# THE WORLD BANK
## ANNUAL REPORT 1989

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The World Bank
Washington, D.C. 20433

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***Cover***
*Sheep grazing near the village of Imichil, Morocco, in the foothills of the Middle Atlas mountains. A $23 million Bank loan in support of a small- and medium-scale irrigation project is seeking to increase crop and livestock production by almost 10,000 farm families and thus help slow the rural exodus from semiarid areas.*

***Cover design by Joyce C. Petruzzelli***

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# The World Bank, the IFC, and MIGA

The expression, "The World Bank," as used in this *Annual Report*, means both the International Bank for Reconstruction and Development (IBRD) and its affiliate, the International Development Association (IDA). The IBRD has two affiliates, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). The Bank, the IFC, and MIGA are sometimes referred to as the "World Bank Group."

The common objective of these institutions is to help raise standards of living in developing countries by channeling financial resources from developed countries to the developing world.

The IBRD, established in 1945, is owned by the governments of 151 countries. The IBRD, whose capital is subscribed by its member countries, finances its lending operations primarily from its own borrowings in the world capital markets. A substantial contribution to the IBRD's resources also comes from its retained earnings and the flow of repayments on its loans. IBRD loans generally have a grace period of five years and are repayable over fifteen years or fewer. They are directed toward developing countries at more-advanced stages of economic and social growth. The interest rate the IBRD charges on its loans is calculated in accordance with a guideline related to its cost of borrowing.

The IBRD's charter spells out certain basic rules that govern its operations. It must lend only for productive purposes and must stimulate economic growth in the developing countries in which it lends. It must pay due regard to the prospects of repayment. Each loan is made to a government or must be guaranteed by the government concerned. The use of loans cannot be restricted to purchases in any particular member country. And the IBRD's decisions to lend must be based on economic considerations alone.

The International Development Association was established in 1960 to provide assistance for the same purposes as the IBRD, but primarily in the poorer developing countries and on terms that would bear less heavily on their balance of payments than would IBRD loans. IDA's assistance, therefore, is concentrated on the very poor countries—those with an annual per capita gross national product of $480 or less (in 1987 dollars). More than forty countries are eligible under this criterion.

Membership in IDA is open to all members of the IBRD, and 137 of them have joined to date. The funds used by IDA, called credits to distinguish them from IBRD loans, come mostly in the form of subscriptions, general replenishments from IDA's more industrialized and developed members, and transfers from the net earnings of the IBRD. The terms of IDA credits, which are made only to governments, are ten-year grace periods, forty-year or fifty-year maturities, and no interest.

The IFC was established in 1956. Its function is to assist the economic development of less-developed countries by promoting growth in the private sector of their economies and helping to mobilize domestic and foreign capital for this purpose. Membership in the IBRD is a prerequisite for membership in the IFC, which totals 133 countries. Legally and financially, the IFC and the IBRD are separate entities. The IFC has its own operating and legal staff, but draws upon the Bank for administrative and other services.

MIGA, established in 1988, has a specialized mandate: to encourage equity investment and other direct investment flows to developing countries through the mitigation of noncommercial investment barriers. To carry out this mandate, MIGA offers investors guarantees against noncommercial risks; advises developing member governments on the design and implementation of policies, programs, and procedures related to foreign investments; and sponsors a dialogue between the international business community and host governments on investment issues. By June 30, 1989, the convention establishing MIGA had been signed by seventy-three countries, of which fifty-two had also ratified.

While the World Bank has traditionally financed all kinds of capital infrastructure such as roads and railways, telecommunications, and port and power facilities, its development strategy also places an emphasis on investments that can directly affect the well-being of the masses of poor people of developing countries by making them more productive and by integrating them as active partners in the development process.

In response to the deteriorated prospects for the developing countries during the 1980s, the Bank inaugurated a program of lending in support of adjustment and policy reform. This lending supports programs of specific policy changes and institutional and sectoral reforms in developing countries designed to achieve a more efficient use of resources and thereby: (a) contribute to a more sustainable balance of payments in the medium and long term and to the maintenance of growth in the face of severe constraints; and (b) lay the basis for regaining momentum for future growth.

# Contents

**Boxes**



**Box Tables**



**Text Figures**

# Letter of Transmittal

The details of events covering the period July 1, 1988 to June 30, 1989, are found in this *Annual Report*, which 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 by-laws of the two organizations. Barber B. Conable, 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 boards of governors.

The directors express their appreciation to the staff members of the Bank for their dedication to the institution's ideals. They note that the continued professionalism of the staff made it possible for the Bank to respond to the needs of developing countries with both flexibility and imagination and to develop a robust pipeline of high-priority projects for fiscal 1990.

The Annual Reports of the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes are published separately.

| Executive Directors | Alternates |
|---|---|
| Fawzi Hamad Al-Sultan | Mohamed W. Hosny |
| Paul Arlman | Cvitan Dujmović |
| J.S. Baijal | M. Mustafizur Rahman |
| Mourad Benachenhou | Salem Mohamed Omeish |
| Gerhard Boehmer | Michael von Harpe |
| Frank Cassell | J. A. L. Faint |
| E. Patrick Coady | Mark T. Cox, IV |
| Jacques de Groote | Bahar Sahin |
| Mario Draghi | Rodrigo M. Guimarães |
| J. S. A. Funna | Jabez A. Langley |
| Jonas H. Haralz | Jorunn Maehlum |
| Chang-Yuel Lim | Robert G. Carling |
| André Milongo | Jean-Pierre Le Bouder |
| Raymundo Morales | Félix Alberto Camarasa |
| Jorge Pinto | Edgar Ayales |
| Hélène Ploix | Stephane Pallez |
| Frank Potter | Clarence Ellis |
| Masaki Shiratori | Yukio Yoshimura |
| Jobarah E. Suraisry | Abdulaziz Al-Sehail |
| Mohd. Ramli Wajib | Le Van Chau |
| Eduardo Wiesner | Pedro Sampaio Malan |
| Zhang Junyi | Jin Liqun |

August 3, 1989

# The Record for Ten Years, 1980–89

| | Fiscal year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 |
| **IBRD** | | | | | | | | | | |
| | US$ millions | | | | | | | | | |
| Loans approved[a] | 7,644 | 8,809 | 10,330 | 11,138 | 11,947 | 11,356 | 13,179 | 14,188 | 14,762 | 16,433 |
| Disbursements[b] | 4,363 | 5,063 | 6,326 | 6,817 | 8,580 | 8,645 | 8,263 | 11,383 | 11,636 | 11,310 |
| Total income | 2,800 | 2,999 | 3,372 | 4,232 | 4,655 | 5,529 | 6,815 | 7,689 | 8,549 | 8,274 |
| Net income | 588 | 610 | 598 | 752 | 600 | 1,137 | 1,243 | 1,113 | 1,004 | 1,094 |
| General reserve | 2,600 | 2,567 | 2,772 | 3,052 | 3,337 | 3,586 | 4,896 | 6,284 | 7,242 | 7,576 |
| New borrowings | 5,173 | 5,069 | 8,521 | 10,292 | 9,831 | 11,086 | 10,500[c] | 9,321[d] | 10,832 | 9,286 |
| Subscribed capital | 39,959 | 36,614 | 43,165 | 52,089 | 56,011 | 58,846 | 77,526 | 85,231 | 91,436 | 115,668 |
| | number | | | | | | | | | |
| Operations approved | 144 | 140 | 150 | 136 | 129 | 131 | 131 | 127 | 118 | 119 |
| Borrowing countries | 48 | 50 | 43 | 43 | 43 | 44 | 41 | 39 | 37 | 38 |
| Member countries | 135 | 139 | 142 | 144 | 146 | 148 | 150 | 151 | 151 | 151 |
| Higher-level staff[e] (number) | 2,463 | 2,552 | 2,689 | 2,703 | 2,735 | 2,805 | 3,617[f] | 3,616 | 3,358 | 3,398 |
| **IDA** | | | | | | | | | | |
| | US$ millions | | | | | | | | | |
| Credit amounts | 3,838 | 3,482 | 2,686 | 3,341 | 3,575 | 3,028 | 3,140 | 3,486 | 4,459 | 4,934 |
| Disbursements | 1,411 | 1,878 | 2,067 | 2,596 | 2,524 | 2,491 | 3,155 | 3,088 | 3,397 | 3,597 |
| Usable resources cumulative | 20,773 | 22,331 | 25,280 | 27,967 | 30,910 | 33,295 | 39,167 | 43,614 | 48,665 | 53,097 |
| | number | | | | | | | | | |
| Operations approved[g] | 105 | 106 | 97 | 107 | 106 | 105 | 97 | 108 | 99 | 106 |
| Borrowing countries | 40 | 40 | 42 | 44 | 43 | 45 | 37 | 39 | 36 | 42 |
| Member countries | 121 | 125 | 130 | 131 | 131 | 133 | 134 | 135 | 137 | 137 |

a. Excludes loans to IFC of $100 million in FY1981, $390 million in FY1982, $145 million in FY1983, $100 million in FY1984, $400 million in FY1985, $150 million in FY1986, $200 million in FY1987, $200 million in FY1988, and $179 million in FY1989.

b. Excludes disbursements on loans to IFC.

c. Excludes $109 million in borrowings approved in FY1986 and settled in FY1987.

d. FY1987 amount is as of the date of settlement. Amounts in prior years are as of date of executive-board approval.

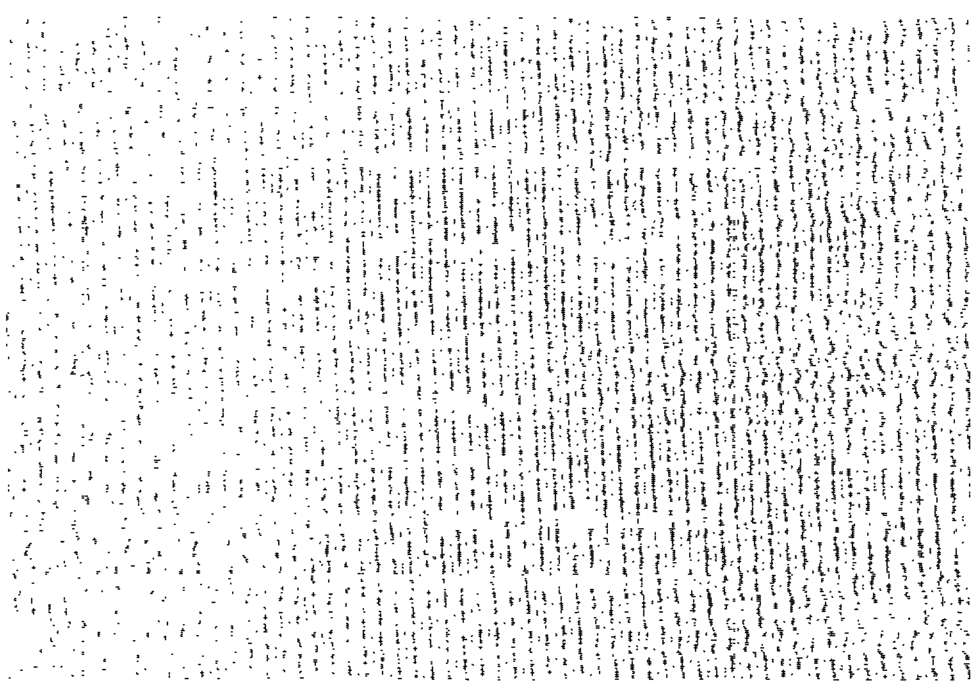
e. Higher-level staff on regular and fixed-term appointments held against authorized budget positions.

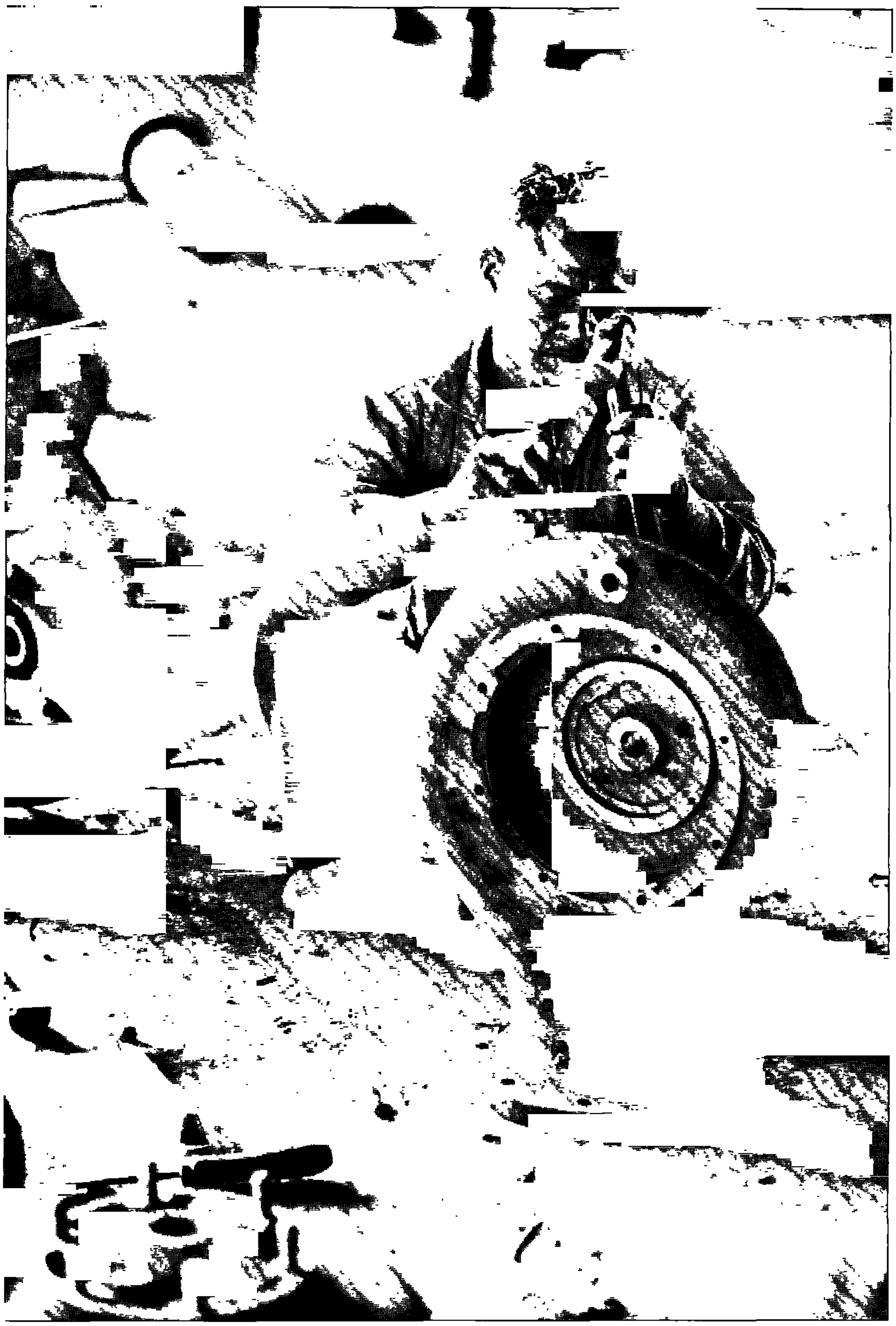
f. In FY1986, as a result of an institutionwide job-grading exercise, the Bank's grade structure changed, and the definition of what constituted higher-level staff expanded considerably.

g. Joint IBRD/IDA operations are counted only once as IBRD operations.

# Highlights of the Year

| | 1989 | | 1988 | |
|---|---|---|---|---|
| | IBRD | IDA | IBRD | IDA |
| New commitments | $ 16.4 billion | $ 4.9 billion | $ 14.8 billion | $ 4.5 billion |
| Cumulative commitments | $171.5 billion | $52.7 billion | $155.0 billion | $47.8 billion |
| Lending to countries with per capita income of $480 or less | $ 5.8 billion | $ 4.3 billion | $ 5.0 billion | $ 3.9 billion |
| Number of loans/credits | 119 | 106 | 118 | 99 |
| Number of borrowing countries | 38 | 42 | 37 | 36 |
| Gross disbursements to countries | $ 11.3 billion | $ 3.6 billion | $ 11.6 billion | $ 3.4 billion |
| Net disbursements to countries | $ 1.9 billion | $ 3.4 billion | $ 3.4 billion | $ 3.2 billion |
| Number of member countries | 151 | 137 | 151 | 137 |
| IBRD net income | $ 1.1 billion | — | $ 1.0 billion | — |
| IBRD borrowings | $ 9.3 billion | — | $ 10.8 billion | — |
| IBRD subscribed capital | $115.7 billion | — | $ 91.4 billion | — |
| Spread between return on total earning assets and cost of total funds (%) | 1.89 | — | 1.84 | — |
| Average return on liquid investments (%) | 8.20 | — | 8.51 | — |





*Manufacturing water pumps in Bangladesh. In many countries, small-scale industries offer the best hope for increased employment opportunities.*

# Section One
# The Executive Board

Under the Articles of Agreement of the Bank, all its powers are vested in a board of governors, consisting of one governor for 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 powers to a board of executive directors that performs its duties on a full-time basis at the Bank's headquarters. There are twenty-two executive directors; each director appoints an alternate. As provided for in the Articles of Agreement, five directors are appointed by the five members having the largest number of shares of capital stock, and the rest are elected by the governors representing the other members.

The executive directors meet under the chairmanship of the president of the Bank. Formal votes are rare as, in practice, most decisions are reached by consensus. The executive directors are responsible for the conduct of the general operations of the Bank. They decide on Bank policy in the framework of the Articles of Agreement. They also decide on all loan and credit proposals.

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

The executive board exercises its authority, under the Articles of Agreement, in three general areas: (a) By its annual oversight of the financial and operating programs, and administrative budgets (see Table 1-1), it determines the allocation of financial and staff resources for the coming year; (b) by reviewing specific policy proposals, either annually (for example, the allocation of net income, staff compensation, the research program) or periodically (for example, the Bank's capital requirements, financial policies, lending terms, sectoral priorities), it determines the direction of Bank policies; and (c) by reviewing evaluations of completed Bank projects and of the Bank's experience in individual sectors and with particular policies, and by considering proposals for future evaluation activities, the board ensures that the Bank and member countries are able to benefit from the lessons of experience.

* * *

In fulfilling its oversight of the IBRD and IDA financial and operating programs, the executive board approved early in fiscal year 1989 an allocation of $1,004 million of fiscal 1988 net income to the general reserve. They completed the midyear review of the 1989 fiscal year financial and operating programs and administrative budgets and discussed and approved the fiscal 1990 budget priorities and policy directions and the medium-term budget planning framework for fiscal years 1990–92. Before the end of the fiscal year, the executive directors approved a fiscal 1990 borrowing program of about $10 billion and set IBRD lending for fiscal 1990 at between $15 billion and $19 billion, with an IDA lending program of SDR4.4 billion. They also approved a total budget for the IBRD and IDA in fiscal 1990 of $899.6 million for regular and special programs and $21.4 million for capital programs.

In major financial-policy actions, the executive board approved revisions in the management of the currency composition of loans and in the IBRD's variable lending-rate system. As approved by the executive board, these revisions will reduce the risk borne by the Bank and its borrowers from changes in market conditions and make more manageable the risks that do remain. At the same time, the Bank's currency management will retain the fundamental characteristics of the Bank's currency-pooling system and the pool of qualified borrowings as devices for distributing exchange exposures equitably and for passing through to borrowers the interest costs of the funding for their loans. The approved modifications in the variable lending rate will allow the lending rate to reflect only the costs of the

***Table 1-1.* Budget of the World Bank for the Fiscal Year Ending June 30, 1990**
(millions of United States dollars)

| | Budget 1990 |
|---|---|
| **By organizational unit** | |
| Board of governors | 3.7 |
| Executive directors and Development Committee | 24.8 |
| Executive offices | 1.8 |
| Secretary's | 5.7 |
| Operations | 495.5 |
| Finance | 63.2 |
| Policy, planning, and research | 119.7 |
| External affairs and administration | 111.0 |
| Legal, ICSID, and MIGA | 17.4 |
| Operations evaluation staff | 9.9 |
| Administrative tribunal, ombudsman, and appeals committee | 1.6 |
| Subtotal | 854.3 |
| Contingency | 8.9 |
| Subtotal | 863.1 |
| **Less** | |
| Reimbursements | −29.8 |
| IFC and MIGA service-and-support fees | −7.7 |
| Subtotal | 825.6 |
| **Plus** | |
| Investment operations | 10.1 |
| Special grant programs | 63.9 |
| Total IBRD/IDA | 899.6 |
| **By expense category** | |
| Staff costs | 569.1 |
| Operational travel | 85.3 |
| Representation | 2.5 |
| Consultant fees | 66.8 |
| Contractual services (includes grants) | 84.0 |
| Overhead expenses | |
| Office occupancy | 40.4 |
| Communications | 22.2 |
| Depreciation | 18.6 |
| Other expenses | 39.3 |
| Subtotal | 928.2 |
| Contingency | 8.9 |
| Subtotal | 937.1 |
| **Less** | |
| Reimbursements | −29.8 |
| IFC and MIGA service-and-support fees | −7.7 |
| Total IBRD/IDA | 899.6 |
| **Of which** | |
| IBRD | 593.8 |
| IDA | 305.8 |

NOTE The budget for the fiscal year ending June 30, 1990, was approved by the executive directors in accordance with the by-laws of the IBRD and IDA. The executive directors have also approved a capital budget of $21.4 million for fiscal year 1990.

currencies disbursed to borrowers on the IBRD loans and allow the Bank to manage its own interest risk more effectively. The executive board agreed to continue to monitor the Bank's currency-management system through a review of experience in fiscal year 1990.

The executive directors reviewed the Bank's experience with the investment authority that the board had approved in 1986. In light of the experience gained and the steadily evolving financial markets, the executive board approved a resolution providing for a streamlined and updated authority that provides a policy framework for the investment of the liquid assets of the IBRD and IDA, supplemented by investment guidelines, operating rules, and an integrated risk-management system to assure the appropriate prudent management of these resources.

The executive board also considered a waiver of the prepayment premium on IBRD loans and approved the Bank's position on prepayments being guided by the following principles: (a) The Bank will encourage prepayment of portions of its loans that it has not sold or agreed to sell; (b) the Bank will waive the prepayment premium on loans whenever the average interest rate on the loans being prepaid is not significantly above the average for the country's outstanding IBRD loans, or for borrowing countries with above-average interest rates, whenever the result of the prepayment is to narrow the difference between the country's average and the Bank's average interest rate on all outstanding loans to not less than twenty-five basis points; and (c) the Bank will continue to waive the prepayment premium if the prepayments are made by financial intermediaries in respect of prepayments that the intermediaries have received from subborrowers.

In addition to their discussions on the Bank's financial policies, the board also received monthly market reviews and considered the Bank's funding operations on a quarterly basis.

In financial-policy actions involving IDA, the executive board approved recommendations on the use of IDA reflows that include the phasing in of IDA advance commitments made against 90 percent of projected future reflows; the use of these advance commitments to supplement IDA's overall operations, taking account of the views expressed by IDA deputies and the IDA board and the new initiatives that have emerged since the eighth replenishment of IDA resources (IDA-8) was negotiated; and the use of any annual increments of uncommitted reflows and investment income to supplement adjustment credits to IDA-only countries with outstanding IBRD debt. The executive directors also closely followed the ongoing negotiations on the ninth replenishment of IDA resources (IDA-9).

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). This department, under the direction of the director-general, who is linked administratively to the Bank's president, but is outside the regular staff structure, is directly responsible to the executive directors. The board considered the OED's report on its work program, staff budget for fiscal 1990, and status of current work, as well as the OED's annual report on operations evaluation. The executive board also discussed the OED's annual review of project performance results and agreed that the review should be published for distribution outside the Bank.

The board dealt with several issues fundamental to the Bank's operational priorities and strategies, including poverty alleviation, the environment, debt strategy, and private-sector development. In its continued involvement in the Bank's policies for poverty alleviation, the board considered two task-force reports: the report of the Task Force on Poverty Alleviation and the report of the Task Force on Food Security in Africa.[1]

Throughout the year, the board was involved in in-depth discussions on the Bank's role in the debt strategy, with particular emphasis on the Bank's operational strategy in the heavily indebted countries. The board also discussed reports on analytical issues in debt reduction, implications of debt-reduction proposals, and a legal analysis of the guarantee by the Bank of interest payments under debt-service reduction schemes as a means toward the reformulation of the Bank's debt strategy in the light of discussions held by the Development Committee and the introduction of new, international debt initiatives. The board also adopted guidelines for the Bank's participation in debt- and debt-service reduction operations.[2]

Private-sector development was also an important issue for board deliberation. The board discussed the report prepared by the Private Sector Development Review Group and, as a follow-up, considered the private-sector development action program.[3] The board broadly supported the thrust of the action program,

[1] For details, see page 84.

[2] For details, see page 49.

[3] For details, see page 55.

which reflected board discussions over the past fiscal year. The board further agreed to review progress on the action program after one year.

