.6	—	—	81	3,326.6
Maldives	—	—	5	33.9	5	33.9
Mali	—	1.9	46	802.0	46	803.9
Malta	1	7.5	—	—	1	7.5
Mauritania	3	146.0	30	301.3	33	447.3
Mauritius	26	346.5	4	20.2	30	366.7
Mexico	141	21,888.6	—	—	141	21,888.6
Moldova	1	26.0	—	—	1	26.0
Mongolia	—	—	2	35.0	2	35.0
Morocco	99	6,677.7	3	50.8	102	6,728.5
Mozambique	—	—	23	974.3	23	974.3
Myanmar	3	33.4	30	804.0	33	837.4
Nepal	—	—	61	1,296.9	61	1,296.9
Netherlands	8	244.0	—	—	8	244.0
New Zealand	6	126.8	—	—	6	126.8

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Nicaragua	27	233.6	6	213.8	33	447.4
Niger	—	—	35	506.1	35	506.1
Nigeria	84	6,248.2	14	902.9	98	7,151.1
Norway	6	145.0	—	—	6	145.0
Oman	11	157.1	—	—	11	157.1
Pakistan	76	4,783.2	92	4,059.1	168	8,842.3
Panama	32	816.3	—	—	32	816.3
Papua New Guinea	26	531.0	9	113.2	35	644.2
Paraguay	29	510.1	6	45.5	35	555.6
Peru	66	3,153.7	—	—	66	3,153.7
Philippines	130	8,572.9	5	294.2	135	8,867.1
Poland	18	3,511.0	—	—	18	3,511.0
Portugal	32	1,338.8	—	—	32	1,338.8
Romania	38	3,134.3	—	—	38	3,134.3
Russia	4	1,370.0	—	—	4	1,370.0
Rwanda	—	—	42	617.4	42	617.4
São Tomé and Principe	—	—	8	58.9	8	58.9
Senegal	19	164.9	53	1,023.5	72	1,188.4
Seychelles	2	10.7	—	—	2	10.7
Sierra Leone	4	18.7	17	261.8	21	280.5
Singapore	14	181.3	—	—	14	181.3
Solomon Islands	—	—	6	33.9	6	33.9
Somalia	—	—	39	492.1	39	492.1
South Africa	11	241.8	—	—	11	241.8
Spain	12	478.7	—	—	12	478.7
Sri Lanka	12	210.7	61	1,862.0	73	2,072.7
St. Kitts and Nevis	1	1.5	—	1.5	1	3.0
St. Lucia	1	2.5	—	5.2	1	7.7
St. Vincent and the Grenadines	1	1.4	1	6.4	2	7.8
Sudan	8	166.0	48	1,352.9	56	1,518.9
Swaziland	11	75.8	2	7.8	13	83.6
Syria	17	613.2	3	47.3	20	660.5
Tanzania	18	318.2	79	2,496.8	97	2,815.0
Thailand	100	4,734.1	6	125.1	106	4,859.2
Togo	1	20.0	34	509.5	35	529.5
Tonga	—	—	2	5.0	2	5.0
Trinidad and Tobago	17	216.5	—	—	17	216.5
Tunisia	90	3,127.2	5	74.6	95	3,201.8
Turkey	111	11,957.9	10	178.5	121	12,136.4
Uganda	1	8.4	49	1,854.5	50	1,862.9
Ukraine	1	27.0	—	—	1	27.0
Uruguay	35	1,124.1	—	—	35	1,124.1
Vanuatu	—	—	4	15.4	4	15.4
Venezuela	27	2,795.3	—	—	27	2,795.3
Viet Nam	—	—	1	60.0	1	60.0
Western Africa region	1	6.1	3	52.5	4	58.6
Western Samoa	—	—	8	46.6	8	46.6
Yemen	—	—	98	1,055.4	98	1,055.4
Yugoslavia	90	6,114.7	—	—	90	6,114.7

(continued)

***Table 7-7** (continued)*

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Zaire	7	330.0	59	1,151.5	66	1,481.5
Zambia	28	679.1	28	1,009.7	56	1,688.8
Zimbabwe	23	893.2	6	443.4	29	1,336.6
Other[a]	14	329.4	4	15.3	18	344.7
Total	3,536	235,154.4	2,341	77,816.4	5,877	312,970.8

— Zero

NOTE: Joint IBRD/IDA operations are counted only once, as IBRD operations. When more than one loan is made for a single project, the operation is counted only once. Details may not add to totals because of rounding.

a. Represents IBRD loans and IDA credits made at a time when the authorities on Taiwan represented China in the World Bank (prior to May 15, 1980).

Financial Statements of the International Bank for Reconstruction and Development

Balance Sheet

June 30, 1993 and June 30, 1992
Expressed in millions of US dollars

	1993	1992
Assets		
DUE FROM BANKS		
Unrestricted currencies	$ 68	$ 124
Currencies subject to restrictions—Note A	571	842
	639	966
INVESTMENTS—Notes B and E		
Obligations of governments and other official entities	10,974	17,092
Time deposits and other obligations of banks and other financial institutions	7,620	6,638
	18,594	23,730
CASH COLLATERAL INVESTED—Note B	1,772	5,759
NONNEGOTIABLE, NONINTEREST-BEARING DEMAND OBLIGATIONS ON ACCOUNT OF SUBSCRIBED CAPITAL (subject to restrictions—Note A)	1,547	1,719
AMOUNTS REQUIRED TO MAINTAIN VALUE OF CURRENCY HOLDINGS—Note A		
Amounts receivable	1,210	700
Amounts deferred	480	227
	1,690	927
OTHER RECEIVABLES		
Net receivables from currency swaps—Notes D and E	775	684
Receivables from investment securities sold	1,526	1,840
Accrued income on loans	2,248	2,283
Accrued interest on investments	123	194
	4,672	5,001
LOANS OUTSTANDING		
(see Summary Statement of Loans, Notes C and E)		
Total loans	158,879	154,933
Less loans approved but not yet effective	10,964	11,193
Less undisbursed balance of effective loans	43,464	42,930
	104,451	100,810
OTHER ASSETS		
Unamortized issuance costs of borrowings	501	575
Miscellaneous	1,135	929
	1,636	1,504
Total assets	$135,001	$140,416

	1993	1992
Liabilities		
BORROWINGS (see Summary Statement of Borrowings, Notes D and E)		
Short-term	$ 3,775	$ 5,374
Medium- and long-term	92,488	91,682
	96,263	97,056
PAYABLE FOR CASH COLLATERAL RECEIVED	1,772	5,759
AMOUNTS REQUIRED TO MAINTAIN VALUE OF CURRENCY HOLDINGS—Note A		
Amounts payable	4	40
Amounts deferred	754	748
	758	788
OTHER LIABILITIES		
Accrued charges on borrowings	2,750	2,942
Net payables for currency swaps—Notes D and E	1,972	1,241
Payables for investment securities purchased	1,715	4,830
Due to the International Development Association and the Debt Reduction Facility for IDA-Only Countries—Note F	1,013	1,112
Accounts payable and other liabilities	485	460
	7,935	10,585
ACCUMULATED PROVISION FOR LOAN LOSSES—Note C	3,150	2,540
Total liabilities	109,878	116,728
Equity		
CAPITAL STOCK (see Statement of Subscriptions to Capital Stock and Voting Power and Note A)		
Authorized capital (1,525,659 shares—June 30, 1993 and June 30, 1992)		
Subscribed capital (1,372,648 shares—June 30, 1993; 1,262,054 shares—June 30, 1992)	165,589	152,248
Less uncalled portion of subscriptions	155,058	142,188
	10,531	10,060
PAYMENTS ON ACCOUNT OF PENDING SUBSCRIPTIONS—Note A	19	48
RETAINED EARNINGS (see Statement of Changes in Retained Earnings and Note F)	14,032	13,202
CUMULATIVE TRANSLATION ADJUSTMENT (see Statement of Changes in Cumulative Translation Adjustment)	541	378
Total equity	25,123	23,688
Total liabilities and equity	$135,001	$140,416

The Notes to Financial Statements are an integral part of these Statements.

Statement of Income

For the fiscal years ended June 30, 1993 and June 30, 1992
Expressed in millions of US dollars

	1993	1992
Income		
Income from loans—Note C		
Interest	$7,957	$7,773
Commitment charges	124	115
Income from investments—Note B	1,361	1,771
Other income	9	12
Total income	9,451	9,671
Expenses		
Borrowing expenses		
Interest on borrowings—Note D	6,654	6,653
Prepayment costs	108	88
Amortization of issuance costs and other borrowing costs	109	123
Interest on payable for cash collateral received	81	127
Administrative expenses—Notes G, H and I	679	612
Provision for loan losses—Note C	578	353
Other expenses	6	6
Total expenses	8,215	7,962
Operating Income	1,236	1,709
Less contributions to special programs—Note G	106	64
Net Income	$1,130	$1,645

Statement of Changes in Retained Earnings

For the fiscal years ended June 30, 1993 and June 30, 1992
Expressed in millions of US dollars

	1993	1992
Retained earnings at beginning of fiscal year	$13,202	$11,937
Transfer to International Development Association—Note F	(300)	(350)
Transfer to Technical Assistance Trust Fund for the Union of Soviet Socialist Republics—Note F	—	(30)
Net Income for fiscal year	1,130	1,645
Retained earnings at end of the fiscal year	$14,032	$13,202

Statement of Changes in Cumulative Translation Adjustment

For the fiscal years ended June 30, 1993 and June 30, 1992
Expressed in millions of US dollars

	1993	1992
Cumulative translation adjustment at beginning of fiscal year	$378	$ (720)
Translation adjustments for fiscal year	163	1,098
Cumulative translation adjustment at end of fiscal year	$541	$ 378

The Notes to Financial Statements are an integral part of these Statements.

Statement of Cash Flows

For the fiscal years ended June 30, 1993 and June 30, 1992
Expressed in millions of US dollars

	1993	1992
Cash flows from lending and development activities		
Loan disbursements	$(13,077)	$(11,727)
Loan principal repayments	10,186	9,488
Loan principal prepayments	460	330
Payments to International Development Association	(303)	(211)
Payments to Debt Reduction Facility for IDA-Only Countries	(29)	(10)
Payments to Technical Assistance Trust Fund for the Union of Soviet Socialist Republics	—	(30)
Net cash used in lending and development activities	(2,763)	(2,160)
Cash flows from financing activities		
Medium- and long-term borrowings		
New issues	12,445	11,754
Retirements	(12,282)	(12,471)
Net cash flows from short-term borrowings	(1,652)	(142)
Net cash flows from currency swaps	(357)	(96)
Net cash flows from capital transactions	344	471
Net cash flows from financing activities	(1,502)	(484)
Cash flows from operating activities		
Net income	1,130	1,645
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	244	309
Provision for loan losses	578	353
Changes in assets and liabilities		
Decrease in accrued income on loans and investments	110	32
Increase in miscellaneous assets	(210)	(152)
Decrease in accrued charges on borrowings	(174)	(13)
Increase in accounts payable and other liabilities	8	63
Net cash provided by operating activities	1,686	2,237
Effect of exchange rate changes on unrestricted cash and liquid investments	188	1,257
Net (decrease) increase in unrestricted cash and liquid investments	(2,391)	850
Unrestricted cash and liquid investments at beginning of fiscal year	20,864	20,014
Unrestricted cash and liquid investments at end of fiscal year	$ 18,473	$ 20,864
Composed of		
Investments	$ 18,594	$ 23,730
Unrestricted currencies	68	124
Net payable for investment securities purchased/sold	(189)	(2,990)
	$ 18,473	$ 20,864
Supplemental disclosure		
Increase resulting from exchange rate fluctuations		
Loans outstanding	$ 1,210	$ 8,263
Borrowings	525	7,516
Net payable for currency swaps	992	200

The Notes to Financial Statements are an integral part of these Statements.

Summary Statement of Loans

June 30, 1993
Expressed in millions of US dollars

Borrower or guarantor	Total loans	Loans approved but not yet effective[1]	Undisbursed loans[2]	Loans outstanding[3]	Percentage of total loans outstanding
Algeria	$ 3,032	$ 297	$1,177	$ 1,558	1.49
Argentina	5,349	339	1,266	3,744	3.58
Armenia	12	—	12	—	*
Australia[4]	1	—	—	1	*
Bahamas, The	24	—	4	20	0.02
Bangladesh	61	—	—	61	0.06
Barbados	49	—	23	26	0.02
Belize	33	—	13	20	0.02
Bolivia	143	—	—	143	0.14
Botswana	143	—	10	133	0.13
Brazil	11,846	533	4,265	7,048	6.75
Bulgaria	452	178	116	158	0.15
Cameroon	1,016	—	261	755	0.72
Chile	2,561	—	596	1,965	1.88
China	9,171	1,545	3,354	4,272	4.09
Colombia	4,646	449	1,023	3,174	3.04
Congo	183	16	4	163	0.16
Costa Rica	620	167	89	364	0.35
Côte d'Ivoire[5]	2,238	—	385	1,853	1.77
Croatia	153	—	35	118	0.11
Cyprus	161	—	117	44	0.04
Czech Republic[6]	553	—	241	312	0.30
Dominican Republic	382	—	119	263	0.25
Ecuador	1,326	75	468	783	0.75
Egypt, Arab Republic of	2,326	130	802	1,394	1.33
El Salvador	319	40	65	214	0.20
Estonia	30	—	16	14	0.01
Ethiopia	10	—	—	10	0.01
Fed. Republic of Yugoslavia/Bosnia-Herzegovina[7]	1,967	380	21	1,566	1.50
Fiji	83	15	19	49	0.05
Gabon	114	23	7	84	0.08
Ghana	84	—	—	84	0.08
Greece	6	—	—	6	0.01
Guatemala	448	52	197	199	0.19
Guyana	44	—	—	44	0.04
Honduras	521	—	40	481	0.46
Hungary	3,229	223	969	2,037	1.95
Iceland	5	—	—	5	*
India	15,166	420	5,421	9,325	8.93
Indonesia	16,108	561	4,224	11,323	10.84
Iran, Islamic Republic of	866	165	552	149	0.14
Iraq	44	—	—	44	0.04
Ireland	4	—	—	4	*
Jamaica	843	32	197	614	0.59
Jordan	751	55	115	581	0.56
Kenya[8]	622	—	3	619	0.59
Kenya, Tanzania and Uganda[9]	1	—	—	1	*
Korea, Republic of	3,324	290	442	2,592	2.48
Latvia	45	—	38	7	0.01
Lebanon	195	175	—	20	0.02
Lesotho	110	—	88	22	0.02
Liberia	141	—	—	141	0.13
Lithuania	60	—	53	7	0.01
Macedonia, Former Yugoslav Republic of[7]	161	—	2	159	0.15
Madagascar	18	—	—	18	0.02

Borrower or guarantor	Total loans	Loans approved but not yet effective[1]	Undisbursed loans[2]	Loans outstanding[3]	Percentage of total loans outstanding
Malawi	$ 72	$ —	$ —	$ 72	0.07
Malaysia	1,496	107	317	1,072	1.03
Mauritania	26	—	—	26	0.02
Mauritius	231	15	63	153	0.15
Mexico	16,108	980	2,741	12,387	11.86
Moldova	26	—	10	16	0.02
Morocco	5,123	549	1,029	3,545	3.39
Nicaragua	97	—	—	97	0.09
Nigeria	4,878	—	1,635	3,243	3.10
Oman	59	—	8	51	0.05
Pakistan	3,863	—	1,306	2,557	2.45
Panama	333	—	60	273	0.26
Papua New Guinea[4]	419	69	85	265	0.25
Paraguay	260	—	57	203	0.19
Peru	1,753	42	275	1,436	1.37
Philippines	6,404	358	1,521	4,525	4.33
Poland	3,532	955	1,655	922	0.88
Portugal	209	—	75	134	0.13
Romania	956	120	484	352	0.34
Russia	1,370	770	297	303	0.29
St. Kitts and Nevis	1	—	1	*	*
St. Lucia	2	—	2	*	*
St. Vincent	1	—	1	*	*
Senegal	57	—	—	57	0.05
Seychelles	10	—	5	5	*
Sierra Leone	3	—	—	3	*
Singapore	1	—	—	1	*
Slovak Republic[10]	153	—	—	153	0.15
Slovenia	196	—	37	159	0.15
Sri Lanka	63	—	—	63	0.06
Sudan	7	—	—	7	0.01
Swaziland	26	—	—	26	0.02
Syrian Arab Republic	423	—	—	423	0.41
Tanzania	156	—	—	156	0.15
Thailand	2,352	109	316	1,927	1.84
Trinidad and Tobago	100	—	42	58	0.06
Tunisia	2,159	69	527	1,563	1.50
Turkey	8,681	207	2,970	5,504	5.27
Uganda	19	—	—	19	0.02
Ukraine	27	27	—	—	*
Uruguay	697	—	166	531	0.51
Venezuela	2,481	427	522	1,532	1.47
Zaire	84	—	—	84	0.08
Zambia	262	—	—	262	0.25
Zimbabwe	731	—	213	518	0.50
Subtotal Countries/Republics	157,707	10,964	43,269	103,474	99.07
Caribbean Development Bank[11]	$ 44	$ —	$ 19	$ 25	0.02
West African Development Bank[12]	19	—	15	4	*
International Finance Corporation	1,109	—	161	948	0.91
Total—June 30, 1993	$158,879	$10,964	$43,464	$104,451	100.00
Total—June 30, 1992	$154,933	$11,193	$42,930	$100,810	

* Indicates amounts less than $0.5 million or 0.005 percent.

(continued)

Summary Statement of Loans *(continued)*

June 30, 1993
Expressed in millions of US dollars

Notes

1. Loans totaling $5,996 million ($7,387 million—June 30, 1992) have been approved by the IBRD, but the related agreements have not been signed. Loan agreements totaling $4,968 million ($3,806 million—June 30, 1992) have been signed, but the loans do not become effective and disbursements thereunder do not start until the borrowers and guarantors, if any, take certain actions and furnish certain documents to the IBRD.
2. Of the undisbursed balance, the IBRD has entered into irrevocable commitments to disburse $1,837 million ($1,634 million—June 30, 1992).
3. Total loans outstanding as of June 30, 1993 includes $80,832 million ($72,124 million—June 30, 1992) at variable interest rates, and $23,619 million ($28,686 million—June 30, 1992) at fixed interest rates.
4. In some instances loans were made, with the guarantee of a member, in countries which at the time were included in that member's territories but which subsequently became independent and separate members of the IBRD. Liabilities for these loans are shown under the name of the original member (whose guarantee continues unaffected). Loans with outstanding balances equivalent to $1 million ($3 million—June 30, 1992) are shown under Australia, the guarantor, but represent obligations of Papua New Guinea.
5. One loan with an outstanding balance equivalent to $3 million ($5 million—June 30, 1992) is shown under Côte d'Ivoire (Guarantor) but is also partially guaranteed by Burkina Faso.
6. These loans were assumed or guaranteed by the Czech Republic when it succeeded to the membership of the dissolved Czech and Slovak Federal Republic on January 1, 1993. See also Notes to Financial Statements—Note A.
7. See Notes to Financial Statements—Notes A and C.
8. Includes portions of loans made to corporations of the former East African Community.
9. Members are jointly and severally liable.
10. These loans were assumed or guaranteed by the Slovak Republic when it succeeded to the membership of the dissolved Czech and Slovak Federal Republic on January 1, 1993. See also Notes to Financial Statements—Note A.
11. These loans are for the benefit of The Bahamas, Barbados, Grenada, Guyana, Jamaica, Trinidad and Tobago, and territories of the United Kingdom (Associated States and Dependencies) in the Caribbean Region, who are severally liable as guarantors to the extent of subloans made in their territories.
12. The loan is for the benefit of Côte d'Ivoire and Senegal, who are severally liable as guarantors to the extent of subloans made in their territories.