The board also reviewed reports on two types of Bank lending: the report on the review of experience in adjustment lending and lending by the Bank for emergencies.[4] There was a general consensus among the executive directors that the Bank's adjustment lending had been moderately successful, and, as a whole, the board endorsed Bank support of countries engaged in the unavoidable task of adjustment for growth. In its discussion of Bank lending for emergencies, for which flexibility in program design was urged, the executive directors generally endorsed the report and its conclusion. The report made no proposal for any major departure from past practice, but it did provide an opportunity to reinforce the lessons of experience and refine the scope of future activities in this area—with the modification that the Bank would take account of the impact of an emergency on a government's macroeconomic program. The board also considered and endorsed the recommendations included in a report on the Bank's role in financial-intermediation services.

The Bank's regional vice presidents briefed the board on economic and development issues in Asia; Latin America and the Caribbean; Europe, the Middle East, and North Africa; and sub-Saharan Africa. In these informal briefings, the board exchanged views with senior management on a broad range of issues concerning the particular regions. In addition to these discussions of regional issues, the board also received oral briefings on consultative and aid-group meetings.[5]

Fiscal year 1989 was a particularly active one for the board in deciding major administrative policies. The board convened seven times in seminars, committee of the whole meetings, and formal board meetings to consider a new system of staff compensation to replace the one approved by the board in 1979. The new system, as approved by the board, reflects a variety of sources, including the report of the Joint Bank/Fund Committee of Executive Directors on Staff Compensation (JCC). The report of the JCC was the result of four years of effort by the joint committee of the Bank and the International Monetary Fund (IMF) executive directors, which was established in 1984 to review aspects of the compensation system that were called into question during the board's discussion of staff compensation, to consider whether changes in such aspects were desirable, and to make recommendations on changes that appeared appropriate. In other personnel-policy issues, the board discussed the Bank's human-resources approach.

After extensive briefings, the board also approved a plan for the rehabilitation of the Bank's main complex, with an authorization of a capital budget amounting to $186 million. It was agreed that the physical work would begin at the end of calendar year 1989, with the project's architectural and engineering firm chosen through a process of international competition.

The board also reviewed the activities of other major Bank programs, including the discussion of the annual report on the Bank's research program, the Bank's activities and future program in the area of external affairs, and the Economic Development Institute's five-year plan for fiscal years 1990–94. In addition, the board discussed the outline and, subsequently, the draft of the *World Development Report 1989* on financial systems and development, as well as a paper on the short-term outlook for the global economy. The board also held biannual discussions of their own work program, as recommended by the executive directors' steering committee, for calendar year 1989.

In addition to meeting in regular and executive session, the board also convened as committees of the whole and in seminars to promote more informal discussions with management on a broad range of issues without making decisions or providing policy guidelines. Topics covered in this manner, in addition to those already mentioned, included Bank lending for state-owned enterprise sector reform, the calculation of per capita GNP, Bank lending for agriculture in sub-Saharan Africa, and policies for industrializing countries and industrial restructuring. The board also discussed the policy framework papers for twenty-six countries that had been jointly prepared by Bank and IMF staffs and the countries concerned. Executive directors also attended a three-day colloquium on international-trade issues and the ongoing round of GATT negotiations. Convened as the committee of the whole and in informal sessions, the board also discussed issues of Bank/IMF collaboration in assisting member countries.[6]

The executive directors continued their active involvement with the Development Committee, including assistance to committee members in preparation for the meetings, con-

[4] Details of the adjustment lending review and of lending for emergencies are found on pages 78 and 82, respectively.

[5] See Table 5-3 on page 99.

[6] For details, see page 96.

sideration of the draft provisional agendas, and deliberation of the president's reports and background papers that are used as the basis for the ministers' discussions. In preparation for the biannual meetings, the board discussed papers on industrial countries' industrial policies and their impact on developing countries; strengthening the Bank's poverty focus; progress on initiatives benefiting sub-Saharan Africa; and the Bank's experience with adjustment lending. The executive directors' steering committee also reviewed the Development Committee's spring communiqué in order to ensure that the board's work program is responsive to the directions set out by the committee.

*The Joint Audit Committee (JAC).* Established in 1970, the Joint Audit Committee represents shareholders in overseeing the soundness of the Bank's financial practices and the adequacy of its operations evaluation and internal auditing. The committee provides a continuous channel through which the internal and external auditors can communicate with the executive directors. In this regard, the committee reviewed and endorsed recommendations pertaining to the fiscal 1989 implementation of the IBRD's policy for loan-loss provisioning.

In pursuing its responsibilities during fiscal 1989, 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. In addition, through meetings with the Bank's senior financial officers, the committee helped to provide assurance to the board that the financial affairs of the Bank were properly conducted.

As part of its oversight function, the committee undertook its annual review of the work programs of the operations evaluation and internal auditing departments. Through two subcommittees, it examined specific audit reports to determine whether the departments had performed their functions adequately and efficiently. In addition, the committee reviewed numerous papers by the operations evaluation department to identify problems or policy issues for consideration by the executive directors. Among the many issues examined during the year, the committee discussed and endorsed the recommendations of two Bank taskforce reports, one on enhancing quality control over performance reports on Bank projects, and the other on improving the Bank's ability to apply the lessons learned from its evaluation system.

The committee consists of eight executive directors who are appointed by the board after each regular election for a term of two years. Since November 1988, Gerhard Boehmer has served as chairman of the committee.

*Committee on Personnel Policy Issues.* The Committee on Personnel Policy Issues was established in 1980, originally as the Committee on Staff Compensation Issues. Its terms of reference mandate it to keep under continuing review and, where appropriate, to advise the executive directors on staff compensation and other significant personnel-policy issues and to maintain close liaison on staff compensation with the executive directors of the IMF, bearing in mind the need for parallelism between the two institutions.

Since its inception, the committee has addressed a wide range of topics. These include issues arising from a review of expatriate benefits; modifications in the financial-assistance program; principles of staff employment (subsequently adopted by the executive directors), as well as draft rules implementing them on sensitive issues such as separation and demotion; the findings, implications, and options relating to periodic comparator market surveys conducted by an outside consulting firm; issues arising from the Bank's job-grading program and reorganization; and issues relating to the Bank's human-resources strategy.

During the year, the committee gave special attention to proposals for a revised compensation system contained in the final report of the Joint Bank/Fund Committee of Executive Directors on Staff Compensation, in particular, on aspects relating to the definition of the comparator market, relationship to the comparator market, international competitiveness, salary-structure design, salary administration, salary-comparatio management, and Bank/IMF coordination.

The committee consists of eight executive directors who are appointed by the executive directors for a term of two years after each regular election of executive directors. Since March 1986, C. R. Krishnaswamy Rao Sahib has served as chairman of the committee.

*Joint Bank/Fund Committee of Executive Directors on Staff Compensation.* The Joint Bank/Fund Committee of Executive Directors on Staff Compensation was established in November 1984 to review those aspects of the compensation systems of the Bank and the IMF that were called into question during the discussions on staff compensation in the boards of the two institutions in June and July of 1984. Under its mandate, the committee was to consider whether changes in such aspects of the compensation systems were desirable and to recommend any changes that appeared appropriate, while bearing in mind the importance of ensuring that the two institutions were able to continue to recruit and retain staff of the highest caliber, the desirability of maintaining the international character of the staff, and the need for the compensation system to recognize more clearly individual performance and ability.

The committee's final report was submitted to the boards of executive directors of the Bank and the IMF in August 1988. The report contained major proposals for a revised compensation system. The boards of the Bank and the IMF established a revised compensation system for the two institutions that became effective in May 1989. With the completion of its final report, the committee fulfilled its mandate.

The committee was composed of eight executive directors, four each from the Bank and the IMF. Since February 1986, Guenter Grosche (IMF) served as its chairman.

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

During the year, the executive directors reviewed and endorsed the role of the committee and its activities, together with a one- to two-year work program that includes the following: first, a broad examination of the Bank's budget processes and procedures initiated by representatives of major administrative units explaining the budget process as it related to their work and objectives; second, a review of specific cost-effectiveness topics, with first priority to be given to (a) cost-sharing between the Bank and the IMF, the IFC, and MIGA, and (b) trust funds and reimbursable programs. Additional topics will be addressed in a second phase of the work program. The executive directors have agreed to review the continued need for the committee upon completion of this one- to two-year work program.

The committee's activities in fiscal 1989 also included a review of management's response to the committee's earlier recommendations with respect to the use of consultants, field offices, and travel policy. The management of the Bank reported on the steps that had been taken in these areas.

The committee is composed of eight executive directors nominated by the board. Frank Potter has served as chairman since the committee's inception.

*Ad Hoc Committee on Board Procedures.* The Ad Hoc Committee on Board Procedures was established by the executive directors in July 1987 to review the board's functions and procedures, taking into account developments in the international economic environment, the implications of the Bank's reorganized structure, and the IFC's expanded activities. The committee consists of ten executive directors; Pedro S. Malan served as its chairman from February 1988 until October 1988, when the committee completed its work.

In its 1988 report, the committee recommended that the role and procedures of the board, as they related to the IBRD and IDA, be modified. The executive board approved the committee's key recommendations, and, in light of the committee's report, also requested that existing board committees review their terms of reference and submit these through the Ad Hoc Committee on Board Procedures to the executive board for review.

The committee then turned its attention to a review of IFC board procedures, and, in July 1988, submitted its report on IFC procedures to the executive board. In this report, the committee recommended, and the board subsequently approved, a new set of streamlined project-approval procedures and additional board review of IFC policies, strategies, and finances. With the completion of the review of both Bank and IFC board procedures, the committee began its final task—to review the terms of reference of existing board committees.

The committee's report was submitted to the executive board in September 1988. In it, the committee endorsed the amendments suggested by the existing committees in their review of their respective terms of reference. The board approved the committee's recommendations that the terms of reference for the Committee on Staff Compensation Issues include review not only of staff compensation but also of other significant personnel-policy issues, and that the committee's name be changed to the Committee on Personnel Policy Issues to reflect these added responsibilities. The board also approved the committee's recommendation that the Joint Audit Committee's terms of reference be amended to include review, as requested by the executive directors or as needed by the committee in the performance of its duties, of financial issues and policies that have an important bearing on the Bank's financial position. The committee recommended that no changes be made in the Committee on Directors' Administrative Matters and in the Committee on Cost Effectiveness and Budget Practices.

With the completion of its three reports, the committee concluded its work in October 1988.

*Ad Hoc Committee on the Valuation of Bank Capital.* The Ad Hoc Committee on the Valuation of Bank Capital was established by the executive directors in February 1988 to review the question of the valuation of the IBRD's capital in light of exchange-rate developments in the 1980s that resulted in a substantial decline in the IBRD's "headroom," that is, the margin between its statutory limit on lending and the volume of loans that was disbursed and outstanding.

The committee's terms of reference call upon it to consider possible changes in the valuation of the IBRD's capital, as well as any other steps that would help diminish the IBRD's vulnerability to fluctuations in exchange rates.

After reviewing several options for the Bank's standard of value and some possible improvements in maintenance-of-value procedures, the committee, with the exception of one, has come to believe that the special drawing right (SDR) would be the appropriate standard of value. However, the committee also feels that such change in the standard of value should be the result of consensus among Bank members. The report of the committee will be provided to the executive board in the near future.

The committee consists of eight executive directors nominated by the full executive board. Murray A. Sherwin served as its chairman from November 1988 through May 1989. Eduardo Wiesner has been acting chairman since then.

*Ad Hoc Committee on Voting Power of Smaller Members.* The Ad Hoc Committee on Voting Power of Smaller Members was established in February 1988 at the conclusion of discussions on the general capital increase. The committee's mandate is to review the issues and consider steps to protect the voting power of smaller member countries, which face dilution whenever there is a general increase in the Bank's capital. The committee's terms of reference require it to take account of the fact that, since the large majority of the smaller members are developing countries, any action that reduces the individual voting power of small members also leads to a reduction of the total voting power of developing countries. In an interim report to the executive board, the committee outlined its main areas of inquiry: the objective of voting rights, the definition of smaller members, and mechanisms for attaining the stated objectives.

The committee will report to the executive directors upon reaching definite conclusions on voting-power issues.

The committee, which has been chaired by Gerhard Boehmer since April 1988, consists of eight executive directors nominated by the executive board.

*The Committee on Directors' Administrative Matters (CODAM).* The CODAM was established in 1968. It considers, makes recommendations, and reports its findings to the executive directors for their decision on administrative matters relating to executive directors, alternates, advisors, and their staff.

Its terms of reference involve it in a wide spectrum of administrative matters and charge it with responsibility for assisting executive directors in the formulation of policies, changes in existing policies, and implementation of such policies. Matters taken up during the year included, for example, directors' access to the Bank's mainframe computers and databases, directors' travel to member countries outside their constituencies, and compensation for directors' assistants within the revised compensation system. The committee coordinates many of its recommendations with a similar committee established by the executive directors of the IMF. In its recommendations, the committee tries to maintain a balance between the organization and administrative objectives of the institution and the unique circumstances faced by the directors in discharging their dual responsibilities.

The committee meets as frequently as necessary, normally about once a month. The membership consists of six executive directors who are appointed by the board for a term of two years after each regular election of the executive directors. Since November 1988, Fawzi Hamad Al-Sultan has served as its chairman.

*Executive Directors' Steering Committee.* The Steering Committee, an informal advisory body of executive directors composed of the dean and co-dean of the board and the chairmen of the other standing board committees, meets monthly to consult on, and review with the secretary, the executive directors' work program. The committee also provides a consultative framework on various issues. In addition, the committee reviewed the Development Committee's spring communiqué to ensure that the implications for the executive directors' work program were fully considered.

# Section Two
# The Economic Scene: A Global Perspective

**Summary**

The global economy in 1988 staged a strong performance following adverse shocks of late 1987. In the industrial countries (that is, the high-income OECD countries),[1] real gross national product (GNP) grew by 4 percent, while the corresponding figure for the middle-income and low-income countries was 5 percent. World trade grew by 9 percent in volume. These aggregates mask significant differences among country groups.

Among the industrial countries, growth in Japan reached 5.7 percent, fueled by domestic demand that increased by 7.7 percent. The broad-based strength of the industrial economies contributed to increased concerns about inflationary pressures and triggered monetary tightening.

During the past year, there was a growing general acceptance of the need to lessen the debt burdens of developing countries in order to improve their prospects for sustained growth.

The 1988 Toronto summit proposal by French President François Mitterand, following one made earlier by the United Kingdom's Chancellor of the Exchequer, Nigel Lawson, aimed at alleviating the burden of official debt and was directed primarily toward the more impoverished countries, largely in sub-Saharan Africa. They were put into effect for eight countries by the Paris Club. More recent proposals, such as that put forward in March 1989 by United States Secretary of the Treasury, Nicholas Brady, sought to address the debt problem in the highly indebted, middle-income countries. They seek to combine domestic reform measures in these countries with agreed forms of debt and interest reduction to limit resource outflows from the debtor countries. Both the World Bank and the International Monetary Fund (IMF) adopted operational guidelines for their support for debt and debt-service reduction, and Japan has indicated its willingness to provide supplemental funding to facilitate the process.

In the developing countries, there were striking differences between the fast-growing economies, mostly in Asia, and the poor performance of the highly indebted, middle-income countries, largely in Latin America. In sub-Saharan Africa, GDP growth turned positive after posting a negative 1.4 percent rate in 1987; per capita GDP growth, however, remained negative.

Fastest growing among the countries in the first group were China (at 11 percent) and India (over 8 percent); the newly industrializing economies (NIEs) of East Asia continued their strong growth, also over 8 percent as a group. It is also notable that a number of "second-tier" NIEs—Indonesia, Malaysia, and Thailand, in particular—are moving into higher-performance categories. Typically, countries that performed well were those that had strong investment growth in recent years, were able to take advantage of the global trade boom (especially in manufactures), and were not encumbered by too heavy a burden of foreign or domestic debt.

Latin America continued to suffer slow growth, as per capita GDP declined for the second consecutive year.

Major areas of concern in 1988 included trade, capital flows, debt, and the environment.

The recent buoyancy of trade should provide an excellent opportunity for strengthening and extending the Uruguay Round, the generalized system of preferences (GSP) scheme, and the Lomé Convention. However, continued trade imbalances (see Table 2-1) maintain the pressure behind protectionism. These pressures make progress in the Uruguay Round extremely urgent. Fortunately, agreements by senior officials on several difficult and outstanding issues were reached in April 1989. Significant progress on the agriculture problem provided a major impetus, as did progress on intellectual property rights. Significant prog-

[1] Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

***Table 2-1*. Current-account Balances of the G-7 Countries, 1981–88**

| G-7 Countries | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|---|---|---|
| *Billions of US dollars* | | | | | | | | |
| United States | 6.9 | −8.7 | −46.3 | −107.1 | −115.1 | −138.8 | −154.0 | −126.5 |
| Japan | 4.8 | 6.9 | 20.8 | 35.0 | 49.2 | 85.8 | 87.0 | 79.6 |
| Germany, Federal Republic of | −3.6 | 5.1 | 5.3 | 9.8 | 16.4 | 39.2 | 45.3 | 48.5 |
| France | −4.8 | −12.1 | −4.7 | −0.8 | −0.4 | 3.0 | −4.1 | −3.8 |
| United Kingdom | 13.9 | 8.2 | 5.9 | 2.8 | 4.3 | 0.2 | −4.8 | −26.1 |
| Italy | −9.1 | −6.2 | 1.5 | −2.5 | −3.7 | 2.5 | −1.0 | −4.0 |
| Canada | −5.1 | 2.3 | 2.5 | 2.1 | −1.4 | −7.6 | −8.0 | −9.1 |
| Total | 3.1 | −4.6 | −15.0 | −60.7 | −50.7 | −15.6 | −39.6 | −41.4 |
| Other industrial countries[a] | −19.3 | −15.7 | −3.2 | 1.3 | 0.8 | −1.9 | −7.6 | −11.5 |
| All industrial countries | −16.2 | −20.3 | −18.2 | −59.4 | −49.9 | −17.5 | −47.2 | −52.9 |
| *Percentage of GNP/GDP* | | | | | | | | |
| United States | 0.2 | −0.3 | −1.4 | −2.8 | −2.9 | −3.3 | −3.4 | −2.8 |
| Japan | 0.4 | 0.6 | 1.8 | 2.8 | 3.7 | 4.4 | 3.6 | 2.8 |
| Germany, Federal Republic of | −0.5 | 0.8 | 0.8 | 1.6 | 2.6 | 4.4 | 4.0 | 4.0 |
| France | −0.8 | −2.2 | −0.9 | −0.2 | −0.1 | 0.4 | −0.5 | −0.4 |
| United Kingdom | 2.7 | 1.7 | 1.3 | 0.6 | 0.9 | 0.0 | −0.7 | −3.2 |
| Italy | −2.2 | −1.5 | 0.4 | −0.6 | −0.9 | 0.4 | −0.1 | −0.5 |
| Canada | −1.7 | 0.8 | 0.8 | 0.6 | −0.4 | −2.1 | −1.9 | −1.9 |
| Total | 0.0 | −0.1 | −0.2 | −0.8 | −0.7 | −0.2 | −0.4 | −0.4 |
| Other industrial countries[a] | −1.8 | −1.5 | −0.3 | 0.1 | 0.1 | −0.1 | −0.5 | −0.6 |
| All industrial countries | −0.2 | −0.3 | −0.3 | −0.7 | −0.6 | −0.2 | −0.4 | −0.4 |

a. Includes Australia, Austria, Belgium, Denmark, Finland, Iceland, Ireland, Luxembourg, the Netherlands, New Zealand, Norway, Spain, Sweden, and Switzerland.

SOURCE: OECD.

ress has also been made in parallel negotiations outside the GATT (General Agreement on Tariffs and Trade) on the important issue of services.

The general situation of the group of seventeen highly indebted, middle-income countries deteriorated in 1988, as interest rates rose and commercial banks continued to reduce their exposure. Although there was some increase in direct investment flows to a few developing countries, most of it was directed to countries such as Indonesia and Thailand. Lack of growth in many developing countries added to domestic tensions, as governments faced tightening resource constraints and often resorted to monetizing domestic fiscal imbalances. Inflation rates in many developing countries, especially in those with large external-debt burdens, accelerated, inhibiting the process of real saving and investment. These financial disruptions made more urgent the need to implement sound domestic policies and to find viable solutions to the problem of debt.

The year also witnessed a heightened interest in environmental issues, and significant multicountry initiatives, involving pollution and toxic-waste issues, gave momentum to the search for solutions to a number of global problems in this area. Although developed and developing countries may differ in their priorities respecting specific environmental issues, they find themselves increasingly in agreement that interaction is needed to deal with these issues.

## Events in the Industrial Countries

In the industrial countries, 1988 was a year of robust growth (see Table 2-2). Growth was led by fixed investment and supported by increased consumption and the expansion of world trade. The growth of real GNP in the industrial countries accelerated from 3.4 percent in 1987 to 4 percent in 1988, and the growth rate for the volume of world merchandise trade rose from about 6 percent to 9 percent. Private nonresidential investment advanced by some 11 percent in 1988, while consumption grew by 3.5 percent.

These positive developments resulted in increased pressure on capacity in the industrial

*Table 2-2.* **G-7 Countries: Output, Inflation, Investment, and Unemployment, 1981–88**
(average annual percentage change; unemployment rates in percent)

| | 1981–86 | 1987 | 1988[a] | 1981–86 | 1987 | 1988[a] |
|---|---|---|---|---|---|---|
| | Real GNP | | | GNP deflator | | |
| United States | 3.3 | 3.3 | 3.9 | 3.8 | 3.3 | 3.4 |
| Japan | 4.0 | 4.5 | 5.7 | 1.3 | –0.2 | 0.4 |
| Germany, Federal Republic of | 1.9 | 1.8 | 3.4 | 2.8 | 2.1 | 1.5 |
| France[b] | 1.6 | 1.9 | 3.4 | 7.8 | 2.9 | 3.2 |
| United Kingdom[b] | 2.9 | 4.6 | 3.6 | 5.3 | 4.8 | 6.6 |
| Italy[b] | 1.8 | 3.0 | 3.9 | 11.9 | 6.1 | 5.9 |
| Canada | 3.3 | 4.0 | 4.5 | 4.2 | 4.3 | 4.2 |
| Total[c] | 3.1 | 3.4 | 4.2 | 4.2 | 2.7 | 3.0 |
| | Gross fixed investment | | | Unemployment Rates | | |
| United States | 5.7 | 2.0 | 6.1 | 7.5 | 6.2 | 5.5 |
| Japan | 3.4 | 10.3 | 13.3 | 2.6 | 2.9 | 2.5 |
| Germany, Federal Republic of | 0.6 | 2.5 | 5.8 | 7.2 | 7.9 | 7.9 |
| France | –0.5 | 3.7 | 7.0 | 9.4 | 10.5 | 10.1 |
| United Kingdom | 5.2 | 8.3 | 11.8 | 10.8 | 10.2 | 8.2 |
| Italy | 1.2 | 6.8 | 4.9 | 9.4 | 11.0 | 11.0 |
| Canada | 0.4 | 9.6 | 12.5 | 9.8 | 8.9 | 7.8 |
| Total[c] | 3.6 | 5.0 | 8.3 | 7.2 | 6.9 | 6.3 |

a. Preliminary
b. GDP and GDP deflator
c. Aggregate weighted on the basis of 1987 values of GNP/GDP expressed in 1980 United States dollars.
SOURCE. The World Bank and OECD.

countries and nudged inflation rates slightly but noticeably higher. This trend continued on a broad front in the early part of 1989, as indicated by consumer prices. Capacity utilization in the seven major industrial countries rose to about 87 percent in 1988 from an average of 82 percent over the period 1983–86, while the average unemployment rate fell to 6.3 percent from 7.6 percent over the same period. The growth in compensation per employee in nominal terms in the industrial countries climbed from 4.5 percent in 1987 to 5.4 percent in 1988. Unit labor costs rose by 3.2 percent in 1988, compared with about 2.8 percent in 1987. Rising cost pressures, among other factors, pushed up inflation of the GNP deflator from 2.7 percent in 1987 to 3.0 percent in 1988.

Increasing growth and inflation combined with tightening monetary policy to drive up short-term interest rates steeply in the United States, and less rapidly in Japan and Germany (see Figure 2-1). The upward trend was also evident in real terms (see Figure 2-2), with adverse consequences for most developing countries.

In continental Europe, domestic currencies were strong to March 1988 and then began weakening in the middle of the year. This, together with strong oil prices, reinforced concerns over inflation and prompted tighter monetary policy.

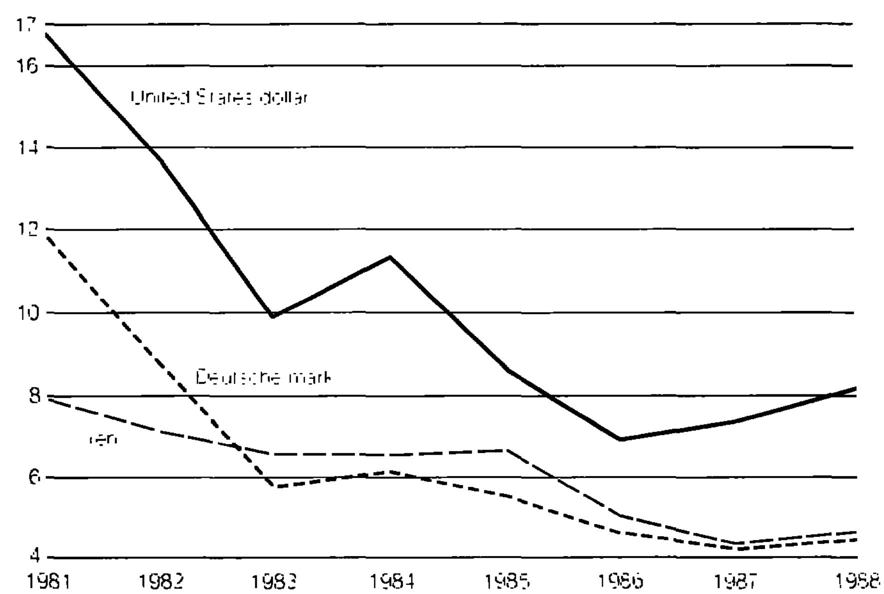
In Japan, a relatively easy monetary policy contributed to the shift in the composition of GNP away from net exports toward domestic demand. The weakness of the yen and the rise of oil prices toward the end of 1988 paved the way for tighter monetary policy there, while favorable trends in productivity and costs kept the actual rate of inflation low. In the United States, signs of an acceleration in the rate of inflation have appeared. While U.S. growth seemed to be slowing toward the middle of 1989, the scope for a significant easing of monetary policy is generally thought to be limited. Nevertheless, slower growth in the demand for credit seems to be allowing a modest decline in interest rates in the United States.

### High-income, Oil-exporting Countries Increase Production

The high-income oil exporters[2] increased their oil production from a level of about 8.4 million barrels per day (b/d) in 1987 to around 9.5 million b/d in 1988. The weighted average price for the group of seven countries fell to

[2] Includes Bahrain, Brunei, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates (UAE).

**Figure 2-1. Nominal Six-month LIBOR Rates**
(annual percentages)




$13.50 a barrel for 1988, 20 percent below the level for 1987.

Oil-export earnings for the group were about $42 billion in 1988, 9 percent below those of 1987. In spite of a fall in export earnings, imports by this group of countries were sustained at about $38 billion, as in the year before. Preliminary estimates put the deficit on balance of payments for goods, service, and private transfers for the group at about $7 billion; Saudi Arabia accounted for most of this deficit, while Bahrain, Kuwait, and the UAE showed small surpluses. The sharp increase in the volume of crude production resulted in growth in real gross domestic product (GDP) of almost 7 percent in 1988 (see Table 2-3).

A number of the larger middle-income oil-exporting countries, such as Nigeria and Mexico, sought to maintain their export dollar revenues by increasing volume to offset the price fall. Venezuela increased its export volume, but the value of fuel exports fell by about 5 percent. Indonesia, however, managed to increase its overall exports considerably by boosting nonoil exports.

The November 1988 OPEC agreement helped clarify the Iran-Iraq parity issue and shifted the focus back to market conditions. As a result, prices firmed. This price rise was amplified later by supply mishaps in Alaska and the North Sea.

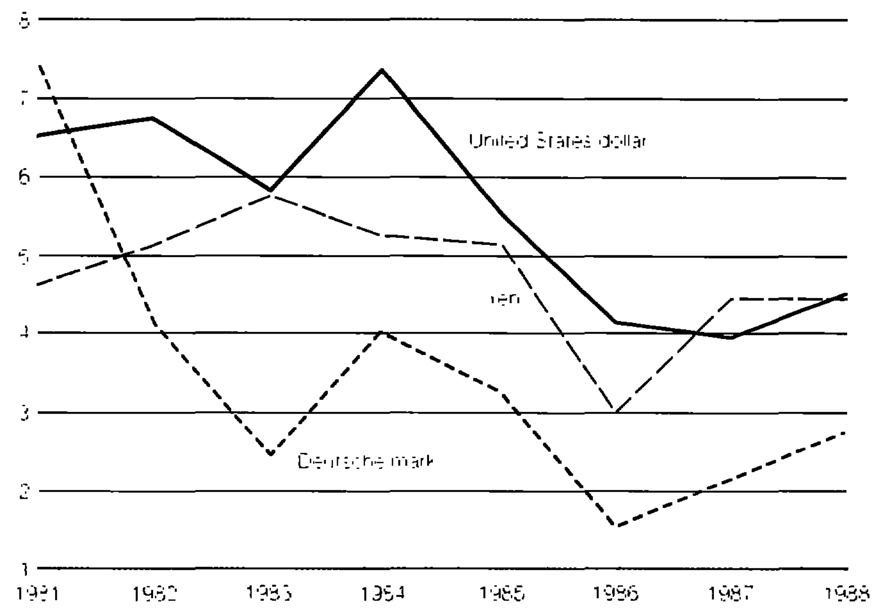
## Low-income and Middle-income Countries Show GDP Rise

The average GDP growth rate in 1988 for the low-income and middle-income countries was 5 percent (aggregating the data by using 1980 as the base year). There were substantial differences among country groups. East Asia's GDP growth rate was about 9 percent, while the corresponding figure for Latin America and the Caribbean was about 1.4 percent. On average, the GDP of sub-Saharan African countries rose by 3 percent, while the developing countries in Europe, the Middle East, and North Africa registered a gain of about 2.5 percent.

Among the low-income countries, China and India, in particular, demonstrated strong growth of output, with growth rates of 11

**Figure 2-2. Real Six-month LIBOR Rates**

(annual percentages)




percent and 8 percent, respectively.[3] Toward the end of the year, fears of overheating the economy and of inflation prompted China to introduce a series of administrative, monetary, and fiscal measures to regain price stability over the medium term.

Countries with high investment/GDP ratios have generally grown fast. This was again the rule in 1988. As in the previous year, the best performers continued to be those countries on the Pacific rim whose ratios of gross domestic investment to GDP have typically exceeded 20 percent over a number of years (see Figure 2-3 and Table 2-4). The corresponding ratio over the past five years has been 17 percent for the Latin America and the Caribbean region and 15 percent for sub-Saharan Africa. These averages conceal lower investment ratios for some countries, in which gross investment is not even sufficient to cover depreciation, with the result that such countries are becoming decapitalized.

The newly industrializing economies of East Asia showed an average growth rate of over 8 percent. These countries offer a wide range of exports in manufactured or semiprocessed goods and were able to take advantage of the growing demand for imports of such goods in the Pacific region. The demand for their exports was also helped by the recent restructuring of the Japanese economy that caused it to be driven more by domestic demand.

Gross domestic product also increased modestly in the countries of sub-Saharan Africa, after declining in the previous year. The increase was not enough to effect a rise in per capita GDP in the face of rapid population growth. Growth was aided by a return to normal weather conditions (prompting, for the most part, an increase in per capita agricultural production), a terms-of-trade improvement (except for the oil exporters), and by the deepening structural adjustments that are being carried out by an increasing number of governments. In Nigeria, GDP is estimated to have risen by more than 5 percent, reflecting a 9 percent increase in oil production and a recovery in agriculture. Except in Mali, which suffered from adverse weather conditions, eco-

[3] For details, see pages 116–19.

**Table 2-3. Low- and Middle-income Economies: Growth of GDP and GDP per Capita, by Region, 1981–88**
(average annual percentage change)

| | 1986 GDP ($billions) | 1986 Population (millions) | GDP | | | GDP per capita | | |
|---|---|---|---|---|---|---|---|---|
| | | | 1981–86 | 1987 | 1988 | 1981–86 | 1987 | 1988[a] |
| Low- and middle-income economies | 2,576.0 | 3,783.4 | 4.1 | 4.2 | 5.2 | 2.0 | 2.1 | 3.6 |
| *Regional groups* | | | | | | | | |
| Sub-Saharan Africa[b] | 154.3 | 428.1 | 0.4 | −1.4 | 3.0 | −2.6 | −4.5 | −0.4 |
| East Asia[c] | 631.1 | 1,487.4 | 8.3 | 8.7 | 9.4 | 6.7 | 7.0 | 7.9 |
| South Asia | 296.5 | 1,056.1 | 5.5 | 4.6 | 7.6 | 2.9 | 2.3 | 5.7 |
| Europe, Middle East, and North Africa[d] | 748.1 | 382.1 | 3.3 | 1.6 | 2.5 | 1.1 | −0.5 | 0.3 |
| Latin America and the Caribbean | 699.5 | 395.5 | 1.4 | 2.7 | 1.4 | −0.7 | −0.6 | −0.6 |
| *Income groups* | | | | | | | | |
| Low income | 774.6 | 2,764.2 | 6.5 | 5.4 | 8.6 | 4.5 | 3.3 | 6.4 |
| Middle income | 1,799.9 | 1,017.5 | 2.7 | 3.4 | 2.8 | 0.4 | 1.3 | 3.0 |
| Highly indebted countries[e] | 824.4 | 569.2 | 1.1 | 1.7 | 1.9 | −1.2 | −0.6 | −0.6 |
| *Memo item* | | | | | | | | |
| High-income oil exporters[f] | 149.3 | 20.0 | −5.6 | 4.2 | 6.8 | −9.3 | 0.2 | n.a. |

n.a. Not available

a. Preliminary (end June 1989 data).

b. Excludes South Africa

c. Includes China, Fiji, Indonesia, Kampuchea, Kiribati, Republic of Korea, Lao People's Democratic Republic, Macao, Malaysia, Papua New Guinea, Philippines, Solomon Islands, *Taiwan*, China, Thailand, Tonga, Vanuatu, Viet Nam, and Western Samoa

d. Includes Afghanistan, Algeria, Cyprus, Egypt, Greece, Hungary, Iran, Iraq, Jordan, Lebanon, Libya, Malta, Morocco, Oman, Poland, Portugal, Romania, Syria, Tunisia, Turkey, Yemen Arab Republic, People's Democratic Republic of Yemen, and Yugoslavia

e. Includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cote d'Ivoire, Ecuador, Jamaica, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela, and Yugoslavia

f. Includes Bahrain, Brunei, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates

SOURCE: The World Bank.

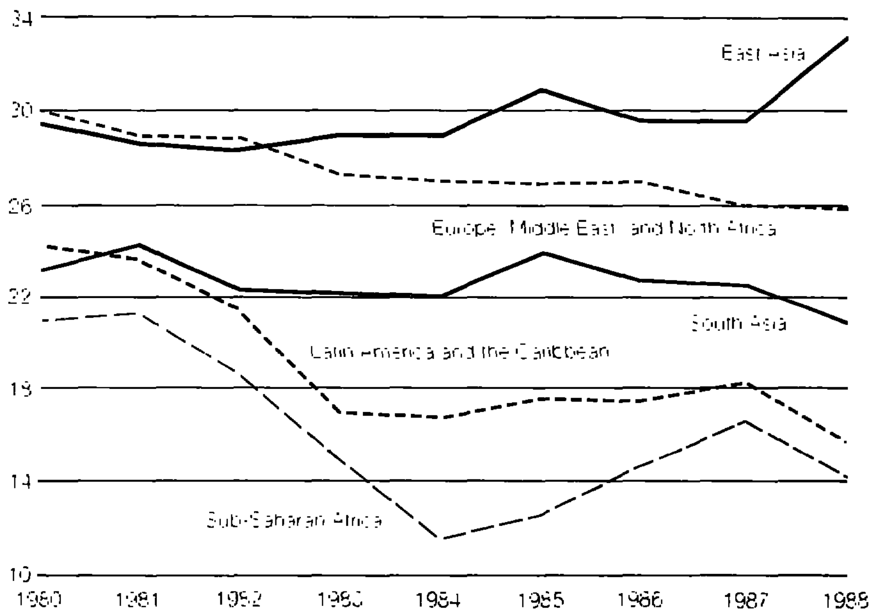
nomic growth improved in all the Sahelian countries in 1988.

## Declines in the Heavily Indebted, Middle-income Countries

Performance in the seventeen heavily indebted, middle-income countries was mixed overall, as it was in the other debt-distressed middle-income countries, many of whom share debt burdens similar to the group of seventeen. It has been clear that even in the best of circumstances, rectifying the serious macroeconomic imbalances that have accumulated over the years in these countries will take a long time. Such reforms require concerted efforts by governments, popular acceptance, and strong external support. Some countries are facing increasingly difficult domestic political situations that have inhibited their ability to adjust as quickly as desired and that pose increasing problems to sustained adjustment. Many countries have begun serious adjustment programs—such as Bolivia, Chile, Costa Rica, Jamaica, Mexico, Morocco, the Philippines, and Uruguay—but creditors and the countries themselves must recognize that this is only the first step in a long and difficult process of a return to sustainable, steady growth.

As a group, the seventeen heavily indebted, middle-income countries were unable to achieve GDP growth in excess of their population growth rates in 1988. Aggregate growth was less than 2 percent, implying a decline of around 0.6 percent in their per capita income

**Figure 2-3. Investment-to-GDP Ratios**
(percentages)




level. There was wide variance between countries, however; Morocco, for example, saw its GDP increase by more than 10 percent. More critically, investment in the group of highly indebted countries continued to fall, to 15 percent of GDP in 1988, compared to 25 percent for these same countries in 1980. Unless these investment rates can be restored to earlier levels, resumption of sustained growth will be difficult, indeed.

There are, of course, regional differences. In Asia, domestic absorption remains strong, as investment makes an above-average contribution to output growth. In contrast, Latin America's main source of growth derives from consumption. Sub-Saharan Africa has declining trends in investment and exports, with little gain in consumption. The downward trend in investment is particularly disturbing as this would be the normal vehicle to incorporate technical change and make economies more competitive and efficient. Countries that rely on inefficient import substitution may show short-term improvement in their balances; however, a certain level of imports is necessary for production and to avoid impairing longer-run growth prospects.

For the low-income and middle-income economies, the balance of payments on goods, services, and private transfers was in deficit of about $30 billion in 1988, a deterioration of about $44 billion from the 1987 surplus (see Table 2-5). This balance for the highly indebted group of countries in 1988 was $11.5 billion in deficit, compared with $8.5 billion in 1987. Much of that change was due to higher factor-service payments. The balance-of-payments deficit of the high-income oil exporters increased by about $6 billion, as exports failed to keep pace with import demand.

Among regional groups in 1988, East Asia experienced a fall in its surplus of close to $20 billion, primarily due to a surge in imports, promoted actively through trade policies. For the entire middle-income group of countries (which includes East Asia), 1988 shows an aggregate deficit of slightly more than $12 billion, or a deterioration of close to $45 billion from the 1987 level. On an aggregate basis, the balance of payments of the low-income coun-

**_Table 2-4._ Low- and Middle-income Countries: Investment/Savings-to-GDP Ratios, 1980–88**

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988[a] |
|---|---|---|---|---|---|---|---|---|---|
| *By geographical region* | | | | | | | | | |
| Sub-Saharan Africa | | | | | | | | | |
| Gross domestic investment | 20.8 | 20.8 | 17.6 | 14.9 | 11.5 | 12.5 | 14.6 | 15.8 | 14.1 |
| Gross domestic savings | 22.0 | 15.2 | 11.4 | 10.6 | 11.7 | 13.2 | 11.3 | 12.4 | 11.8 |
| Latin America and the Caribbean | | | | | | | | | |
| Gross domestic investment | 24.2 | 23.6 | 21.4 | 16.9 | 16.7 | 17.5 | 17.4 | 18.2 | 15.7 |
| Gross domestic savings | 22.8 | 22.0 | 21.3 | 20.9 | 21.9 | 22.2 | 19.8 | 19.7 | 18.6 |
| East Asia | | | | | | | | | |
| Gross domestic investment | 29.4 | 28.6 | 28.3 | 28.9 | 28.9 | 30.9 | 29.8 | 29.8 | 33.2 |
| Gross domestic savings | 29.0 | 27.8 | 28.2 | 28.6 | 30.4 | 30.8 | 32.6 | 34.8 | 36.1 |
| South Asia | | | | | | | | | |
| Gross domestic investment | 23.1 | 24.2 | 22.3 | 22.1 | 22.0 | 24.6 | 22.6 | 21.6 | 20.7 |
| Gross domestic savings | 17.8 | 20.6 | 18.9 | 18.9 | 19.1 | 20.7 | 19.8 | 18.7 | 17.8 |
| Europe, Middle East, and North Africa | | | | | | | | | |
| Gross domestic investment | 27.8 | 27.7 | 27.0 | 29.0 | 28.3 | 26.8 | 26.9 | 25.9 | 25.8 |
| Gross domestic savings | 33.3 | 34.0 | 32.3 | 29.4 | 27.2 | 26.4 | 24.7 | 22.5 | 25.2 |
| *By income group* | | | | | | | | | |
| Low income | | | | | | | | | |
| Gross domestic investment | 25.2 | 25.1 | 24.2 | 23.9 | 23.8 | 27.0 | 27.2 | 27.0 | 28.1 |
| Gross domestic savings | 24.8 | 22.8 | 21.6 | 21.7 | 22.8 | 23.8 | 24.0 | 25.1 | 27.4 |
| Middle income | | | | | | | | | |
| Gross domestic investment | 27.2 | 27.3 | 25.5 | 24.1 | 23.2 | 22.7 | 22.7 | 23.2 | 21.0 |
| Gross domestic savings | 25.8 | 24.5 | 24.7 | 25.1 | 25.5 | 25.7 | 25.1 | 25.6 | 19.5 |
| Low and middle income | | | | | | | | | |
| Gross domestic investment | 26.5 | 26.1 | 24.6 | 24.1 | 23.5 | 23.5 | 23.3 | 23.7 | 24.0 |
| Gross domestic savings | 24.6 | 23.1 | 23.4 | 23.7 | 24.4 | 24.8 | 24.4 | 24.6 | 24.8 |

a. Preliminary estimates.

SOURCE: The World Bank

tries in 1988 was −$17 billion, as compared to −$18.5 billion in 1987.

## Debt and Financial Flows

The economic situation for the highly indebted countries as a group deteriorated in 1988. The trend in negative resource transfers (that is, net outflows), which started as far back as 1984, continued. For the year, total disbursements amounted to $92 billion, but this was more than offset by total debt service of $142 billion, resulting in a net negative transfer of some $50 billion. Figure 2-4 shows the trends in financial flows since 1980.

Net flows to middle-income and low-income countries was at the modest level of $17 billion in 1988 (see Table 2-6). Much of this came through concerted lending following rescheduling agreements with such major debtors as Brazil.

Total debt (including short-term debt) for the developing countries was estimated at about $1.0 trillion, an amount equal to about 50 percent of their combined GNP at the end of 1988 and showing little change from the level of debt outstanding at the end of 1987. The slowdown in nominal debt accumulation can be attributed to three major factors:

- *Debt reduction.* The year saw an increase in the pace of voluntary reduction, by commercial creditors, of the debt of a number of major middle-income debtors, partly through debt-equity swaps and buybacks.
- *Commercial-bank participation.* In 1988, lending from commercial banks to the group of highly indebted, middle-income countries was $8.5 billion gross ($1.7 billion net), close to the level in 1987. However, private capital flows to this group of countries continued to be dominated by disbursements on large concerted packages to a very limited number of countries (Argentina, Brazil, and Mexico). Smaller countries with strong performance records have had a great deal of difficulty in gaining access to private markets. Morocco, for example, has

**Table 2-5. Low- and Middle-income Economies: Balance of Payments on Goods, Services, and Private Transfers, 1981–88**
(billions of US dollars)

| Country groups | 1981–83[a] | 1984 | 1985 | 1986 | 1987 | 1988[b] | Past three years as % of GDP 1986 | 1987 | 1988 |
|---|---|---|---|---|---|---|---|---|---|
| Low- and middle-income economies | −77.6 | −15.9 | −20.4 | −24.5 | 14.6 | −29.2 | −0.9 | −0.5 | −1.1 |
| *By geographical region* | | | | | | | | | |
| Sub-Saharan Africa[c] | −17.2 | −5.8 | −4.3 | −9.4 | −8.1 | −7.4 | −5.8 | −5.7 | −8.6 |
| East Asia | −12.2 | −2.0 | −10.3 | 8.4 | 24.2 | 6.3 | 1.3 | 3.7 | 1.7 |
| South Asia | −5.7 | −4.8 | −8.0 | −7.4 | −6.6 | −9.8 | −2.9 | −2.1 | −2.7 |
| Europe, the Middle East, and North Africa[d] | −19.2 | −10.7 | −4.6 | −7.0 | −6.1 | −5.6 | −0.9 | −0.6 | −2.3 |
| Latin America and the Caribbean | −31.1 | −2.0 | −3.7 | −16.5 | −11.1 | −12.7 | −2.4 | −1.3 | −1.4 |
| *By income groups* | | | | | | | | | |
| Low-income countries | −22.6 | −12.7 | −28.8 | −28.7 | −18.5 | −17.0 | −3.7 | −2.1 | −2.4 |
| Middle-income countries | −55.0 | −3.2 | 8.4 | 4.2 | 33.1 | −12.2 | 0.2 | 1.6 | −0.5 |
| Highly indebted countries[e] | −39.6 | −0.8 | 1.1 | −12.0 | −8.5 | −11.5 | −1.5 | −0.9 | −1.2 |
| *Memo item* | | | | | | | | | |
| High-income oil exporters[f] | 32.9 | 5.8 | 10.5 | 3.0 | −1.7 | −7.4 | −2.0 | 0.1 | n.a. |

NOTE Total for geographical regions is less than total for developing countries because sub Saharan Africa excludes South Africa

n.a. Not available.

a. Annual

b. Preliminary

c. Excluding South Africa

d. Including Hungary, Poland, and Romania

e. Includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Côte d'Ivoire, Ecuador, Jamaica, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela, and Yugoslavia

f. Includes Bahrain, Brunei, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates

SOURCE: The World Bank.

**Table 2-6. Public and Private Long-term Debt and Financial Flows, 1980–88**
(billions of US dollars)

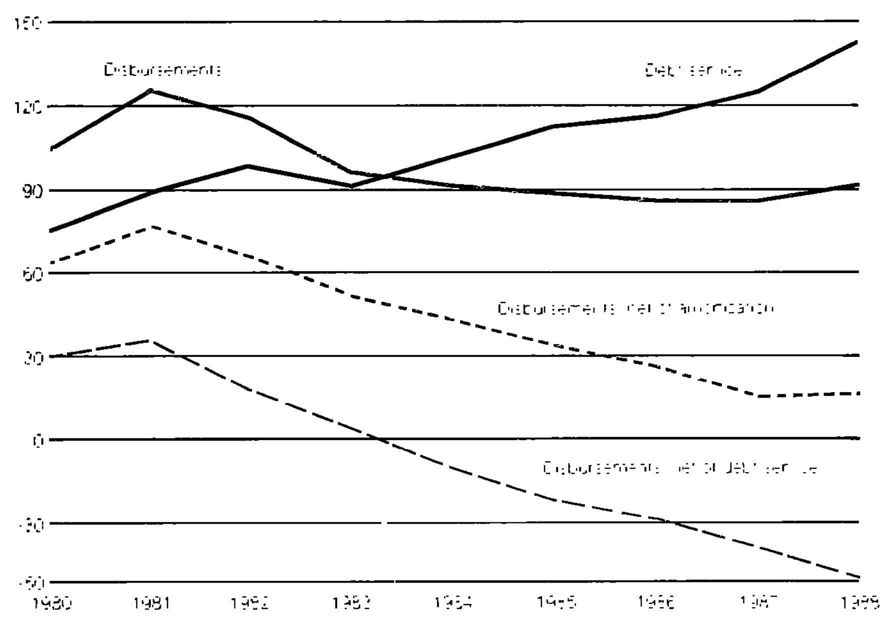
| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988[a] |
|---|---|---|---|---|---|---|---|---|---|
| Debt disbursed and outstanding | 433.6 | 498.0 | 562.5 | 644.9 | 686.7 | 793.7 | 893.9 | 998.4 | 993.2 |
| Disbursements | 105.9 | 124.3 | 116.9 | 97.2 | 91.6 | 89.3 | 87.7 | 87.1 | 92.3 |
| (from private creditors) | 77.5 | 91.4 | 84.6 | 65.0 | 58.9 | 57.8 | 50.8 | 48.7 | 45.8 |
| Debt service | 75.3 | 89.1 | 98.7 | 92.6 | 101.8 | 112.2 | 116.4 | 125.5 | 142.4 |
| Principal | 42.7 | 47.5 | 49.7 | 45.4 | 48.6 | 56.4 | 61.5 | 71.1 | 75.4 |
| Interest | 32.6 | 41.7 | 48.9 | 47.3 | 53.2 | 55.8 | 54.9 | 54.4 | 67.0 |
| Net flows | 63.2 | 76.8 | 67.2 | 51.8 | 43.0 | 32.9 | 26.2 | 16.0 | 16.9 |
| Net transfers | 30.6 | 35.2 | 18.2 | 4.6 | −10.2 | −22.9 | −28.7 | −38.3 | −50.1 |

NOTE Table shows data for the 111 countries reporting under the Debtor Reporting System (DRS). Data for Poland are included only from 1985 onward

a. Preliminary

SOURCE The World Bank

**Figure 2-4. Disbursements, Debt Service**
(net flows and net transfers: all developing countries)



not received new money since 1984 despite repeated requests, and the negotiations to roll over Colombia's maturing debt were difficult and protracted, despite that country's good economic and payment performance.

• *Exchange-rate movements.* In 1987, close to $70 billion of the nominal increase of total developing-country debt was accounted for by the devaluation of the U.S. dollar against the major currencies. In 1988, exchange-rate movements were generally small and in the opposite direction to those in 1987. The U.S. dollar generally appreciated *vis-à-vis* the other major currencies during the course of the year, bringing down the dollar value of the end-year stocks of debt denominated in those currencies.