Summary of Currencies Repayable on Loans Disbursed and Outstanding

Currency	1993	1992	Currency	1993	1992
Austrian schillings	$ 175	$ 195	Luxembourg francs	$ 63	$ 101
Belgian francs	220	247	Malaysian ringgits	42	43
Canadian dollars	178	192	Netherlands guilders	2,808	4,337
Danish kroner	71	76	Norwegian kroner	62	75
Deutsche mark	23,412	23,483	Portuguese escudos	21	25
European currency units	19	26	Pounds sterling	245	321
Finnish markkaa	44	58	Saudi Arabian riyals	91	92
French francs	732	749	South African rand	42	44
Indian rupees	26	27	Spanish pesetas	116	157
Irish pounds	24	29	Swedish kronor	73	103
Italian lire	185	242	Swiss francs	12,235	14,697
Japanese yen	35,190	28,724	United States dollars	28,200	26,554
Kuwaiti dinars	151	170	Other currencies	26	43
			Loans outstanding	$104,451	$100,810

Maturity Structure of Loans Outstanding

Period	
July 1, 1993 through June 30, 1994	$ 11,362
July 1, 1994 through June 30, 1995	10,786
July 1, 1995 through June 30, 1996	11,176
July 1, 1996 through June 30, 1997	11,210
July 1, 1997 through June 30, 1998	10,729
July 1, 1998 through June 30, 2003	36,368
July 1, 2003 through June 30, 2008	11,635
July 1, 2008 through June 30, 2013	1,185
Total	$104,451

Summary Statement of Borrowings

June 30, 1993 and June 30, 1992
Expressed in millions of US dollars

Medium- and Long-term Borrowings and Swaps

	Medium- and long-term borrowings			Swap agreements[a]			Net currency obligations	
	Principal outstanding[b]		Weighted average cost (%)	Currency swap payables (receivables)		Weighted average cost (return) (%)		
	1993	1992	1993	1993	1992	1993	1993	1992
Australian dollars	$ 498	$ 689	14.01	$ (503)	$ (699)	(14.02)	$ (5)	$ (10)
Austrian schillings	274	405	7.89	(68)	(167)	(8.44)	206	238
Belgian francs	483	584	8.47	(434)	(518)	(8.75)	49	66
Canadian dollars	1,718[d]	1,255	9.43	(1,584)	(1,110)	(9.31)[c]	134	145
Danish kroner	122	224	9.93	(121)	(222)	(9.93)	1	2
Deutsche mark	9,127[d]	12,893	7.37	10,129	7,722	7.42[c]		
				(49)	(54)	(5.90)[c]	19,207	20,561
European currency units	2,431[d]	2,731[d]	8.15	(2,120)	(2,513)	(8.18)	311	218
Finnish markkaa	209	358	9.79	(206)	(354)	(9.81)	3	4
French francs	1,337	1,194	9.24	(807)	(608)	(9.10)[c]	530	586
Hong Kong dollars	271	272	9.41	(267)	(270)	(9.42)	4	2
Italian lire	3,310[d]	4,110[d]	11.06	(3,298)	(4,098)	(11.07)	12	12
Japanese yen	34,173[d]	28,775[d]	5.63	721	941	7.34[c]		
				(1,885)	(1,612)	(7.19)[c]	33,009	28,104
Kuwaiti dinars	99	103	7.65	—	—	—	99	103
Luxembourg francs	142	186	7.96	(84)	(93)	(8.21)	58	93
Netherlands guilders	3,184	3,374	7.47	564	827	6.75		
				(1,271)	(886)	(7.72)	2,497	3,315
New Zealand dollars	175	177	12.65	(174)	(178)	(12.67)	1	(1)
Norwegian kroner	34	41	9.55	—	—	—	34	41
Portuguese escudos	195	249	11.59	(194)	(247)	(11.61)	1	2
Pounds sterling	2,692[d]	2,711	9.88	(1,381)	(1,088)	(9.38)[c]	1,311	1,623
Spanish pesetas	1,077	1,245	11.82	(1,064)	(1,229)	(11.83)	13	16
Swedish kronor	279	402	10.66	(278)	(394)	(10.67)[c]	1	8
Swiss francs	5,692	6,717	6.23	4,680	5,867	5.41[c]	10,372	12,584
United States dollars	25,013[d,e]	22,962[d,e]	8.20	4,030	4,046	8.53[c]		
				(3,158)	(2,506)	(7.66)[c]	25,885	24,502
Principal at face value	92,535	91,657	7.32[f]					
Plus net unamortized (discounts) premiums	(47)	25						
Total	$92,488	$91,682						

a. See Notes to Financial Statements—Notes D and E.

b. Includes zero-coupon borrowings which have been recorded at their discounted values. The aggregate face amounts and discounted values of these borrowings at June 30 were:

In millions of US-dollar equivalents	Aggregate face amount		Discounted value	
Currency	1993	1992	1993	1992
Canadian dollars	$ 156	$ 168	$117	$115
Deutsche mark	1,169	1,295	278	289
Italian lire	64	86	47	55
Swiss francs	858	933	212	218
United States dollars	2,969	3,127	608	569

c. Includes income and expense from interest rate swaps. At June 30, the IBRD had entered into interest rate swap agreements with respect to notional principal amounts as follows:

In millions	Currency amount		US-dollar equivalent	
Currency	1993	1992	1993	1992
Canadian dollars	149	149	$ 117	$ 125
Deutsche mark	13,569	8,269	7,932	5,353
French francs	984	984	171	190
Japanese yen	97,500	97,500	922	777
Pounds sterling	100	100	149	189
Swedish kronor	300	300	38	54
Swiss francs	1,124	1,124	742	806
United States dollars	4,521	4,260	4,521	4,260

(continued)

Summary Statement of Borrowings *(continued)*

June 30, 1993 and June 30, 1992
Expressed in millions of US dollars

As of June 30, 1993, 95 percent (93 percent—June 30, 1992) of the above notional principal amounts of these interest rate swap agreements were from floating rates into fixed rates

d. Includes the following variable interest rate borrowings at June 30 which through swaps were transformed into the financial equivalent of fixed rate borrowings:

In millions

Currency	Currency amount 1993	Currency amount 1992	US-dollar equivalent 1993	US-dollar equivalent 1992
Canadian dollars	100	—	$ 78	$ —
Deutsche mark	200	—	117	—
European currency units	640	575	734	764
Italian lire	200,000	200,000	129	171
Japanese yen	97,500	97,500	922	777
Pounds sterling	25	—	37	—
United States dollars	1,377	380	1,377	380

e. Includes $54 million ($99 million—June 30, 1992) of variable rate borrowings and $173 million ($172 million—June 30, 1992) borrowed from the Interest Subsidy Fund. The Interest Subsidy Fund, which obtained its resources from voluntary contributions from member governments, was established to subsidize the interest payments to the IBRD on selected loans.

f. The weighted average cost of medium- and long-term borrowings outstanding at June 30, 1993, after adjustment for swap activities, was 6.90 percent (7.10 percent—June 30, 1992).

Maturity Structure of Medium- and Long-term Borrowings

Period	
July 1, 1993 through June 30, 1994	$ 7,958
July 1, 1994 through June 30, 1995	10,172
July 1, 1995 through June 30, 1996	8,967
July 1, 1996 through June 30, 1997	11,862
July 1, 1997 through June 30, 1998	12,781
July 1, 1998 through June 30, 2003	28,763
July 1, 2003 through June 30, 2008	3,927
July 1, 2008 through June 30, 2013	2,505
July 1, 2013 through June 30, 2018	3,871
July 1, 2018 through June 30, 2023	1,399
Thereafter	330
Total	$92,535

Short-term Borrowings

	Principal outstanding 1993	Principal outstanding 1992	Weighted average cost (%) 1993
Short-term Notes (US dollars)			
Principal outstanding at face value	$1,306	$2,750	
Net unamortized discounts and premiums	(13)	(1)	
Subtotal	1,293	2,749	3.57
Central Bank Facility (US dollars)	2,482	2,600	3.59
Continuously Offered Payment-Rights (Swiss francs)	—	25	—
Total	$3,775	$5,374	3.58

The Notes to Financial Statements are an integral part of these Statements.

Statement of Subscriptions to Capital Stock and Voting Power

June 30, 1993
Expressed in millions of US dollars

Member	Subscriptions					Voting power	
	Shares	Percentage of total	Total amounts	Amounts paid in (Note A)	Amounts subject to call (Note A)	Number of votes	Percentage of total
Afghanistan	300	0.02	$ 36	$ 4	$ 33	550	0.04
Albania	830	0.06	100	4	97	1,080	0.08
Algeria	5,192	0.38	626	52	574	5,442	0.38
Angola	2,676	0.19	323	17	305	2,926	0.21
Antigua and Barbuda	292	0.02	35	*	35	542	0.04
Argentina	10,052	0.73	1,213	104	1,109	10,302	0.73
Armenia	1,139	0.08	137	6	131	1,389	0.10
Australia	21,610	1.57	2,607	171	2,435	21,860	1.54
Austria	11,063	0.81	1,335	81	1,254	11,313	0.80
Azerbaijan	924	0.07	111	7	104	1,174	0.08
Bahamas, The	1,071	0.08	129	5	124	1,321	0.09
Bahrain	619	0.05	75	4	71	869	0.06
Bangladesh	4,428	0.32	534	32	502	4,678	0.33
Barbados	948	0.07	114	4	110	1,198	0.08
Belarus	1,865	0.14	225	17	208	2,115	0.15
Belgium	28,983	2.11	3,496	216	3,281	29,233	2.06
Belize	329	0.02	40	1	39	579	0.04
Benin	487	0.04	59	3	56	737	0.05
Bhutan	479	0.03	58	1	57	729	0.05
Bolivia	1,002	0.07	121	8	113	1,252	0.09
Botswana	615	0.04	74	2	72	865	0.06
Brazil	24,946	1.82	3,009	185	2,824	25,196	1.78
Bulgaria	5,215	0.38	629	37	593	5,465	0.39
Burkina Faso	487	0.04	59	3	56	737	0.05
Burundi	402	0.03	48	2	47	652	0.05
Cambodia	214	0.02	26	3	23	464	0.03
Cameroon	857	0.06	103	7	97	1,107	0.08
Canada	44,795	3.26	5,404	335	5,069	45,045	3.18
Cape Verde	508	0.04	61	1	60	758	0.05
Central African Republic	484	0.04	58	2	56	734	0.05
Chad	484	0.04	58	2	56	734	0.05
Chile	6,931	0.50	836	50	787	7,181	0.51
China	44,799	3.26	5,404	335	5,069	45,049	3.18
Colombia	6,352	0.46	766	45	721	6,602	0.47
Comoros	282	0.02	34	*	34	532	0.04
Congo	520	0.04	63	3	60	770	0.05
Costa Rica	233	0.02	28	2	26	483	0.03
Côte d'Ivoire	2,516	0.18	304	16	287	2,766	0.20
Croatia	1,287	0.09	155	14	142	1,537	0.11
Cyprus	1,461	0.11	176	8	168	1,711	0.12
Czech Republic[1]	3,522	0.26	425	36	389	3,772	0.27
Denmark	10,251	0.75	1,237	75	1,162	10,501	0.74
Djibouti	314	0.02	38	1	37	564	0.04
Dominica	283	0.02	34	*	34	533	0.04
Dominican Republic	1,174	0.09	142	10	132	1,424	0.10
Ecuador	1,555	0.11	188	14	174	1,805	0.13
Egypt, Arab Republic of	7,108	0.52	857	51	807	7,358	0.52
El Salvador	141	0.01	17	2	15	391	0.03

(continued)

Statement of Subscriptions to Capital Stock and Voting Power *(continued)*

June 30, 1993
Expressed in millions of US dollars

	Subscriptions					Voting power	
Member	Shares	Percentage of total	Total amounts	Amounts paid in (Note A)	Amounts subject to call (Note A)	Number of votes	Percentage of total
Equatorial Guinea	401	0.03	$ 48	$ 2	$ 47	651	0.05
Estonia	518	0.04	62	3	60	768	0.05
Ethiopia	978	0.07	118	5	113	1,228	0.09
Fiji	728	0.05	88	4	84	978	0.07
Finland	8,560	0.62	1,033	62	971	8,810	0.62
France	69,397	5.06	8,372	520	7,851	69,647	4.92
Gabon	554	0.04	67	4	63	804	0.06
Gambia, The	305	0.02	37	1	36	555	0.04
Georgia	1,584	0.12	191	9	182	1,834	0.13
Germany	72,399	5.27	8,734	543	8,191	72,649	5.13
Ghana	856	0.06	103	10	93	1,106	0.08
Greece	945	0.07	114	11	103	1,195	0.08
Grenada	531	0.04	64	1	63	781	0.06
Guatemala	1,123	0.08	135	9	126	1,373	0.10
Guinea	725	0.05	87	5	82	975	0.07
Guinea-Bissau	303	0.02	37	1	36	553	0.04
Guyana	1,058	0.08	128	5	122	1,308	0.09
Haiti	599	0.04	72	4	69	849	0.06
Honduras	360	0.03	43	1	42	610	0.04
Hungary	8,050	0.59	971	58	913	8,300	0.59
Iceland	1,258	0.09	152	7	145	1,508	0.11
India	44,795	3.26	5,404	334	5,070	45,045	3.18
Indonesia	14,981	1.09	1,807	110	1,697	15,231	1.08
Iran, Islamic Republic of	23,686	1.73	2,857	176	2,682	23,936	1.69
Iraq	2,808	0.20	339	27	312	3,058	0.22
Ireland	5,271	0.38	636	37	599	5,521	0.39
Israel	4,750	0.35	573	33	540	5,000	0.35
Italy	44,795	3.26	5,404	335	5,069	45,045	3.18
Jamaica	2,201	0.16	266	15	250	2,451	0.17
Japan	93,770	6.83	11,312	703	10,608	94,020	6.64
Jordan	1,388	0.10	167	8	160	1,638	0.12
Kazakhstan	1,675	0.12	202	15	187	1,925	0.14
Kenya	2,461	0.18	297	16	281	2,711	0.19
Kiribati	261	0.02	31	*	31	511	0.04
Korea, Republic of	9,372	0.68	1,131	68	1,063	9,622	0.68
Kuwait	13,280	0.97	1,602	97	1,505	13,530	0.96
Kyrgyzstan	621	0.05	75	4	71	871	0.06
Lao People's Democratic Republic	100	0.01	12	1	11	350	0.02
Latvia	777	0.06	94	6	88	1,027	0.07
Lebanon	340	0.02	41	1	40	590	0.04
Lesotho	372	0.03	45	1	44	622	0.04
Liberia	463	0.03	56	3	53	713	0.05
Libya	7,840	0.57	946	57	889	8,090	0.57
Lithuania	846	0.06	102	6	96	1,096	0.08
Luxembourg	1,652	0.12	199	10	189	1,902	0.13
Madagascar	798	0.06	96	6	90	1,048	0.07
Malawi	1,094	0.08	132	6	126	1,344	0.09
Malaysia	8,244	0.60	995	59	935	8,494	0.60
Maldives	263	0.02	32	*	32	513	0.04

Member	Subscriptions					Voting power	
	Shares	Percentage of total	Total amounts	Amounts paid in (Note A)	Amounts subject to call (Note A)	Number of votes	Percentage of total
Mali	652	0.05	$ 79	$ 4	$ 74	902	0.06
Malta	1,074	0.08	130	5	124	1,324	0.09
Marshall Islands, The	263	0.02	32	*	32	513	0.04
Mauritania	505	0.04	61	3	58	755	0.05
Mauritius	1,242	0.09	150	7	143	1,492	0.11
Mexico	10,553	0.77	1,273	109	1,164	10,803	0.76
Micronesia	479	0.03	58	1	57	729	0.05
Moldova	1,368	0.10	165	8	157	1,618	0.11
Mongolia	466	0.03	56	2	54	716	0.05
Morocco	2,791	0.20	337	27	310	3,041	0.21
Mozambique	522	0.04	63	3	60	772	0.05
Myanmar	2,302	0.17	278	15	262	2,552	0.18
Namibia	855	0.06	103	6	97	1,105	0.08
Nepal	968	0.07	117	5	112	1,218	0.09
Netherlands	35,503	2.59	4,283	265	4,018	35,753	2.52
New Zealand	6,601	0.48	796	50	747	6,851	0.48
Nicaragua	608	0.04	73	2	71	858	0.06
Niger	478	0.03	58	2	55	728	0.05
Nigeria	7,102	0.52	857	73	784	7,352	0.52
Norway	9,982	0.73	1,204	73	1,132	10,232	0.72
Oman	1,561	0.11	188	9	179	1,811	0.13
Pakistan	8,520	0.62	1,028	65	963	8,770	0.62
Panama	216	0.02	26	3	23	466	0.03
Papua New Guinea	726	0.05	88	5	83	976	0.07
Paraguay	690	0.05	83	5	79	940	0.07
Peru	2,992	0.22	361	29	332	3,242	0.23
Philippines	3,841	0.28	463	38	425	4,091	0.29
Poland	6,122	0.45	739	62	676	6,372	0.45
Portugal	5,460	0.40	659	39	620	5,710	0.40
Qatar	1,096	0.08	132	9	123	1,346	0.10
Romania	4,011	0.29	484	31	453	4,261	0.30
Russia	25,140	1.83	3,033	263	2,770	25,390	1.79
Rwanda	587	0.04	71	4	67	837	0.06
St. Kitts and Nevis	275	0.02	33	*	33	525	0.04
St. Lucia	552	0.04	67	2	65	802	0.06
St. Vincent and the Grenadines	278	0.02	34	*	33	528	0.04
São Tomé and Principe	278	0.02	34	*	33	528	0.04
Saudi Arabia	44,795	3.26	5,404	335	5,069	45,045	3.18
Senegal	1,163	0.08	140	10	131	1,413	0.10
Seychelles	263	0.02	32	*	32	513	0.04
Sierra Leone	403	0.03	49	2	47	653	0.05
Singapore	320	0.02	39	4	35	570	0.04
Slovak Republic[1]	1,823	0.13	220	18	202	2,073	0.15
Slovenia	708	0.05	85	8	78	958	0.07
Solomon Islands	288	0.02	35	*	34	538	0.04
Somalia	552	0.04	67	3	63	802	0.06
South Africa	13,462	0.98	1,624	99	1,525	13,712	0.97
Spain	23,686	1.73	2,857	176	2,682	23,936	1.69

(continued)

Statement of Subscriptions to Capital Stock and Voting Power *(continued)*

June 30, 1993
Expressed in millions of US dollars

	Subscriptions					Voting power	
Member	Shares	Percentage of total	Total amounts	Amounts paid in (Note A)	Amounts subject to call (Note A)	Number of votes	Percentage of total
Sri Lanka	3,817	0.28	$ 460	$ 26	$ 434	4,067	0.29
Sudan	850	0.06	103	7	95	1,100	0.08
Suriname	412	0.03	50	2	48	662	0.05
Swaziland	440	0.03	53	2	51	690	0.05
Sweden	14,974	1.09	1,806	110	1,696	15,224	1.07
Switzerland	26,606	1.94	3,210	197	3,012	26,856	1.90
Syrian Arab Republic	1,236	0.09	149	10	139	1,486	0.10
Tajikistan	1,060	0.08	128	5	123	1,310	0.09
Tanzania	727	0.05	88	8	80	977	0.07
Thailand	5,653	0.41	682	43	639	5,903	0.42
Togo	620	0.05	75	4	71	870	0.06
Tonga	277	0.02	33	*	33	527	0.04
Trinidad and Tobago	1,495	0.11	180	13	167	1,745	0.12
Tunisia	719	0.05	87	6	81	969	0.07
Turkey	7,379	0.54	890	53	837	7,629	0.54
Turkmenistan	526	0.04	63	3	61	776	0.05
Uganda	617	0.04	74	4	70	867	0.06
Ukraine	10,908	0.79	1,316	79	1,237	11,158	0.79
United Arab Emirates	2,385	0.17	288	23	265	2,635	0.19
United Kingdom	69,397	5.06	8,372	540	7,832	69,647	4.92
United States	243,109	17.71	29,327	1,919	27,408	243,359	17.18
Uruguay	1,578	0.11	190	14	176	1,828	0.13
Uzbekistan	1,399	0.10	169	12	157	1,649	0.12
Vanuatu	586	0.04	71	2	69	836	0.06
Venezuela	11,427	0.83	1,378	118	1,260	11,677	0.82
Viet Nam	543	0.04	66	7	59	793	0.06
Western Samoa	298	0.02	36	1	35	548	0.04
Yemen, Republic of	1,241	0.09	150	11	139	1,491	0.11
Zaire	2,643	0.19	319	25	293	2,893	0.20
Zambia	1,577	0.11	190	16	175	1,827	0.13
Zimbabwe	1,866	0.14	225	17	208	2,116	0.15
Total—June 30, 1993[2]	1,372,648	100.00	$165,589	$10,531	$155,058	1,416,648	100.00
Total—June 30, 1992	1,262,054		$152,248	$10,060	$142,188	1,302,054	

* Indicates amounts less than $0.5 million

NOTES:

1. On January 1, 1993, the Czech Republic and the Slovak Republic became members of the IBRD, succeeding the dissolved Czech and Slovak Federal Republic (CSFR). See also Notes to Financial Statements—Note A

2. May differ from the sum of individual figures shown because of rounding.

The Notes to Financial Statements are an integral part of these Statements.

Notes to Financial Statements

Summary of Significant Accounting and Related Policies

The IBRD's financial statements are prepared in conformity with the accounting principles generally accepted in the United States and with International Accounting Standards.

Translation of Currencies

The IBRD's financial statements are expressed in terms of US dollars solely for the purpose of summarizing the IBRD's financial position and the results of its operations for the convenience of its members and other interested parties.

The IBRD is an international organization which conducts its operations in the currencies of all of its members. The IBRD's resources are derived from its capital, borrowings, and accumulated earnings in those various currencies. The IBRD has a number of general policies aimed at minimizing exchange-rate risk in a multicurrency environment. The IBRD matches its borrowing obligations in any one currency (after swap activities) with assets in the same currency, as prescribed by its Articles of Agreement, primarily by holding or lending the proceeds of its borrowings in the same currencies in which they are borrowed. In addition, the IBRD periodically undertakes currency conversions to more closely match the currencies underlying its reserves with those of the outstanding loans. With respect to its other resources, the IBRD does not convert one currency into another except for small amounts required to meet certain obligations and operational needs.

Assets and liabilities are translated at market exchange rates at the end of the period. Income and expenses are translated at the market exchange rate at the dates on which they are recognized or at average market exchange rates in effect during each month. Translation adjustments, with the exception of those relating to capital subscriptions described in Note A, are charged or credited to Equity.

Valuation of Capital Stock

In the Articles of Agreement, the capital stock of the IBRD is expressed in terms of "US dollars of the weight and fineness in effect on July 1, 1944" (1944 dollars). Following the abolition of gold as a common denominator of the monetary system and the repeal of the provision of the US law defining the par value of the US dollar in terms of gold, the pre-existing basis for translating 1944 dollars into current dollars or into any other currency disappeared. The Executive Directors of the IBRD have decided, until such time as the relevant provisions of the Articles of Agreement are amended, that the words "US dollars of the weight and fineness in effect on July 1, 1944" in Article II, Section 2(a) of the Articles of Agreement of the IBRD are interpreted to mean the Special Drawing Right (SDR) introduced by the International Monetary Fund as the SDR was valued in terms of US dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being $1.20635 for one SDR.

Retained Earnings

Retained Earnings consists of allocated amounts (Special Reserve, General Reserve, and Surplus) and Unallocated Net Income. The IBRD has not declared or paid any dividends to its members.

The Special Reserve consists of loan commissions set aside pursuant to Article IV, Section 6, of the Articles of Agreement which are to be held in liquid assets. These assets may be used only for the purpose of meeting liabilities of the IBRD on its borrowings and guarantees in the event of defaults on loans made, participated in, or guaranteed by the IBRD. The Special Reserve assets are included under Investments, comprising obligations of the United States Government, its agencies, and its instrumentalities. The allocation of such commissions to the Special Reserve was discontinued in 1964 with respect to subsequent loans and no further additions are being made to it.

The General Reserve consists of earnings from prior fiscal years which, in the judgment of the Executive Directors, should be retained in the IBRD's business.

Surplus consists of earnings from prior fiscal years which are retained by the IBRD until a further decision is made on their disposition or the conditions of transfer for specified uses have been met.

Unallocated Net Income consists of earnings in the current fiscal year. Commencing in 1950, a portion or all of the Unallocated Net Income has been allocated to the General Reserve. Additionally, upon approval of the Board of Governors, transfers have been made out of Unallocated Net Income to the International Development Association (IDA) (or facilities administered by IDA) and Surplus, and from Surplus to the Global Environment Trust Fund and the Technical Assistance Trust Fund for the Union of Soviet Socialist Republics.

Loans

All of the IBRD's loans are made to or guaranteed by members, except loans to the International Finance Corporation (IFC). The majority of the IBRD's loans have repayment obligations in various currencies determined on the basis of a currency pooling system, which is designed to equalize exchange-rate risks among borrowers. Except for certain loans which were converted to the currency pooling system, loans negotiated prior to July 1980 and all Single Currency Loans are repayable in the currencies disbursed. The IBRD introduced Single Currency Loans on a pilot basis in February 1993. Interest on all loans is accrued in the currencies disbursed and outstanding.

Incremental direct costs associated with originating loans are expensed as incurred, as such amounts are considered immaterial.

The IBRD does not reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. In exceptional cases, however, such as when implementation of a financed project has been delayed, the loan amortization schedule may be modified to avoid substantial repayments prior to project completion. It is the policy of the IBRD to place in nonaccrual status all loans made to or guaranteed by a member of the IBRD if principal, interest, or other charges with respect to any such loan are overdue by more than six months, unless IBRD management determines that the overdue amount will be collected in the immediate future. In addition, if development credits by IDA to a member government are placed in nonaccrual status, all loans to that member government will also be placed in nonaccrual status by the IBRD. On the date a member's loans are placed in nonaccrual status, unpaid interest and other charges accrued on loans outstanding to the member are deducted from the income of the current period. Interest and other charges on nonaccruing loans are included in income only to the extent that payments have actually been received by the IBRD. On the date a member pays in full all overdue amounts, its loans emerge from nonaccrual status, its eligibility for new loans is restored, and all overdue interest and other charges, including those from prior years, are recognized as income in the current period.

The IBRD determines the Accumulated Provision for Loan Losses based on an assessment of collectibility risk of the total loan portfolio, including loans in nonaccrual status. The Accumulated Provision is periodically adjusted based on a review of the prevailing circumstances and will be used to meet actual losses on loans. Should such losses occur in amounts in excess of the Accumulated Provision (and of the amount of the Special Reserve), the excess would be included in the determination of net income. Annual adjustments to the Accumulated Provision are recorded as a charge or credit to income.

(continued)

Notes to Financial Statements *(continued)*

Investments

The IBRD carries its investment securities at market value. Both realized and unrealized gains and losses are included in income from investments. From time to time, the IBRD enters into forward contracts for the sale or purchase of investment securities; these transactions are recorded at the time of commitment.

Due to the nature of the investments held by the IBRD and its policies governing the level and use of such investments, the IBRD classifies the investment portfolio as an element of liquidity in the Statement of Cash Flows.

Fair Value of Financial Instruments

The IBRD adopted a new accounting standard in June 1993 that requires disclosure of the estimated "fair value" of financial instruments. Such fair values are not recorded in the accounts of the IBRD, but are disclosed in Note E as additional information.

The fair value of financial instruments that are short-term approximates their carrying value.

Financial instruments for which market quotations are available have been valued at the prevailing market value at June 30, 1993. Financial instruments for which market quotations are not readily available have been valued using methodologies and assumptions that necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

Reclassifications

Certain reclassifications of the prior year's information have been made to conform to the current year's presentation.

Note A—Capital Stock, Restricted Currencies, Maintenance of Value, and Membership

Capital Stock: At June 30, 1993, the IBRD's capital comprised 1,525,659 (1,525,659—June 30, 1992) authorized shares, of which 1,372,648 (1,262,054—June 30, 1992) shares had been subscribed. Each share has a par value of 0.1 million 1974 SDRs, valued at the rate of $1.20635 per 1974 SDR. Of the subscribed capital, $10,531 million ($10,060 million—June 30, 1992) has been paid in, and the remaining $155,058 million ($142,188 million—June 30, 1992) is subject to call only when required to meet the obligations of the IBRD created by borrowing or guaranteeing loans. As to $132,471 million ($121,798 million—June 30, 1992), the restriction on calls is imposed by the Articles of Agreement and as to $22,587 million ($20,390 million—June 30, 1992), by resolutions of the Board of Governors.

Restricted Currencies: The portion of capital subscriptions paid in to the IBRD is divided into two parts: (1) $1,053 million ($1,006 million—June 30, 1992) initially paid in gold or US dollars and (2) $9,478 million ($9,054 million—June 30, 1992) paid in cash or noninterest-bearing demand obligations denominated either in the currencies of the respective members or in US dollars. The amounts mentioned in (1) above, and (i) $656 million ($646 million—June 30, 1992) which were repurchased by members with US dollars, and (ii) $208 million ($122 million—June 30, 1992), which were the proceeds from encashments of US-dollar-denominated notes which are included in the amounts mentioned in (2) above, are freely usable by the IBRD in any of its operations. The portion of the amounts paid in US-dollar-denominated notes are encashed by the IBRD in accordance with the schedules agreed between the members and the IBRD. The remaining amounts paid in the currencies of the members, referred to as restricted currencies, are usable by the IBRD in its lending operations only with the consent of the respective members, and for administrative expenses. The equivalent of $5,397 million ($5,465 million—June 30, 1992) has been used for lending purposes, with such consent.

Maintenance of Value: Article II, Section 9 of the Articles of Agreement provides for maintenance of value, as of the time of subscription, of such restricted currencies, requiring (1) the member to make additional payments to the IBRD in the event that the par value of its currency is reduced or the foreign exchange value of its currency has, in the opinion of the IBRD, depreciated to a significant extent in its territories and (2) the IBRD to reimburse the member in the event that the par value of its currency is increased.

Since currencies no longer have par values, maintenance-of-value amounts are determined by measuring the foreign exchange value of a member's currency against the standard of value of IBRD capital based on the 1974 SDR. Members are required to make payments to the IBRD if their currencies depreciate significantly relative to the standard of value. Furthermore, the Executive Directors decided to adopt a policy of reimbursing members whose currencies appreciate significantly in terms of the standard of value.

With respect to restricted currencies out on loan, maintenance-of-value obligations become effective only as such currencies are recovered by the IBRD. The maintenance-of-value amounts relating to restricted currencies out on loan are included in Amounts Required to Maintain Value of Currency Holdings—Amounts Deferred.

Membership: On February 25, 1993, the IBRD's Executive Directors decided that the Socialist Federal Republic of Yugoslavia (SFRY) had ceased to be a member of the IBRD and that the Republic of Bosnia and Herzegovina, the Republic of Croatia, the Former Yugoslav Republic of Macedonia, the Republic of Slovenia, and the Federal Republic of Yugoslavia (Serbia and Montenegro) are authorized to succeed to the SFRY's membership when certain requirements are met. The Republics of Croatia and Slovenia have since become members of the IBRD. The Republic of Croatia was allocated 2,293 shares, of which 1,287 shares have been subscribed through June 30, 1993, and the Republic of Slovenia was allocated 1,261 shares, of which 708 shares have been subscribed through June 30, 1993. The paid-in portion of the SFRY's subscribed capital allocated to the other successor Republics (the Republic of Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, and the Federal Republic of Yugoslavia (Serbia and Montenegro)) is included under "Payments on Account of Pending Subscriptions."

On January 1, 1993, the Czech Republic and the Slovak Republic became members of the IBRD succeeding the dissolved Czech and Slovak Federal Republic (CSFR). As agreed between the succeeding republics, all rights and obligations attached to the membership status of CSFR in the IBRD were divided between the Czech Republic and the Slovak Republic. As a result of such agreement, on January 1, 1993, the Czech Republic was allocated 6,308 shares, of which 3,522 shares have been subscribed, and the Slovak Republic was allocated 3,216 shares, of which 1,823 shares have been subscribed.

Note B—Investments and Cash Collateral Invested

A summary of the currency composition of Investments and Cash Collateral Invested at June 30, 1993 and June 30, 1992 is as follows:

In millions of US-dollars equivalent		
Currency	1993	1992
Deutsche mark	$ 774	$ 1,946
Japanese yen	5,189	4,989
Pounds sterling	1,456	1,689
United States dollars	10,948	18,861
Other currencies	1,999	2,004
Total	$20,366	$29,489

As part of its overall portfolio management strategy, the IBRD is party to financial instruments with off-balance-sheet risk, including futures, forward contracts, covered forward contracts, options, and short sales. Futures and forward contracts are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specified price or yield. At June 30, 1993, the total contract value of futures contracts was $9,277 million ($17,803 million—June 30, 1992), and the IBRD's exposure to credit loss on futures contracts due to potential nonperformance of counterparties was $13 million ($40 million—June 30, 1992). On June 30, 1993, the total contract value of forward contracts was $450 million ($474 million—June 30, 1992). On June 30, 1993, the IBRD's exposure to credit loss on forward contracts in the event of nonperformance by counterparties was $0.2 million. At June 30, 1992, the IBRD had no exposure to credit loss on forward contracts in the event of nonperformance by counterparties.

Covered forwards are agreements in which cash in one currency is converted into a different currency and, simultaneously, a forward exchange agreement is executed providing for a future exchange of the two currencies in order to recover the currency converted. At June 30, 1993, the IBRD had gross receivables from covered forward agreements of $989 million ($328 million—June 30, 1992) and gross payables from covered forward agreements of $997 million ($376 million—June 30, 1992). At June 30, 1993, the IBRD's exposure to credit loss in the event of nonperformance by counterparties was $12 million ($0.1 million—June 30,1992).

Options are contracts that allow the holder of the option to purchase or sell a financial instrument at a specified price and within a specified period of time from the seller or to the purchaser of the option. As a seller of options, the IBRD receives a premium at the outset and then bears the risk of an unfavorable change in the price of the financial instrument underlying the option. The total contract value of options sold at June 30, 1993 was $48 million ($1,020 million—June 30, 1992).

Short sales are sales of securities not held in the IBRD's portfolio at the time of the sale. The IBRD must purchase the security at a later date and bears the risk that the market value of the security will move adversely between the time of the sale and the time the security must be delivered. The total contract amount of short sales at June 30, 1993 was $303 million ($2,598 million—June 30, 1992). This amount is included in Payables for Investment Securities Purchased.

For both on- and off-balance-sheet securities, the IBRD limits trading to a list of authorized dealers and counterparties. Credit limits have been established for each counterparty by type of instrument and maturity category.

The annualized rate of return on average investments, net of cash collateral received, held during the period ended June 30, 1993, including both realized and unrealized gains and losses, was 6.09 percent (8.07 percent—June 30, 1992).

Note C—Loans, Cofinancing and Guarantees

Loans: On July 28, 1992, the IBRD's Executive Directors approved a one-year interest waiver of 35 basis points on disbursed and outstanding loans for all payment periods commencing in the fiscal year ending June 30, 1993 for all eligible borrowers. For the fiscal year ended June 30, 1992, the interest waiver approved was 25 basis points. On July 28, 1992, the Executive Directors also extended the one-year commitment fee waiver of 50 basis points on undisbursed loans to all borrowers for an additional period of one year.

On February 25, 1993, the IBRD's Executive Directors decided that the Socialist Federal Republic of Yugoslavia (SFRY) has ceased to be a member of the IBRD and that certain successor Republics are eligible to succeed to the SFRY's membership (see Note A). The Republics of Croatia and Slovenia have since fulfilled the requirements of succession and have become members of the IBRD. The IBRD has also reached final agreements with the Former Yugoslav Republic of Macedonia and the Federal Republic of Yugoslavia (Serbia and Montenegro) (FRY) for the service of debt due to the IBRD on loans made to or guaranteed by the SFRY and assumed by these Republics. Discussions are continuing with the Republic of Bosnia and Herzegovina on the service of loans to be assumed by it; in the interim, loans benefiting the Republic of Bosnia and Herzegovina are included with the loans assumed by the FRY. The IBRD treats loans to the other Republics separately.

At June 30, 1993, principal installments of $16 million and interest and other charges of $20 million payable to IBRD on loans were overdue by more than three months. At June 30, 1993, the aggregate principal amounts outstanding on all loans to any borrower, other than referred to in the following paragraph, with any loan overdue by more than three months was $755 million.

At June 30, 1993, the loans made to or guaranteed by certain member countries and the Federal Republic of Yugoslavia (Serbia and Montenegro), the Former Yugoslav Republic of Macedonia, and the Republic of Bosnia and Herzegovina with an aggregate principal balance outstanding of $2,497 million ($2,085 million—June 30, 1992), of which $772 million ($861 million—June 30, 1992) was overdue, were in nonaccrual status. As of such date, overdue interest and other charges in respect of these loans totaled $509 million ($730 million—June 30, 1992). If these loans had not been in nonaccrual status, income from loans for the fiscal year ended June 30, 1993 would have been higher by $244 million ($61 million—June 30, 1992). A summary of member countries and republics with loans or guarantees in nonaccrual status follows:

	In millions		
	June 30, 1993		
Country/Republic	Principal outstanding	Principal and charges overdue	Nonaccrual since
Congo	$ 163	$ 65	September 1991
Iraq	44	31	December 1990
Liberia	141	166	June 1987
Syrian Arab Republic	424	401	February 1987
Former Yugoslav Republic of Macedonia	159	88	September 1992
Bosnia-Herzegovina/ Federal Republic of Yugoslavia	1,566	530	September 1992
Total	$2,497	$1,281	

(continued)

Notes to Financial Statements *(continued)*

During the fiscal year ended June 30, 1993, Peru and Guatemala paid off all of their arrears and therefore loans to them came out of nonaccrual status. As a result, income from loans for the fiscal year ended June 30, 1993 increased by $407 million corresponding to income that would have been accrued in previous fiscal years. For the fiscal year ended June 30, 1992, the increase in loan income from loans to countries coming out of *nonaccrual status during that period was $222 million.*

An analysis of the changes to the accumulated provision for loan losses appears below:

	In millions	
	1993	1992
Balance, beginning of fiscal year	$2,540	$1,990
Provision for loan losses	578	353
Translation adjustments	32	197
Balance, end of fiscal year	$3,150	$2,540

Cofinancing and Guarantees: The IBRD has entered into agreements for loans syndicated by other financial institutions either by a direct participation in, or a partial guarantee of, loans for the benefit of member countries or a partial guarantee of securities issued by an entity eligible for IBRD loans. The IBRD's direct participations in syndicated loans are included in reported loan balances.

Guarantees of $1,134 million at June 30, 1993 ($1,136 million—June 30, 1992) were not included in reported loan balances. $150 million of these guarantees was subject to call at June 30, 1993 and June 30, 1992.

The IBRD has partially guaranteed the timely payment of interest amounts on certain loans that have been sold. At June 30, 1993, these guarantees, approximating $5 million ($8 million—June 30, 1992), were subject to call.

Statutory Lending Limit: Under the Articles of Agreement, the total amount outstanding of guarantees, participations in loans, and direct loans *made by the IBRD may not be increased to an amount exceeding* 100 percent of the sum of subscribed capital, reserves, and surplus. On the IBRD's Balance Sheet, reserves and surplus correspond to items labelled Retained Earnings, Cumulative Translation Adjustment, and Accumulated Provision for Loan Losses. The IBRD's Executive Directors have issued guidelines pursuant to which all guarantees issued by the IBRD will be counted towards this limit at the time they first become callable, irrespective of the likelihood of an actual call. In March 1991 the IBRD's Executive Directors decided that discussions on an additional capital increase would be initiated if the total amount outstanding of callable guarantees, participations in loans, and direct loans were to exceed 80 percent of the sum of subscribed capital, reserves, and surplus. At June 30, 1993, such total amount was $105 billion, or 57 percent (60 percent—June 30, 1992) of such sum.

Note D—Borrowings and Swaps

The IBRD has entered into currency swaps in which proceeds of a borrowing are converted into a different currency and, simultaneously, a forward exchange agreement is executed providing for a schedule of future exchanges of the two currencies in order to recover the currency converted. The combination of a borrowing and a currency swap produces the financial equivalent of substituting a borrowing in the currency obtained in the initial conversion for the original borrowing. The IBRD also undertakes interest rate swaps, which transform a fixed-rate payment obligation in a particular currency into a floating-rate obligation in that currency and vice-versa. The average cost of borrowings outstanding, including short-term borrowings, during the fiscal year ended June 30, 1993 was 7.01 percent (7.29 percent—June 30, 1992) reflecting a reduction in interest expense of $367 million ($483 million—June 30, 1992) as a result of swaps.

At June 30, 1993, the IBRD had gross receivables from currency swaps at a book value of $18,947 million ($18,846 million—June 30, 1992) and gross payables from currency swaps at a book value of $20,144 million ($19,403 million—June 30, 1992). In addition, the IBRD had interest rate swap contracts covering a notional principal amount of $14,592 million on June 30, 1993 ($11,754 million—June 30, 1992).

At June 30, 1993, the IBRD was exposed to credit loss in the event of nonperformance by its counterparties in an aggregate amount of $1,312 million ($1,400 million—June 30, 1992) for outstanding currency swaps, and $98 million ($79 million—June 30, 1992) for outstanding interest rate swaps, representing the estimated cost of replacing, at current market rates, all those outstanding swaps for which the IBRD would incur a loss in replacing the contracts.

The IBRD undertakes swap transactions with a list of authorized counterparties. Credit and maturity limits have been established for each counterparty.

The IBRD enters into deferred rate setting agreements in conjunction with some of its bond issues. These agreements provide for payments to be made to or by the IBRD reflecting gain or loss on one or more government securities. These agreements allow the IBRD to fix the effective interest cost to the IBRD of all or a portion of the issues over a specified period of time after the issue date of the respective bond. The potential credit loss to the IBRD from nonperformance is limited to any amounts due, but unsettled, from the financial intermediary. However, periodic mark-to-market settlements on these agreements limit this risk. At June 30, 1993 and June 30, 1992, the effective interest cost had been fixed on all tranches of deferred rate setting agreements. At June 30, 1993 and June 30, 1992, the IBRD had no exposure to credit loss on the agreements.

The IBRD also enters into anticipatory rate setting agreements in conjunction with some of its bond issues. These agreements allow the IBRD, through a series of forward sales of U.S. Treasury securities, to fix the effective interest cost of all or a portion of the issues over a period of time prior to the issue date of the respective bond. At June 30, 1993 and June 30, 1992, there were no outstanding forward sales under such agreements, and the IBRD had no exposure to credit loss on the agreements.

Note E—Disclosures about Fair Value of Financial Instruments

Investments and Cash Collateral Invested: Since the IBRD carries its investment securities, including derivative instruments, at market value, the carrying amount represents the fair value of the portfolio. These fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: All of the IBRD's loans are made to or guaranteed by countries that are members of the IBRD. The IBRD does not currently sell its loans, nor is there a market of loans comparable to those made by the IBRD. The IBRD has never suffered a loss on any of its loans, although from time to time certain borrowers have found it difficult to make timely payments for protracted periods, resulting in their loans being placed in nonaccrual status. Several borrowers have emerged from nonaccrual status after a period of time by bringing up-to-date all principal payments and all interest payments, including interest and other charges on overdue principal payments. In an attempt to recognize the risk inherent in these overdue payments, the IBRD maintains a provision for loan losses. The balance of the Accumulated Provision for Loans Losses at June 30, 1993 was $3,150 million.

On loans negotiated prior to July 1982, the IBRD charges interest at a fixed rate. At June 30, 1993, the total carrying value of fixed-rate loans was $23,619 million. The estimated fair value of these loans was $26,364

million. This amount is based on discounted future cash flows using the rate at which the IBRD could undertake borrowings of comparable maturities at June 30, 1993 plus a 50 basis point spread.

In 1982, the IBRD mitigated its interest rate risk by moving from fixed-rate to variable-rate lending. The rate charged on variable-rate loans is based on the IBRD's own cost of qualified borrowings plus a 50 basis point spread, resulting in a pass-through of its average borrowing costs to those members that benefit from IBRD loans. At June 30, 1993, the total carrying value of variable-rate loans was $80,832 million. The estimated fair value of these loans was $86,398 million. Since the interest rate for variable-rate loans is based on the interest rate of the qualified borrowings, the fair value of variable-rate loans has been estimated based on the relationship of the fair value to the current value of the underlying borrowings.