These factors had different implications for the two major distressed groups of debtors—the heavily indebted, middle-income countries and the countries of sub-Saharan Africa. Voluntary debt reduction and low levels of commercial-bank lending mainly affected the former group, whose debt remained unchanged at about $445 billion. Sub-Saharan Africa, however, saw an increase in lending of 6.5 percent, to $127 million, an increase that was slower than the 18 percent rise experienced in 1987, although much of this may be attributed to currency adjustment. Increases in both years are attributed to an increase in official lending and currency-valuation effects. These effects tend to be more pronounced for low-income countries because loans from official lenders and multilateral agencies have a currency mix weighted more towards nondollar currencies.

The Baker plan, which was initiated in 1985, emphasized the sharing of the debt burden among the adjusting debtor countries; official lenders, who would increase their financial flows in support of adjusting countries; and private creditors, who would provide adequate amounts of new lending. In practice, the burden of providing finance has fallen more heavily on official sources; their proportion of debt outstanding was 44.1 percent in 1988, up from 40.8 percent in 1986 and 43.8 percent in 1987. Out of total disbursements of $92.3 billion that went to low-income and middle-income countries in 1988, $46.5 billion came from official sources; the remainder was from private sources (see Table 2-7).

***Table* 2-7. Low- and Middle-income Economies: Medium- and Long-term Debt, Debt Service, and Gross Disbursements, 1982–88**
(billions of US dollars)

| | All low- and middle-income countries | | Highly indebted countries[a] | | Sub-Saharan Africa | |
|---|---|---|---|---|---|---|
| | 1982–87 | 1988[b] | 1982–87 | 1988[b] | 1982–87 | 1988[b] |
| Debt | 771.7 | 993.2 | 371.3 | 445.7 | 76.2 | 126.9 |
| Official | 299.1 | 456.0 | 77.9 | 129.7 | 46.4 | 86.0 |
| Private | 472.6 | 537.2 | 293.4 | 316.0 | 29.8 | 40.9 |
| Debt as % of GNP | 36.9 | 39.8 | 55.6 | 53.3 | 47.4 | 98.6 |
| Debt service[c] | 108.3 | 142.4 | 50.8 | 59.8 | 7.2 | 8.8 |
| Interest | 52.8 | 67.0 | 30.7 | 37.3 | 2.9 | 4.0 |
| Official | 11.8 | 20.4 | 4.2 | 7.9 | 1.1 | 2.2 |
| Private | 41.0 | 46.6 | 26.5 | 29.4 | 1.8 | 1.8 |
| Amortization | 55.5 | 75.4 | 20.1 | 22.5 | 4.3 | 4.9 |
| Official | 13.9 | 24.7 | 4.9 | 8.3 | 1.2 | 2.7 |
| Private | 41.6 | 50.7 | 15.2 | 14.2 | 3.1 | 2.2 |
| Debt service as % of exports of goods and services[c] | 21.9 | 23.8 | 40.8 | 41.6 | 15.8 | 19.0 |
| Average interest[d] | 6.7 | 7.2 | 8.3 | 8.4 | 4.0 | 3.5 |
| Gross disbursements | 95.3 | 92.3 | 34.0 | 25.6 | 9.5 | 11.4 |
| Official | 34.3 | 46.5 | 10.5 | 15.3 | 5.0 | 8.3 |
| Private | 61.0 | 45.8 | 23.5 | 12.8 | 4.5 | 3.1 |

NOTE: Covers public and publicly guaranteed and nonguaranteed private debt for the 111 countries in the World Bank's Debtor Reporting System.

a. Includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Côte d'Ivoire, Ecuador, Jamaica, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela, and Yugoslavia.

b. Preliminary.

c. Cash basis, that is, actual payments.

d. Average interest actually paid on the outstanding debt at mid year.

SOURCE: The World Bank.

During 1988, several countries reduced their stock of debt through debt-for-equity swaps and buybacks. Chile has been among the most successful in using swaps, as it reduced its stock of debt by more than $5 billion over the period 1985–88. There is a growing recognition by the international community of the need to reduce both the debt stock and debt-service burden of the debt-distressed countries. At the April 1989 meeting of the Development Committee, members agreed that the approach should be broadened further, including use of voluntary market-based techniques that increase financial flows and reduce the stock of debt.

Certain legal obligations and provisions in debt contracts, such as negative pledge clauses and mandatory prepayment and payment-sharing clauses, can inhibit debt and debt-service reduction.

In recent operations in Bolivia, Chile, and Mexico, however, creditors have granted the waivers necessary to permit debt-reduction transactions to take place. In addition, the G-7 governments[4] have formed a group to review the tax-accounting and the regulatory environment to seek ways to reduce impediments to debt-reduction schemes. The Bank for International Settlements, the International Monetary Fund, and the World Bank are also analyzing the issue.

## Commodity Prices and Terms of Trade

The nominal dollar price index of thirty-three nonoil commodities jumped by nearly 20

[4] Include Canada, France, the Federal Republic of Germany, Italy, Japan, the United Kingdom, and the United States.

### *Table 2-8.* Commodity Prices and Interest Rates, 1981–88
(prices in average annual rates of change, interest rates in annual percentages)

| | 1981–86 | 1986 | 1987 | 1988 |
|---|---|---|---|---|
| *Commodity prices in nominal dollars* | | | | |
| Food and beverages | −1.1 | 6.1 | −16.0 | 18.2 |
| Nonfood agriculture | −6.3 | −9.2 | 24.3 | 3.0 |
| Metals and minerals | −5.0 | −7.8 | 14.9 | 37.5 |
| Total nonoil | −2.8 | 0.5 | 0.1 | 20.3 |
| Petroleum | −14.7 | −49.4 | 27.4 | −21.0 |
| *Commodity prices in real terms*[a] | | | | |
| Total nonoil | −4.8 | −14.2 | −8.8 | 11.4 |
| Petroleum | −15.3 | −56.9 | 16.2 | −26.8 |
| *In special drawing rights (SDR) terms* | | | | |
| Total nonoil | −2.7 | −12.8 | −9.5 | 15.9 |
| Petroleum | −13.1 | −55.9 | 14.6 | −24.4 |
| *Interest rates* | | | | |
| Six-month dollar LIBOR | 11.1 | 6.9 | 7.3 | 8.1 |
| In real terms[b] | 6.0 | 4.1 | 3.9 | 4.5 |

NOTE: Commodity price indices are weighted by commodity exports of all developing countries.
a. Deflated by export prices of manufactures of major industrial countries.
b. Deflated by the U.S. GNP deflator.
SOURCE: The World Bank.

### *Table 2-9.* World Merchandise Trade in Volume, 1970–88
(percentage point change per annum)

| | 1970–79 | 1979–87 | 1988[a] IMF | 1988[a] OECD | 1988[a] IBRD |
|---|---|---|---|---|---|
| World Trade Volumes | 6.4 | 3.7 | 9.3 | 8.7 | 8.5 |
| *Export volume by major commodity groups* | | | | | |
| Manufactures | 6.7 | 4.3 | 12.7 | 10.1 | 10.5 |
| Nonoil primary | 2.8 | 4.9 | 8.9 | n.a. | 4.5 |
| Oil and products | 1.6 | −1.8 | 11.7 | 7.0 | 7.0 |
| *By major country groups* | | | | | |
| High-income OECD | 6.6 | 3.8 | 8.7 | 8.1 | 8.0 |
| United States | 7.7 | 1.7 | 24.1 | 20.7 | 22.0 |
| Japan | 9.3 | 5.2 | 4.3 | 5.2 | 5.0 |
| Germany, Federal Republic of | 5.8 | 3.8 | 7.6 | 4.8 | 7.3 |
| Low- and middle-income | 4.8 | 2.4 | 11.0 | 8.5 | 9.5 |

a. Estimates.
n.a. Not available.
SOURCES: IMF estimates from *World Economic Outlook*, April 1989; *OECD Economic Outlook*, June 1989; World Bank, June 1989.

percent in 1988 after stagnating for two years (see Table 2-8). The dollar manufactures unit value (MUV) index went up by 6.4 percent during the year and helped to consolidate the increases of the previous two years. In spite of these gains, nonoil commodity prices in real terms were still about 30 percent below their 1980 level—a year that was particularly buoyant for commodities. Prices of tropical beverages, such as cocoa (down 26 percent in real terms) and the robusta variety of coffee, which are important for many sub-Saharan African countries, were depressed. Export revenues were seriously affected, and prospects for any improvement in the near future are modest.

Exporters of minerals and metals, however, enjoyed a price recovery in 1988. The dollar price level for these commodities increased upwards to 40 percent over the 1987 level, reflecting, in part, the acceleration of investment in the OECD area. Should supplies continue to be tight and strong growth continue in the industrial countries, prices can be expected to remain firm, at least in the short run.

For the year as a whole, average annual oil prices were down by about 20 percent, although they began to recover after the OPEC production agreement of November 1988. Prices were also strengthened by the agreement, reached in the second quarter of 1988 by non-OPEC oil exporters, to cut back on production by 300,000 barrels a day. The higher prices of manufactured goods and metal ores, contrasted against low prices of oil, broadly tilted the terms of trade in favor of the nonoil producers. Oil exporters experienced a loss of 17 percent in their terms of trade, while nonoil primary-goods exporters registered a gain of 7 percent with, however, wide divergences in results among the nonoil group. Should the upward trend in oil prices continue, however, this pattern could be offset or even reversed in 1989. Table 2-8 presents a summary of selected global indicators of prices and costs relevant to development.

### World Trade Volume Increase

In 1988, world trade increased by about 9 percent in volume (see Table 2-9). Trade in manufactures was particularly strong (over 10 percent), as it responded to an investment and consumption boom in the industrialized countries. Among the developing countries, the principal beneficiaries of this trade increase were those countries that had reoriented their export composition toward manufactures, together with some metal exporters. (Exporters of manufactures include the NIEs of East Asia, as well as their "second-tier" competitors, such as Indonesia, Malaysia, and Thailand.)

Notable among those with a decreased share in global trade were the exporters of tropical beverages, mostly in Africa, and the stagnating economies of the highly indebted, middle-income countries, largely in Latin America. Middle-income economies increased their imports by 13 percent above the 1987 level; among these, the highly indebted countries increased their imports by 8 percent, following two years of import contraction (see Table 2-10).

An emerging trend toward greater concentration of trade flows within regions of the world became clearer during 1988. The foci of this trend are three major blocs of countries:

- *Asia*, as Japan, the newly industrializing economies, and ASEAN (Association of Southeast Asian Nations) countries have intensified their relationships. In 1988, trade among this bloc of countries advanced by 25 percent in volume terms over the 1987 level;
- *The European Community*, as trade among its members rose by more than 10 percent in volume in 1988; and
- *North America*, as trade flows between the United States and Canada increased by more than 12 percent, while U.S. exports to Mexico rose more than 40 percent in volume terms.

According to rough estimates, trade was especially vibrant among the newly industrializing economies in 1988, as export volume advanced 18 percent and imports increased 23 percent. Trade among the NIEs grew by 38 percent, and the rise in imports from the highly indebted countries (55 percent) and other developing countries (28 percent) was significant. The NIEs appear to be emerging as potential engines for export-led growth for a broader spectrum of countries.

The momentum in world trade could be maintained by a successful conclusion of the current round of GATT trade negotiations (the Uruguay Round), scheduled for December 1990. Significant progress was achieved in the mid term review process that began with a meeting of trade ministers in Montreal, Canada, in early December 1988.

The meeting achieved consensus on a large number of specific agenda items, including proposals for immediate implementation of concessions by the developed countries on tropical products, strengthened rules for the settlement of disputes, and a new GATT mechanism for the review of trade policies. A framework for further discussion on services—technically not under GATT—was also agreed. Because of fundamental disagreements in four key areas, however—agriculture, textiles and clothing, intellectual property, and safeguards—all the agreements were put on hold until another high-level meeting in April 1989 in Geneva. Some countries (Australia, Austria, Finland, Japan, and New Zealand) announced that they would apply unilaterally their tariff-cutting offers on tropical products effective immediately.

Following a period of intense diplomatic activity led by the GATT's director-general, the progress of the Round was unblocked by agreements on the outstanding issues at the April 1989 high-level meeting of the Trade Negotiations Committee. In agriculture, it was agreed that there was to be a "substantial progressive reduction in agricultural support

**Table 2-10. Selected Trade Performance Indicators, 1965–88**
(average annual percentage change)

| | 1965–80 | 1980–86 | 1987 | 1988[a] |
|---|---|---|---|---|
| *Low- and middle-income countries* | | | | |
| Import volume | 6.0 | 0.4 | 6.4 | 11.5 |
| Export volume | 4.7 | 6.2 | 7.9 | 9.8 |
| Export unit value ($) | 13.8 | −4.0 | 12.4 | 6.3 |
| Terms of trade | 1.4 | −2.1 | 0.9 | 1.1 |
| Purchasing power of exports | 6.2 | 4.0 | 8.9 | 11.0 |
| *Middle-income countries* | | | | |
| Import volume | 6.1 | −1.3 | 9.2 | 12.8 |
| Export volume | 4.7 | 6.1 | 8.4 | 10.5 |
| Export unit value ($) | 14.7 | −4.3 | 12.9 | 6.4 |
| Terms of trade | 2.0 | −2.2 | 1.0 | 1.3 |
| Purchasing power of exports | 6.8 | 3.8 | 9.4 | 11.8 |
| *Low-income countries* | | | | |
| Import volume | 5.6 | 9.4 | −5.5 | 5.3 |
| Export volume | 4.8 | 6.7 | 4.4 | 5.2 |
| Export unit value ($) | 8.3 | −1.9 | 9.8 | 5.8 |
| Terms of trade | −2.6 | −0.7 | −0.4 | 0.1 |
| Purchasing power of exports | 2.0 | 5.9 | 4.0 | 5.3 |
| *Highly indebted countries* | | | | |
| Import volume | 5.5 | −7.5 | −0.1 | 8.0 |
| Export volume | 1.1 | 2.8 | 2.7 | 6.0 |
| Export unit value ($) | 16.6 | −5.4 | 11.0 | 5.0 |
| Terms of trade | 3.5 | −3.2 | 1.4 | −0.6 |
| Purchasing power of exports | 4.7 | −0.5 | 4.1 | 5.4 |
| *Sub-Saharan Africa* | | | | |
| Import volume | 7.5 | −8.0 | −5.1 | −0.3 |
| Export volume | 0.2 | 1.5 | −3.8 | 3.6 |
| Export unit value ($) | 17.3 | −6.3 | 10.3 | 1.0 |
| Terms of trade | 4.7 | −5.1 | 1.5 | −3.3 |
| Purchasing power of exports | 4.9 | −3.7 | −2.4 | 0.2 |

NOTE. Terms of trade are calculated as the ratio of export price to import price. Purchasing power of exports is calculated as the terms of trade times export volume.

a. Estimated (as of end June 1989).

SOURCE: The World Bank.

and protection." The process and the timing are to be determined during the remainder of the Round. On trade-related aspects of intellectual property rights, it was agreed to examine the rules: Only at the end of the Round will it be decided whether such rules will be implemented through GATT or in the World Intellectual Property Organization. As for safeguards, on which discussions have been in progress for more than fifteen years, it was agreed to allow the drafting of a comprehensive agreement for negotiations.

Despite the progress on tariff-cutting in past multilateral trade negotiations under GATT, many nontariff barriers remain, and the tendency to use so-called gray-area measures, such as voluntary export restraints, as well as administrative procedures under antidumping laws, has grown. Relatively restrictive nontariff barriers cover 18 percent of industrial-country nonpetroleum imports, 62 percent of clothing imports, and 56 percent of iron and steel—products that developing countries export. The income cost to the developing countries of industrial-country restrictions may be almost twice what these countries receive in official development assistance. The Uruguay Round, therefore, presents a major opportunity to tackle these problems.

Other developments in north-south trade include significant modifications to GSP schemes, with, on the one hand, modest improvements in product coverage, extent of tariff cuts, and rules of origin, and, on the other hand, the elimination of a number of countries from the benefits of the scheme. Negotiations are under way for the fourth Lomé Convention, and proposals are before the United States Congress to expand the Caribbean Basin Initiative.

### Environmental Issues to the Fore

Environmental issues received increasing emphasis during 1988. High-income countries, in particular, showed heightened awareness of the impact of environmental degradation on the quality of life, but virtually all countries see many of the problems in a global context.

The level of economic activity has grown tenfold during this century, while population increased threefold over the same period. As a consequence:

- The quality of the air, water, and soil has deteriorated as the process of production worldwide has begun seriously to affect the ecosystem.
- The volume of waste has reached alarmingly high levels, and its disposal has become a major political, social, and economic issue in many countries; in particular, the rising levels of production of hazardous or toxic materials are leading to an increasing number of serious accidents and are posing grave threats to human health and the environment.
- There is concern that emission of pollutants is causing long-term effects, such as depletion of the ozone layer and climatic modification.

Industrialized countries and developing countries often differ in their perspective on the environment, which leads them to assign differing priorities to programs. Environmental problems faced by the developed and developing countries are similar in that both face the degradation of air, water, and land and, to a large extent, by the same pollutants. However, these problems differ in their economic source (growth and "overdevelopment"[5] as opposed to lack of growth and poverty), as well as in their scope and significance—deterioration of the quality of life as opposed to survival itself if the natural-resource base were to be destroyed. Development is thus associated with joint improvement in both economic and environmental conditions.

It is also becoming increasingly clear that preventing environmental degradation in the developing countries is closely tied to alleviating poverty, which is a priority for the World Bank. There is recognition that environmental degradation results from both developmental activities and actions induced by the very lack of development. This view is epitomized in the statement by the late Indian prime minister, Indira Gandhi, that poverty is the worst polluter.

The past year witnessed a variety of developments regarding the state of the world's environment. On the one hand:

- Additional evidence became available supporting the view that there is not only an ongoing worldwide depletion of the stratospheric ozone shield but also "holes" in the ozone shield appearing seasonally in the Antarctic and, possibly, the Arctic;
- Concern increased that global warming, related mainly to fossil-fuel combustion (5.5 billion tons of fossil carbon were released into the atmosphere in 1988), as well as deforestation, may already be under way.
- The oil spill off the Alaskan shore dramatically highlighted the mutual vulnerability of the environment and economic activity.

On the other hand:

- Forty-five countries and the European Communities signed the Montreal Protocol to the Convention for the Protection of the Ozone Layer, which calls for a 50 percent reduction in the consumption of chlorofluorocarbons by the year 1999. As of early March 1989, thirty-five countries and the European Communities had ratified the Protocol, as well.
- The governments and the European Communities represented at the first meetings of the parties to the Vienna Convention and the Montreal Protocol, meeting in Helsinki in early May 1989, agreed to phase out the production and consumption of chlorofluorocarbons controlled by the Montreal Protocol as soon as possible but not later than the year 2000, and, for that purpose, agreed to tighten the timetable agreed upon in the Montreal Protocol, taking due account of the special situation of the developing countries.
- The 1985 Helsinki protocol to the 1979 Convention on Long-range Transboundary Air Pollution, to reduce by 1993 sulphur emissions or transboundary fluxes by at least 30 percent of the 1980 levels, was ratified by the necessary sixteen countries.
- Some progress was made on the issue of toxic-waste exports in the form of a compromise treaty, backed by 105 countries in the Basel Conference. While the treaty did not ban the cross-border transport of toxic waste, it requires the government of any exporting country to obtain a prior written permission from the government of the receiving country.
- There was increased recognition by the international development community of the statement articulated in Manila in early 1989 by the World Bank's president, that "the objec-

[5] It is estimated, for instance, that between 80 percent and 90 percent of the increase in carbon dioxide levels in recent decades is caused by energy production.

tives of sustainable economic growth, poverty alleviation, and environmental protection are mutually reinforcing." For example, several bilateral and multilateral development agencies are now, as a standard procedure, assessing the environmental effects of development projects that they help to finance.

The Bank is taking steps to improve its performance in this regard, putting increased emphasis on establishment of policies and procedures that will mitigate or eliminate adverse effects of its development projects and programs and enable the Bank to play an increasingly constructive role in promoting environmentally beneficial activities. Additional emphasis on energy conservation and efficiency and special measures to protect and manage tropical moist forests, encourage land and soil management, and promote conservation, are important elements in the Bank's overall environmental effort.

The Bank is also ready to help governments develop patterns of growth that differ substantially from the industrialized-country model. Every opportunity will be taken to ensure that renewable and nonrenewable resources are managed efficiently. In particular, prospects for continued economic growth depend heavily on the avoidance of the undue energy intensity that has characterized development in the industrialized countries.

The environment is clearly perceived as a global resource. An important question is how to finance the global response and execute it efficiently. Greater political interaction between the developed countries and the developing countries is evidently needed in order to devise mutually reinforcing policies, both for financing and program implementation. The Bank participates in international discussions in areas such as toxic wastes, global climate change, and ozone depletion that anticipate this increased interaction.

*Inspecting an irrigation canal in the Beni Suef area of Egypt for bilharzia-transmitting snails.*

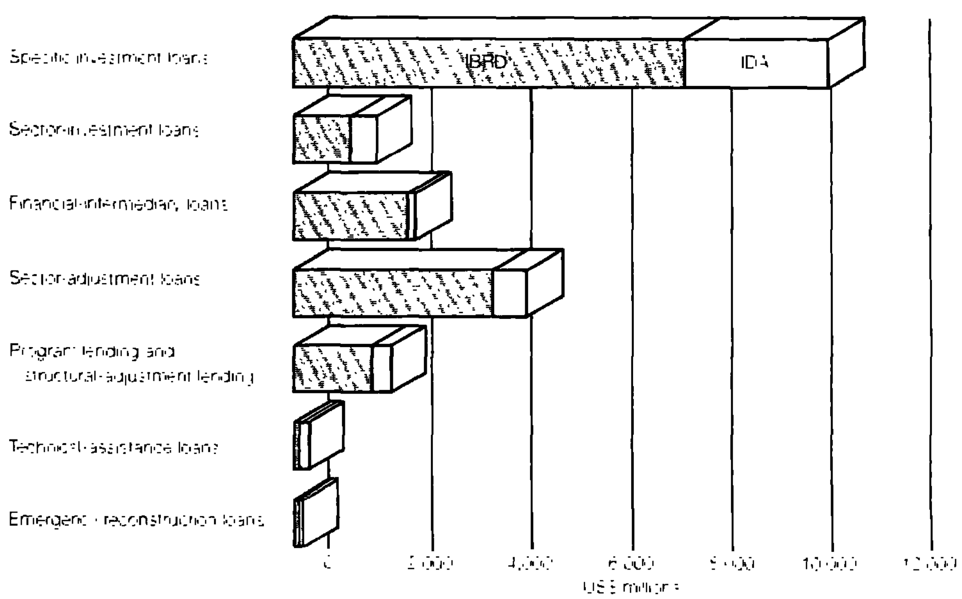
# Section Three
# The World Bank—Fiscal Year 1989

The increased commitment of resources and instruments provided to the World Bank by its shareholders in fiscal 1988—through approval of a general capital increase for the International Bank for Reconstruction and Development (IBRD), the launching of an eighth (and largest in nominal terms) replenishment of resources of the International Development Association (IDA), increased cofinancing, through the special program of assistance (SPA), in support of the debt-burdened, low-income adjusting countries of sub-Saharan Africa, and the establishment of the Multilateral Investment Guarantee Agency (MIGA)—were put to use in fiscal year 1989 to enhance the Bank's efforts in several key areas:

- The reduction of poverty in every region of the developing world;
- Increased assistance, through policy advice and lending operations, in the highly indebted, middle-income countries that are undertaking measures of adjustment;
- Expansion of assistance to the low-income adjusting countries of sub-Saharan Africa;
- Integration of environmental considerations into the mainstream of the Bank's policy and operational work; and
- The launching of an action program designed to provide for an increased role of the private sector in the Bank's developing member countries.

In fiscal 1989, commitments by the International Bank for Reconstruction and Development and the International Development Association, and approvals by the International Finance Corporation totaled $23,076 million.

**Figure 3-1. IBRD and IDA Lending, by Lending Instruments, Fiscal Year 1989**



That amount was $2,585 million higher (13 percent) than the previous year's record of $20,491 million. Commitments by the IBRD were $16,433 million, up 11 percent over fiscal 1988 totals; those of IDA—some $4,934 million—increased by 11 percent over the previous year (see Figure 3-1). Approvals by the IFC, some $1,709 million, were $439 million (35 percent) above fiscal 1988 totals.

A total of 119 IBRD loans were distributed among thirty-eight countries. One hundred six IDA credits were approved for projects in forty-two countries. Thirty-three countries received World Bank adjustment loans and credits in support of their reform measures. Adjustment lending totaled $5,279 million for the IBRD and $1,162 million for IDA (see Table 3-1). The IFC's investments were made in thirty-seven countries.

Lending for energy—at $3,864 million—led all sectors by volume. Lending for agriculture and rural development was second, at $3,490 million.

Of the projects approved in the agriculture and rural development sector, twenty-five out of a total of fifty-one were classified as poverty oriented—that is, where the majority of benefits are expected to accrue to the population in relative or absolute poverty. Two thirds of the projects in sub-Saharan Africa (fourteen of twenty-one) were so classified.