Borrowings: At June 30, 1993, the total carrying value of the IBRD's medium- and long-term borrowings portfolio was $92,488 million. The estimated fair value of these borrowings was $99,505 million. These amounts are based on quoted market prices where such prices are available. Where no quoted market price is available, the fair value is estimated based on the cost at which the IBRD could currently undertake borrowings with similar terms and remaining maturities, using the secondary market yield curve.

Swaps: At June 30, 1993, the estimated fair value of the IBRD's net payable for currency swaps, with a carrying value of $1,972 million, was $1,196 million. As of that date, the estimated fair value of the IBRD's net receivable from currency swaps, with a carrying value of $775 million, was $1,312 million. The fair value of interest rate swaps, with a notional principal amount of $14,592 million, was $1,093 million payable. These amounts represent the estimated cost of replacing these contracts on that date.

Note F—Retained Earnings and Allocation of Net Income

Retained Earnings: Retained Earnings comprises the following elements as of June 30, 1993 and June 30, 1992:

	In millions	
	1993	1992
Special Reserve	$ 293	$ 293
General Reserve	11,144	10,894
Surplus	1,465	370
Unallocated Net Income for the fiscal year	1,130	1,645
	$14,032	$13,202

On July 28, 1992, the Executive Directors allocated $250 million of the net income earned in the fiscal year ended June 30, 1992 to the General Reserve. On the same date, the Executive Directors also recommended the transfer, by way of a grant, of $300 million to IDA and the retention of the remaining $1,095 million of net income as Surplus, and that an amount equivalent to $375 million be transferred out of Surplus as a further grant to IDA when the tenth replenishment of IDA's resources becomes effective. On September 24, 1992, the Board of Governors approved the recommendations of the Executive Directors.

Transfers to International Development Association: The Board of Governors approved transfers to IDA totaling $3,808 million from Unallocated Net Income for the fiscal years ended June 30, 1964 through June 30, 1987, and June 30, 1989 through June 30, 1992. Transfer of $960 million remained payable at June 30, 1993 ($1,030 million—June 30, 1992). In addition, on September 24, 1992, the Board of Governors approved a transfer of $375 million to IDA when the tenth replenishment of IDA's resources becomes effective.

Transfers to Debt Reduction Facility for IDA-Only Countries: In September 1989, the Board of Governors approved a transfer to the Debt Reduction Facility for IDA-Only Countries of $100 million from net income earned in the fiscal year ended June 30, 1989. Of these funds, $53 million remained payable at June 30, 1993 ($82 million—June 30, 1992).

Transfer to Technical Assistance Trust Fund for the Union of Soviet Socialist Republics: On September 18, 1991, the Board of Governors authorized a transfer from Surplus of $30 million to the Technical Assistance Trust Fund for the Union of Soviet Socialist Republics for the benefit of the USSR and its republics. This amount was paid in October 1991.

Note G—Expenses

Administrative expenses are net of the management fee of $467 million ($395 million—June 30, 1992) charged to IDA and $95 million ($101 million—June 30, 1992) charged to reimbursable programs. Service and support fees of $10 million ($9 million—June 30, 1992) charged to IFC and $0.6 million ($0.5 million—June 30, 1992) charged to the Multilateral Investment Guarantee Agency (MIGA) are included in the amounts charged to reimbursable programs.

Contributions to special programs represent grants for agricultural research, the control of onchocerciasis, and other developmental activities.

Note H—Staff Retirement Plan

The IBRD has a defined benefit retirement plan covering substantially all of its staff. The Plan also covers substantially all the staff of IFC and MIGA. Under the Plan, benefits are based on the years of contributory service and the highest three-year average of pensionable remuneration as defined in the Plan, with the staff contributing a fixed percentage of pensionable remuneration, and the IBRD contributing the remainder of the actuarially determined cost of future Plan benefits. The IBRD uses the aggregate method for determining its contribution to the Plan. The amount of that contribution approximates the net periodic pension cost as detailed below. All contributions to the Plan and all other assets and income held for the purposes of the Plan are held by the IBRD separately from the other assets and income of the IBRD, IDA, IFC and MIGA and can be used only for the benefit of the participants in the Plan and their beneficiaries, until all liabilities to them have been paid or provided for. Plan assets consist primarily of equity and fixed income securities, with smaller holdings of cash, real estate, and other investments.

Net periodic pension cost for IBRD participants for the fiscal years ended June 30, 1993 and June 30, 1992 consisted of the following components:

	In millions	
	1993	1992
Service cost—benefits earned during the fiscal year	$ 155	$ 145
Interest cost on projected benefit obligation	295	261
Actual return on plan assets	(500)	(422)
Net amortization and deferral	153	109
Net periodic pension cost	$ 103	$ 93

The portion of this cost that relates to the IBRD and is included in Administrative Expenses for the fiscal year ended June 30, 1993 is $64 million ($59 million—June 30, 1992). The balance has been included in the management fee charged to IDA.

(continued)

Notes to Financial Statements *(continued)*

The following table sets forth the Plan's funded status at June 30, 1993 and June 30, 1992:

	In millions	
	1993	1992
Actuarial present value of benefit obligations		
Accumulated benefit obligation		
Vested	$(3,047)	$(2,664)
Nonvested	(34)	(35)
Subtotal	(3,081)	(2,699)
Effect of projected compensation levels	(1,673)	(1,387)
Projected benefit obligation	(4,754)	(4,086)
Plan assets at fair value	4,927	4,274
Plan assets in excess of projected benefit obligation	173	188
Remaining unrecognized net transition asset	(130)	(143)
Unrecognized prior service cost	99	107
Unrecognized net gain from past experience different from that assumed and from changes in assumptions	(142)	(152)
Prepaid pension cost	$ 0	$ 0

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 7.5 percent (8.25 percent—June 30, 1992). The effect of projected compensation levels was calculated based on a scale that provides for a decreasing rate of salary increase depending on age, beginning with 13 percent at age 20 and decreasing to 7.6 percent at age 64. The expected long-term rate of return on assets was 9 percent (9 percent—June 30, 1992).

Note I—Retired Staff Benefits Plan

The IBRD has a Retired Staff Benefits Plan (RSBP) that provides certain health care and life insurance benefits to retirees. All staff who are enrolled in the insurance programs while in active service and who meet certain requirements are eligible for benefits when they reach early or normal retirement age while working for the IBRD. The RSBP also covers the staff of IFC and MIGA.

Retirees contribute a level amount toward life insurance based on the amount of coverage. Retiree contributions toward health care are based on length of service and age at retirement. The IBRD annually contributes the remainder of the actuarially determined cost for future benefits. All contributions to the RSBP and all other assets and income held for purposes of the RSBP are held by the IBRD separately from the other assets and income of the IBRD, IDA, IFC, and MIGA and can be used only for the benefit of the participants in the RSBP and their beneficiaries until all liabilities to them have been paid or provided for. RSBP assets consist primarily of fixed income and equity securities.

During FY93 the IBRD reviewed and modified certain assumptions used in calculating its accumulated post retirement benefit obligation (APBO) to reflect actual experience. These modifications resulted in an increase in the APBO, and a special one-time contribution of $343 million was made to fund this increase. The IBRD's share of this contribution was $315 million. The remainder was contributed by IFC and MIGA.

Net periodic postretirement benefits cost for IBRD participants for the fiscal years ended June 30, 1993 and June 30, 1992 consisted of the following components:

	In millions	
	1993	1992
Service cost—benefits earned during the fiscal year	$ 14	$ 10
Interest cost on accumulated postretirement benefit obligation	26	20
Actual return on plan assets	(31)	(15)
Net amortization and deferral	15	—
	$ 24	$ 15

The portion of this cost that relates to the IBRD and is included in Administrative Expenses for the fiscal year ended June 30, 1993 is $15 million ($9 million—June 30, 1992). The balance has been included in the management fee charged to IDA.

The following table sets forth the RSBP's funded status at June 30, 1993 and June 30, 1992:

	In millions	
	1993	1992
Accumulated postretirement benefit obligation:		
Retirees	$(219)	$(115)
Fully eligible active plan participants	(101)	(51)
Other active plan participants	(283)	(146)
	(603)	(312)
Plan assets at fair value	624	230
Plan assets in excess of accumulated postretirement benefit obligation	21	(82)
Unrecognized transition obligation	29	31
Unrecognized net loss from past experience different from that assumed and from changes in assumptions	293	53
Prepaid postretirement benefit cost	$ 343	$ 2

Of the $343 million prepaid as of June 30, 1993, $315 million is attributable to the IBRD and is included in Miscellaneous Assets on the Balance Sheet. The remainder has been attributed to IFC and MIGA.

For June 30, 1993, the APBO was determined using health care cost trend rates of 11.5 to 16.2 percent, decreasing gradually to 5.0 percent in 2010 and thereafter. The health care cost trend rate used for June 30, 1992, was 12 percent decreasing gradually to 7 percent in 2003 and thereafter.

The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by one percentage point would increase the accumulated postretirement benefit obligation as of June 30, 1993 by $124 million and the net periodic postretirement benefit cost for the fiscal year then ended by $10 million.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.5 percent (9 percent—1992). The expected long-term rate of return on plan assets was 7.5 percent (9 percent—1992).

Report of Independent Accountants

Price Waterhouse
(International Firm)

The Hague
Beijing
Hong Kong
London

New York
Tokyo
Washington

Price Waterhouse

July 26, 1993

President and Board of Governors
International Bank for Reconstruction
and Development

In our opinion, the financial statements appearing on pages 189 through 208 of this Report present fairly, in all material respects, in terms of United States dollars, the financial position of the International Bank for Reconstruction and Development at June 30, 1993 and 1992, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States and with International Accounting Standards. These financial statements are the responsibility of management of the International Bank for Reconstruction and Development; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards, including International Auditing Guidelines, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse
(International Firm)

Financial Statements of the International Development Association and the Special Fund Administered by IDA

Statements of Development Resources

June 30, 1993 and June 30, 1992
Expressed in millions of US dollars

	IDA		Special Fund	
	1993	1992	1993	1992
Development Resources				
NET ASSETS AVAILABLE FOR DEVELOPMENT ACTIVITIES				
Cash and investments immediately available for disbursement				
Due from banks	$ 54	$ 43	$ 1	$ 5
Obligations of governments and other official entities—Notes A and F	1,457	1,653	24	51
Obligations of banks and other financial institutions—Notes A and F	1,237	1,383	227	212
Net payable on investment security transactions	(22)	(109)	—	—
	2,726	2,970	252	268
Cash and investments not immediately available for disbursement—Note B				
Due from banks	4	7	—	—
Obligations of governments and other official entities—Notes A and F	133	95	—	—
Obligations of banks and other financial institutions—Notes A and F	127	68	—	—
	264	170	—	—
Cash collateral invested—Note A	62	—	—	—
Receivables on account of subscriptions and contributions				
Nonnegotiable, noninterest-bearing demand obligations	19,952	19,234	49	97
Subscriptions and contributions—Note C				
Amounts due	268	241	—	—
Amounts not yet due	119	5,426	—	—
Restricted assets	281	280	—	—
	20,620	25,181	49	97
Receivable from International Bank for Reconstruction and Development—Note D	960	1,030	—	—
Other assets, net	96	115	1	1
Total net assets available for development activities	24,728	29,466	302	366
DEVELOPMENT CREDITS OUTSTANDING (see Summary Statement of Development Credits, Notes E and F)				
Total development credits	80,090	75,641	39	76
Less undisbursed balance	23,932	23,337	39	76
Total development credits disbursed and outstanding	56,158	52,304	0	0
Total development resources	$80,886	$81,770	$302	$366
Funding of Development Resources				
Member subscriptions and contributions (see Statement of Voting Power, Subscriptions and Contributions, and Note C)				
Unrestricted	$72,496	$72,812	$218	$262
Restricted	281	280	—	—
	72,777	73,092	218	262
Payments on account of pending membership—Note C	10	—	—	—
Transfer from IBRD—Note D	3,661	3,427	—	—
Cumulative translation adjustment on development credits	3,266	3,992	—	—
Payable for cash collateral received—Note A	62	—	—	—
Accumulated surplus (see Statements of Changes in Accumulated Surplus)	1,110	1,259	84	104
Total funding of development resources	$80,886	$81,770	$302	$366

The Notes to Financial Statements are an integral part of these Statements.

Statements of Changes in Accumulated Surplus

For the year ended June 30, 1993 and June 30, 1992
Expressed in millions of US dollars

	IDA		Special Fund	
	1993	1992	1993	1992
ACCUMULATED SURPLUS				
Income from development credits—Notes E and G	$ 398	$ 361	—	—
Income from investments—Note G	373	350	$ 30	$ 24
Management fee charged by the International Bank for Reconstruction and Development—Note G	(467)	(395)	—	—
Amortization of discount on subscription advances	(7)	(6)	—	—
Changes from operations	297	310	30	24
Effect of exchange rate changes on accumulated surplus	(446)	406	(50)	25
Net changes	(149)	716	(20)	49
Balance at beginning of fiscal year	1,259	543	104	55
Balance at end of fiscal year	$1,110	$1,259	$ 84	$104

Statements of Cash Flows

For the year ended June 30, 1993 and June 30, 1992
Expressed in millions of US dollars

	IDA		Special Fund	
	1993	1992	1993	1992
Cash flows from development activities				
Development credit disbursements	$(4,913)	$(4,743)	$(33)	$(22)
Development credit principal repayments	366	324		
Net cash used in development activities	(4,547)	(4,419)	(33)	(22)
Cash flows from member subscriptions and contributions	4,112	4,423	37	49
Cash flows from other contributions	303	211	—	—
Cash flows from operating activities				
Changes from operations	297	310	30	24
Adjustments to reconcile changes from operations to net cash provided by operating activities				
Amortization of discount on subscription advances	7	6	—	—
Net changes in other assets and liabilities	50	5	—	(1)
Net cash provided by operating activities	354	321	30	23
Effect of exchange rate changes on cash and investments immediately available for disbursement	(466)	398	(50)	25
Net (decrease) increase in cash and investments immediately available for disbursement	(244)	934	(16)	75
Cash and investments immediately available for disbursement at beginning of fiscal year	2,970	2,036	268	193
Cash and investments immediately available for disbursement at end of fiscal year	$ 2,726	$ 2,970	$252	$268

The Notes to Financial Statements are an integral part of these Statements.

Summary Statement of Development Credits

June 30, 1993
Expressed in millions of US dollars

	IDA			Special Fund			Total	
Borrower or guarantor	Total development credits	Undisbursed development credits[1]	Development credits outstanding	Total development credits	Undisbursed development credits	Development credits outstanding	Development credits outstanding	Percentage of development credits outstanding
Afghanistan	$ 75	$ —	$ 75	$ —	$ —	$ —	$ 75	0.13
Albania	87	76	11	—	—	—	11	0.02
Angola	255	244	11	—	—	—	11	0.02
Bangladesh	6,256	1,523	4,733	6	—	6	4,739	8.44
Benin	525	121	404	12	—	12	416	0.74
Bhutan	22	4	18	—	—	—	18	0.03
Bolivia	922	397	525	—	—	—	525	0.94
Botswana	13	—	13	—	—	—	13	0.02
Burkina Faso	674	275	399	—	—	—	399	0.71
Burundi	730	229	501	—	—	—	501	0.89
Cameroon	230	—	230	—	—	—	230	0.41
Cape Verde	38	20	18	—	—	—	18	0.03
Central African Republic	441	125	316	—	—	—	316	0.56
Chad	378	102	276	—	—	—	276	0.49
Chile	12	—	12	—	—	—	12	0.02
China	7,470	2,821	4,649	79	—	79	4,729	8.42
Colombia	13	—	13	—	—	—	13	0.02
Comoros	60	16	44	—	—	—	44	0.08
Congo	74	—	74	—	—	—	74	0.13
Costa Rica	3	—	3	—	—	—	3	0.01
Côte d'Ivoire	150	38	112	—	—	—	112	0.20
Djibouti	49	11	38	—	—	—	38	0.07
Dominica	11	—	11	—	—	—	11	0.02
Dominican Republic	19	—	19	—	—	—	19	0.03
Ecuador	29	—	29	—	—	—	29	0.05
Egypt, Arab Republic of	1,245	332	913	—	—	—	913	1.63
El Salvador	22	—	22	—	—	—	22	0.04
Equatorial Guinea	57	12	45	—	—	—	45	0.08
Ethiopia	1,871	861	1,010	—	—	—	1,010	1.80
Gambia, The	170	39	131	—	—	—	131	0.23
Ghana	2,729	1,007	1,722	47	—	47	1,769	3.15
Grenada	7	—	7	—	—	—	7	0.01
Guinea	907	267	640	—	—	—	640	1.14
Guinea-Bissau	218	48	170	5	—	5	176	0.31
Guyana	211	68	143	—	—	—	143	0.25
Haiti	462	141	321	14	—	14	335	0.60
Honduras	347	141	206	—	—	—	206	0.37
India	19,880	4,499	15,381	91	34	57	15,438	27.49
Indonesia	806	—	806	—	—	—	806	1.43
Jordan	74	—	74	—	—	—	74	0.13
Kenya	2,094	606	1,488	53	4	49	1,537	2.74
Korea, Republic of	91	—	91	—	—	—	91	0.16
Kyrgyzstan	60	60	—	—	—	—	—	*
Lao People's Democratic Republic	352	163	189	—	—	—	189	0.34
Lesotho	219	86	133	—	—	—	133	0.24

Borrower or guarantor	IDA			Special Fund			Total	
	Total development credits	Undisbursed development credits[1]	Development credits outstanding	Total development credits	Undisbursed development credits	Development credits outstanding	Development credits outstanding	Percentage of development credits outstanding
Liberia	$ 107	$ 3	$ 104	$ —	$ —	$ —	$ 104	0.19
Madagascar	1,266	386	880	39	—	39	919	1.64
Malawi	1,355	358	996	18	—	18	1,015	1.81
Maldives	36	12	24	—	—	—	24	0.04
Mali	863	236	627	15	1	14	641	1.14
Mauritania	349	95	254	—	—	—	254	0.45
Mauritius	18	—	18	—	—	—	18	0.03
Mongolia	36	8	28	—	—	—	28	0.05
Morocco	36	—	36	—	—	—	36	0.06
Mozambique	1,053	589	464	—	—	—	464	0.83
Myanmar	855	84	771	—	—	—	771	1.37
Nepal	1,362	557	805	—	—	—	805	1.43
Nicaragua	216	33	183	—	—	—	183	0.33
Niger	603	101	502	—	—	—	502	0.89
Nigeria	922	826	96	—	—	—	96	0.17
Pakistan	4,072	1,487	2,585	—	—	—	2,585	4.60
Papua New Guinea	110	—	110	—	—	—	110	0.20
Paraguay	39	—	39	—	—	—	39	0.07
Philippines	275	107	168	—	—	—	168	0.30
Rwanda	703	267	436	—	—	—	436	0.78
St. Kitts and Nevis	2	1	1	—	—	—	1	*
St. Lucia	5	*	5	—	—	—	5	0.01
St. Vincent	2	*	2	6	—	6	8	0.01
São Tomé and Principe	67	31	36	—	—	—	36	0.06
Senegal	1,140	258	882	25	—	25	907	1.61
Sierra Leone	269	145	124	—	—	—	124	0.22
Solomon Islands	36	17	19	—	—	—	19	0.03
Somalia	540	126	414	—	—	—	414	0.74
Sri Lanka	1,824	628	1,196	—	—	—	1,196	2.13
Sudan	1,343	181	1,162	13	—	13	1,176	2.09
Swaziland	6	—	6	—	—	—	6	0.01
Syrian Arab Republic	44	—	44	—	—	—	44	0.08
Tanzania	2,620	939	1,681	—	—	—	1,681	2.99
Thailand	106	—	106	—	—	—	106	0.19
Togo	565	120	445	26	—	26	471	0.84
Tonga	5	2	3	—	—	—	3	0.01
Tunisia	55	—	55	—	—	—	55	0.10
Turkey	145	—	145	—	—	—	145	0.26
Uganda	2,027	760	1,267	—	—	—	1,267	2.26
Vanuatu	17	5	12	—	—	—	12	0.02
Viet Nam	57	—	57	—	—	—	57	0.10
Western Samoa	47	13	35	—	—	—	35	0.06
Yemen, Republic of	1,062	366	696	14	*	14	710	1.26
Zaire	1,403	174	1,229	—	—	—	1,229	2.19
Zambia	1,079	350	729	7	—	7	736	1.31
Zimbabwe	456	278	178	—	—	—	178	0.32
Subtotal members	79,555	23,874	55,681	470	39	431	56,112	99.91

(continued)

Summary Statement of Development Credits *(continued)*

June 30, 1993
Expressed in millions of US dollars

	IDA			Special Fund			Total	
Borrower or guarantor	Total development credits	Undisbursed development credits[2]	Development credits outstanding	Total development credits	Undisbursed development credits	Development credits outstanding	Development credits outstanding	Percentage of development credits outstanding
West African Development Bank[2]	$ 61	$ 44	$ 17	$ —	$ —	$ —	$ 17	0.03
Caribbean Development Bank[3]	34	14	20	—	—	—	20	0.04
Other[4]	9	—	9	—	—	—	9	0.02
Total—June 30, 1993[5]	$79,659	$23,932	$55,727	$470	$ 39	$431	$56,158	100.00
Total—June 30, 1992[5]	$75,235	$23,337	$51,898	$482	$ 76	$406	$52,304	

* indicates amounts less than $0.5 million or 0.005 percent.