The most active borrowers from the IBRD were Mexico ($2,230 million for six projects), India ($2,136 million for ten projects), and Indonesia ($1,640 million for nine projects). In terms of commitments, IDA was most active in India ($900 million for one project), China ($515 million for five projects), and Bangladesh ($423 million for four projects). In terms of the number of credits approved, sixty-nine, or 65 percent, went to sub-Saharan Africa.

During fiscal 1989, gross disbursements by the IBRD to countries totaled $11,310 million, down $326 million over 1988 totals. IDA disbursements stood at $3,597, an increase of $200 million from amounts registered in the previous fiscal year.

Commitments to the group of seventeen highly indebted, middle-income countries were $8,021 million, as compared with $6,483 million in fiscal 1988. Gross disbursements to these countries amounted to $4,740 million, down $666 million over the year before.

Commitments to sub-Saharan African countries rose by 34 percent, to $3,925 million, and gross disbursements to them increased from $1,873 million to $2,256 million.

IBRD and IDA commitments to the low-income countries, those with a per capita GNP of $480 or less, were $10,060 million, up 12 percent from fiscal 1988 amounts (see Figure 3-2).

In fiscal 1989, 131 IBRD-assisted and IDA-assisted projects involved cofinancing funds, amounting to $9,943 million (see Table 4-10). That amount was $3,536 million higher than in the previous year. The 131 cofinanced projects represented more than half (58 percent) of the total number of projects approved during the year.

### Commitment to Poverty Alleviation

The central goal of the World Bank is the reduction of poverty. Ways to achieve that goal are at the heart of the Bank's activities—whether through support for adjustment measures designed to lay the foundations for sustained growth, through investment lending, or through its research and country economic and sector work.

Recent estimates indicate that about 950 million people in the developing world live in conditions of poverty. Over half live in the populous regions of South Asia (over 350 million) and East Asia (about 150 million). Another 280 million absolute poor live in largely rural areas of sub-Saharan Africa. Even in the Europe, Middle East, and North Africa region, as well as the region of Latin America and the Caribbean—despite the predominance of middle-income countries—absolute poverty is estimated to afflict about 90 million and 80 million people, respectively.

Developing countries, with the assistance of the international community, have done much over the years to reduce poverty. Significant strides have been made in increasing per capita income levels in many countries, improving health and nutrition with positive effects on reducing infant mortality and increasing longevity, increasing educational levels, and putting productive assets into the hands of the poor.

But these efforts have not been enough. Although it is widely estimated that the proportion of the developing world's population living in poverty has declined in recent decades, the absolute numbers of poor people have increased.

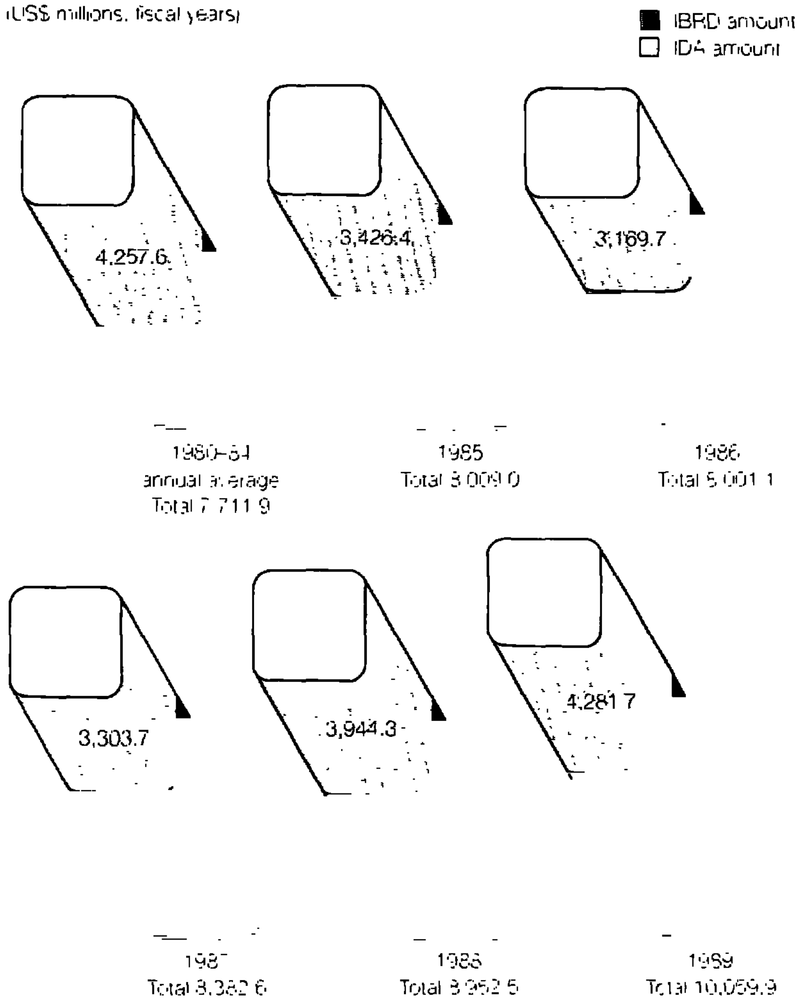
In recent years, the World Bank has directed its efforts to helping borrowers, particularly in sub-Saharan Africa and in the highly indebted, middle-income countries, reestablish preconditions for growth. The steps the Bank has taken to assist borrowers to adjust and resume growth are essential for poverty reduction, as well. In addition, many of the Bank's lending operations that do not have a direct poverty focus, including traditional lending in sectors such as power and transportation, contain numerous features that contribute toward reducing poverty.

**_Table 3-1._ World Bank Adjustment Operations, Fiscal Year 1989**
(amounts in US$ millions)

| Country | Project | World Bank financing IBRD | IDA | Total |
|---|---|---|---|---|
| *Sector Adjustment Loans* | | | | |
| Argentina | Trade policy II | 300.0 | — | 300.0 |
| Bangladesh | Energy sector | — | 175.0 | 175.0 |
| Bangladesh | Industrial sector (supplement) | — | 2.5 | 2.5 |
| Bolivia | Financial sector adjustment (supplement) | — | 11.3 | 11.3 |
| Burundi | Agricultural services | — | 33.1 | 33.1 |
| Chad | *Financial rehabilitation* | — | 16.2 | 16.2 |
| Chad | Transport sector adjustment | — | 60.0 | 60.0 |
| Ghana | Financial sector adjustment (supplement) | — | 6.6 | 6.6 |
| Kenya | Industrial sector adjustment (supplement) | — | 53.7 | 53.7 |
| Kenya | Financial sector operation | — | 120.0 | 120.0 |
| Madagascar | Public sector adjustment (supplement) | — | 1.4 | 1.4 |
| Malawi | Industrial/trade adjustment (supplement) | — | 5.2 | 5.2 |
| Mali | Education sector consolidation | — | 26.0 | 26.0 |
| Mexico | Industrial restructuring | 250.0 | — | 250.0 |
| Mexico | Financial/trade sector | 500.0 | — | 500.0 |
| Mexico | Industrial sector policy | 500.0 | — | 500.0 |
| Mexico | Public enterprise rehabilitation | 500.0 | — | 500.0 |
| Nigeria | Trade and investment policy | 500.0 | — | 500.0 |
| Pakistan | Agriculture sector adjustment | 200.0 | — | 200.0 |
| Pakistan | *Financial sector adjustment* | 150.0 | — | 150.0 |
| Pakistan | Energy sector II | 250.0 | — | 250.0 |
| Philippines | Financial sector adjustment | 300.0 | — | 300.0 |
| Somalia | *Agriculture sector adjustment* | — | 70.0 | 70.0 |
| Tanzania | Industrial/trade adjustment (supplement) | — | 12.5 | 12.5 |
| Tanzania | Industrial/trade adjustment | — | 135.0 | 135.0 |
| Tunisia | Agriculture sector adjustment II | 84.0 | — | 84.0 |
| Venezuela | *Trade policy loan* | 353.0 | — | 353.0 |
| Total | | 3,887.0 | 728.5 | 4,615.5 |
| *Structural Adjustment Loans* | | | | |
| Benin | Structural adjustment I | — | 45.0 | 45.0 |
| Cameroon | Structural adjustment I | 150.0 | — | 150.0 |
| Costa Rica | Structural adjustment II | 100.0 | — | 100.0 |
| Gambia, The | Structural adjustment II | — | 23.0 | 23.0 |
| Ghana | Structural adjustment II | — | 120.0 | 120.0 |
| Guinea-Bissau | *Structural adjustment II* | — | 23.4 | 23.4 |
| Honduras | Structural adjustment I | 50.0 | — | 50.0 |
| Indonesia | Private sector development | 350.0 | — | 350.0 |
| Lao People's Democratic Republic | Structural adjustment I | — | 40.0 | 40.0 |
| Morocco | Structural adjustment I | 200.0 | — | 200.0 |
| Mozambique | Rehabilitation III | — | 90.0 | 90.0 |
| Nepal | *Structural adjustment II* | — | 60.0 | 60.0 |
| Senegal | Structural adjustment III (supplement) | — | 5.5 | 5.5 |
| Togo | Structural adjustment III (supplement) | — | 0.1 | 0.1 |
| Uganda | Economic recovery (supplement) | — | 1.7 | 1.7 |
| Uganda | Economic recovery (supplement) | — | 25.0 | 25.0 |
| Uruguay | Structural adjustment II | 140.0 | — | 140.0 |
| Venezuela | Structural adjustment I | 402.0 | — | 402.0 |
| Total | | 1,392.0 | 433.7 | 1,825.7 |
| Grand total | | 5,279.0 | 1,162.2 | 6,441.2 |

**Figure 3-2. IBRD and IDA Lending to the Poorest Countries, Fiscal Years 1980–89**

(US$ millions, fiscal years)




Note: The poorest countries are defined as those with per capita income of $480 or less in 1987 US dollars.

Some of the ways in which the Bank is assisting developing-country governments to reduce poverty include:

• Working with interested governments, the Bank is introducing a greater focus on poverty reduction in country-assistance strategies, increasing the focus on operations whose direct objective is to promote productive employment and expanded access to health care, education, and to physical infrastructure for the poor, including increased attention to operations explicitly designed to improve conditions for women.

• In sub-Saharan Africa, food insecurity is a major dimension of poverty, and the Bank is increasing its emphasis on food security as part of new poverty-reducing initiatives. Working closely with governments and the large group of donor agencies already active in these areas, the Bank seeks to maintain an appropriate balance between the objectives of attaining long-term food security through growth-oriented projects and short-term food security through measures to improve the ability of households and countries to cope with transitory food insecurity.

• The Bank is also helping interested borrowers by expanding its economic analysis with a poverty-oriented focus. Such efforts include the preparation of a number of country studies designed to develop poverty profiles and identify policies and interventions to reduce poverty.

• The Bank's operations that do not have a direct antipoverty focus are being monitored to see that they pay greater attention to the reduction of poverty even while dealing with growth and adjustment as their primary concerns.

• Efforts are being stepped up to help borrowers ensure that the poor are better protected during periods of adjustment.

• An expansion of involvement by nongovernmental organizations (NGOs) in Bank-supported undertakings is also under way. New opportunities for operational collaboration with NGOs, within the framework of government policies, are being identified, particularly with those NGOs in developing countries.

The relative emphasis on these elements of the Bank's involvement in poverty reduction varies from region to region.

The Bank's poverty-reduction strategy in Asia is comprehensive and involves:

• Agriculture and rural development in poorer areas through projects such as the one in China's Shaanxi province, approved in fiscal 1989, which aims to raise farm production and incomes of 180,000 farm families in one of the country's poorest provinces through expanding and improving irrigated areas, raising crop yields, increasing livestock and fish production, and developing the agroprocessing sector through pilot projects. In addition, provision of fluoride-free water will enable 75,000 people suffering from skeletal fluorosis to recover, partially or fully, from the effects of the disease.

• Expanding, improving, and reducing the cost of basic services, health, education, and nutrition for the poor. For example, Malaysia's second primary and secondary education-sector project, approved during fiscal 1989, was designed not only to improve educational quality and to increase the efficiency of educational management but also to give priority in new school construction and extensions to existing schools in districts where the availability of educational facilities is below the national average. Particular attention is being given to the country's poorer states. Similar priority is to be given for the use of any savings that might accrue from the construction program during project implementation.

• Supporting programs to increase the incomes of the poor, such as public works or credit schemes. For example, Indonesia's general village credit program (KUPEDES), a recipient of $101.5 million in Bank funds, is making small loans (averaging less than $250) for microenterprise development.

The Philippines and India are examples of the Bank's recent efforts in Asia to put the poverty strategy in a broader context. In these countries, the Bank is examining the linkages between macroeconomic policies and poverty-reduction programs, supporting social and infrastructural programs, and seeking to improve coordination between macroeconomic, sectoral, and microeconomic aspects of the poverty strategy.

The Bank is also preparing two regional poverty-related studies. One reviews what practices are best in providing health care for the poor; the other seeks to identify feasible policies, as well as institutional and organizational approaches, to groundwater exploitation and distribution that will target poverty groups as beneficiaries.

In sub-Saharan Africa, most countries face severe macroeconomic imbalances; thus, the resumption of growth through structural adjustment remains the Bank's top priority in the region. With about 280 million people (29 percent of the world's poor and two thirds of the sub-Saharan population) living in absolute poverty and with the adjustment process having taken longer than expected, however, the Bank is increasingly supplementing its growth-oriented programs by more direct measures to reduce poverty. These include:

• Programs to address the social costs of adjustment. Of particular importance is the social dimensions of adjustment program, which is helping several African countries to design and implement—as part of their adjustment reforms—policies and programs to foster the participation of the poor in the process of growth and to mitigate the social costs of adjustment.[1] Social costs of adjustment are also being addressed through Bank-supported multisector compensatory programs in such countries as Chad, Ghana, Guinea, Guinea-Bissau, Madagascar, Sudan, and Uganda. Thus, in Guinea, a technical-assistance credit approved during the past year will strengthen the ability of the National Commission on Social Policy to plan and implement a series of projects in the areas of basic education, primary health care, nutrition, employment generation, and microcredit schemes.

[1] For details, see page 45.

• The food-security initiative, which, in addition to ongoing efforts to increase food production, emphasizes special measures to reach vulnerable groups, reduce short-term fluctuations in food supply, and increase effective demand for food.[2]

• Programs, mostly in the social sectors, which emphasize increased service delivery to disadvantaged groups. In Nigeria, for example, a health and family-planning project for Imo state, approved in fiscal 1989, has been designed to strengthen the capacity of local and state organizations to plan, implement, and monitor community-based health, family-planning, and nutrition activities. Services in rural areas will be improved by upgrading about sixty existing dispensaries and maternity homes into primary health clinics able to provide priority maternal and child-health/family-planning services. And a human-resources sector-adjustment credit in Mali, also approved during the year, seeks to encourage private schools so that public resources can be reallocated toward the poor and to improve the equity of the education system by encouraging primary school enrollments in the poorer rural areas and among girls.

The Latin American and Caribbean countries, in recent years, have faced serious macroeconomic imbalances and economic decline, which have constrained resources for direct poverty reduction. Although average per capita incomes in the region are relatively high, there are severe concentrations of poverty, and about 80 million people still live in absolute poverty. The Bank's poverty-reduction efforts emphasize:

• Improving the efficiency and equity of social sectors. The Bank has initiated three regional studies. One is assessing the status of nutrition programs with the purpose of supporting improvements in selected countries. A second is examining the adequacy of existing social-security programs and the potential for reform, including measures to extend coverage. The third is reviewing the efficiency and equity of social spending in ten countries. In Argentina, public and social-sector investment reviews have led to technical assistance and social-sector loans to improve the efficiency and equity of programs in health, education, and housing. In the housing sector, the Bank's involvement in the sector is the logical culmination of several years of sector-policy dialogue with the government, and financial assistance is coming at a time when the sector is experiencing an acute shortage of investment funds. By supporting far-reaching reforms of the sector's policies, the Bank is endorsing the government's objectives of redirecting public-housing investment to the low-income segments of the housing market.

• Supporting targeted programs. For example, the emergency social fund in Bolivia is funding many targeted nutrition and employment programs primarily to mitigate the social costs of adjustment.[3] The northeast rural-development program in Brazil, supported by the Bank over a number of years, is seeking to raise the productivity and standard of living of the rural poor through provision of agricultural extension, credit, agroprocessing services, potable water, health care, and primary education.

The Bank has recently completed a comprehensive poverty study for Mexico and is proposing a poverty strategy that emphasizes the importance of creating an appropriate macroeconomic environment for growth and poverty reduction, as well as the need for distinct measures to deal with urban and rural poverty. A poverty report for Colombia has also been completed. In addition, a review of informal employment is under way to identify ways of expanding productive employment opportunities for the lowest income groups in the urban informal sector, and a special paper on social programs for women in the informal sector has been completed.

In Europe, the Middle East, and North Africa, as in Latin America, macroeconomic imbalances are serious. There are also severe concentrations of poverty—some 90 million people live in absolute poverty (including 40 million in Pakistan)—and social indicators for the region remain generally poor. The Bank's approach to poverty reduction emphasizes restoring growth through structural adjustment and addressing the social costs that may arise, while supporting direct measures in the social sectors. The Bank is supporting programs to:

• Mitigate the social costs of adjustment. In Hungary, for example, credit is being provided for employment-generating investments in manufacturing, agroprocessing, and business services in regions suffering unemployment because of industrial restructuring. Project support initially is in three northern counties affected by unemployment caused by the restructuring of the steel and coal-mining industries. A number of studies are also planned or are under way to study the social effects of adjustment programs. A review of institutional and policy options for replacing general subsidy programs with targeted interventions is a priority in Tunisia, for example.

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[2] For details, see page 85.

[3] For details, see pages 66–67 in the World Bank's 1988 *Annual Report*.

• Expand and improve delivery of effective health, education, housing, sanitation, and water-supply services and enhance access of the poor to them. For example, a health project in Turkey, approved during fiscal 1989, focuses on primary health care in ten underserved provinces with a population of more than 6 million. The education-sector loan to Morocco emphasizes equitable access to basic education, with increased participation of the rural population and of females. A number of poverty-related studies have also been initiated. In Pakistan, rural water supply, health, shelter, education, and population activities are important areas of study. And, in Morocco, the Bank is undertaking a major social-sector strategy review to identify priority areas for social expenditure.

## Initiatives for sub-Saharan Africa

Since the early to mid 1980s, many sub-Saharan African countries have strengthened their commitment to reform efforts. These reforms are accompanied by some early signs of improved economic performance. The World Bank, together with the international donor and creditor community, is supporting the region's efforts not only through its regular adjustment lending but also through special efforts within wider collaborative frameworks such as the special program of assistance (SPA). In addition, the Bank, with other donors, is sharpening its attention to the social aspects of adjustment and development and is launching specific initiatives that concern long-term development issues.

**Special Program of Assistance.** Details of the launching of the SPA were reported in the World Bank's *Annual Report* for fiscal year 1988. The objective of the three-year (1988–90) program is to help eligible countries adjust and grow, while restoring and sustaining normal debtor-creditor relationships. The program provides for substantially increased, highly concessional, quick-disbursing financing, as well as debt relief on softer terms, to expand import capacities in adjusting countries.

Donors agreed on three eligibility criteria: poverty (countries could not be eligible to receive IBRD loans), indebtedness (countries in which debt-service ratios of 30 percent or more would be selected for the program), and efforts to adjust (countries had to be currently implementing a policy-reform program, supported by the Bank and the International Monetary Fund (IMF), and agreement had to be reached on a policy framework paper (PFP)).[4]

By July 31, 1989, twenty-two sub-Saharan countries were eligible for assistance under the program.[5]

The SPA establishes a framework for mobilizing assistance from a variety of sources to eligible countries. The sources include increased adjustment lending from resources provided under the eighth replenishment of IDA (IDA-8); increased cofinancing and coordinated financing from bilateral and multilateral donors for adjustment operations; supplemental IDA adjustment credits from resources provided by a share of the investment income of, and repayments to, IDA; additional resources from the IMF's enhanced structural-adjustment facility (ESAF); and greater debt relief. Within the framework, the Bank actively manages the first three components and monitors all five.

*Additional IDA-8 adjustment lending.* About half, or some \$6.2 billion, of resources available under IDA-8 are slated for allocation to the Africa region; of that amount, \$5,736 million is earmarked to the twenty-two SPA-eligible countries, an amount \$3,171 million above commitments to these same countries in the three fiscal years (1985–87) preceding the establishment of the SPA. IDA disbursements to the twenty-two eligible countries are projected at \$3,800 million for the IDA-8 period (fiscal 1988–90), as opposed to \$2,239 million during the IDA-7 period.

In fiscal year 1989, IDA commitments to the twenty-two countries totaled \$1,903 million; in fiscal 1988 and 1987, commitments were \$1,902 million and \$991 million, respectively.[6]

About half of all IDA commitments to the twenty-two countries (46 percent) were for adjustment operations: Some \$873 million was approved for twelve adjustment operations and nine IDA supplements in sixteen of the eligible countries as compared with \$857 million for twelve adjustment operations and one supplement in twelve countries in fiscal 1988.

*Increased cofinancing of adjustment.* In December 1987, eighteen donor governments and multilateral agencies pledged an initial \$6.4 billion in concessional, quick-disbursing funds for adjusting low-income African countries ex-

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[4] The PFP is a three-year comprehensive report prepared by the national authorities with the assistance of the staffs of the Bank and the IMF. It identifies the sources of a country's problems, describes the proposed remedies, and provides estimates of the associated financing requirements and the role of the major aid agencies.

[5] Benin, Burundi, Central African Republic, Chad, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, São Tomé and Principe, Senegal, Somalia, Tanzania, Togo, Uganda, and Zaire.

[6] It should be noted that as of the end of fiscal 1988, only seventeen countries were eligible for inclusion in the SPA. In fiscal 1989, Chad, Kenya, Mali, and Somalia were added. Benin was added in July 1989.

periencing debt problems.[7] These funds were to be provided through both formal cofinancing of specific IDA-supported adjustment operations and other financing coordinated closely with these same operations.[8] Although not all the cofinancing and coordinated financing represented additional commitments or additional cash inflows to eligible countries, estimates at the time of pledging suggested that at least half the disbursements of those pledges could be considered as an addition to what the countries would have received from these donors during the period 1988–90 in the absence of the SPA. Almost three quarters of cofinancing and coordinated financing has been pledged as grants, with the remainder highly concessional loans.

By the end of calendar year 1988, donors had allocated $5.1 billion for cofinancing and coordinated financing of adjustment operations in the eligible countries, of which signed agreements amounted to $2.1 billion and disbursements totaled $935 million. Donors need to accelerate these commitments and disbursements to meet the 80 percent disbursement target required to cover the projected financing gaps in the eligible countries during the period 1988–90.

*Supplemental IDA adjustment credits.* In September 1988, the executive directors of the Bank agreed to a proposal to allocate 10 percent of IDA reflows, plus the investment income on IDA donor encashments, to those IDA-only countries that had both outstanding IBRD debt (for nonenclave projects) and an adjustment program that was being supported by IDA. The allocations will benefit qualifying countries in proportion to their IBRD interest payments. Of the ten countries that qualified, eight were in Africa. During the year, $101 million in IDA reflows was allocated to these countries. Table 3-2 shows fiscal 1989 allocations, by country and amount.

*IMF financing from the ESAF.* Under the enhanced structural-adjustment facility of the IMF, established in December 1987, it is envisaged that about SDR6 billion in new concessional resources will be made available to help the IMF's poorest member countries undertake strong three-year macroeconomic and structural programs to improve their balance-of-payments positions and to foster growth. These resources supplement the SDR2.7 billion available under the structural-adjustment facility (SAF), which was established in March 1986. Sixty-two countries, of which thirty-four are in sub-Saharan Africa, are eligible for SAF or ESAF arrangements. As of the end of fiscal 1989, arrangements under the ESAF and SAF had been approved for twenty-five of these thirty-four countries. By the same date, commitments under the SAF and ESAF arrangements totaled SDR3,008 million (SDR1,962 million and SDR1,045 million, respectively), while SAF and ESAF disbursements were SDR1,002 million and SDR387 million, respectively.

*Concessional debt relief.* In September 1988, creditor governments finalized agreement on the consensus reached on debt relief at the Toronto economic summit, which represented a

***Table 3-2.* Allocations of IDA Reflows, Fiscal Year 1989**
(amounts in millions)

| Region and country | Allocations: US$ | Allocations: SDR[a] | Fiscal 1989 IBRD interest payment (US$) |
|---|---|---|---|
| *Africa* | | | |
| Ghana | 6.6 | 5.1 | 11.1 |
| Kenya | 53.7 | 41.4 | 90.2 |
| Madagascar | 1.4 | 1.1 | 2.3 |
| Malawi | 5.2 | 4.0 | 8.8 |
| Senegal | 5.5 | 4.2 | 9.2 |
| Tanzania | 12.5 | 9.7 | 21.0 |
| Togo | 0.1 | 0.1 | 0.1 |
| Uganda | 1.7 | 1.3 | 2.9 |
| Subtotal | 86.7 | 66.9 | 145.6 |
| *Other* | | | |
| Bangladesh | 2.5 | 1.9 | 4.2 |
| Bolivia | 11.3 | 9.2 | 19.9 |
| Subtotal | 13.8 | 11.1 | 24.1 |
| Total | 100.5 | 78.0 | 169.7 |

a. SDR figures have been rounded to the nearest hundred thousand.