NOTES

1. Of the undisbursed balance at June 30, 1993, IDA has entered into irrevocable commitments to disburse $277 million ($273 million—June 30, 1992).
2. These development credits are for the benefit of Benin, Burkina Faso, Cote d'Ivoire, Niger, Senegal, and Togo.
3. These development credits are for the benefit of Grenada and territories of the United Kingdom (Associated States and Dependencies) in the Caribbean region.
4. Represents development credits made at a time when the authorities on Taiwan represented China in IDA (prior to May 15, 1980).
5. In the Statements of Development Resources at June 30, 1993, total development credits of $80,090 million ($75,641 million—June 30, 1992) and total development credits disbursed and outstanding of $56,158 million ($52,304 million—June 30, 1992) include development credits outstanding of $431 million ($406 million—June 30, 1992) which were originated under the Special Fund, since such amounts are repayable to IDA (see Notes to Financial Statements—Note E).

Maturity Structure of Development Credits Disbursed and Outstanding

Period	IDA	Special Fund	Total
July 1, 1993 through June 30, 1994	$ 465	$ 2	$ 467
July 1, 1994 through June 30, 1995	504	5	509
July 1, 1995 through June 30, 1996	583	5	588
July 1, 1996 through June 30, 1997	648	5	653
July 1, 1997 through June 30, 1998	734	5	739
July 1, 1998 through June 30, 2003	6,300	23	6,323
July 1, 2003 through June 30, 2008	8,854	62	8,916
July 1, 2008 through June 30, 2013	10,221	68	10,289
July 1, 2013 through June 30, 2018	9,446	68	9,514
July 1, 2018 through June 30, 2023	8,176	67	8,243
July 1, 2023 through June 30, 2028	6,048	64	6,112
July 1, 2028 through June 30, 2033	3,120	53	3,173
July 1, 2033 through June 30, 2034	628	4	632
Total[1]	$55,727	$431	$56,158

NOTE

1. In the Statements of Development Resources at June 30, 1993, development credits disbursed and outstanding of $56,158 million ($52,304 million—June 30, 1992) include development credits outstanding of $431 million ($406 million—June 30, 1992) which were originated under the Special Fund, since such amounts are repayable to IDA (see Notes to Financial Statements—Note E).

The Notes to Financial Statements are an integral part of these Statements.

Statement of Voting Power, and Subscriptions and Contributions

June 30, 1993
Expressed in millions of US dollars except vote data

Member[1]	IDA Number of votes	IDA Percentage of total	IDA Subscriptions and contributions	Special Fund contributions
Part I Members				
Australia	121,300	1.37	$ 1,253.2	$ —
Austria	56,228	0.63	571.0	—
Belgium	103,228	1.16	1,150.3	50
Canada	276,429	3.12	3,267.4	160
Denmark	82,743	0.93	877.4	34
Finland	57,365	0.65	486.7	—
France	356,294	4.02	4,722.1	149
Germany	609,771	6.88	8,300.9	—
Iceland	19,793	0.22	11.7	—
Ireland	24,564	0.28	82.3	—
Italy	259,450	2.93	2,953.7	90
Japan	900,671	10.16	15,746.7	—
Kuwait	69,834	0.79	648.8	—
Luxembourg	20,896	0.24	36.7	—
Netherlands	187,170	2.11	2,678.9	—
New Zealand	24,742	0.28	74.9	—
Norway	83,144	0.94	827.1	40
Russia	28,202	0.32	139.7	—
South Africa	25,137	0.28	68.6	—
Sweden	177,971	2.01	1,839.5	74
Switzerland	67,909	0.77	631.2	—
United Arab Emirates	1,367	0.02	5.6	—
United Kingdom	469,316	5.30	5,537.5	—
United States	1,422,274	16.05	18,081.5	—
Subtotal Part I Members[2]	5,445,798	61.45	69,993.2	596
Part II Members				
Afghanistan	13,557	0.15	1.3	—
Albania	19,711	0.22	0.3	—
Algeria	18,481	0.21	5.1	—
Angola	45,662	0.52	7.9	—
Argentina	83,915	0.95	57.4	—
Bangladesh	51,085	0.58	7.1	—
Belize	1,788	0.02	0.2	—
Benin	5,297	0.06	0.6	—
Bhutan	7,813	0.09	0.1	—
Bolivia	24,729	0.28	1.4	—
Botswana	19,222	0.22	0.2	—
Brazil	145,619	1.64	77.4	—
Burkina Faso	14,465	0.16	0.7	—
Burundi	17,694	0.20	1.0	—
Cambodia	7,826	0.09	1.3	—
Cameroon	13,854	0.16	1.3	—
Cape Verde	516	0.01	0.1	—
Central African Republic	10,920	0.12	0.7	—
Chad	10,990	0.12	0.7	—
Chile	31,782	0.36	4.5	—
China	176,657	1.99	39.5	—
Colombia	34,350	0.39	22.5	—
Comoros	13,141	0.15	0.1	—
Congo	6,685	0.08	0.6	—
Costa Rica	7,844	0.09	0.3	—
Côte d'Ivoire	13,064	0.15	1.3	—
Croatia	13,366	0.15	5.5	—
Cyprus	22,924	0.26	1.0	—

(continued)

Statement of Voting Power, and Subscriptions and Contributions *(continued)*

June 30, 1993
Expressed in millions of US dollars except vote data

Member[1]	IDA Number of votes	IDA Percentage of total	IDA Subscriptions and contributions	Special Fund contributions
Part II Members (continued)				
Czech Republic[3]	32,378	0.37	$14.0	$ —
Djibouti	532	0.01	0.2	—
Dominica	10,553	0.12	0.1	—
Dominican Republic	20,771	0.23	0.6	—
Ecuador	18,618	0.21	0.8	—
Egypt, Arab Republic of	38,882	0.44	6.5	—
El Salvador	6,244	0.07	0.4	—
Equatorial Guinea	6,167	0.07	0.4	—
Ethiopia	21,353	0.24	0.7	—
Fiji	2,130	0.02	0.7	—
Gabon	2,093	0.02	0.6	—
Gambia, The	10,644	0.12	0.3	—
Ghana	20,418	0.23	3.0	—
Greece	36,429	0.41	18.4	—
Grenada	14,496	0.16	0.1	—
Guatemala	12,713	0.14	0.5	—
Guinea	22,482	0.25	1.3	—
Guinea-Bissau	528	0.01	0.2	—
Guyana	18,160	0.20	1.0	—
Haiti	17,143	0.19	1.0	—
Honduras	16,813	0.19	0.4	—
Hungary	66,020	0.74	24.2	—
India	277,301	3.13	53.9	—
Indonesia	85,954	0.97	14.6	—
Iran, Islamic Republic of	15,455	0.17	5.7	—
Iraq	9,407	0.11	1.0	—
Israel	15,473	0.17	2.4	—
Jordan	20,001	0.23	0.4	—
Kazakhstan	806	0.01	1.8	—
Kenya	20,688	0.23	2.1	—
Kiribati	4,777	0.05	0.1	—
Korea, Republic of	32,496	0.37	64.9	—
Kyrgyzstan	580	0.01	0.5	—
Lao People's Democratic Republic	11,723	0.13	0.6	—
Latvia	614	0.01	0.7	—
Lebanon	8,562	0.10	0.6	—
Lesotho	19,280	0.22	0.2	—
Liberia	18,067	0.20	1.0	—
Libya	7,771	0.09	1.3	—
Madagascar	5,995	0.07	1.2	—
Malawi	22,648	0.26	1.0	—
Malaysia	33,637	0.38	3.5	—
Maldives	18,480	0.21	*	—
Mali	22,407	0.25	1.2	—
Marshall Islands	502	0.01	*	—
Mauritania	10,885	0.12	0.6	—
Mauritius	23,571	0.27	1.2	—
Mexico	58,365	0.66	73.9	—
Micronesia	18,424	0.21	*	—
Mongolia	546	0.01	0.3	—
Morocco	39,834	0.45	4.7	—
Mozambique	774	0.01	1.7	—

Member[1]	IDA Number of votes	IDA Percentage of total	IDA Subscriptions and contributions	Special Fund contributions
Myanmar	30,637	0.35	$ 2.8	$ —
Nepal	21,165	0.24	0.7	—
Nicaragua	20,108	0.23	0.4	—
Niger	16,541	0.19	0.7	—
Nigeria	8,257	0.09	4.2	—
Oman	20,112	0.23	0.4	—
Pakistan	80,544	0.91	13.5	—
Panama	5,657	0.06	•	—
Papua New Guinea	13,050	0.15	1.1	—
Paraguay	11,419	0.13	0.4	—
Peru	6,990	0.08	2.1	—
Philippines	16,583	0.19	6.5	—
Poland	207,323	2.34	45.5	—
Portugal	36,793	0.42	4.1	—
Rwanda	12,667	0.14	1.0	—
São Tomé and Principe	4,714	0.05	0.1	—
Saudi Arabia	302,521	3.41	1,883.2	—
Senegal	22,030	0.25	2.3	—
Sierra Leone	12,667	0.14	1.0	—
Slovak Republic[3]	20,893	0.24	7.0	—
Slovenia	7,546	0.09	3.0	—
Solomon Islands	518	0.01	0.1	—
Somalia	10,506	0.12	1.0	—
Spain	119,041	1.34	302.4	—
Sri Lanka	36,746	0.41	4.0	—
St. Kitts and Nevis	526	0.01	0.2	—
St. Lucia	17,956	0.20	0.2	—
St. Vincent and the Grenadines	514	0.01	0.1	—
Sudan	18,084	0.20	1.3	—
Swaziland	11,073	0.12	0.4	—
Syrian Arab Republic	7,651	0.09	1.2	—
Tajikistan	20,568	0.23	0.5	—
Tanzania	26,717	0.30	2.1	—
Thailand	36,746	0.41	4.2	—
Togo	17,143	0.19	1.0	—
Tonga	11,380	0.13	0.1	—
Trinidad and Tobago	770	0.01	1.6	—
Tunisia	2,793	0.03	1.9	—
Turkey	56,249	0.63	39.1	—
Uganda	16,021	0.18	2.1	—
Uzbekistan	746	0.01	1.5	—
Vanuatu	9,194	0.10	0.2	—
Viet Nam	8,889	0.10	1.9	—
Western Samoa	12,968	0.15	0.1	—
Yemen	24,658	0.28	2.1	—
Zaire	12,164	0.14	3.8	—
Zambia	23,930	0.27	3.4	—
Zimbabwe	1,324	0.01	5.0	—

(continued)

Statement of Voting Power, and Subscriptions and Contributions *(continued)*

June 30, 1993
Expressed in millions of US dollars except vote data

Member[1]	IDA			Special Fund contributions
	Number of votes	Percentage of total	Subscriptions and contributions	
Subtotal Part II Members[2]	3,416,639	38.55	$ 2,918.1	$ —
Total—June 30, 1993[2, 4]	8,862,437	100.00	$72,911.3	$596
Total—June 30, 1992[4]	8,258,739	100.00	$72,747.4	$607

* Indicates amounts less than $0.05 million.

Notes

1. See Notes to Financial Statements—Note C for an explanation of the two categories of membership.
2. Total may differ from the sum of individual figures shown because of rounding.
3. On January 1, 1993, the Czech Republic and the Slovak Republic became members of IDA succeeding the dissolved Czech and Slovak Federal Republic (CSFR). See also Notes to Financial Statements—Note C.
4. In the Statements of Development Resources at June 30, 1993, member subscriptions and contributions of $72,777 million ($73,092 million—June 30, 1992) does not include $512 million (nil—June 30, 1992) of Switzerland's subscription and contributions and includes Special Fund contributions of $378 million ($345 million—June 30, 1992).

   $512 million (nil—June 30, 1992) of Switzerland's subscription and contributions have not been included since this represents the difference between the total cofinancing grants of $580 million provided by Switzerland directly to IDA borrowers as cofinancing grants between the fourth and the nine replenishments of IDA resources, and the July 1992 contribution by Switzerland of $68 million representing the present value of future reflows on these grants if they had been made through IDA on IDA's repayment terms.

   Special Fund contributions of $378 million ($345 million—June 30, 1992) have been included, since the development credits that were funded using these resources are repayable to IDA (see Notes to Financial Statements—Note C).

The Notes to Financial Statements are an integral part of these Statements.

Notes to Financial Statements

Summary of Significant Accounting and Related Policies

IDA's financial statements are prepared in conformity with the accounting principles generally accepted in the United States and with International Accounting Standards.

Organization and Operations

IDA: IDA was established on September 24, 1960 to promote economic development, increase productivity, and raise the standard of living of its developing country members

Special Fund: On October 26, 1982, IDA established the Special Fund constituted by funds to be contributed by members of IDA and administered by IDA, to supplement the regular resources available for lending by IDA. The arrangements governing the Special Fund may be amended or terminated by IDA's Executive Directors subject to the agreement of a qualified majority of the contributors to the Special Fund The resources of the Special Fund are kept separate from the resources of IDA.

Translation of Currencies

IDA's financial statements are expressed in terms of US dollars solely for the purpose of summarizing IDA's financial position and the results of its operations for the convenience of its members and other interested parties

IDA: IDA is an international organization which conducts its operations in the currencies of all of its members. Assets and liabilities are translated at market rates of exchange at the end of the accounting period Subscriptions and contributions are translated in the manner described below. Income and expenses are translated at the market rate of exchange at the dates on which they are recognized or at an average of the market rates of exchange in effect during each month Translation adjustments relating to the revaluation of development credits denominated in Special Drawing Rights (SDRs) are charged or credited to Cumulative Translation Adjustment on Development Credits Other translation adjustments are charged or credited to the Accumulated Surplus

Special Fund: Assets of the Special Fund are translated at market rates of exchange at the end of the period. Contributions are translated in the manner described below Income is translated at market rates of exchange on dates of recognition of income. Translation adjustments are charged or credited to the Accumulated Surplus.

Valuation of Subscriptions and Contributions

IDA: The subscriptions and contributions provided through the third replenishment are expressed in terms of "US dollars of the weight and fineness in effect on January 1, 1960" (1960 dollars) Following the abolition of gold as a common denominator of the monetary system and the repeal of the provision of the US law defining the par value of the US dollar in terms of gold, the pre-existing basis for translating 1960 dollars into current dollars or any other currency disappeared. The Executive Directors of IDA have decided, with effect on that date and until such time as the relevant provisions of the Articles of Agreement are amended, that the words "US dollars of the weight and fineness in effect on January 1, 1960" in Article II, Section 2(b) of the Articles of Agreement of IDA are interpreted to mean the SDR introduced by the International Monetary Fund as the SDR was valued in terms of US dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being equal to $1 20635 for one SDR (the 1974 SDR), and have also decided to apply the same standard of value to amounts expressed in 1960 dollars in the relevant resolutions of the Board of Governors.

The subscriptions and contributions provided through the third replenishment are expressed on the basis of the 1974 SDR. Prior to the decision of the Executive Directors, IDA had valued these subscriptions and contributions on the basis of the SDR at the current market value of the SDR.

The subscriptions and contributions provided under the fourth replenishment and thereafter are expressed in members' currencies or SDRs and are payable in members' currencies Beginning July 1, 1986, subscriptions and contributions made available for disbursement in cash to IDA are translated at market rates of exchange on the dates they were made available. Prior to that date, subscriptions and contributions which had been disbursed or converted into other currencies were translated at market rates of exchange on dates of disbursement or conversion. Subscriptions and contributions not yet available for disbursements are translated at market rates of exchange at the end of the accounting period

Special Fund: Beginning April 1, 1989, subscriptions and contributions received but not yet disbursed, as well as subscriptions and contributions disbursed or converted into other currencies, are translated at market rates of exchange on the dates they were made available for disbursement in cash to the Special Fund. Prior to that date, subscriptions and contributions which had been disbursed or converted into other currencies were translated at market rates of exchange on dates of disbursement or conversion. Subscriptions and contributions receivable are translated at market rates of exchange at the end of the accounting period.

Development Credits

All development credits are made to member governments or to the government of a territory of a member (except for development credits which have been made to regional development banks for the benefit of members or territories of members of IDA). It is the policy of IDA to place in nonaccrual status all development credits made to a member government or to the government of a territory of a member if principal or charges with respect to any such development credit are overdue by more than six months, unless IDA management determines that the overdue amount will be collected in the immediate future In addition, if loans by IBRD to a member government are placed in nonaccrual status, all development credits to that member government will also be placed in nonaccrual status by IDA On the date a member's development credits are placed in nonaccrual status, charges that had been accrued on development credits outstanding to the member which remained unpaid are deducted from the income of the current period. Charges on nonaccruing development credits are included in income only to the extent that payments have actually been received by IDA. On the date a member pays in full all overdue amounts, the member's credits emerge from nonaccrual status, its eligibility for new credits is restored, and all overdue charges (including those from prior years) are recognized as income in the current period.

IDA has not suffered any losses from development credit receivables and has established no provision for credit losses because no losses are anticipated.

IDA: The repayment obligations of IDA's development credits funded from resources through the fifth replenishment are expressed in the development credit agreements in terms of 1960 dollars. In June 1987, the Executive Directors decided to value those development credits at the rate of $1.20635 per 1960 dollar on a permanent basis. Development credits funded from resources provided under the sixth replenishment and thereafter are denominated in SDRs; the principal amounts disbursed under such development credits are to be repaid in currency amounts currently equivalent to the SDRs disbursed

Special Fund: Special Fund development credits are denominated in SDRs. The principal amounts disbursed under such development credits are to be repaid in currency amounts currently equivalent to the SDRs disbursed

(continued)

Notes to Financial Statements *(continued)*

Special Fund development credits are made on the same terms as regular IDA development credits except that the proceeds of Special Fund development credits may be used only to finance expenditures for goods or services from (a) Part II members of IDA; (b) Part I members contributing to the Special Fund; and (c) Part I members contributing to the regular resources of IDA through IDA's FY84 Account who have notified IDA that such contributions are to be treated in the same manner as contributions to the Special Fund for purposes of any future adjustment of the voting rights of the members of IDA.

Investments

IDA carries its investment securities at market value. Both realized and unrealized gains and losses are included in income from investments.

Fair Value of Financial Instruments

IDA adopted a new accounting standard in fiscal year 1993 that requires disclosure of the estimated "fair value" of financial instruments. Such fair values are not recorded in the accounts of IDA, but are disclosed in Note F as additional information.

Reclassifications

Certain reclassifications of the prior year's information have been made to conform to the current year's presentation.

Note A—Investments and Cash Collateral Invested

A summary of the currency composition of the Investments and Cash Collateral Invested at June 30, 1993 and June 30, 1992 is as follows:

In millions of US-dollar equivalent

	IDA		Special Fund	
Currency	1993	1992	1993	1992
Belgian francs	$ 60	$ 52	$ 12	$ 6
Canadian dollars	44	135	69	57
Danish kroner	—	78	9	6
Deutsche mark	1,169	956	—	—
French francs	200	290	45	76
Japanese yen	296	62	—	—
Italian lire	82	278	80	79
Netherlands guilders	154	222	—	—
Pounds sterling	156	809	—	—
Swedish kronor	73	203	36	39
United States dollars	782	106	—	—
Other currencies	—	8	—	—
Total	$3,016	$3,199	$251	$263

As part of its overall portfolio management strategy, IDA is party to financial instruments with off-balance-sheet risk, including futures, covered forward contracts, options, and short sales. Futures are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specified price or yield. At June 30, 1993, the total contract value of futures contracts was $211 million ($53 million—June 30, 1992), and IDA's exposure to credit loss on futures contracts due to potential nonperformance of counterparties was $7 million ($4 million—June 30, 1992).

Covered forwards are agreements in which cash in one currency is converted into a different currency and, simultaneously, a forward exchange agreement is executed providing for a future exchange of the two currencies in order to recover the currency converted. At June 30, 1993, IDA had gross receivables from covered forward agreements of $119 million and gross payables from covered forward agreements of $125 million. At June 30, 1992, IDA had no gross receivables or gross payables from covered forward agreements. At June 30, 1993 and June 30, 1992, IDA had no exposure to credit loss in the event of nonperformance by counterparties.

Options are contracts that allow the holder of the option to purchase or sell a financial instrument at a specified price and within a specified period of time from the seller or to the purchaser of the option. As a seller of options, IDA receives a premium at the outset and then bears the risk of an unfavorable change in the price of the financial instrument underlying the option. The total contract value of options sold at June 30, 1993 was $29 million (nil—June 30, 1992).

Short sales are sales of securities not held in IDA's portfolio at the time of the sale. IDA must purchase the security at a later date and bears the risk that the market value of the security will move adversely between the time of the sale and the time the security must be delivered. The total contract amount of short sales at June 30, 1993 was $7 million (nil—June 30, 1992). This amount is included in "net payable on investment security transactions."

Note B—Cash and Investments Not Immediately Available for Disbursement

Under the Articles of Agreement and the arrangements governing replenishments, IDA must take appropriate steps to ensure that, over a reasonable period of time, the resources provided by donors for lending by IDA are used on an approximately pro rata basis. Donors sometimes contribute resources substantially ahead of their pro rata share. Unless otherwise agreed, IDA does not disburse these funds ahead of donors' pro rata shares. Cash and Investments Not Immediately Available for Disbursement represent the difference between the amount contributed and the amount available for disbursements on a pro rata basis.