[7] The eighteen donors that made pledges were Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, the United States, the African Development Bank, and the European Communities (including the European Investment Bank).

[8] During fiscal 1989, the SPA also began to develop several operational procedures to strengthen aid coordination and donor support for policy reform, which, if fully implemented, could potentially be as important as the extra financial resources the program is mobilizing.

These procedures include designating working-level contacts; identifying donors' particular geographical and operational priorities; exchanging more documentation, including PFPs, on eligible countries and on proposed adjustment operations; participation by donors in selected appraisal, negotiation, and supervision missions; regular biannual multidonor meetings to discuss overall progress in implementing the SPA, together with special meetings on individual countries or issues; recommending standard procurement and disbursement procedures; and faster, fuller monitoring of donors' commitments and disbursements.

The first five procedures are in place, and work is progressing on the two remaining issues.

major breakthrough to reduce the burden of official debt in low-income, debt-distressed countries, mostly in sub-Saharan Africa. The agreement permits a range of options to be drawn up on rescheduling debt-service obligations on nonconcessional debt, allowing creditors to choose among lower interest rates (but with somewhat shorter maturities), longer grace and repayment periods (at commercial rates), partial write-offs of debt-service obligations during the consolidation period (with the rest rescheduled at commercial rates and shortened maturities), or a combination of these options. By June 30, 1989, these options had been applied by the Paris Club to eight SPA-eligible countries: Central African Republic, Guinea, Madagascar, Mali, Niger, Senegal, Tanzania, and Uganda. In the early years, the impact, compared to conventional rescheduling, will be limited. But the gains accumulate progressively, which is why the consensus was more important in addressing the long-term debt problems of these countries than in providing immediate relief.

**The Social Aspects of Adjustment.** Adjustment—and the growth it seeks to spur—are necessary to the improvement of social conditions in the long run. Although growth is necessary to reduce poverty, it may also not always be sufficient to do so.[9] Moreover, although many of the poor (farmers, for example) do benefit from the adjustment process, the immediate effects of belt tightening have also raised concerns about the effects of adjustment on certain other groups. These concerns have led to parallel and systematic approaches to ensure that adverse effects of adjustment are mitigated as far as possible.

Parallel interventions aim to protect vulnerable groups and provide for compensatory actions and transitional arrangements. Ghana's "program of action to mitigate the social costs of adjustment (PAMSCAD)," described in last year's *Annual Report*, is one such parallel program that compensates for the short-run damage to some from the adjustment process. Similar programs are under way elsewhere, as in Côte d'Ivoire, The Gambia, Guinea, Mauritania, and Senegal. In parallel interventions, key services that benefit the most vulnerable groups are protected from the possible adverse effects of budget cuts, primarily through protecting public expenditures on key health, education, nutrition, and other basic welfare services.

Because most parallel actions are extremely costly to sustain over an extended period of time, systematic efforts to reduce poverty need to be included in adjustment programs—and in development programs more generally. These efforts involve developing and implementing a comprehensive social policy to alleviate poverty. They also involve developing programs and monitorable actions that can not only protect the poor during the adjustment process but also foster their participation in the growth process.[10]

To strengthen the ongoing efforts of donors and African governments to deal better with the social dimensions of structural adjustment and economic development, a social dimension of adjustment (SDA) program was launched in December 1987 as a joint undertaking of the World Bank, the African Development Bank, and the United Nations Development Programme.[11] As of June 30, 1989, twenty-six sub-Saharan countries were taking part in the SDA program.

At the regional level, the SDA program supports research to develop a general policy framework and empirical methods for assessing the evolution of living conditions of various population groups during adjustment. The program also facilitates donor coordination, especially through joint task forces.

At the country level, the SDA program is helping governments design country-specific policies and specific action programs to protect vulnerable groups and strengthen community development. Operations identified as essential include investments in basic physical infrastructure and measures to strengthen institutional capacity for social policy planning and for monitoring social conditions on a regular basis.

At the outset, a country-assessment paper is prepared to assess the poverty situation and to identify key issues facing the government in formulating a poverty-alleviation strategy. The paper also helps define the scope of data collection required to improve a country's capacity to assess the effect of macroeconomic and sectoral policies on the poor and to monitor the evolution of household living conditions throughout the development process.

In fiscal 1989, country-assessment papers were undertaken for eight countries: Chad, Côte d'Ivoire, Guinea, Guinea-Bissau, Madagascar, Malawi, Senegal, and Zaire. In fiscal

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9 For a report on the findings of the Bank's poverty-alleviation task force, turn to page 84.

10 During fiscal 1989, a comprehensive review of the Bank's experience with adjustment lending concluded, and the executive directors subsequently agreed, that programs designed to ameliorate the social costs of adjustment needed further intensification. For details of that review, see pages 78–82.

11 Other donors supporting the project are Canada, the Federal Republic of Germany, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, the European Communities, and the International Fund for Agricultural Development.

1990, work on country-assessment papers for another eight countries is expected to be started.

**Long-term Development Problems.** Adjustment is a critical first step in restoring the economic capacity for longer-term growth in the sub-Saharan region. And in countries where governments have pursued reforms vigorously, there is evidence of improved economic growth, recovery of exports, and rising per capita consumption (see Table 6-3). Though essential, policy reform is not sufficient, however, to deal with the longer-term development problems of the region.

Economic recovery in sub-Saharan Africa starts from a weakened base: Savings and investment ratios are low, real investment is on the decline, productivity lags behind competitor countries, export volume is stagnating and export composition is narrow, bottlenecks remain in infrastructure, and the human-resource base lacks depth.

Moreover, the long-term trends facing the region—among them, high population growth rates, increasing environmental degradation, and rising urban unemployment—are daunting. In the long term, only stronger economic growth, coupled with specific actions addressing the most critical and severe constraints, can reverse the trends now in place. To achieve this growth, more investments are needed to rebuild and broaden the economic base for sustained growth.

While the World Bank devotes substantial staff and financial resources to the problems of adjustment, most of its efforts continue to focus on the issues of long-term development. For example, in fiscal 1989, Bank commitments for other than adjustment operations in sub-Saharan Africa amounted to 61 percent of the total.

While strengthening its investment-lending program, the Bank is giving special emphasis to several areas that need urgent attention, especially to help reverse the long-term trends that threaten economic recovery and sustained growth. Two areas, in particular, have been targeted: population and the environment.

Africa's population is growing at more than 3 percent a year. Unless fertility rates are brought down, many countries will approach a rate of 4 percent a year by the end of the century. While the consequences of rapid population growth are obvious at the national level, households often perceive large families to be economically beneficial. A major objective of the Bank's efforts in the area of population is to generate an understanding among opinion leaders, the public, and governments on the issues and relationships in this area.[12]

Environmental deterioration is a specially disturbing feature in many African countries. Declines in per capita incomes have been associated with accelerated desertification, deforestation, groundwater loss, and air and water pollution in rural and urban areas. The Bank is taking steps to build a multisectoral environmental focus into all its operational work. To achieve this, a multifaceted environmental initiative was launched in fiscal 1988.

One aim is to obtain accurate data on the changing status of natural resources in Africa and to develop tools and methods for providing such information to national decisionmakers in a useful form. A second is to understand better the technical and socioeconomic factors that influence decisions regarding the use and conservation of natural resources at all levels, from individual farmers and local communities to national leaders. A third is to develop and improve technologies that promote more effective and sustainable use of natural resources for economic development.

Six environmental assessment/action plans (EAPs) for African countries were launched in fiscal 1988, and one more was begun in fiscal 1989. Several regional studies, including case studies, were also started during the year—involving remote sensing, environmental management, the monitoring of environmental change, agroforestry, tribal peoples, wildlife, pests, and the special problems of arid lands.

The Bank is also focusing on long-term issues that concern agricultural research and extension, food security, education, and ways to strengthen institutional capacity.

Research efforts are spearheaded by the Special Program for African Agricultural Research (SPAAR), a multidonor effort set up in 1985 (for which the Bank acts as the secretariat) to strengthen research systems through improved networking, information sharing, and direct support for national research efforts. By the end of fiscal 1989, working groups were in place on networking, the SPAAR information system, forestry research, education and training, locust research, and small grants, as was a coordinating group for Tanzania. Extension work is propelled by designing projects—now in place in more than twenty African countries—that incorporate the principles of the training-and-visit system to organize and manage extension services more effectively. Food-security action plans were begun in eight African countries in fiscal 1989. They address the need to reach vulnerable groups not currently sharing in the growth of food production, ways to tackle short-term

[12] For details, see page 112.

*Table 3-3.* **Net Transfers by the World Bank to Seventeen Highly Indebted, Middle-income Countries**
(millions of US dollars, fiscal years)

| Item | 1986 | 1987 | 1988 | 1989 | Total 1986–89 |
|---|---|---|---|---|---|
| IBRD and IDA commitments | 6,070.5 | 6,719.4 | 6,482.8 | 8,021.0 | 27,293.7 |
| Gross disbursements | 4,212.8 | 6,132.1 | 5,405.8 | 4,739.9 | 20,490.3 |
| Repayments | 1,907.5 | 2,709.4 | 3,492.2 | 3,546.3 | 11,655.4 |
| Net disbursements | 2,305.3 | 3,422.7 | 1,913.3 | 1,193.6 | 8,834.9 |
| Interest and charges | 1,986.4 | 2,646.6 | 3,180.7 | 3,119.2 | 10,932.9 |
| Net transfer | 318.9 | 776.1 | −1,267.4 | −1,925.6 | −2,098.0 |

NOTE: See footnote 15 for country composition.

fluctuations in food supply, and means by which purchasing power can be created to match increased food supply with increased effective demand for food.[13] Finally, as a follow-up to the recent World Bank education policy paper, twenty-five donors to African education have agreed to take concrete steps to improve coordination through task forces, special background studies, and externally funded action programs on the mobilization of human and financial resources, education statistics, textbooks, and school examinations and certification.[14] Parallel and complementary to this effort in the education sector, the Bank is preparing to help to strengthen African capacity for macroeconomic policy analysis and management.

## The Bank and the Heavily Indebted, Middle-income Countries

During fiscal year 1989, the Bank continued to provide financial support to seventeen heavily indebted, middle-income countries through increased operations, particularly fast-disbursing, policy-based lending; intensified its policy dialogue with these countries; maintained a high level of investment-lending operations; continued its efforts to alleviate poverty and cushion the impact of adjustment on the poorest groups; and increased its assistance in mobilizing financial support from commercial and official lenders.[15]

While the Bank's approaches to other highly indebted, middle-income countries (in the Europe, Middle East, and North Africa region, as well as in the Latin America and the Caribbean region) correspond closely to those being undertaken in the group of seventeen countries, the pace of reform in some of these countries has been variable, and, in these cases, the Bank's operations have been put on hold. Should lending prospects improve, the Bank will respond with appropriate resource deployment.

In fiscal 1989, twelve adjustment operations (including one supplement) in the seventeen countries were approved for an aggregate amount of $4,056.3 million, an increase of $1,446.3 million over fiscal 1988 amounts.

Investment operations in these countries totaled $3,965 million, as compared with $3,873 million in fiscal 1988. Much of the content of the projects was oriented toward sector-investment programs, maintenance, and high-yielding projects.

Amortization payments on a growing volume of outstanding debt, as well as the effects of exchange-rate adjustments on the currency pool used in Bank lending, raised the dollar value of repayments. As a result of these factors, total net disbursements declined from $1,913 million in fiscal 1988 to $1,194 million during the past year. For the period, fiscal 1986–89, net disbursements have amounted to almost $9 billion, or for an annual average of $2,209 million; over the same period, gross disbursements averaged $5,123 million. (See Table 3-3).

While the Bank's efforts in these areas have been pursued vigorously, success in restoring growth ultimately depends on a debtor's own willingness and ability to implement adjustment programs and on the support of other creditors, both directly, through capital flows, and indirectly, through debt relief.

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13 The findings of the World Bank's task force on food security in Africa are detailed on page 85.

14 See the World Bank *Annual Report* for fiscal 1988, pages 69–71, on the issues covered by the education policy paper.

15 The seventeen countries include Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Côte d'Ivoire, Ecuador, Jamaica, Mexico, Morocco, Nigeria, Peru, the Philippines, Uruguay, Venezuela, and Yugoslavia. While these seventeen constitute the base data in this section, there are other countries with large debt burdens that confront many of the same economic-management challenges and that the Bank is actively supporting through policy advice, adjustment lending, and external-resource mobilization.

The implicit "contract" in the debt strategy, as it has evolved since 1982, envisioned a sharing of the burden: adjustment by the debtors, increased lending by official creditors in support of adjustment, and provision of adequate resources by private creditors. The strategy was relatively successful in buying time; it facilitated the strengthening of the international financial system and reduced the risks for commercial banks. But restoration of growth in debtor countries has proved to be difficult. Fiscal year 1989 brought proposals —from France, Japan, and the United States— to review and strengthen the debt strategy through stronger emphasis on voluntary debt and debt-service reduction as a complement to new lending by commercial banks, new investment, adjustment measures, and the repatriation of flight capital.

In early 1989, against the backdrop of general reconsideration of the debt strategy, the executive directors of the Bank met as the committee of the whole to discuss the evolution of the strategy for dealing with the heavily indebted countries and the Bank's role in that strategy.

A number of factors were analyzed that had impeded the satisfactory implementation of the debt strategy from the point of view of the commercial banks, the official sector, and the debtors themselves. These included divergent interests of banks, difficulties in negotiating reform programs, and some unfavorable external factors.

Despite a movement toward reconsideration of the strategy, the Bank stated that the four fundamental principles of its debt strategy would continue to include:

- One, that the primary objective is to restore growth in debtor countries so as to reverse their falling standards of living and to ensure a return to normal access to international capital markets.
- Two, that the primary responsibility rests with the debtor governments to undertake adequate structural-adjustment and reform programs to ensure the continued viability of economic growth without excessive dependence on external resources.
- Three, that to be successful, effective adjustment programs would require adequate net flows of external resources in a timely manner.
- Four, that adjustment programs and their external support would have to be negotiated on a case-by-case basis, taking into account the scope for accelerated debt reduction and related financing arrangements.

The executive board reaffirmed these fundamental principles and stressed that issues of poverty alleviation and social equity could not be ignored in the process. The importance of a favorable external environment, expanding trade flows, and avoidance of protectionism was underscored by the board.

The directors also agreed that debt and debt-service reduction instruments should assume a significant role in the evolution of the debt strategy, but that these innovations should be implemented on a case-by-case basis and in conjunction with adequate adjustment programs. This new approach should be used, where justified, in addition to a continuation of the new-money process. There was agreement that application of new measures should not be limited to an arbitrary list of debtors, but should be open to any country that satisfied established criteria. Small countries should have equal opportunity with large debtors to benefit from proposed measures, but that, in the spirit of a case-by-case approach, relief should be adapted to the specific needs and situation of each participant.

The executive directors recognized that the Bank should play an important role in the evolving debt strategy. The Bank would continue to exercise its primary responsibility for helping countries design and implement structural-adjustment programs in relation to any additional debt relief that might be offered. It would also be expected to commit certain portions of its resources to facilitate debt and debt-service reduction as appropriate. Directors emphasized that close collaboration between the Bank and the IMF was essential, particularly on debt issues.[16]

In April 1989, the Interim and Development Committees, meeting in Washington, D.C., agreed that the Bank and the IMF should provide support for voluntary, market-based debt-reduction transactions.

The framework supported by the Development Committee represented a particularly important step forward in achieving a consensus on the role of debt reduction. The committee agreed that a portion of the funds allocated by the Bank for quick-disbursing adjustment operations in heavily indebted countries should be set aside to support debt-reduction operations. It was proposed that a similar portion of expected IMF programs also be set aside for this purpose. The committee requested the Bank and the IMF to "examine the possibility of limited interest support for transactions involving significant debt or debt-service reduction."

The committee also requested the Bank and the IMF to move expeditiously to develop and implement specific proposals to support debt-alleviation operations, and stressed that this be

[16] Subsequently, a joint Bank-IMF task force was created to speed implementation of the debt strategy.

done in a way that would preserve the financial integrity of the Bank and the IMF and not adversely affect other members.

Following up on the Development Committee's request, in late May, the executive directors discussed and approved initial guidelines and procedures to be used in preparing IBRD operations in which the Bank would provide support for debt and debt-service reduction.

• It was agreed that all member countries that had a clear need for debt or debt-service reduction to achieve reasonable medium-term growth objectives and that had adopted a sound medium-term economic policy framework would be eligible for Bank support. Support would be decided on a case-by-case basis, taking into account the strength of the medium-term adjustment program, the severity of the debt burden, the scope for voluntary market-based operations, the medium-term financing plan, and the potential benefits from Bank support, particularly for investment and growth.

• Second, although the level of Bank support would also be determined on a case-by-case basis, it would involve a figure of around 25 percent of a country's adjustment-lending program over a three-year period or around 10 percent of its overall lending program where the Bank was concentrating its support on investment lending and where the country had an acceptable medium-term economic-policy framework. Directors also agreed that, where justified, additional resources up to 15 percent of the overall three-year lending program could also be made available. While the additional amount of 15 percent would be regarded as a limit, it would be possible to exceed it on the basis of special justification if the excess amounts were deducted from the lending program so that such an excess would not result in a further increase in the net commitment of the Bank. Additional lending by the Bank would not be more than $6 billion for the three-year period, fiscal years 1990–92.

• The set-aside funds would be used to support operations involving significant principal reduction, and the additional funds would be used for interest support in connection with debt reduction or debt-service reduction.

• It was also agreed that the Bank should provide support for debt and debt-service reduction primarily through direct lending arrangements, on normal IBRD terms, that the borrower would use for approved debt-reduction and credit-enhancement programs. Guarantees of interest payments would not be used unless there were exceptional circumstances providing strong justification.

• General agreement was reached that the funds to support debt and debt-service reduction would normally be made available as components of adjustment rather than investment loans. There would be flexibility in the allocation of these funds among tranches of adjustment operations in order to promote efficient, market-based solutions. Significant "frontloading" would be considered only where there was strong economic performance and a clear need in terms of the debt-reduction program. In cases in which the Bank did not have a substantial adjustment-lending program, Bank support for debt or debt-service reduction would generally be provided through special operations devoted to debt reduction that would have appropriate policy conditionality.

• The executive directors' approval of the Bank's support of a debt or debt-service reduction operation would be required in all cases. Upon approval, the member country concerned would be authorized to draw on the Bank for support for debt and debt-service reduction in accordance with the terms agreed with the Bank.

• Although it was expected that the resources from the Bank and the IMF would be, in aggregate, of broadly comparable size, and be provided under mutually consistent modalities, each institution's contribution would be determined by its own judgment arrived at through established decision-making processes.

• It was understood that, as a contributor to the financing of the debt-reduction program under negotiation, the Bank needed to be satisfied that its own materiality criteria were being met. These criteria would require, in particular, that transactions supported by the Bank should result in a substantial discount leading to a significant reduction in the present value of future debt-service obligations.

Directors emphasized the importance of the Bank obtaining assurance that there was adequate financial support for a country's adjustment program in order to be confident that its own contribution would be used effectively in concert with other support to achieve the objectives of the medium-term program. It was recognized, however, that the Bank may continue its adjustment-lending activities where a country is on track on its adjustment program but not in servicing its obligations to private creditors, and where a significant delay in Bank disbursements would seriously set back the country's adjustment program.

Directors also stressed the importance of ensuring that debt-reduction operations supported by the Bank would release resources for investment and other uses that would make a material contribution to a country's development prospects. Program objectives should include measures to promote domestic savings and investment, complemented by appropriate policies to encourage direct foreign investment and capital repatriation. Recognizing that Bank resources for debt and debt-service reduction were limited, directors agreed that every effort should be made to mobilize additional support from other sources, including from the debtor country's own resources.

In setting the guidelines, the executive board stressed that debt-reduction operations should not, in any way, adversely affect the availability of Bank resources to other borrowers, many of whom also had debt burdens but had succeeded in maintaining market access. The Bank should seek to provide other forms of support for these countries. In this context, the directors noted that the proposed program could be accommodated in the current capital structure of the Bank and reiterated that no country should be disadvantaged as a result of the program.

The approaches that were introduced broke new ground for the Bank and will be adapted flexibly and with particular care to the special circumstances of individual borrowers. The executive directors, therefore, agreed that it would be important to closely evaluate the guidelines and conduct an initial review toward the end of the calendar year.

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In mid June, three adjustment loans to Mexico—in support of reforms in the public-enterprise, financial, and industrial sectors—in the amount of $500 million each were approved. The loan documents covering these three operations provide that a $125 million amount be set aside under each loan, separated from the normal tranching arrangement, to support a debt-reduction plan acceptable to the Bank to be agreed by mid December 1989. If no debt-reduction plan acceptable to the Bank were agreed upon by that date (or such later date as requested by the borrower and approved by the Bank), the set-aside amount would be restored to the second tranche amount.

Also in mid June, two adjustment loans to Venezuela—for structural adjustment and in support of trade-policy reforms—were approved in the amounts of $402 million and $353 million, respectively. The former includes provisions whereby up to 25 percent of quick-disbursing funds ($100 million) may be used to support a debt-reduction plan approved by the Bank once conditions for second-tranche release had been fulfilled. The latter loan also provides for the use of 25 percent of the proceeds for debt reduction under similar terms and obligations.

### Environmental Activities

Considerable progress was made in fiscal year 1989 in integrating environmental concerns into the mainstream of the Bank's operational and policy work; these concerns now pervade Bank operations, policy and research evaluation, training and information activities, and, through increasing the availability of environmental information about its projects and programs, external relations.

*Operational activities.* A major thrust of the Bank's environmental policy has been the introduction of more explicit considerations of environmental issues into its country programming and economic-policy dialogue. As a means of fostering this process, environmental-issues papers (EIPs) are being prepared for each of the Bank's borrowing member countries. This process is intended to heighten awareness within the Bank of environmental issues, to clearly delineate responsibility for addressing them in country operations, and to achieve a consistent approach to their solution. The papers are intended to be internal documents that identify key environmental problems, to be assessed within the context of planning overall country strategies.

Environmental-issues papers were prepared for about seventy borrowing countries during the year. Several papers had been completed in fiscal 1988, and the remainder are scheduled to be completed in the early months of fiscal 1990. Priority topics identified in the EIPs include all the major issues in the environmental spectrum: watershed erosion and upland degradation, deforestation, loss of biological diversity, soil and land management, air and water pollution, urban sanitation and waste disposal, environmental health, the protection of cultural property, marine and coastal zone protection, and water-resource management in general. Some factors aggravating environmental problems have been identified in many of the papers, and include population pressures on resources and legal and policy constraints. Insecurity regarding property rights, distorted economic incentives, and lack of existing institutional capacity to tackle major problems are often mentioned, as well.

Complementing the EIPs are a number of in-depth studies of selected key environmental issues in particular countries. The original goal—completion by the Bank of thirty such studies by the end of fiscal 1992—is well ahead of schedule. Bearing in mind that integration into routine operations of the Bank is the ultimate objective, evidence of progress in this regard is to be found not only in specifically identified environmental activities, such as environmental action plans (EAPs) or countrywide environmental studies, but more important, in the explicit or implicit treatment of the environment in the Bank's lending operations.

While a national EAP provides an overall strategy, it also makes recommendations for specific actions, outlining the environmental policies, legislation, and institutions required for implementation. The EAP, which is expected to be prepared by interested governments in collaboration with the Bank, is intended to provide a framework for integrating environmental considerations into a nation's overall economic and social-development programs. EAPs also identify a country's most urgent environmental needs and assist decisionmakers in determining priorities and allocating limited resources; by their nature, therefore, EAPs examine the trade-offs involved between investments and the environment for sustained development. In each of the action plans developed to date, participating governments have emphasized one theme: To be successful, environment must be fully incorporated into all their major programs.

In Africa, based on strong interest expressed at the country level and among donors, work began on six EAPs in fiscal 1988 and continued, with one more country being added, in fiscal 1989. EAPs in early stages of preparation include those for Burkina Faso, Ghana, Guinea, and Rwanda. EAPs for Lesotho, Madagascar, and Mauritius are at a fairly advanced stage.

In Madagascar, the first country where the Bank assisted in developing an EAP, the process has already induced modifications in current field operations, such as the introduction of environmental-impact assessments and more concern with soil and water conservation. The EAP has also paved the way for the preparation of a major investment program—the Environmental I project—in addition to the elaboration of legal and policy changes. The investment program is to include watershed management, protection and management of the Malagasy patrimony of biological diversity in association with the development of tourism, the development of environmental-information systems to improve resource management, institution building, and the development of human resources.

Although not labeled EAPs, a number of studies, conducted during the year in the context of normal operational work, addressed similar issues. Comprehensive countrywide EAPs are less appropriate for larger countries, where greater selectivity of environmental issues is required. The complexity of the subject and the heavy staffing requirements for addressing a variety of environmental problems are illustrated by a study on Indonesia, still under preparation, that, stressing the tight linkages between environment and development, focuses on four of the most important environmental problem areas in the country: deforestation, land degradation, water shortages, and water pollution. A major theme in the report is that many resource conflicts can be resolved by increasing the potential of existing resources through intensification and greater efficiency in resource use.