Note C—Member Subscriptions and Contributions

Restricted Assets and Subscriptions: For the purposes of its financial resources, the membership of IDA is divided into two categories: (1) Part I members, which make payments of subscriptions and contributions provided to IDA in convertible currencies which may be freely used or exchanged by IDA in its operations and (2) most Part II members, which make payments of 10 percent of their initial subscriptions in freely convertible currencies, and the remaining 90 percent of their initial subscriptions, and all additional subscriptions and contributions in their own currencies or in freely convertible currencies. Certain Part II members provide a portion of their subscriptions and contributions in the same manner as mentioned in (1) above. IDA's Articles of Agreement and subsequent replenishment agreements provide that the currency of any Part II member paid in by it may not be used by IDA for projects financed by IDA and located outside the territories of the member except by agreement between the member and IDA.

Maintenance of value: Article IV, Section 2(a) and (b) of IDA's Articles of Agreement provides for maintenance-of-value payments on account of the local currency portion of the initial subscription whenever the par value of the member's currency or its foreign exchange value has, in the opinion of IDA, depreciated or appreciated to a significant extent within the members' territories, so long as and to the extent that such currency shall not have been initially disbursed or exchanged for the currency of another member. The provisions of Article IV, Section 2(a) and (b) have by agreement been extended to cover additional subscriptions and contributions of IDA through

the third replenishment, but are not applicable to those of the fourth and subsequent replenishments.

The Executive Directors decided on June 30, 1987, that settlements of maintenance-of-value obligations, which would result from the resolution of the valuation issue on the basis of the 1974 SDR, would be deferred until the Executive Directors decide to resume such settlements.

Tenth Replenishment: On March 31, 1993, the Board of Governors of IDA adopted a resolution authorizing the tenth replenishment of IDA's resources. The tenth replenishment provides IDA with resources to fund credits committed during the period July 1, 1993 to June 30, 1996. The amount of the replenishment, including supplementary contributions provided by certain members, is equivalent to SDR 13,000 million (at the exchange rates determined pursuant to a formula agreed by IDA and contributing donors). The tenth replenishment will become effective when IDA has received commitments for subscriptions and contributions of at least SDR 10,076 million.

Subscriptions and Contributions Not Yet Due: At June 30, 1993, unrestricted subscriptions and contributions not yet due will become due as follows:

In millions	
Period	June 30, 1993
July 1, 1993 through June 30, 1994	$ 92
July 1, 1994 through June 30, 1995	3
Thereafter	24
Total	$119

Contributions to Special Fund: Member contributions to the Special Fund totaling $596 million at June 30, 1993, ($607 million—June 30, 1992) are reflected as Member Subscriptions and Contributions in the Statements of Development Resources. At June 30, 1993, the Special Fund total was reflected net of $378 million ($345 million—June 30, 1992), which represents development credit disbursements that are repayable to and included in Member Subscriptions and Contributions of IDA.

Membership: On February 25, 1993, the IBRD's Executive Directors decided that the Socialist Federal Republic of Yugoslavia (SFRY) has ceased to be a member of the IBRD and that the Republic of Bosnia and Herzegovina, the Republic of Croatia, the Former Yugoslav Republic of Macedonia, the Republic of Slovenia, and the Federal Republic of Yugoslavia (Serbia and Montenegro) are authorized to succeed to the membership of the SFRY in the IBRD when certain requirements are met. In accordance with the Articles of Agreement of the Association, on February 25, 1993, SFRY ceased to be a member of IDA due to the cessation of its membership in IBRD. The Republics of Croatia and Slovenia have since become members of IDA. As a result of the foregoing, the Republic of Croatia was allocated a $5 million subscription and contribution and 13,366 votes, and the Republic of Slovenia was allocated a $3 million subscription and contribution and 7,546 votes. As of June 30, 1993, the subscription and contributions allocated to the other successor Republics (the Republic of Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, and the Federal Republic of Yugoslavia (Serbia and Montenegro)) are included under "Payments on Account of Pending Membership".

On January 1, 1993, the Czech Republic and the Slovak Republic became members of IDA succeeding the dissolved Czech and Slovak Federal Republic (CSFR). As agreed between the succeeding republics, all rights and obligations attached to the membership status of the CSFR in the Bank will be divided between the Czech Republic and the Slovak Republic. As of January 1, 1993, CSFR's subscription and contribution to the Association totalled $21 million, and the CSFR had 52,771 votes in IDA. As a result of such division, the Czech Republic was allocated a $14 million subscription and contribution and 32,378 votes, while the Slovak Republic was allocated a $7 million subscription and contribution and 20,893 votes.

On May 29, 1992, Switzerland became a member of IDA. Before that date, Switzerland had contributed to IDA an equivalent of $51 million. As agreed between the Swiss Confederation and IDA, these grant contributions were converted to an IDA subscription. Further, during the commitment periods between the fourth and the ninth replenishments of IDA resources, Switzerland had cofinanced projects by making available to IDA borrowers untied grants in the aggregate amount of Swiss francs 1,055 million (historical US dollar amount of $580 million). On July 7, 1992, as agreed between the Swiss Confederation and IDA, these grant contributions were converted to an IDA subscription and contribution when Switzerland contributed a further $68 million, representing the present value of future reflows of the cofinancing grants if they had been made through IDA on IDA's repayment terms. At June 30, 1993, $512 million (nil—June 30, 1992), representing the difference between the total cofinancing grants of $580 million and the present value of future reflows of $68 million, have not been included in the member subscriptions and contributions in the Statements of Development Resources.

Note D—Transfers from the International Bank for Reconstruction and Development (IBRD)

IDA: The IBRD's Board of Governors approved transfers to IDA totaling $3,508 million through June 30, 1992. Of the total amount, $80 million has been disbursed for grants for agricultural research, the control of onchocerciasis, and other developmental activities. On September 24, 1992, the IBRD's Board of Governors approved a transfer of $300 million to IDA. This has been made as of June 30, 1993. On September 24, 1992, the IBRD's Board of Governors also authorized a transfer of an amount equivalent of $375 million by way of a grant to IDA, when the tenth replenishment becomes effective. This amount is not yet reflected as a receivable.

Note E—Development Credits

Special Fund development credits disbursed and outstanding of $431 million at June 30, 1993 ($406 million—June 30, 1992) are included in the Statements of Development Resources of IDA since principal repayments on these development credits will become part of the general resources of IDA, unless otherwise provided in a decision of IDA's Executive Directors to terminate administration of the Special Fund by IDA.

At June 30, 1993, principal installments of $2 million and charges of $2 million payable to IDA on development credits were overdue by more than three months. At June 30, 1993, the aggregate principal amounts outstanding on all development credits to any borrower, other than those referred to in the following paragraph, with any development credit overdue by more than three months was $1,406 million.

At June 30, 1993, the development credits made to or guaranteed by certain member countries with an aggregate principal balance outstanding of $1,046 million ($1,059 million—June 30, 1992), of which $18 million ($10 million—June 30, 1992) was overdue, were in nonaccrual status. As of such date, overdue charges in respect of these development credits totaled $21 million ($14 million—June 30, 1992). If these development credits had not been in nonaccrual status, income from development credits for the fiscal year ended June 30, 1993 would have been higher by $7 million ($10 million—June 30, 1992), which is net of charges received from such members during the year. A summary of member countries with credits or guarantees in nonaccrual status follows:

(continued)

Notes to Financial Statements *(continued)*

In millions of US dollars

Borrower	June 30, 1993 Principal outstanding	Principal and charges overdue	Nonaccrual since
Afghanistan	$ 75	$ 1	June 1992
Congo	74	4	September 1991
Haiti	335	7	April 1992
Liberia	104	8	April 1988
Somalia	414	13	July 1991
Syrian Arab Republic	44	6	April 1988
Total	$1,046	$39	

During the fiscal year ended June 30, 1993, no development credits came out of nonaccrual status. For the fiscal year ended June 30, 1992, the increase in income from development credits due to development credits to countries coming out of nonaccrual status was $6 million.

Note F—Disclosures about Fair Value of Financial Instruments

Investments: Since IDA carries its investments at market value, the carrying amount represents the fair value of the portfolio. These fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The fair value of financial instruments that are short term approximate their carry value.

Credits: All of IDA's credits are made to or guaranteed by countries that are members of IDA. These credits are made to provide concessional assistance to low-income developing countries. While the principal amount is fully repayable, no interest is charged to the borrower. A service fee of 0.75 percent of the disbursed and outstanding balance is charged, however, to cover the costs of administering the credits. Due to the concessional nature of these credits, it is not meaningful to calculate a fair value for outstanding credits.

Note G—Income and Expenses

IDA: IDA pays a management fee to the IBRD representing its share of the administrative expenses incurred by the IBRD.

Special Fund: The service and commitment charges payable by borrowers under Special Fund development credits are paid directly to IDA to compensate it for services as administrator of the Special Fund. Income from investments of the Special Fund becomes part of the resources of the Special Fund.

Report of Independent Accountants

Price Waterhouse
(International Firm)

The Hague
Beijing
Hong Kong
London

New York
Tokyo
Washington

Price Waterhouse

July 26, 1993

President and Board of Governors
International Development Association and the
Special Fund Administered by the International Development Association

In our opinion, the financial statements appearing on pages 211 through 224 of this Report present fairly, in all material respects, in terms of United States dollars, the financial position of the International Development Association and the Special Fund Administered by the International Development Association at June 30, 1993 and 1992, and the changes in their accumulated surplus and grants and their cash flows for the years then ended in conformity with generally accepted accounting principles in the United States and with International Accounting Standards. These financial statements are the responsibility of management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards, including International Auditing Guidelines, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse
(International Firm)

IBRD/IDA Appendices

Governors and Alternates of the World Bank

Appendix 1

June 30, 1993

Member	Governor	Alternate
Afghanistan	Hamidullah Rahimi	Mohammad Ehsan
Albania	Genc Ruli	Adrian Xhyheri
Algeria	Ahmed Benbitour	Kacim Brachemi
Angola	José Pedro de Morais	Sebastião Bastos Lavrador
Antigua and Barbuda[a]	Molwyn Joseph	Ludolph Brown
Argentina	Domingo Felipe Cavallo	Roque Benjamin Fernández
Armenia[a]	Hrant A. Bagratian	Armen Yeghiazarian
Australia	John Dawkins	Gordon Bilney
Austria	Ferdinand Lacina	Hans Dietmar Schweisgut
Azerbaijan[a]	Djavanshir Abdullayev	Vagif Ahmedov
Bahamas, The[a]	Hubert A. Ingraham	Luther E. Smith
Bahrain[a]	Ibrahim Abdul Karim	Isa Abdulla Borshaid
Bangladesh	M. Saifur Rahman	Muhammad Lutfullahil Majid
Barbados[a]	L. Erskine Sandiford	George Reid
Belarus[a]	Nikolai Filippovich Rumas	Nikolai K. Lisai
Belgium	Philippe Maystadt	Alfons Verplaetse
Belize	Said W. Musa	Joseph D. Waight
Benin	Robert Tagnon	Rigobert Ladikpo
Bhutan	Lyonpo Dawa Tsering	Karma Dorjee
Bolivia	Samuel Doria Medina	Armando Mendez Morales
Botswana	Festus G. Mogae	G.J. Stoneham
Brazil	Fernando Henrique Cardoso	Paulo Cesar Ximenes Alves Ferreira
Bulgaria[a]	Stoyan Alexandrov	Emil M. Harsev
Burkina Faso	Roch Marc Christian Kabore	Jacques Sawadogo
Burundi	Gérard Niyibigira	Sylvie Kinigi
Cambodia	Roger Lawrence	(vacant)
Cameroon	Augustin Frederic Kodock	Esther Dang Belibi
Canada	Donald Mazankowski	Marcel Masse
Cape Verde	José Tomás Veiga	Antônio Hilario Da Cruz
Central African Republic	Thierry Bingaba	Gregoire Zowaye
Chad	Ibni Oumar Mahamat Saleh	Hassan Adoum Bakhit
Chile	Alejandro Foxley	José Pablo Arellano
China	Liu Zhongli	Jin Renqing
Colombia	Rudolf Hommes	Armando Montenegro
Comoros	Assoumany Abdou Salam	Chabani Abdallah Halifa
Congo	Clement Mouamba	Bernard Tchibambelela
Costa Rica	Rodolfo Méndez Mata	Jorge Guardia Quirós
Côte d'Ivoire	Kablan D. Duncan	N'Golo Coulibaly
Croatia	Zoran Jasic	Josip Kulisic
Cyprus	Phaedros Economides	Michael Erotokritos
Czech Republic	Ivan Kocarnik	Jan Vit
Denmark	Helle Degn	Ole Loensmann Poulsen
Djibouti	Moussa Bouraleh Robleh	Ibrahim Kassim Chehem
Dominica	Mary Eugenia Charles	Gilbert Williams
Dominican Republic	Luis F. Toral Córdova	Manuel E. Gómez Pieterz
Ecuador	Mario Ribadeneira	Rodrigo Correa Arteta
Egypt	Kamal El-Ganzoury	Maurice Makram-Allah
El Salvador	Mirna Liévano de Márques	José Roberto Orellana Milla
Equatorial Guinea	Anatolio Ndong Mba	Manuel-Enrique King Somo
Estonia[a]	Madis Uurike	Raivo Maine
Ethiopia	Alemayehu Daba	Abdulmejid Hussein
Fiji	Paul F. Manueli	Rigamoto Taito
Finland	Iiro Viinanen	Toimi Kankaanniemi

Member	Governor	Alternate
France	Jacques de Larosière	Jean-Claude Trichet
Gabon	Emmanuel Ondo-Methogo	Richard Onouviet
Gambia, The	Bakary B. Dabo	Alieu M. N'gum
Georgia[a]	Roman Gotsiridze	Demur Dvalishvili
Germany	Carl-Dieter Spranger	Horst Koehler
Ghana	Kwesi Botchwey	Kwesi Bekoe Amissah-Arthur
Greece	Stephanos Manos	George Vlachos
Grenada	Nicholas Brathwaite	Nolan K. Murray
Guatemala	Richard Aitkenhead Castillo	Juan Luis Mirón Aguilar
Guinea	Soriba Kaba	Kerfalla Yansane
Guinea-Bissau	Filinto Barros	Rui Dia de Sousa
Guyana	Asgar Ally	Michael Sheer Chan
Haiti	Marie Michele Rey	Renaud Bernardin
Honduras	René Ardon Matute	Roberto Galvez Barnes
Hungary	Ivan Szabo	Imre Taralas
Iceland	Sighvatur Bjorgvinsson	Fridrik Sophusson
India	Manmohan Singh	Montek Singh Ahluwalia
Indonesia	Mar'ie Muhammad	Boediono
Iran, Islamic Rep. of	Mohsen Noorbakhsh	Mehdi Navab
Iraq	Tarik T.M. Al Tukmachi	Hashim Ali Obaid
Ireland	Bertie Ahern	Sean P. Cromien
Israel	Jacob A. Frenkel	Aaron Fogel
Italy	Antonio Fazio	Mario Draghi
Jamaica[a]	Hugh Small	Omar Davies
Japan	Yoshiro Hayashi	Yasushi Mieno
Jordan	Ziad Fariz	Marwan Awad
Kazakhstan	Erkeshbay Zh. Derbisov	Beisenbay I. Izteleuov
Kenya	Musalia Mudavadi	Wilfred Koinange
Kiribati	Taomati Iuta	Baraniko Baaro
Korea, Republic of	Jae-Hyong Hong	Myung-Ho Kim
Kuwait	Nasser Abdullah Al-Roudhan	Bader Meshari Al-Humaidhi
Kyrgyzstan	Amangeldy M. Muraliev	Askar I. Sarygulov
Lao People's Democratic Republic	Khamxay Souphanouvong	Pany Yathotou
Latvia	Aivars Kreituss	Dainis Ritinsh
Lebanon	Fuad Siniora	El-Fadl Chalak
Lesotho	Selometsi Baholo	Thabo Louis Makhakhe
Liberia	Amelia A. Ward	Francis T. Karpeh
Libya	Mohamed A. Bait El Mal	Bashir Ali Khallat
Lithuania[a]	Julius Veselka	Gintautas Preidys
Luxembourg	Jean-Claude Juncker	Yves Mersch
Madagascar	Evariste Marson	Jean Gérard Rabevohitra
Malawi	Louis Joseph Chimango	Ian Charles Bonongwe
Malaysia	Anwar Ibrahim	Mohd. Sheriff Kassim
Maldives	Fathulla Jameel	(vacant)
Mali	Mahamar Oumar Maiga	Issaga Dembele
Malta[a]	John Dalli	Edgar Wadge
Marshall Islands	Ruben R. Zackhras	Michael Konelios
Mauritania	Mohamedou Ould Michel	Mohamed Lemine Ould Deidah
Mauritius	Ahmed Swalay Kasenally	Dharam Dev Manraj
Mexico	Pedro Aspe Armella	Guillermo Ortiz
Micronesia	Aloysius J. Tuuth	Asterio Takesy
Moldova[a]	Claudia Melnic	Dumitru Ursu

(continued)

Governors and Alternates of the World Bank *(continued)*

Appendix I

June 30, 1993

Member	Governor	Alternate
Mongolia	Demchigjavyn Molomzhamts	Dairain Davaasambuu
Morocco	Mohamed Berrada	Mohammed Dairi
Mozambique	Eneas da Conceição Comiche	Adriano Afonso Maleiane
Myanmar	Win Tin	Thein Aung Lwin
Namibia[a]	Zedekia Ngavirue	Godfrey Gaoseb
Nepal	Mahesh Acharya	Thakur Nath Pant
Netherlands	W. Kok	J.P. Pronk
New Zealand	Murray Horn	John Whitehead
Nicaragua	Emilio Pereira Alegria	José Evenor Taboada Arana
Niger	Abdallah Boureima	Kane Aichatou Boulama
Nigeria	Oladele Olashore	David A. Olorunleke
Norway	Sigbjoern Johnsen	Karl Nordheim-Larsen
Oman	Qais Abdul-Munim Al-Zawawi	Mohammed Bin Musa Al Yousef
Pakistan	Sartaj Aziz	R.A. Akhund
Panama	Delia Cardenas	Luis H. Moreno, Jr.
Papua New Guinea	Julius Chan	Gerea Aopi
Paraguay	Juan J. Díaz Pérez	Inocencio Palacios
Peru	Jorge Camet Dickmann	Alfredo Jalilie Awapara
Philippines	Ramón R. Del Rosario, Jr.	José Cuisia, Jr.
Poland	Hanna Gronkiewicz-Waltz	Witold Kozinski
Portugal	Jorge Braga de Macedo	José M. F. Braz
Qatar[a]	Mohammed bin Khalifa Al-Thani	Abdulla Khalid Al-Attiya
Romania[a]	Florin Georgescu	Vladimir Soare
Russian Federation	Aleksandr N. Shokhin	Viktor V. Gerashchenko
Rwanda	Marc Rugenera	Felicien Ntahondi
St. Kitts and Nevis	Kennedy A. Simmonds	William V. Herbert
St. Lucia	John G.M. Compton	Bernard Lacorbinière
St. Vincent and the Grenadines	James F. Mitchell	Dwight Venner
São Tomé and Principe	Arlindo Afonso de Carvalho	Adelino Castelo David
Saudi Arabia	Mohammad Abalkhail	Hamad Al-Sayari
Senegal	Papa Ousmane Sakho	Awa Thiongane
Seychelles[a]	Danièlle de St. Jorre	Bertrand Rassool
Sierra Leone	John A. Karimu	Nathaniel S.B. Wellington
Singapore[a]	Richard Hu Tsu Tau	Ngiam Tong Dow
Slovak Republic	Julius Toth	Vladimir Masar
Slovenia	Miltja Gaspari	(vacant)
Solomon Islands	Christopher C. Abe	Snyder Rini
Somalia	(vacant)	(vacant)
South Africa	C.L. Stals	Andries Benjamin La Grange
Spain	Carlos Solchaga	Pedro Pérez
Sri Lanka	D.B. Wijetunga	R. Paskaralingam
Sudan	Abdul Rahim Mahmood Hamdi	Mohamed Kheir El Zubeir
Suriname[a]	Humphrey S. Hildenberg	Stanly Ramsaran
Swaziland	Solomon M. Dlamini	Noreen N. Maphalala
Sweden	Anne Wibble	Alf Svensson
Switzerland	Jean-Pascal Delamuraz	Flavio Cotti
Syrian Arab Republic	Mohammed Khaled Mahayni	Adnan Al-Saty
Tajikistan	Kayum K. Kavmidinov	Normat Y. Yunusov
Tanzania	Steven A. Kibona	Peter J. Ngumbullu
Thailand	Tarrin Nimmanahaeminda	Pandit Bunyapana

Member	Governor	Alternate
Togo	Yandja Yentchabre	Kwassi Klutse
Tonga	James Cecil Cocker	Selwyn Percy Jones
Trinidad and Tobago	Wendell Mottley	T. Ainsworth Harewood
Tunisia	Mohamed Ghannouchi	Taoufik Baccar
Turkey	Tevfik Altinok	Kemal Kabatas
Turkmenistan[a]	Hudaiberdy A. Orazov	Annadurdy Khadjiev
Uganda	Jehoash Mayanja-Nkangi	Emmenuel Tumusiime-Mutebile
Ukraine[a]	Viktor Yushchenko	Hryhory O. Pyatachenko
United Arab Emirates	Hamdan bin Rashid Al-Maktoum	Ahmed Humaid Al-Tayer
United Kingdom	Robin Leigh-Pemberton	Timothy Lankester
United States	Lloyd M. Bentsen	Joan E. Spero
Uruguay[a]	Ignacio de Posadas	Carlos A. Cat
Uzbekistan	Mullajonov F. Makhsudjonovich	Baqiboev Erkin Joraevich
Vanuatu	Willie Jimmy	Antoine Pikoune
Venezuela[a]	Hernan Anzola	Carlos Rafael Silva
Viet Nam	Cao Si Kiem	Le Van Chau
Western Samoa	Tuilaepa S. Malielegaoi	Epa Tuioti
Yemen, Republic of	Abdul Karim Al-Eryani	Anwar Rizq Al-Harazi
Zaire	Celestin Tshibwabwa Kanyama	Mbonga Magalu Engwanda
Zambia	Ronald Damson Siame Penza	James Mtonga
Zimbabwe	B.T.G. Chidzero	Kombo James Moyana

a. Member of the IBRD only.