Several regional studies are under preparation, and include the capital cities cleanup project for the Asia region. This is a regional initiative, supported by the United Nations Development Programme (UNDP), that aims to arrest and begin reversing the process of environmental degradation that is taking place in major cities of Asia under the impact of rapid urbanization, industrial pollution, and general environmental neglect. A study for the Asia region, highlighting key economic and environmental issues related to forestry is also under way, as is a study of agroforestry practices in sub-Saharan Africa.

The environmental program for the Mediterranean (EPM), a regional study that began in January 1988, is funded jointly with the European Investment Bank (EIB). The first phase of the study, which builds on extensive work by the United Nations Environment Programme (UNEP), consists of an assessment of environmental problems and priorities in the Mediterranean region—encompassing eighteen countries—together with a plan of action covering policy reform, institutional development, and investment needs. The second phase will include the discussion of the EPM findings with the countries concerned and with international agencies. The third phase is proposed as a three-year program of studies, institution-building, training activities, and project preparation to assist the developing countries of the Mediterranean to move ahead in addressing environmental needs. The third phase would be funded by the UNDP, the EIB, and other donors, as well as by the Bank, and would be fully coordinated with UNEP.

*Lending operations.* About a third of all projects approved during the year contained significant environmental components. Environmental issues were particularly significant elements of agricultural and energy projects, and they were frequently dealt with in other sectors, as well.

Some three fifths of the agricultural projects approved in fiscal 1989 contained environmental components. Across regions, some of the more frequently found environmental elements in agricultural projects included land and soil management and conservation, pesticide handling and use and the introduction of integrated pest-management techniques, forest protection and management, wildlife management, drainage and irrigation rehabilitation, institutional support, and development of research.

More than half of all energy and power projects approved during the year contained environmental elements. These ranged from provisions of environmental-impact studies to full environmental projects. Globally important environmental issues in this sector are pollution control, resettlement, and institutional strengthening. As in previous years, virtually all energy projects contained loan conditions aimed at improving pricing policy, with a view to enhancing efficiency in energy consumption. Components or measures to ameliorate adverse environmental effects are a feature of most energy projects.

The energy sector management-assistance program (ESMAP) also contains significant operational environmental components. The ESMAP is supported by the Bank, the UNDP, and other UN agencies, as well as bilateral donor agencies, and is designed to identify, analyze, and propose actions to address the most serious energy problems in developing countries. ESMAP activities encompass institutional, financial, policy, and social issues affecting energy use and provision, energy efficiency, traditional and modern fuel sources, and renewable energy resources. Environment, therefore, is a central theme of the overall program. Activities in fiscal 1989 included the identification and preparation of potential projects in Ecuador in the area of industrial-energy conservation; in India, in the identification of the most promising sites for large-scale windfarm development; improved charcoal-kilns production in Burundi; and a cooking-efficiency project in Ethiopia.

In the transportation sector, ports projects, in particular, tend to include environmental issues in project formulation. Three such port projects were approved during the year, one in Algeria and two in China. Pollution reduction caused by port activities is usually an important consideration, as is the minimization of the effects of dredging.

Almost all projects approved in the water supply and sewerage sector during the year contained environmental components. This is to be expected, as, by their nature, activities in this sector are geared toward the improvement of environmental services. Typical components of water and sewerage projects are the rehabilitation and upgrading of water-supply or sewer systems, the expansion of distribution networks, drainage, institutional reforms, training, and technical assistance.

The Bank has traditionally taken steps to ensure that its industrial projects are designed to minimize adverse environmental effects. This continued in fiscal 1989, as exemplified by an industrial-finance and technical-assistance project in India. Through relending by participating financial institutions to subborrowers, a multiplier effect stressing the incorporation of strong environmental objectives will be produced. The project also includes the provision of technical assistance to the major government steel company in designing pollution-control measures.

Sectors such as urban development, as well as population, health, and nutrition, also contain projects with significant environmental components. The case of population, health, and nutrition is particularly important: Although lending in this sector may not appear to be strictly environmental, population, in fact, is a fundamental factor in any consideration of environmental problems and their solution.

*Project review and supervision.* Environmental monitoring is an important element of operational work. All projects, for example, require clearance from regional environmental divisions. If projects have to be modified, or even abandoned, it is obviously preferable that this should happen at as early a stage as possible. Environmental activities take place at all stages of the project cycle—from identification to supervision, completion, and evaluation. The place of environment is perhaps changing most dramatically at the early stages of identification and preappraisal. This can be seen in the increasing number of free-standing environmental projects in the pipeline. Over twenty free-standing environmental projects are at various stages of the project cycle and are expected to be submitted for executive board approval over the next three years. Many others also have significant environmental elements.

Sometimes, unexpected environmental problems need rectification at the supervision stage. In the Punjab urban-development project, approved in fiscal 1988, urban environmental-protection issues were given special attention at the supervision stage. It was agreed to develop a program for addressing these issues, including water pollution, solid-waste management, air and noise pollution, the institutional framework, public awareness, and training needs. This review was an important step in the identification of a new environmental-protection project currently under preparation.

The effect of structural- and sectoral-adjustment lending on the environment, complex as it is to assess, is potentially considerable. By their very nature, adjustment loans go beyond the limits of single projects, to affect wide-ranging price, subsidy, export, and other policies, which, in turn, may directly or indirectly influence environmental variables. Although it is difficult to generalize about the overall impact of adjustment operations, work of this nature does require specific attention to possible environmental effects. What is often, though not always, lacking in such lending is an explicit reference to the likely effects on the environment. Much environmental policy work and research is already incorporated into nonadjustment lending, and lessons learned from these experiences can be integrated into structural-adjustment and sectoral-adjustment loans.

Environmental objectives or issues were explicitly addressed in five adjustment operations approved in fiscal 1989—in The Gambia, Ghana, Guinea-Bissau, the Lao People's Democratic Republic, and Pakistan—while, in other cases, certain loan conditions were incorporated that are likely to have environmental implications. In addition, of the twenty-eight policy framework papers completed during the year, almost three fourths contained explicit reference to environmental or natural-resource issues. Issues raised most often related to forestry, energy efficiency, and population pressures on natural resources.

*Policy and research.* Fiscal year 1989 also witnessed an increasing integration of environmental concerns into the Bank's policy and research work. Activities of the environment department (ENV) revolved around three main categories: natural-resource management; environmental quality and health; and environmental economics. In addition to numerous in-house papers and reports, publicly available books, and guidelines or state-of-the-art reviews, an interagency report on *Conserving the World's Biodiversity* (in collaboration with the International Union for the Conservation of Nature and Natural Resources, the World-wide Fund for Nature, and the World Resources Institute) was prepared, as well as a review and set of policy recommendations on dryland management; a review of priority technical and policy-research needs for containing tropical deforestation; and a staff operational directive on lending for dams and reservoirs, with special attention to environmental considerations. Sixteen ENV working papers have been published to date and address issues such as environmental degradation in frontier developing economies and the economics of farm-level soil-conservation measures in the uplands of Java. Other products included a manual on safe disposal of hazardous wastes, two books (*Environmental Accounting for Sustainable Development* and *Environmental Management and Economic Development*), and a working paper addressing the "commons" problem.

While ENV provides leadership and general guidance, much—indeed, the bulk—of policy and research work being done in the environmental area is conducted by other departments of the Bank. The attention given to environment in the policy and research work of the industry and energy department is particularly large. That department's fiscal 1989 program included a study of the policy implications of the greenhouse effect for the energy and industry sectors, a handbook on windpumping, a methodology for assessing the true cost of biomass resources, a review of environmental aspects of past Bank power projects, and guidelines for energy and use-efficiency programs and projects.

Other sector departments are also addressing environmental issues in their policy and research work. While the population and human-resources department work program contains few activities explicitly related to environment (exceptions include research on public policy and environmental health, and on population growth and water-resource supply and demand), it is generally accepted that control of population growth is fundamental to the achievement of successful environmental management. The emphasis upon population, as well as upon other programs with a direct bearing on it, such as women's issues and primary health care, make the department's program as a whole of central importance to the Bank's overall environmental effort.

The infrastructure and urban development department has a considerable environmental program, geared primarily to issues such as municipal solid-waste management, sewage and waste recycling, and low-cost sanitation alternatives. Environment also features in its transportation work, and guidelines have been prepared on environmental considerations in port and harbor development, as well as for road and rail transport. The agriculture and rural development department is also heavily involved in environmental work. Fiscal 1989 activities included a book on innovations in resource management and the sustainability of agricultural systems; guidelines on dam safety and the environment; and analysis of the effect of an import ban on tropical-forest products; guidelines on the use and applications of pesticides; and a study of the environmental impact and sustainability of irrigation investments.

*Evaluation, training, and information.* Studies in the operations evaluation department are carried out at three levels: individual audits, impact evaluations, and special studies. Environmental issues are now addressed in the course of performance audits and in reviews of project-completion reports. In addition, work commenced during the past year on two country-specific studies of environmental issues, for Brazil and Nepal. The Brazil study examines how, and how well, the Bank has perceived and dealt with environmental issues and problems in the context of several large infrastructure and regional-development projects located in several Brazilian states. The overall approach paper for this study has been finalized, and field work has been completed for some of the case studies.

During fiscal 1989, the Economic Development Institute (EDI) continued to help broaden understanding of natural-resource management by bringing together environmental specialists, development practitioners, and policymakers to share experiences, problems, and solutions concerning policies and programs in developing countries. In this context, a regional seminar in Latin America was organized during the year.

Continuing EDI's work in energy planning and policy analysis, seminars were held in Zimbabwe and Senegal in October 1988 and June 1989, respectively. These seminars considered the environmental effect of current and future consumption on renewable-energy resources in Africa.

During the year, seventeen major training sessions, reaching about 450 World Bank staff members, were undertaken. These sessions included seminars and workshops on the implications of climate change; environmental economics; environmental and safety aspects of large dams; remote sensing and natural-resource management; dryland management; pesticides; municipal and industrial-waste management; and natural and industrial hazards.

To accomplish the integration of environment into the range of Bank activities, a major requirement is the existence of affordable and accessible information. Starting in September 1987, the Bank began developing an environmental-information system (ENVIS), drawing upon both internal and external sources. The objective of ENVIS is to provide Bank staff with a central source of information about the Bank's activities in environmental fields, as well as a tool for analysis, project design, and policy development. ENVIS's three modules are designed to monitor and track Bank environmental projects, provide country-by-country sources of environmental information, and provide electronic access to economic and sector studies through an environmental/economic bibliography. System development, planned to take place over several years, has begun in all three modules.

During fiscal 1989, the development of ENVIS continued, and the system was expanded. Data on Bank projects for fiscal 1989 were progressively entered, and the files for the previous two years were completed. Promotion of ENVIS and training of potential users will be expanded in 1990 when three full years of Bank environmental data will be on file and a user's guide will have been completed.

The Bank is continuing to cooperate with international agencies, donor and borrowing governments, and nongovernmental organizations (NGOs). Ongoing consultation and/or collaborative work has been maintained with several United Nations agencies, as well as with the Asian and Inter-American Development Banks, the Organisation for Economic Co-operation and Development, and bilateral donors. The Bank is also an active participant in meetings of the Committee of International Development Institutions on Environment.

The Bank is also increasingly asking the NGO community for its views on the Bank's approach to its environmental work. As part of this process, ENV and the Bank's regional environment divisions have held meetings with NGO groups at headquarters and elsewhere to keep them informed and obtain their advice on Bank activities.

The Bank participates in a number of international meetings on global environmental issues. On the issue of toxic waste, for instance, the Bank's interest was first formally expressed by its president at a meeting in Oslo in July 1988. Several meetings followed—in Luxembourg, Geneva, and Basel—where the Bank was represented in observer status. The Basel meeting ended with the final text of the toxic waste convention being adopted for signature by developing and industrialized countries.

On the Montreal Protocol regarding the use of chlorofluorocarbons, the Bank is represented on the international economic panel on the ozone layer. A first meeting, under the auspices of the European Communities, was held in Brussels; a second meeting, hosted by the United States Environmental Protection Agency, was held in Washington.

The Bank is following the efforts to understand and control the phenomenon of global warming and the greenhouse effect. Both are under the purview of energy department staff, as well as the senior advisor on science and technology. Staff have attended several international meetings on these issues and are preparing policy papers that will be widely disseminated.

## Private-sector Development

A high-level task force's recommendations on ways to strengthen the private sector's contribution to development in the World Bank's developing member countries has led to the formulation of an action program that intensifies the combined efforts of the Bank and the IFC, together with the newly founded MIGA, in pursuit of that goal.[17]

The action program was based on the recommendations of the report of the Private Sector Development Review Group, a twelve-member panel chaired by J. Burke Knapp, a former senior vice president of the Bank.[18] The group, which included prominent individuals from the private sector, as well as Bank staff, was formed in fiscal 1988 to assess the private-sector activities of the Bank and the IFC. In forming the review group, the Bank noted that there was a "growing recognition" in developing countries of the important role private-sector development can play in contributing to economic development.

The action program, which focuses on activities that can be undertaken in the short and medium term, seeks to move quickly in support of private-sector activities in four priority areas:

- improving the economic environment for the private sector;
- public-sector restructuring and developing-country efforts either to promote public-sector efficiency, to privatize enterprises, or to assist interested member countries to expand the private sector's role in infrastructure and services in cases in which expansion could help ease financial constraints and increase efficiency;
- financial-sector development and expansion of the transfer of resources to the private sector in developing countries; and
- a program of research and policy work to lay the basis for future Bank operations.

Although the Bank has emphasized for a long time the advantages of market discipline and private initiative in promoting efficient development, its approach did not evolve systematically over time. The action program was designed to fill in the gaps in the Bank Group's activities in private-sector development, integrate private-sector development into Bank operations, identify areas in which efforts should be intensified, and focus on ways to improve coordination and joint action among the Bank, the IFC, and MIGA.

Four considerations helped shape the program's final design.

First, the Bank's membership is composed of countries that have different economic, political, and social objectives, as well as private sectors at varied stages of development; diverse approaches, therefore, tailored to individual country circumstances, would be sought. Thus, the Bank Group's overall focus would continue to be on efficiency.

Second, although possibilities exist to pursue private-sector development in virtually every sector and subsector, the program seeks to focus on those priority areas in which the Bank, the IFC, and MIGA could make the greatest difference.

Third, since the program calls for action that can be taken in the short and medium term, it focuses on tasks that could be expanded or initiated quickly, and which are based on already-known techniques.

Fourth, private-sector development involves not just more private activity but also expanded competition and increased government capacity to correct abuses and regulate wisely. Private-sector development should not be associated with private monopoly power and rent seeking, but with greater use of competitive markets and increased efficiency.

*Improving the economic climate.* Improvements in the economic environment are an essential component of any strategy for private-sector development. With the expansion of policy-based lending, the Bank has increased its emphasis on policies designed to improve the efficiency and competitiveness of the private sector and the economy as a whole. Improvement takes places not only through macroeconomic and sector policy reform, but also through legal and regulatory reforms (most notably cuts in red tape and the streamlining of regulations), revisions in commercial codes, and reform of investment and export rules and incentives, as well.

Under the action plan, World Bank adjustment operations in support of economic policy reforms will increasingly support policies, regulations, and legal reforms directed specifically at improving the environment for private-sector development.

Depending on country circumstances, such operations will, where appropriate, work to remove barriers to entry and exit, revise labor laws (in cooperation with organizations such as the International Labour Organisation) to reduce distortions and the excessive costs of job

[17] The three institutions, together, are often referred to as the "World Bank Group;" this is the meaning of the term "Bank Group," as used in this section.

[18] World Bank, *Developing the Private Sector: A Challenge for the World Bank Group* (Washington, D.C., 1989).

creation, simplify and improve the tax system to make it more transparent and less distortionary, change titling laws and procedures to make it easier to establish property rights, improve antitrust legislation, streamline procedures for registering and licensing businesses, reduce the role of public monopolies by expanding competition, improve business accounting and auditing practices, and strengthen governments' capacity to regulate (rather than intervene) and to encourage competition and initiative.

Considerable country economic and sector work has already been completed, or is under way, to identify key regulatory and legal constraints to private-sector development and develop programs of reform. This prior work will permit a rapid and broad increase in adjustment components focusing on specific regulatory and legal reforms to improve the economic environment.

In addition to these general reforms, many developing countries wishing to encourage direct foreign investment will need to address specifically the barriers and constraints facing foreign investors. To assist its member countries secure the advantages of foreign direct investment, the IFC and MIGA, in October 1988, moved to make the foreign investment advisory service (FIAS) a joint program. Staff assigned to FIAS, which was set up in fiscal 1986 in the IFC to help developing-country governments that seek its advice to create the framework of policies and institutions necessary to encourage and regulate direct foreign investment, will double by fiscal 1991.

Furthermore, the Bank, the IFC, and MIGA will assist heavily indebted countries in expanding their use of debt/equity conversions (the Bank through advice and, possibly in the future, operations; the IFC through investment operations and promotion and underwriting of equity investment funds that make use of conversions; and MIGA through insurance against noncommercial risk for equity resulting from debt conversion), thus permitting additional opportunities for foreign direct investment.

*Public sector restructuring and privatization of enterprises, infrastructure, and services.* Many developing countries are reexamining the role of the state in their economies, and increased interest in enhancing both public and private efficiency is being extensively supported by the Bank Group. In conjunction with government directives and in the interests of improving efficiency, the Bank Group has supported divestiture and liquidation of public enterprises, an end to public monopolies, an increase in budget discipline, the concentration of public expenditures on high-priority tasks in order to give more room for private activities, and, generally, improve the efficiency of public institutions.

While noteworthy successes have been achieved in some areas, in others progress has been slower than expected. Divestiture measures, in particular, have proved difficult to implement. Progress has been slower than expected for a number of reasons, including the absence of a framework for deciding on a divestiture strategy, a lack of indigenous private entrepreneurs able to acquire and manage the enterprises, weak or nonexistent capital markets, the difficulty of maximizing the efficiency gains from private ownership without first creating an appropriate competitive market, procedural and legal obstacles, strong political sensitivities to foreign ownership, and opposition from groups losing economic rents through the reform process.

In order to enhance efficiency and competition, the Bank Group, through the action program, will expand its support to countries that have made clear their wish to develop an appropriate framework and favorable environment for successful privatization. It will also take a more direct role in assisting implementation, including financing of programs of staff retraining and seed capital to start new activities.

The IFC's recently created corporate finance services unit will work closely with the corporation's investment departments to increase the IFC's privatization activities, which include offering advice on preparing privatization deals, locating investors and conducting negotiations, as well as making investments in privatized firms. In addition, the Bank and the IFC will cooperate closely to increase support of the restructuring process prior to sale, including bringing in prospective shareholders to participate in the restructuring, or, alternatively, assisting buyers to restructure the newly privatized enterprise. MIGA will support divestiture programs by insuring both direct and portfolio equity investments in privatized enterprises against noncommercial risks.

The Bank Group is also prepared to assist interested member countries to expand the private sector's role in infrastructure and social services in cases in which such expansion could help to ease financial constraints and increase efficiency. Bank assistance would include helping governments establish an appropriate legal and contractual framework, identifying investments currently in public investment programs that are suitable for private involvement, and analyzing the financial and economic viability of proposals.

The IFC would provide both direct financing and advice and, in some cases, help attract investors and put together the commercial financing packages. MIGA could also help to encourage expanded private involvement by providing protection against noncommercial risks.

*Financial-sector development and resource transfer.* The ability of the financial sector to mobilize an adequate volume of savings and channel resources effectively to their most efficient uses is one of the most important ingredients for successful private-sector development. A modern, efficient, market-based economy is inconceivable without an efficient financial system to mobilize savings and channel them to their most productive end uses.

World Bank adjustment operations have consistently promoted reform of interest and exchange rates, and although considerable progress has been made, these policy reforms have not always generated the expected supply response, in part because of rigidities and inadequacies in the financial sector. At the same time, the Bank's operations in support of local financial intermediaries have sometimes tended to focus too narrowly on meeting the credit needs of particular end borrowers and may not have given due attention to the requirements and importance of overall financial-sector development. The situation has been changing in recent years, and that change, under the action program and the forthcoming review of development finance intermediaries, will be consolidated and formalized.

Operations that involve the financial sector, either as the object of the operation or as the vehicle for transferring resources to other sectors of the economy, will be designed and carried out within the context of coherent, country-specific strategies for financial-sector development. Consistent with country strategies, the Bank will emphasize four specific and closely related areas: improvements in the policy and institutional environment affecting financial-sector development, a strengthening of bank and nonbank financial institutions, promotion of capital-market development, and increases in the transfer of resources to developing-country private sectors. Thus:

• The Bank will expand its operations in support of financial-sector restructuring and reform, and the IFC will expand its collaboration with the Bank in this financial-sector work by helping to review policy and regulatory issues and identifying ways to fill institutional gaps.

• In its support to, and use of, specific financial intermediaries, the Bank will ensure that its activities are consistent with the overall strategy of encouraging greater reliance on markets. Progress will be gradual, however, for if the basic preconditions for efficient market operations are not in place, too-rapid liberalization could have disastrously destabilizing effects and lead to massive misallocation of resources. Over time, however, Bank-supported financial institutions, whether publicly or privately owned, will have to withstand the test of the market.

• Because the scarcity of equity capital is a key constraint to private-sector development in developing countries, the IFC will expand its capital-market work through the establishment and strengthening of domestic capital-market institutions, support of links between domestic and international capital markets, and advice to help create appropriate regulatory frameworks. The Bank and the IFC will collaborate closely to develop systematic programs—employing Bank adjustment lending and technical assistance and IFC investments and advisory work—to promote capital-market development. MIGA can insure new investments made in market growth funds located in a developing country against noncommercial risk.

• The Bank Group will expand its efforts to increase the transfer of resources to the private sector, acting both as a catalyst to promote private-to-private flows and as a provider of direct financing through the IFC. Catalytic activities could include MIGA guarantees, FIAS advice, the promotional effects of IFC's own investments, and an expansion of IFC activities in underwriting corporate issues of securities by companies in developing countries. The IFC, the Bank affiliate most responsible for direct financing of private industry, will also increase its operations.

• *Research and policy work.* While first priority will be given to increasing rapidly its operational focus on private-sector development, the Bank Group will also undertake the necessary research, policy work, and operational guidelines to create new ways to develop the sector and improve existing lending instruments. Topics to be studied in these three areas will include strategies for regulatory reform, including specific sector policy papers; the role of the private sector in the delivery of public services in each economic sector; reviews of experience with privatization; and issues of banking regulatory policy, bank restructuring and patterns of corporate finance, and parameters for financial-sector adjustment lending.

* * *

The executive directors of the Bank and the board of directors of the IFC considered the private-sector development action program and endorsed its general thrust; directors particularly welcomed the effort that had been made to take a pragmatic approach to the action program. It was agreed that, in one year's time, a report on the progress of the action program would be prepared.

## Women in Development

The Bank's initiative to help women in development (WID) advanced considerably during the past fiscal year, and several signs of progress can be discerned.

Each country department director of the Bank has been asked to prepare a brief WID assessment, outlining specific actions planned for the next three to four years; the more detailed WID strategy for Kenya (details are reported on in both the 1987 and 1988 *Annual Reports*) has led to operations in agricultural extension; education; population, health, and nutrition; and, more recently, in credits that increasingly involve women in development. Detailed WID strategies for Bangladesh, India, and Pakistan are nearing completion. Extensive work is also under way elsewhere, including Cameroon, Colombia, The Gambia, Indonesia, Mexico, Morocco, Nigeria, Zaire, and Zimbabwe.

**Box 3-1. Gender and Poverty in India**

Early on in the course of preparing the country-action plan for addressing key women-in-development issues in the Bank's work in India, a strong, but complex linkage emerged between women and poverty. Women are preponderant among the poor, and poor households are more dependent on women's earnings. Given the long-standing concern by the government of India with poverty alleviation and the focus of the Bank's country economic memorandum on poverty, employment, and social services, this linkage became one of the major themes of a recently issued draft assessment report *Gender and Poverty in India: Issues and Opportunities Concerning Women in the Indian Economy*. In terms of education, employment, wages, health-care usage and mortality rates, and a range of other indicators, it is evident from the report that women as a group are more vulnerable than men to the extremes of poverty and its consequences.

At the same time, it is also clear that for poor households a woman's capacity to work, her health, her knowledge, and her skill endowments are often the only resources to call upon for survival. Women's labor-force participation and their relative contribution to total family income are higher in households with lower economic status. This means that the poorest families are the most dependent upon women's economic productivity. It also means that, in addition to viewing women as a key target group for poverty-alleviation programs, antipoverty policies need to recognize and harness the strategic potential of women as critical players in the process of moving their families out of poverty.

The major emphasis in the assessment report, therefore, is on women as economic agents and on identifying the gender-specific constraints that limit their productivity and hence their ability to escape poverty. From this perspective, improvements in women's education, health, and ability to regulate their own fertility are viewed not simply as welfare benefits, but as key inputs to higher female productivity (and reduced population growth and better child survival) in the longer term. In the productive sectors, the report recommends a combination of policies to promote overall employment growth and direct measures to ensure that women have access to the productive resources they need to partake of that growth. Among the specific recommendations are provision of direct access to institutional credit, orientational and operational modifications in the agricultural-research and agricultural-extension systems, the promotion of direct membership in viable producer cooperatives, and organization of women into groups that provide them a legitimate forum beyond the private domestic sphere and a more audible voice in demanding services and inputs.