Executive Directors and Alternates of the World Bank and Their Voting Power

Appendix 2

June 30, 1993

Executive director	Alternate	Casting votes of	IBRD Total votes	IBRD % of total	IDA Total votes	IDA % of total
Appointed						
E. Patrick Coady	Mark M. Collins, Jr.	United States	243,359	17.46	1,422,274	16.26
Yasuyuki Kawahara	Kiyoshi Kodera	Japan	94,020	6.74	900,671	10.29
Fritz Fischer	Harald Rehm	Germany	72,649	5.21	609,771	6.97
Jean-Pierre Landau[b]	Jérôme Haas	France	69,647	5.00	356,294	4.07
David Peretz	David Stanton	United Kingdom	69,647	5.00	469,316	5.36
Elected						
Bernard Snoy (Belgium)	Nurcan Akturk (Turkey)	Austria, Belarus,[a] Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Turkey	68,262	4.90	356,698	4.08
Eveline Herfkens (Netherlands)	Ileana Ionescu (Romania)	Armenia,[a] Bulgaria,[a] Cyprus, Georgia,[a] Israel, Moldova,[a] Netherlands, Romania,[a] Ukraine[a]	68,189	4.89	225,567	2.58
Frank Potter[c] (Canada)	Hubert Dean (The Bahamas)	Antigua and Barbuda,[a] The Bahamas,[a] Barbados,[a] Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica,[a] St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines	61,134	4.39	364,986	4.17
Bimal Jalan (India)	M.A. Syed (Bangladesh)	Bangladesh, Bhutan, India, Sri Lanka	54,519	3.91	372,945	4.26
Enzo Grilli (Italy)	Fernando S. Carneiro (Portugal)	Albania, Greece, Italy, Malta,[a] Portugal	54,354	3.90	352,383	4.03
Angel Torres (Spain)	Gabriel Castellanos (Guatemala)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Spain, Venezuela[a]	50,597	3.63	246,785	2.82
Jorunn Maehlum (Norway)	Helga Jonsdottir (Iceland)	Denmark, Estonia,[a] Finland, Iceland, Latvia, Lithuania,[a] Norway, Sweden	49,166	3.53	421,630	4.82
Wang Liansheng (China)	Zhang Shengman (China)	China	45,049	3.23	176,657	2.02
Ibrahim A. Al-Assaf (Saudi Arabia)	Ahmed M. Al-Ghannam (Saudi Arabia)	Saudi Arabia	45,045	3.23	302,521	3.46
Mohamed Benhocine (Algeria)	Arshad Farooq (Pakistan)	Afghanistan, Algeria, Ghana, Iran (Islamic Republic of), Morocco, Pakistan, Tunisia	43,814	3.14	191,082	2.18
John H. Cosgrove (Australia)	Bong-Hee Won (Republic of Korea)	Australia, Kiribati, Korea (Republic of), Marshall Islands, Mongolia, New Zealand, Papua New Guinea, Solomon Islands, Vanuatu, Western Samoa	42,971	3.08	220,093	2.52
Pedro Malan (Brazil)	(vacant)[d]	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Philippines, Suriname,[a] Trinidad and Tobago	42,374	3.04	253,854	2.90
Faisal A. Al-Khaled (Kuwait)	Mohamed W. Hosny (Arab Republic of Egypt)	Bahrain,[a] Egypt (Arab Republic of), Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar,[a] Syrian Arab Republic, United Arab Emirates, Yemen (Republic of)	41,357	2.97	217,318	2.48

Executive director	Alternate	Casting votes of	IBRD Total votes	IBRD % of total	IDA Total votes	IDA % of total
Jean-Daniel Gerber (Switzerland)	Jan Sulmicki (Poland)	Azerbaijan,[a] Kyrgyzstan, Poland, Switzerland, Turkmenistan,[a] Uzbekistan	37,698	2.70	276,558	3.16
Aris Othman (Malaysia)	Jannes Hutagalung (Indonesia)	Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore,[a] Thailand, Tonga, Viet Nam	36,616	2.63	242,261	2.77
O.K. Matambo (Botswana)	Harry M. Mapondo (Malawi)	Angola, Botswana, Burundi, Ethiopia, The Gambia, Guinea, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia,[a] Nigeria, Seychelles,[a] Sierra Leone, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	30,563	2.19	336,587	3.85
Boris G. Fedorov (Russian Federation)	Alexander N. Doumnov (Russian Federation)	Russian Federation	25,390	1.82	28,202	0.32
Nicolás Flaño (Chile)	Julio Nogues (Argentina)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay[a]	24,745	1.78	158,835	1.82
Jean-Pierre Le Bouder (Central African Republic)	Ali Bourhane (Comoros)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Principe, Senegal, Togo, Zaire	22,913	1.64	246,369	2.82

In addition to the executive directors and alternates shown in the foregoing list, the following also served after October 31, 1992:

Executive director	End of period of service
Fawzi Hamad Al-Sultan (Kuwait)	February 5, 1993
Rosario Bonavoglia (Italy)	January 14, 1993

Alternate director	End of period of service
Leonid M. Grigoriev (Russian Federation)	March 2, 1993
Boris Skapin (Slovenia)	May 31, 1993
A. John Wilson (New Zealand)	March 31, 1993

NOTE: Total votes shown in this table differ from those published in the financial statements as certain countries either did not participate in the most recent election of executive directors or became members after that election. As a result, voting power percentages also differ. Cambodia (464 votes in IBRD and 7,826 votes in IDA), Iraq (3,058 votes in IBRD and 9,407 votes in IDA), Somalia (802 votes in IBRD and 10,506 votes in IDA), and South Africa (13,712 votes in IBRD and 25,137 votes in IDA) did not participate in the 1992 regular election of executive directors. Croatia (1,537 votes in IBRD and 13,366 votes in IDA), Micronesia (729 votes in IBRD and 18,424 votes in IDA), Slovenia (958 votes in IBRD and 7,546 votes in IDA), and Tajikistan (1,310 votes in IBRD and 20,568 votes in IDA) became members after that election.

a. Member of the IBRD only.

b. To be succeeded by Marc-Antoine Autheman (France) effective August 4, 1993.

c. To be succeeded by Robert R. de Cotret (Canada) effective August 20, 1993.

d. Marcela Cartagena (Ecuador) appointed, effective July 1, 1993.

Officers and Department Directors of the World Bank

Appendix 3

June 30, 1993

President	Lewis T. Preston
Managing Director	Attila Karaosmanoglu
Managing Director	Sven Sandstrom
Managing Director	Ernest Stern
Vice President, Africa	Edward V.K. Jaycox
Vice President, Cofinancing and Financial Advisory Services	Koji Kashiwaya
Vice President and Controller	Stephen D. Eccles
Vice President and Chief Economist, Development Economics	D.C. Rao (Acting)
Vice President, East Asia and Pacific	Gautam S. Kaji
Vice President, Environmentally Sustainable Development	Ismail M. Serageldin
Vice President, Europe and Central Asia	Wilfried P. Thalwitz
Vice President, Finance and Private Sector Development	Jean-François Rischard
Vice President, Financial Policy and Risk Management	Johannes F. Linn
Vice President, Human Resources Development and Operations Policy	Armeane M. Choksi
Vice President, Latin America and Caribbean	S. Shahid Husain
Vice President and General Counsel	Ibrahim F.I. Shihata
Vice President, Middle East and North Africa	Caio K. Koch-Weser
Director-General, Operations Evaluation	Robert Picciotto
Vice President, Personnel and Administration	Bilsel H. Alisbah
Vice President and Secretary	Timothy T. Thahane
Vice President and Special Adviser	Visvanathan Rajagopalan
Vice President, South Asia	Joseph D. Wood
Vice President and Treasurer	Jessica P. Einhorn
Legal	
Deputy General Counsel	David M. Goldberg
Assistant General Counsel Operations	Andres Rigo
Assistant General Counsel Administration and General Affairs	Eva L. Meigher
Assistant General Counsel Finance	Stephen A. Silard
Secretary's	
Deputy Secretary, General Operations	Arnold T. Clift
Africa Regional Office	
Director, Occidental and Central Africa Department: Benin, Cameroon, Central African Republic, Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Guinea, Togo	Olivier Lafourcade
Director, Eastern Africa Department: Ethiopia, Kenya, Somalia, Sudan, Tanzania, Uganda	Francis X. Colaco
Director, South-Central and Indian Ocean Department: Angola, Burundi, Comoros, Djibouti, Madagascar, Mauritius, Rwanda, Seychelles, Zaire	F.J. Aguirre-Sacasa
Director, Western Africa Department: Ghana, Guinea-Bissau, Liberia, Nigeria, São Tomé and Principe, Sierra Leone	Edwin R. Lim
Director, Sahelian Department: Burkina Faso, Cape Verde, Chad, Gambia, Mali, Mauritania, Niger, Senegal	Katherine Marshall
Director, Southern Africa Department: Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe	Stephen M. Denning
Director, Africa Technical Department	Kevin M. Cleaver
Asia Technical Department	
Director	Daniel Ritchie
East Asia and Pacific Regional Office	
Director, Country Department I: Cambodia, Korea, Lao PDR, Malaysia, Mekong Committee, Myanmar, Philippines, Thailand, Vietnam	Callisto E. Madavo
Director, Country Department II: China, Mongolia	Shahid Javed Burki
Director, Country Department III: Fiji, Indonesia, Kiribati, Maldives, Marshall Islands, Papua New Guinea, Solomon Islands, Tonga, Vanuatu, Western Samoa	Marianne Haug
South Asia Regional Office	
Director, Country Department I: Bangladesh, Bhutan, Nepal	Ann O. Hamilton
Director, Country Department II: India	Heinz Vergin
Director, Country Department III: Islamic State of Afghanistan, Pakistan, Sri Lanka	Paul Isenman

Europe and Central Asia, Middle East and North Africa Regions Technical Department

Director	Anil Sood

Europe and Central Asia Regional Office

Director, Country Department I: Bulgaria, Cyprus, Portugal, Romania, Turkey	Michael Wiehen
Director, Country Department II: Albania, Czech Republic, Slovak Republic, Hungary, Poland, the successor States of Yugoslavia	Kemal Dervis
Director, Country Department III: Azerbaijan, Kazakhstan, Kyrgyzstan, Russian Federation, Tadjikistan, Turkmenistan, Uzbekistan	Russell J. Cheetham
Director, Country Department IV: Armenia, Belarus, Estonia, Georgia, Latvia, Lithuania, Moldova, Ukraine	Basil G. Kavalsky
Director, Resource Mobilization and Private Sector Development	Ghassan El-Rifai

Middle East and North Africa Regional Office

Director, Country Department I: Algeria, Libya, Malta, Morocco, Tunisia	Harinder S. Kohli
Director, Country Department II: Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, Yemen	Ram Kumar Chopra

Latin America and the Caribbean Regional Office

Director, Country Department I: Brazil, Peru, Venezuela	Rainer B. Steckhan
Director, Country Department II: Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama	Edilberto L. Segura
Director, Country Department III: Bahamas, Barbados, Belize, Bolivia, Caribbean Development Bank, Colombia, Dominican Republic, Guyana, Haiti, Jamaica, OECS Member States, Suriname, Trinidad and Tobago	Yoshiaki Abe
Director, Country Department IV: Argentina, Chile, Ecuador, Paraguay, Uruguay	Ping-Cheung Loh
Director, Technical Department	M.G. Sri-Ram Aiyer

Cofinancing and Financial Advisory Services

Director	Inder Sud

Development Economics

Director, Development Policy Department	Anandarup Ray (Acting)
Director, Economic Development Institute	Amnon Golan
Director, International Economics Department	D.C. Rao
Director, Policy Research Department	Nancy Birdsall[a]
Administrator, Research Advisory Staff	Shahid Yusuf (Acting)

Environmentally Sustainable Development

Director, Agriculture and Natural Resources Department	Michel J. Petit
Chief Environmental Advisor to the President and Director, Environment Department	*Mohamed T. El-Ashry*
Director, Transportation, Water and Urban Development Department	Louis Y. Pouliquen
Executive Secretary, Consultative Group On International Agricultural Research	Alexander von der Osten

Finance and Private Sector Development

Director, Financial Sector Development Department	Millard F. Long (Acting)
Director, Industry and Energy Department	Richard D. Stern
Director, Private Sector Development Department	Magdi R. Iskander

Human Resources Development and Operations Policy

Director, Education and Social Policy Department	K.Y. Amoako
Director, Operations Policy Department	James W. Adams
Director, Population, Health and Nutrition Department	Janet de Merode

Financial Policy and Risk Management

Director, Resource Mobilization Department	Paula Donovan
Director, Risk Management and Financial Policy Department	Mieko Nishimizu

Treasury

Director, Cash Management Department	Walter Peyerl
Director, Financial Operations Department	Kenneth G. Lay
Director, Investment Department	Veronique Lavorel

(continued)

Officers and Department Directors of the World Bank *(continued)*

Appendix 3

June 30, 1993

Treasury	
Director, Pension Department	Nestor V. Santiago
Director, Tokyo Office	Shinichiro Kawamata
Controller's	
Director, Accounting Department	Michael E. Ruddy
Auditor General, Internal Auditing Department	Allan D. Legg
Director, Loan Department	V.S. Raghavan
Director, Planning and Budgeting Department	Richard B. Lynn
Personnel and Administration	
Director, External Affairs Department	Alexander Shakow
Director, General Services Department	Harold W. Messenger
Director, Health Services Department	Bernhard H. Liese
Director, Information, Technology and Facilities Department	Hywel M. Davies
Head, Organization Planning Staff	Ian A. Scott
Director, Personnel Management Department	Alberto de Capitani
Director, Personnel Services and Compensation Department	Everardo Wessels
Director, European Office	Hans Wyss
Operations Evaluation	
Director, Operations Evaluation Department	Hans-Eberhard Kopp

a. To be succeeded by Lyn Squire on October 1, 1993.

Offices of the World Bank

Appendix 4

June 30, 1993

Headquarters: 1818 H Street, N.W., Washington, D.C. 20433, U.S.A.

New York Office	Wadi D. Haddad Special Representative to the United Nations	The World Bank Mission to the United Nations/New York Office 809 United Nations Plaza, Suite 900 New York, N.Y. 10017, U.S.A.
European Office	Hans Wyss Director	The World Bank 66, avenue d'Iéna 75116 Paris, France
London	Janet C. M. Hickman Resident Administrative Officer	World Bank New Zealand House, 15th Floor Haymarket London, SW1 Y4TE, England
Tokyo Office	Shinichiro Kawamata Director	The World Bank Kokusai Building (Room 916) 1-1, Marunouchi 3-chome Chiyoda-ku, Tokyo 100, Japan
Regional Mission in Eastern Africa	F. Stephen O'Brien Chief, Resident Mission	The World Bank View Park Towers Monrovia Street Nairobi, Kenya (mailing address: P.O. Box 30577)
Regional Mission in Western Africa	Robert A. Calderisi Chief, Resident Mission	The World Bank Corner of Booker Washington and Jacques AKA Streets Cocody, Abidjan 01 Côte d'Ivoire (mailing address: B.P. 1850)
Regional Mission in Thailand	Bradley O. Babson Chief, Resident Mission	The World Bank 14th floor, Tower A, Diethelm Towers 93/1 Wireless Road, Pathumwan Bangkok, Thailand 10330
Regional Mission in Latvia	Lars Jeurling Chief, Resident Mission	The World Bank 148a Brivibas iela, 5th floor LV-1012 Riga, Latvia
Baltics Regional Mission Satellite in Estonia	Hillar Lauri Operations Officer	The World Bank/Maailmapank Kohtu 8 Tallinn EE0001 Estonia
Baltics Regional Mission Satellite in Lithuania	Ramune Zabuliene Operations Officer	The World Bank Gedimino Avenue 11 Vilnius 2039 Lithuania
Albania	Kutlay Ebiri Resident Representative	The World Bank Deshmoret e 4 Shkurtit, No. 34 Tirana, Albania
Angola	Florent Agueh Resident Representative	Banco Mundial Rua Alfredo Troni (Edificio BPC) 14° Andar CP 1331, Luanda, Angola
Argentina	Patricio Millan Resident Representative	Banco Mundial Avenida Leandro N. Alem 628-30 Piso 12 Buenos Aires, Argentina

(continued)

Offices of the World Bank *(continued)* Appendix 4

June 30, 1992

Bangladesh	Christopher Willoughby Chief, Resident Mission	The World Bank 3A Paribagh Dhaka 1000, Bangladesh (mailing address: G.P.O. 97)
Benin	Eduardo Locatelli Resident Representative	The World Bank Zone Résidentielle de la Radio Cotonou, Benin (mailing address: B.P. 03-2112)
Bolivia	Constance A. Bernard Resident Representative	Banco Mundial Edificio BISA, Piso 9 16 de Julio 1628 La Paz, Bolivia (mailing address: Casilla 8692)
Brazil	George P. Papadopoulos Resident Representative	Banco Mundial Setor Comercial Sul, Quadra 1, Bloco H Edifício Morro Vermelho—8 Andar Brasília, DF 70399-900, Brazil
Brazil	George P. Papadopoulos Representative	Banco Mundial Rua Visconde de Piraja No. 351, Sala 1206, Ipanema 22410-003 Rio de Janeiro, RJ, Brazil
Brazil	Tulio Barbosa Acting Head of Field Office	Banco Mundial, S/127 Edifício SUDENE Cidade Universitária 50.738 Recife PE, Brazil
Bulgaria	John Wilton Resident Representative	The World Bank World Trade Center—Sofia 36 Dragan Tsankov Boulevard Sofia, Bulgaria
Burkina Faso	Albert D. Osei Resident Representative	The World Bank Immeuble BICIA (3ème étage) Ouagadougou, Burkina Faso (mailing address: B.P. 622)
Burundi	Jacqueline R. Damon Resident Representative	The World Bank Avenue du 18 Septembre Bujumbura, Burundi (mailing address: B.P. 2637)
Cameroon	Joseph K. Ingram Resident Representative	The World Bank Immeuble Kennedy Avenue Kennedy Yaoundé, Cameroon (mailing address: B.P. 1128)
Central African Republic	Lucien E. Moreau Resident Representative	Banque mondiale Rue des missions Bangui, C.A.R. (mailing address: B.P. 819)
Chad	Noel M. Carrere Resident Representative	The World Bank P.O. Box 146 N'djamena, Chad

China	Pieter Bottelier Chief, Resident Mission	The World Bank No. 2 Fu Cheng Lu Diaoyutai, State Guest House Building No. 5 Beijing 100830, China (mailing address: P.O. Box 802)
Colombia	Kristin Hallberg Resident Representative	Banco Mundial Carrera 10, No. 86-21, Piso 3 Apartado Aéreo 10229 Bogotá, D.E., Colombia (mailing address: Apartado Aéreo 10229)
Congo	Manga Kuoh-Moukouri Resident Representative	Banque mondiale Immeuble Arc (5ème étage) Avenue Amilcar Cabral Brazzaville, Congo (mailing address: B.P. 14536)
Egypt	Sven Burmester Resident Representative	The World Bank World Trade Center 1191 Corniche El-Nil 15th Floor Cairo, Egypt
Ethiopia	Abhay Deshpande Resident Representative	The World Bank Africa Avenue Bole Addis Ababa, Ethiopia (mailing address: P.O. Box 5515)
Ghana	Ravi Kanbur Resident Representative	The World Bank 69 Eighth Avenue Extension Northridge Residential Area Accra, Ghana (mailing address: P.O. Box M27)
Guinea	Michael J. Wilson Resident Representative	Banque Mondiale Immeuble de l'Archevêche Face Baie des Anges Conakry, Guinea (mailing address: B.P. 1420)
Guinea-Bissau	Yves J. Tencalla Resident Representative	World Bank Apartado 700 1041, Guinea-Bissau
Hungary	Andrew P. Rogerson Resident Representative	World Bank Suba Trade Center, 4th Floor Nagymezo Utca 44 Budapest 1065, Hungary
India	Oktay Yenal Chief, Resident Mission	The World Bank 55 Lodi Estate New Delhi 110 003, India (mailing address: P.O. Box 416, New Delhi 110 001)
Indonesia	Nicholas C. Hope Director, Resident Staff	The World Bank Jalan Rasuna Said, Kav. B-10, 3rd floor Kuningan, Jakarta 12940, Indonesia (mailing address: P.O. Box 324/JKT)

(continued)

Offices of the World Bank *(continued)* Appendix 4

June 30, 1992

Kazakhstan	David Pearce[a] Resident Representative	The World Bank Dostyk Hotel Almaty, Kazakhstan
Madagascar	Michel Palein Resident Representative	Banque mondiale 1, Rue Patrice Lumumba Antananarivo 101, Madagascar (mailing address: B.P. 4140)
Malawi	Arif Zulfiqar Resident Representative	The World Bank Development House Capital City Lilongwe 3, Malawi (mailing address: P.O. Box 30557)
Mali	Linda McGinnis Resident Representative	The World Bank Immeuble SOGEFIH Avenue Moussa Traveie Quartier du Fleuve Bamako, Mali (mailing address: B.P. 1864)
Mauritania	Claude Delapierre Resident Representative	The World Bank Villa No. 30, Ilot A Quartier Socofim Nouakchott, Mauritania (mailing address: B.P. 667)
Mexico	Eugene D. McCarthy Resident Representative	Banco Mundial Plaza Nafin Insurgentes Sur 1971 Nivel Paseo, Locales 71 y 72 Col. Guadalupe Inn 01020 México, D.F.
Mozambique	Roberto Chavez[b] Resident Representative	World Bank Ave. Kenneth Kaunda, 1224 2-Andar Maputo, Mozambique (mailing address: Caixa Postal 4053)
Nepal	Joseph Manickavasagam Resident Representative	The World Bank Jyoti Bhawan, Kantipath Kathmandu, Nepal (mailing address: P.O. Box 798)
Nicaragua	Ulrich Lachler Resident Representative	The World Bank Edificio Malaga, Modulo A-1 Plaza España Managua, Nicaragua C.A.
Niger	Abdul Haji Resident Representative	Banque mondiale Rue des Dallols Niamey, Niger (mailing address: B.P. 12402)
Nigeria	Gerald F. Flood Resident Representative	The World Bank 1st Floor, Plot PC-10 Engineering Close, off Idowu Taylor Street Victoria Island Lagos, Nigeria (mailing address: P.O. Box 127)

Pakistan	Philippe Nouvel Chief, Resident Mission	The World Bank 20 A Shahrah-e-Jamhuriat, Islamabad, Pakistan (mailing address: P.O. Box 1025)
Philippines	Thomas W. Allen Resident Representative	The World Bank Central Bank of the Philippines Multi-Storey Building, Room 200 Roxas Boulevard Manila, Philippines
Poland	Ian M. Hume Resident Representative	The World Bank INTRACO I Building 17th Floor 2 Stawki Street 00-193 Warsaw, Poland
Romania	Arntraud Hartman Resident Representative	The World Bank Boulevard Dacia 83 Sector 2 Bucharest, Romania
Russia	Everardus Stoutjesdijk Resident Representative	The World Bank Moscow Office Sadovo-Kudrinskaya No. 3 Moscow 123242
Rwanda	Julio Gamba Resident Representative	The World Bank Blvd. de la Révolution SORAS Building Kigali, Rwanda (mailing address: P.O. Box 609)
Saudi Arabia	Mohsin Alikhan Resident Representative	The World Bank Resident Mission UNDP Building, King Faisal Street Riyadh, Saudi Arabia 11432 (mailing address: P.O. Box 5900)
Senegal	Elkyn Chaparro Resident Representative	The World Bank Immeuble S.D.I.H. 3 Place de l'Indépendance Dakar, Senegal (mailing address: B.P. 3296)
Somalia	(vacant) Resident Representative	The World Bank Savoy Centre (2nd Floor) Mogadishu, Somalia (mailing address: P.O. Box 1825)
Sri Lanka	J. Roberto B. Bentjerodt Resident Representative	The World Bank Development Finance Corporation of Ceylon (DFCC) Building, 1st Floor 73/5 Galle Road Colombo 3, Sri Lanka (mailing address: P.O. Box 1761)
Sudan	(vacant) Resident Representative	The World Bank AAAID Building Block 9 East Khartoum, Sudan (mailing address: P.O. Box 2211)

(continued)

Offices of the World Bank *(continued)* Appendix 4

June 30, 1992

Tanzania	Motoo Konishi Resident Representative	The World Bank N.I.C. Building (7th Floor, B) Dar-es-Salaam, Tanzania (mailing address: P.O. Box 2054)
Togo	Jacques Daniel Resident Representative	The World Bank 169 boulevard du 13 Janvier Immeuble BTCI (8ème étage) Lomé, Togo (mailing address: B.P. 3915)
Turkey	Luis de Azcarate[c] Chief, Resident Mission	The World Bank Ataturk Bulvarı, No. 211 Gama-Guris Building Kat 6 06683 Kavaklidere, Ankara, Turkey
Uganda	Brian Falconer[d] Resident Representative	The World Bank P.O. Box 4463 Kampala, Uganda
Ukraine	Daniel Kaufmann Chief, Regional Mission	World Bank Karl Liebknecht St., 26 Suites Two and Three Kiev 252024, Ukraine
Uzbekistan	Parvez Hasan Regional Representative	43, Academician Suleimanova St. Tashkent, Uzbekistan
Venezuela	Jorge C. Barrientos Resident Representative	Banco Mundial Parque Cristal Edificio Torre Oeste, Piso 15 Oficina 15-05 Avenida Francisco de Miranda Los Palos Grandes Caracas, Venezuela
Zaire	William J. Grau Resident Representative (acting)	The World Bank Immeuble de la Communauté Hellénique Boulevard du 30 Juin Kinshasa 1, Zaire (mailing address: P.O. Box 14816)
Zambia	Fernando Mendoza Resident Representative	The World Bank Red Cross House, 2nd Floor Long Acres Lusaka, Zambia (mailing address: P.O. Box 35410)
Zimbabwe	Christiaan J. Poortman Resident Representative	The World Bank CABS Centre (11th Floor) Jason Moyo Avenue Harare, Zimbabwe (mailing address: P.O. Box 2960)

a. Effective August 1, 1993.

b. Effective June 30, 1993.

c. To be succeeded by Frederick T. Temple as of October 1, 1993.

d. Effective July 1, 1993.

Development Committee Communiqués, Fiscal 1993

Appendix 5

Forty-fourth meeting, Washington, September 21, 1992

1. The Development Committee held its 44th meeting in Washington DC, on September 21, 1992, under the chairmanship of Mr. Alejandro Foxley, Minister of Finance of Chile.[1] After reviewing the world economic scene, this meeting concentrated on ways of increasing resources for development. The Committee welcomed the new members who have joined the Bank and the Fund since their last meeting.

2. DEVELOPMENT OBJECTIVES. Ministers recalled their agreement at their meeting in Bangkok on the development objectives of the nineties: the reduction of poverty and the achievement of sustainable growth, actions to protect the environment being essential to both objectives. They reviewed the resources necessary to reach these objectives, and the actions which would be necessary to increase their volume and effectiveness.

3. DOMESTIC RESOURCES. They noted that most developing countries[2] fund the major part of their investment from domestic savings, both public and private. They concluded therefore that the top priority is for developing countries wherever possible to increase the volume of these savings and the effectiveness of their use. This will require the adoption and maintenance of appropriate macroeconomic policies; reduction in wasteful and unproductive programs; and efficient financial and banking systems.

4. TRADE. Ministers agreed that a much more open world trading system would be beneficial to all countries but is of the utmost importance to the developing countries. In the context of resource flows, developing countries need to increase earnings from trade, in order to finance imports, service debt and to promote sustainable domestic economic growth. Increased export opportunities will also make developing countries more attractive to investors. They therefore emphasized once again the need for rapid agreement on the outstanding issues in the Uruguay Round, noting that this would lead to a broader, more liberal and more stable trading system, and extend market access for many developing countries. They agreed that regional trade arrangements should emphasize trade-creation rather than trade-diversion, consistent with multilateral principles, and should ensure trade opportunities for developing countries.

5. FOREIGN INVESTMENT. For most developing countries, earnings from trade must be supplemented by external resources. For a growing number of them, a large part of these resources is now provided by private foreign investors in the form of direct foreign investment. Ministers noted the recent increase in portfolio investment, while recognizing that its higher liquidity made its impact different from FDI. Ministers considered the measures necessary to attract more private flows, and concluded that the measures which promote domestic investment are likely also to attract foreign investors and the return of flight capital. They concluded that the maintenance of macroeconomic stability and the creation of a climate favorable to enterprise are essential, both to attract more investment and to increase the number of countries receiving foreign flows.

6. INVESTMENT GUIDELINES. Additional measures may be needed to attract foreign investment. The creation and maintenance of a suitable legal framework can be an important part of this process. Ministers therefore reviewed with interest the Investment Guidelines which will shortly be published, together with an explanatory commentary, and call them to the attention of member countries. These Guidelines have been prepared at the request of the Development Committee to promote fair and equitable international standards for the general treatment of all foreign direct investment in the absence of applicable treaties, and should be of particular value to developing countries. Ministers expect the Guidelines to serve as an important step in the progressive development of international practice in this area and hope that they will facilitate further developments through bilateral treaties and similar instruments. They also noted the related work being undertaken in other fora to develop principles for the conduct of foreign investors.

[1] Mr. Lewis T. Preston, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Ahmadu Abubakar, Minister of Finance of Nigeria and Chairman of the Group of 24, and Mr. Peter Mountfield, Executive Secretary, participated in the meeting. Observers from a number of other international and regional organizations and from Switzerland also attended.

[2] In the rest of this Communique the phrase "developing countries" includes economies in transition.

Development Committee Communiqués, Fiscal 1993 *(continued)*

Appendix 5

7. COMMERCIAL BANK AND MARKET LENDING. Ministers welcomed the increasing access of certain developing countries to the international financial markets, especially by those which are implementing sustainable economic reforms, and have entered into debt and debt-service agreements with the commercial banks. They considered that some increase in the volume of trade finance and project lending provided by the banks may occur, but noted that commercial bank lending to developing countries was unlikely to return to previous levels. They noted the active role taken by the Inter-American Development Bank and other regional banks in promoting effective investment reforms which are essential for nurturing a stable financial environment. They believed that the international financial institutions should continue to encourage the efficient mobilization of financial resources by promoting effective investment reforms, privatization and financial sector reforms. Ministers noted the improved economic performance achieved by the developing countries following the implementation of debt and debt-service reduction and therefore encouraged the timely conclusion of negotiations between other countries and their commercial banks.

8. INCREASING NONCONCESSIONAL FLOWS. Ministers agreed to review at their next meeting the prospects for increasing the flows of private resources, and improving the access of developing countries to global markets for loan and equity capital. Members agreed on the need to gather accurate and timely information on the stocks and flows of private capital to developing countries and to assess the implications of these developments. They asked the Bank and the Fund to prepare a joint paper for this purpose which would also include the role of the international financial institutions in promoting and catalyzing such flows and the extent of any remaining obstacles placed by developing and industrial countries to resource flows.

9. DEBT. Ministers recognized that the efforts of many developing countries need to be supported by rescheduling and, in some cases, by debt and debt service reduction measures, both public and private. Ministers welcomed the progress in the international debt strategy, including arrangements this year with Argentina, Bolivia, and Brazil among others. Such arrangements have now been reached with 12 countries and account for more than 90 percent of the commercial bank debt of the major debtor nations. They urged the Paris Club to recognize the special situation of some highly indebted lower-middle income countries on a case-by-case basis. Ministers also welcomed the enhanced debt relief extended to the poorest countries by the Paris Club, noting that the Paris Club has agreed to consider the stock of debt, under certain conditions, after a period of three to four years. They invited the Paris Club to maintain its continuing review of the debt strategy. They acknowledged the continued need of support for heavily-indebted countries which by adopting strong adjustment policies have avoided rescheduling.

10. BILATERAL AID. Poorer developing countries will continue to require substantial concessional assistance for many years. A number of additional countries have recently become potential recipients of aid, while new requirements, especially in the environmental field, have added to the needs. The Committee noted that the World Bank and the IMF believe that an increased volume of external resources, to complement the efforts of the developing countries, will be crucial to meeting those needs. Ministers therefore invited bilateral donors to increase their assistance, particularly for countries that are sustaining sound policies, as circumstances permit, especially those whose aid programs are still below 0.7% of GNP, and welcomed the contribution of those whose aid is substantially above that level. They stressed the need for donors and recipients to emphasize the quality and effectiveness of aid, and for an increased proportion to be directed toward improving the living conditions of the poor, and to the poorest countries and those with a strong commitment to poverty reduction.

11. MULTILATERAL FLOWS. Ministers recognized the need for multilateral action to complement that of bilateral donors. They noted the ongoing negotiations over the Tenth Replenishment of IDA. They urged the IDA Deputies to make significant progress at their meeting in November 1992 so as to secure agreement by the end of the year on a substantial IDA-10 replenishment. Ministers also agreed that continuing consideration should be given to an Earth Increment for environmental

purposes. They welcomed the extension to November 1993 of the period for commitments under the Fund's enhanced structural adjustment facility (ESAF) and the Executive Board's intention to review the effectiveness of ESAF programs and examine the options and operational modalities of a possible successor facility. They urged that this work be completed in good time before November 1993. They welcomed the Bank's assurance that the current capital base of the IBRD is sufficient to sustain and enhance the volume of lending to existing borrowing members, while providing substantial support for the economic reform and adjustment efforts of the countries of the former Soviet Union. Ministers agreed to review the effectiveness of the Bank's lending at a future meeting.

12. ENVIRONMENT. Ministers welcomed the wide-ranging consensus reached at the United Nations Conference on Environment and Development. They recognized the ongoing financing needs associated with Agenda 21. They also noted that UNCED called for additional funding to be channeled through existing institutions, including the Global Environment Facility, which will be restructured on lines to be agreed by the participants. Ministers urged the World Bank to play a full part in carrying forward the results of UNCED in collaboration with other agencies in the UN system and to the regional banks, and to report progress to the Committee at its meeting in September 1993.

13. DROUGHT, FAMINE AND WAR. The Committee noted with great concern the problems of drought in Southern and Eastern Africa, the severe famine in Somalia, widespread flooding in the Indian subcontinent and the problems of several war-affected countries. They welcomed the coordinated international action now under way to alleviate suffering in many of these areas, and called for the active cooperation of all governments and agencies concerned, both to overcome the immediate problems and to lay the foundations for future recovery and development.

14. DEPARTURE OF CHAIRMAN. The Committee placed on record its special appreciation of the distinguished record of Mr. Alejandro Foxley during his two years as its Chairman.

15. SPRING MEETING. The Committee agreed to meet again in Washington DC on May 1, 1993.

Forty-fifth meeting, Washington, September 24, 1992

The Development Committee held its 45th meeting in Washington, DC on September 24, 1992. The Committee selected His Excellency Ricardo Hausmann, Minister of State of CORDIPLAN, of Venezuela, as chairman.

Forty-sixth meeting, Washington, May 1, 1993

1. The Development Committee held its 46th meeting in Washington DC on May 1, 1993, under the chairmanship of Dr. Ricardo Hausmann of Venezuela.[1] The Committee recorded its deep regret at the violent death of President Ranasinghe Premadasa and sent its condolences to the Government and people of Sri Lanka.

2. The Committee devoted most of this meeting to an examination of ways of encouraging private capital flows, as part of its ongoing review of the transfer of resources to developing countries.[2] The Committee reaffirms its belief that a high level of investment in the private sector is important to sustainable economic growth in developing countries. It recognizes that the majority of this investment comes from these countries' domestic savings. Private foreign flows and official development assistance have a complementary but crucial role to play. Private foreign flows have been largely concentrated in a small number of countries. The challenge before the international community now is to enlarge this number as quickly as possible.

3. The Committee notes that host countries have the primary responsibility for creating an environment attractive to foreign investors. This will require a stable political climate and sound macroeconomic policies; a healthy, vig-

[1] Dr. Hausmann is the Minister of State and the Head of CORDIPLAN in Venezuela. Mr. Lewis Preston, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Mohammed Imady, Minister of Economy and Foreign Trade of Syria and Chairman of the Group of 24, and Mr. Peter Mountfield, Executive Secretary, took part in the meeting. Observers from a number of international and regional organizations also attended.

[2] For the purpose of this communiqué the phrase "developing countries" includes economies in transition.

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Appendix 5

orous and competitive domestic private sector; a legal and institutional framework which encourages investment without discrimination; a liberal exchange regime; a flexible labor market; improved management capacity in the public sector; and provision of the necessary physical and human infrastructure. Prompt servicing of debt will reassure investors. Reduction of the debt overhang, where appropriate, for reforming countries, will also help. Because much investment in developing countries is in export industries, open world markets are essential. Once these measures are in place, which may take time in some countries, funds will tend to flow naturally to profitable ventures.

4. Where unnecessary institutional and regulatory barriers to the supply of such funds remain, the Committee calls on the industrial countries and the international financial institutions to do all they can to remove them, and to catalyze greater volumes of investment. The IFC in particular can help by doing more to support investments in poorer countries with less access to private capital.

5. FOREIGN DIRECT INVESTMENT. The Committee believes that FDI is the most valuable form of private external finance, since it brings with it access to the technical know-how, managerial expertise and wider markets of the industrial countries. Because it moves in response to perceived market needs, it is much more efficient than state-directed capital flows. It poses less risk to the host country's fiscal or balance of payments position. The Committee welcomes the action taken by most host countries to attract FDI, by reducing discrimination against foreign investors. It also calls on the industrial countries and the international institutions to play their part by providing technical assistance, investment sector lending, fuller information, guarantees and where appropriate financial support.

6. PORTFOLIO INVESTMENT. The Committee welcomes the sharp increase in portfolio investment in equities and bonds in several developing countries in recent years. Foreign portfolio investment will add flexibility and depth to domestic capital markets. These markets should be expanded further. The Bank Group and the Fund should provide continuing support for market development, through policy advice, finance and technical assistance. The Committee calls on both industrial and developing countries to speed up the removal of the remaining regulatory and other impediments to portfolio flows, particularly by facilitating the greater participation of institutional investors.

7. BOND MARKETS. The Committee also welcomes the reform efforts made by several developing countries. These have restored confidence and allowed them to enter or regain access to the international market for bonds and other financial instruments. It encourages the governments of "source" countries to review and address the remaining obstacles which prevent access to their securities markets by creditworthy developing country borrowers.

8. COMMERCIAL BANK LENDING. The Committee recognizes that commercial bank lending is not always a suitable form of long-term development finance, or available or appropriate for countries facing severe balance-of-payments deficits. However, the successful resolution of the debt problems of many middle-income developing countries has permitted a small increase in commercial bank lending. The Committee encourages industrial countries which have not already done so to review their regulatory mechanisms and requirements regularly, and in doing so to examine the scope for easing constraints on trade and project finance to developing countries, without weakening proper prudential supervision. It notes the role of the World Bank's Enhanced Cofinancing program in supporting lending.

9. PRIVATE SECTOR DEVELOPMENT. The Committee also reviewed a related report by the World Bank Group on its private sector development strategy which also helps to attract more foreign investment. It welcomes the emergence of a new generation of loans through which the World Bank supports policy, regulatory and legal reforms directed at improving the day-to-day environment in which firms operate. It commends the work already done or in hand, while calling on the Bank Group as a whole to make even greater progress by promoting small and medium-scale industry and the entrepreneurial role of women, in encouraging the private sector in developing countries, especially the poorest, and in supporting the necessary underpinning public sector reforms.

10. OFFICIAL FLOWS. The Committee recognizes that, for poorer countries and those presently unable to attract sufficient private capital, official development assistance remains essential. It therefore welcomes the completion of the IDA-10 negotiations, and calls on the donor countries to complete the ratification process, so that there is no disruption to commitments. It also calls on the Bank to increase further the focus on poverty reduction and environmentally sustainable development. It welcomes the rapid progress in considering the operational modalities for a successor to the ESAF, the Fund's concessional facility for its poorer members; it urges that this work be completed by November 1993, and calls on the Fund to explore all options for funding. It also notes that a review of the pilot phase, discussions on restructuring, and negotiations for the replenishment of the Global Environment Facility are about to commence; it agrees on the importance of a productive outcome by December 1993. It notes that other negotiations are in hand to replenish the concessional funds of other multilateral agencies, and hopes they can be concluded as soon as possible. It calls on industrial countries to consider further ways of increasing flows of officially supported export finance. Finally, it points to the continued stagnation in flows of official development assistance, despite the increased needs, and invites donor countries to do their best to increase their aid as circumstances permit, particularly where it still falls short of 0.7 percent of GNP. Ministers also underscored the critical importance of ODA achieving its intended developmental impact. They called on all donors and recipients to strengthen efforts to improve the quality and effectiveness of assistance. Ministers commended the World Bank's effort to undertake a frank and critical self-evaluation of its project performance, and stressed the importance of a vigorous action program. They also urged all development agencies which have not already done so to undertake similar efforts to improve the development impact of their assistance, and to concentrate aid operations on the poorest countries and those where aid can be most effective.

11. TRADE. The Committee records its increasing concern about the continued delays and risk of breakdown in the Uruguay Round negotiations. Failure could easily lead, not to continuation of the status quo, but to a downward spiral of increasing protectionism. This would be extremely serious for the growth of the world economy and particularly for the developing countries, leading to a progressive reduction in the markets for their exports and a consequent fall in the living standards of their citizens. It would weaken the developing countries' resolve to liberalize trade further, and to undertake structural reforms. On the other hand, an early agreement will benefit all countries. The Committee asked that all countries firmly resist protectionist pressures. It calls on all the parties for a prompt and successful conclusion to the Round by the end of 1993, and its early implementation.

12. NEXT MEETING. The Committee agreed to meet again in Washington DC on September 27, 1993, when it will concentrate its discussion on two topics: long-term social policy reforms and short-term safety nets; and adjustment experience in low-income countries and their financing needs. It will also review action taken, or in hand, to follow up the suggestions made at today's meeting.

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ISBN 0-8213-2490-X