The overall thrust of the report is that such measures to enhance women's access to productive resources are critical as direct and self-targeting means to reduce poverty. Thirty-five percent of Indian households below the poverty line are headed by women and, in most cases, are thus dependent exclusively on female income. Even where there is a male earner, women's earnings form a major part of the income of poor households. Moreover, women contribute a larger share of what they earn than do men to basic family maintenance, and increases in women's income translate more directly into better child health and nutrition.

Making women more productive and, hence, more effective income earners, will not merely reduce their dependency and enhance their status and security in the family, but also increase aggregate labor productivity and accelerate growth in sectors, such as agriculture, where women constitute nearly half the labor force, increase household incomes especially in families below the poverty line; increase the share of family income allocated to providing food and health care to children; improve male and female child survival and increase family investment in education for their daughters, and reduce fertility and slow population growth.

Operational activities vary widely according to country circumstances but tend to focus on ways to improve women's productivity, particularly through agricultural extension (Kenya, Nigeria, and Somalia, for example), agricultural credit (several operations are in early stages in this subsector where experience is more limited), primary and secondary education (examples include Morocco and Pakistan), and population, health, and nutrition (with examples in every region). Mexico prepared, and the Bank has helped to finance, a free-standing WID project that combines provision of clean water (which saves women considerable "fetching time") with efforts to promote earning capacity. Attention is also focusing increasingly on women in "poverty lending"—treating women as key contributors in successful strategies to reduce poverty (as in Bangladesh). Similarly, in addressing the social dimensions of adjustment in Africa and elsewhere, more attention is being paid to the role of women (for example, in Zaire).

On the policy front, "overview" guidelines have been drafted, outlining some key issues for economic and sector work and suggesting operational approaches. These are being supplemented by more detailed sector-specific guidelines (the forestry guidelines are out and those on agricultural extension, credit, and education are under way). The guidelines emphasize that:

- Women already contribute economically far more than is usually recognized in official GNP statistics, particularly through agriculture, home-based production, and care of the family.
- Women's capacity to work is often particularly constrained—and their productivity reduced—by culture and tradition, both of which are sometimes codified into law or policy. Culture and tradition, for instance, may limit their access to information and technology, to education and training, to credit and resources, and to markets.
- Investing in women is often a cost-effective route to broader development objectives such as improved economic performance, reduction of poverty, greater family welfare, and slower population growth.
- Women tend to be disproportionately represented among the poor.
- When women's productive capacity is constrained, it is important not merely to "get the prices right"—to establish appropriate incentives—but also to improve women's capacity to respond, through investment programs and policy changes, especially in agriculture, home-based production, and the small-scale or informal sector.
- Labor markets in industry, but also in agriculture and services, are often quite segmented by gender, with women typically concentrated in fewer, more traditional, and less remunerative lines of work.
- Investments in human capital for women have a high payoff, but women and girls often get less than men and boys when the costs to families of education, health care, and even food are high.
- Improving opportunities for women can lead to more effective use of natural resources.
- The most effective combination of measures for reducing birth rates includes expanded income-earning opportunities and education for women, in conjunction with family-planning programs and health care.

These guidelines offer some findings that Bank staff can use as a start in identifying and analyzing issues concerning women in country economic and sector work, as well as in project design. They emphasize measures to include women in development that will contribute to economic performance, family welfare, poverty alleviation, slower population growth, better use of natural resources, and other broad development objectives. These measures generally fall into two classes: some (such as in agricultural extension or credit for women without assets) equip poor women immediately to improve productivity, while others (such as ways to keep girls in school) build the human capital that enables people, in the longer run, to break out of old molds and seek broader choices.

The implications for Bank analysis and lending are obvious in human capital (education and training; health and nutrition; family planning). Perhaps less obvious are the important implications for poverty alleviation and basic development strategies; employment; agriculture and forestry; and household energy. There are some indirect implications for infrastructure (water, roads, and transport). The implications are more tenuous but not entirely absent for the basic macro policy fields—monetary and fiscal, trade, privatization, and public-sector management. Because adjustment programs can affect the entire economy, their effect on women can and ought to be considered. Finally, attention to women matters crucially in analyzing population and the linkages between economic progress, population growth, and environmental sustainability.

"Women in development" is still a new field, its analytic base narrow. As experience and analysis accumulate, understanding will improve, and the guidelines will be refined. In the meantime, enough is known to outline key issues, based on the operational experience of the Bank and other agencies, as well as on existing analytic evidence on economic issues affecting women in development.

These guidelines are basic enough to apply broadly in most countries. But country circumstances vary, and development of practical country-specific plans usually requires a careful look at who the women are, what work they do, what constraints they face, and why. This will suggest probable benefits from improving women's opportunities and effective, affordable approaches for doing so.

# Section Four
# World Bank Finances

### IBRD Finances

Fiscal year 1989 was another year of strong financial performance for the IBRD. (See Table 4-1.) It strengthened its reserve position in two important ways. One was through an increase in the absolute level of its reserves sufficient to raise the reserves-to-loans (R/L) ratio to 10.2 percent at June 30, 1989, from 9.3 percent a year earlier. Another was through changes in the currency composition of the reserves, which will make the R/L ratio much less vulnerable to changes in exchange rates. The IBRD also adopted policy changes that will reduce the variability in the effective cost of loans provided to its borrowers and diminish the IBRD's own exposure to market risks. Moreover, capital subscriptions from twenty-seven countries of $21.4 billion, including paid-in capital of $643 million, were received in this first year of subscriptions to the $74.8 billion general capital increase authorized in April 1988. Total subscribed capital at June 30, 1989, was $115,668 million out of total authorized capital of $171,362 million. Finally, the IBRD completed its borrowing program of $9.3 billion equivalent, while maintaining its high credit standing and the benchmark status it enjoys in most markets. (See Table 4-2.)

The increase in the R/L ratio resulted principally from full allocation of the previous year's net income to reserves and a slowdown in net disbursements, caused chiefly by prepayments from three borrowers. The improved ratio was achieved despite the addition of a ninth country to nonaccrual status, with the attendant reduction in interest income and addition of provisioning expenses.

The IBRD achieved its funding objectives by borrowing $9.3 billion in the world's leading markets at an average cost, after swaps, of 7.73 percent and an average maturity of 7.8 years. It maintained its high credit standing in all major markets as a result of its prudent financial practices and the continued support of its member countries.

During fiscal 1989, several important policies were reviewed by the executive directors, and a number were revised in order to improve the risk and cost features of loans offered to its borrowers. The IBRD adopted changes in its currency-management policies designed to

**_Table 4-1._ IBRD Average Costs, Profitability, and Returns**
(percentages based on average balances during fiscal years)

| | Fiscal year | |
|---|---|---|
| | 1988 | 1989 |
| *Fiscal year costs* | | |
| Average costs of: | | |
| New borrowings[a] | 6.70 | 7.73 |
| Total debt outstanding | 7.47 | 7.38 |
| Total funds (debt and equity[b]) | 6.46 | 6.31 |
| *Fiscal year returns* | | |
| Average returns on | | |
| Loans disbursed and outstanding[c] | 7.94 | 7.86 |
| Liquid investments[d] | 8.51 | 8.20 |
| Total earning assets[e] | 8.30 | 8.20 |
| *Profitability* | | |
| Spread between return on total earning assets and cost of total funds | 1.84 | 1.89 |
| *Net income* | | |
| As a percentage of average equity[b] | 7.29 | 7.58 |
| As a percentage of average liquid assets and loans | 0.98 | 1.09 |
| *Other financial ratios at year's end* | | |
| Ratio of reserves to loans (%) | 9.3 | 10.2 |
| Ratio of outstanding loans to equity[b] | 5.88:1 | 5.30:1 |
| Ratio of outstanding debt to equity[b] | 6.06:1 | 5.46:1 |

a. Does not include $3.0 billion of refinancing of prepaid borrowings.

b. Equity is defined as usable paid-in capital, reserves, and accumulated net income.

c. Interest on loans as a percentage of average disbursed and outstanding loans.

d. Includes realized capital gains (losses).

e. Includes for FY89 and FY88, respectively, $272 million and $26[illegible] million of commitment fees on undisbursed loan balances in addition to returns on liquid investments and from interest on loans disbursed and outstanding.

**Table 4-2. IBRD Borrowings, Fiscal Year 1989[a]**
(in millions)

| Type | Issue | Currency of issue | | US-dollar equivalents[b] |
|---|---|---|---|---|
| *Medium- and long-term public offerings* | | | | |
| Finland | 9.625% seven-year notes, due 1995 | FMK | 300.0 | 70.7 |
| | 9.75% five-year notes, due 1994 | FMK | 300.0 | 70.0 |
| Germany, Federal Republic of | 6.0% ten-year bonds, due 1998 | DM | 500.0 | 276.5 |
| | 6.625% eight-year bonds, due 1997 | DM | 150.0 | 79.6 |
| | 6.75% ten-year bonds, due 1999 | DM | 150.0 | 78.2 |
| Hong Kong | 10.125% six-year bonds, due 1995 | HK$ | 500.0 | 64.0 |
| Japan | 5.25% ten-year bonds, due 1998 | ¥ | 50,000.0 | 375.1[c] |
| | 5.0% ten-year bonds, due 1998 | ¥ | 35,000.0 | 280.4[c] |
| | 5.375% ten-year bonds, due 1999 | ¥ | 10,000.0 | 71.3[c] |
| Luxembourg | 7.625% seven-year bonds, due 1996 | LuxF | 1,000.0 | 25.5 |
| Spain | 10.625% ten-year bonds, due 1998 | Ptas | 10,000.0 | 80.7 |
| | 10.375% ten-year bonds, due 1998 | Ptas | 15,000.0 | 127.4 |
| | 11.75% five-year bonds, due 1994 | Ptas | 10,000.0 | 86.2 |
| | 12.375% five-year bonds, due 1994 | Ptas | 10,000.0 | 79.2 |
| Switzerland | 5.0% fifteen-year bonds, due 2003 | SwF | 150.0 | 94.4 |
| | 5.5% ten-year bonds, due 1999 | SwF | 125.0 | 76.6 |
| Eurobond Market | 9.0% five-year notes, due 1993 | $ | 300.0 | 300.0 |
| | 9.25% ten-year notes, due 1998 | $ | 300.0 | 300.0 |
| | 9.625% ten-year notes, due 1999 | $ | 500.0 | 500.0 |
| | 9.75% seven-year notes, due 1996 | $ | 300.0 | 300.0 |
| | 9.0% fifteen-year notes, due 2004 | $ | 300.0 | 300.0 |
| | 12.75% five-year notes, due 1993 | $A | 150.0 | 119.2 |
| | 10.125% five-year notes, due 1993 | Can$ | 150.0 | 125.1 |
| | Zero-coupon notes, due 1996 | Can$ | 102.0 | 84.5[d] |
| | 8.75% six-year notes, due 1995 | F | 1,000.0 | 146.9 |
| | 11.0% five-year notes, due 1993 | Lit | 150,000.0 | 107.0 |
| | 10.75% five-year notes, due 1994 | Lit | 150,000.0 | 111.7 |
| | 10.0% ten-year bonds, due 1999 | £ | 100.0 | 173.2 |
| | 4.875% five-year bonds, due 1993 | ¥ | 50,000.0 | 403.5 |
| | 6.25% ten-year bonds, due 1998 | f | 300.0 | 152.4 |
| | 7.125% ten-year bonds, due 1999 | f | 300.0 | 132.6 |
| | 14.0% five-year notes, due 1994 | $NZ | 75.0 | 45.5 |
| | 10.5% five-year bonds, due 1993 | SKr | 500.0 | 82.3 |
| | 10.5% five-year bonds, due 1993 | SKr | 500.0 | 73.9 |
| | 7.375% five-year notes, due 1993 | ECU | 100.0 | 114.0 |
| | 7.5% five-year notes, due 1993 | ECU | 100.0 | 118.2 |
| Total medium- and long-term public offerings | | | | 5,625.8 |
| *Medium- and long-term placements with central banks and governments* | | | | |
| Germany, Federal Republic of | 6.2% note, due 1993 | DM | 250.0 | 133.2 |
| | 6.45% note, due 1994 | DM | 250.0 | 133.7 |
| International[e] | 9.01% two-year bonds, due 1990 | $ | 300.0 | 300.0 |
| | 9.72% two-year bonds, due 1991 | $ | 3.4 | 3.4 |
| | 4.188% two-year bonds, due 1990 | SwF | 300.0 | 194.9 |
| | 5.75% two-year bonds, due 1991 | SwF | 260.8 | 157.2 |
| | 4.125% two-year notes, due 1990 | SwF | 92.0 | 63.4 |
| Total medium- and long-term placements with central banks and governments | | | | 985.8 |

*Table 4-2* (*continued*)

| Type | Issue | | Currency of issue | U.S.-dollar equivalent[b] |
|---|---|---|---|---|
| *Medium- and long-term other placements* | | | | |
| Japan | 5.5% loan, due 2000 | ¥ | 20,000.0 | 150.9[c] |
| | 5.4% bonds, due 1998 | ¥ | 10,000.0 | 75.2 |
| | 5.7% loan, due 2014 | ¥ | 40,000.0 | 309.7 |
| | 5.7% loan, due 2004 | ¥ | 10,000.0 | 76.5[e] |
| | 9.04% notes, due 1998 | $ | 100.0 | 100.0 |
| | 9.74% bonds, due 1996 | $ | 100.0 | 100.0 |
| | 9.36% bonds, due 1996 | $ | 100.0 | 100.0 |
| United Kingdom | 11.5% loan stock, due 2003 | £ | 35.0 | 58.7 |
| United States | Continuously Offered Longer-term Securities Program (COLTS) | $ | 833.4 | 833.4 |
| International | 4.75% bonds, due 1993 | ¥ | 10,000.0 | 82.1 |
| | 8.25% bonds, due 1994 | ¥ | 23,000.0 | 175.9 |
| | 5.25% bonds, due 1994 | ¥ | 10,000.0 | 70.2 |
| Total medium- and long-term other placements | | | | 2,132.6 |
| *Short-term borrowings*[f] | | | | |
| | Central bank facility | $ | 504.9 | 504.9[g] |
| | Continuously Offered Payment Rights in Swiss Francs (COPS) | Sw F | 62.0 | 36.7 |
| Total borrowings, fiscal 1989 | | | | 9,285.8 |

a. Excludes ¥395 billion ($3,019 million equivalent) of yen issues which were prepaid and refinanced.
b. Based on exchange rates at the time of settlement.
c. Represents excess of refinancings over prepaid amounts.
d. Net proceeds for zero coupon only. All other amounts in this table are par value.
e. These issues were placed with central banks, government agencies, and with international organizations.
f. Maturing within one year.
g. Increase in amount outstanding at June 30, 1989, over amount outstanding at June 30, 1988.

make its lending practices more transparent and manageable for borrowers and to better enable it to manage interest-rate and exchange risk. These changes include: targeting the currency composition of the loan-currency pool to provide an approximate balance among the major currency blocks; adopting a new lending-rate system that ensures that the lending rate will reflect only the currencies outstanding on loan; and recalling, on a pro-rata basis, major currencies out on fixed-currency loans committed prior to the introduction of the loan-currency pool in 1980.

During the year, the financial complex continued the pilot program of financial technical assistance to developing countries. It initiated training programs based on its experience in asset and liability management for India, Malaysia, and Poland concerning the use of swaps, options, futures, and rate caps to manage interest-rate and exchange-rate volatility.

**Targeted currency-pooling system.** The currency-pooling system adopted in 1980 has effectively enabled all IBRD borrowers to share equally the exchange risk imbedded in IBRD loans. Nevertheless, the currency composition of the pool was not predictable. Also, because the share of U.S. dollars in the pool was relatively small, debt service on pooled loans, measured in U.S. dollar terms, was highly sensitive to exchange-rate movements. The IBRD now has improved the predictability of the pool by targeting a specific currency composition, which is expected to be achieved by the end of fiscal 1991. By then, the pool's composition will be in a ratio of 1 U.S. dollar for every 125 Japanese yen and 2 Deutsche mark (or the equivalent in a composite of Deutsche mark, Swiss francs, and Netherlands guilders). These three groups will comprise 90 to 95 percent of the pool's value, with the remainder in other currencies. The increased share of U.S. dollars will give borrowers a more balanced currency exchange risk.

The IBRD directors decided that this rough balance among the three major currency blocks was worth the cost of a somewhat higher nominal lending rate that might result from a greater proportion in the loan pool of U.S. dollars, which, in recent times, have had a comparatively high nominal interest rate. The targeted balance represents a realistic currency structure in terms of the IBRD's borrowing opportunities, and also enables borrowers to calculate what their exchange-rate exposure is so that they can predict and plan for future debt service in terms of the three major currencies and, if appropriate, manage and/or hedge such exposure.

**Changes in the lending-rate system.** The IBRD made two changes in its variable lending-rate system. First, borrowings funding investments will be excluded in calculating the currency-by-currency borrowing cost. Second, the currency weights applied to each currency's costs will be the share, during the past semester, of each currency outstanding in the loan-currency pool. The new lending-rate system will be applicable to all loans for which invitations to negotiate have been issued on or after May 18, 1989, and to previous variable-rate loans converted at the request of the borrower to the new system. In the absence of such request for previous loans, the variable lending rate will continue to be calculated under the old system.

**Currency composition of reserves.** The IBRD also decided to take steps to bring the currency composition of its reserves and accumulated net income into line with that of loans, and thereby diminish the vulnerability of the R/L ratio to exchange-rate movements. By the end of fiscal 1991, it expects that the currency composition will essentially match that of its outstanding loans, and, from then on, alignment will be managed so as to insulate the relationship of reserves and loans from exchange-rate movements.

**Prepayment of IBRD loans: waiver of prepayment premia.** The directors also reviewed the criteria for the IBRD to waive the prepayment premium. While the IBRD has a basic policy in favor of prepayment by borrowers, a distinction arose between prepayments that are consistent with the IBRD's cooperative approach to loan pricing and those that are not. The executive board decided that where loan prepayments apply to loans having an average interest rate in line with the average interest rate on all outstanding IBRD loans, the premium would continue to be waived. If, however, a borrower exercises its right to selectively prepay loans carrying higher-than-average fixed-interest rates, then—except in cases where the borrowing country has a very high average interest rate on its total IBRD loans outstanding—the IBRD will decline to waive the prepayment penalty, thereby recouping for the membership as a whole a portion of the financial advantage realized by the prepaying country.

**Waiver of the commitment fee.** Another matter considered by the executive directors was the appropriateness of waiving a portion of the 0.75 percent commitment fee on undisbursed loan balances. It was determined that the commitment fee should be reduced, consistent with achieving a build-up of R/L ratio to near the top of the 10 percent-to-11 percent range, in view of (a) the decline in funding risks for the loans now that all loans committed since 1982 have variable lending rates and (b) the inequitable incidence of the fee, which raises the effective cost of slow-disbursing projects even if the borrower is implementing the projects in line with agreed plans. Taking account of these considerations, and after evaluating risks to the IBRD's prospective income from market factors such as interest and exchange-rate volatility and from credit risks, the directors approved a one-year reduction in the commitment fee, effective July 1, 1989, which will save borrowers about $200 million during the year.

**Benchmark rate of provisioning for loan losses.** The provisioning policy adopted in June 1988 calls for review of the current year's expense for loan-loss provisioning and the setting of the benchmark monthly provisioning rate for the next year. The IBRD determined to continue provisioning 1 percent per month of principal outstanding on all loans to, or guaranteed by, countries that are in nonaccrual status. Provisioning expense of the IBRD was $358 million in fiscal 1989, and, at year's end, the cumulative provisioning was $800 million, or 25 percent of principal outstanding on such loans.[1]

**Impact of new financial policies.** The changes in the IBRD's financial policies—the targeting of the currency pool, the conversion of reserves and unallocated net income to match the currency composition of loans, changes in the lending-rate system for new (and converted) variable-rate loans, and possible waiver of a portion of the commitment fee—will tend to reduce net income in the future.

[1] In November 1988, a support group of eleven countries, chaired by the Canadian executive director of the International Monetary Fund, was set up to assist Guyana in solving the problem of repayment of arrears to multilateral financial institutions. Similar arrangements are under way for Zambia.

The increased share in the loan-currency pool of U.S. dollars, with their expected above-average nominal interest rates, compared to the other targeted currencies in the pool, may reduce the profitability of those currency-pool loans that bear fixed-interest rates. Further, the conversion of reserves and unallocated income to match the currency composition of loans will tend to decrease nominal investment income because of the proportionate increase of low nominal-yield currencies in investments. Another restraint on net income is that, unlike the original variable lending rate, which was based on the cost of total IBRD borrowings, the new lending rate will not exceed 50 basis points over the IBRD's cost of currencies on loan.

However, part of net income in the past years was required to offset the effect of exchange-rate changes on the R/L ratio. Without reference to the reduced volatility of the R/L ratio, comparison of net income figures may be inappropriate.

Even at current levels of provisioning expenses for, and of interest not earned on, IBRD loans in nonaccrual status, the IBRD's earning capacity remains strong, and its R/L ratio increased from 9.3 percent to 10.2 percent at the end of fiscal 1989. In addition, its return on assets (net income over average earning assets) increased from 0.98 percent to 1.09 percent.

**Developments in asset management.** The IBRD executive board also approved a number of changes in the investment authority governing management of liquidity. Among these changes were reducing the lower limit for the weighted average duration of the investment portfolio as a whole from three months to zero; expanding the use of futures and options beyond the U.S. and U.K. markets; making foreign currency-denominated government obligations acceptable investments if rated AA or better (previously such investments were limited to AAA-rated obligations); and making investment authority for managing IDA's liquid assets identical to that for managing the IBRD's. The realized return on investments was 8.20 percent in fiscal 1989.

**Allocation of fiscal 1989 net income.** The IBRD's executive directors also annually review its net income and financial prospects to decide on allocation of net income to the general reserve and make a recommendation to the board of governors on distribution of any remainder. At the end of fiscal 1989, the IBRD's directors concluded that, in fiscal 1990, $994 million should be added to the general reserve and recommended that $100 million be contributed to a debt-reduction facility for IDA-only member countries.

**Borrowing operations.** The IBRD carried out $9.3 billion equivalent of new borrowings —exclusive of the refinancing of both short-term borrowings and prepayments of debt. The reduced size of the borrowing program, compared to $11 billion last year, was primarily a response to prepayments to the IBRD from its borrowers.

The program emphasized a substantial increase of U.S. dollar borrowings, which accounted for 62 percent, after swaps, of the borrowing program, compared to 29 percent in fiscal 1988. These U.S. dollar borrowings enabled the IBRD to increase that currency's share in the loan currency pool to 23 percent at the end of fiscal 1989, compared to 15 percent a year earlier.

Among the longer-term objectives guiding the IBRD's borrowing and swap operations have been maintaining: diversification of borrowings in a large number of markets and currencies, both for the inherent long-term value of diversification of funding sources and for the associated swap arbitrage opportunities; the IBRD's benchmark status in those markets; and traditional borrowing relationships with official sources and with certain investor groups.

In fiscal 1989, as in recent years, swaps were used to achieve after-swap funding objectives at substantial savings relative to direct borrowings of target currencies. At the same time, swaps enabled the IBRD to diversify its funding sources to encompass a wide range of markets without being required to retain the variety of currencies in its after-swap portfolio.

The major thrust of the currency-swap program during fiscal 1989 was to swap into U.S. dollars, for which twelve different swap vehicle currencies were used. Swaps out of non-dollar vehicle currencies into fixed-rate dollar liabilities were generally accomplished through a two-step process—a cross-currency swap into floating-rate dollars, followed (or occasionally preceded) by one or more U.S. dollar interest-rate swaps that produced the desired fixed-rate funding. The two-step process enabled the IBRD to delink the timing of the cross-currency swap from that of the associated interest-rate swaps. This allowed the IBRD to pursue and execute swap-driven capital-market transactions at times of attractive cross-currency swap arbitrage, while, at the same time, giving it the necessary flexibility to convert the floating-rate dollars into fixed-rate funding at appropriate points in time. Cross-currency swaps into dollars totaled $2.1 billion during the fiscal year out of a total of $2.6 billion in currency swaps. (See Table 4-3.) The

*Table 4-3.* **IBRD Borrowings, after Swaps, Fiscal Year 1989**
(amounts in US$ millions equivalent)

| | Before swaps | | | | After swaps | | |
|---|---|---|---|---|---|---|---|
| | Amount | % | Maturity (years) | Swaps[a] (amount) | Amount | % | Cost (%) |
| *Medium- and long-term fixed-rate borrowings* | | | | | | | |
| US dollars | 3,136.7 | 34 | 8.0 | 2,107.0 | 5,243.7 | 57 | 9.12 |
| Japanese yen[b] | 2,070.9 | 22 | 11.1 | −324.1 | 1,746.8 | 19 | 5.24 |
| Swiss francs | 586.5 | 6 | 5.1 | 379.9 | 966.4 | 10 | 5.01 |
| Deutsche mark | 701.2 | 8 | 7.9 | −44.4 | 656.8 | 7 | 6.32 |
| Others[c] | 2,248.9[b] | 24 | 7.0 | −2,118.4 | 130.5 | 1 | 9.32 |
| Subtotal | 8,744.2 | 94 | 8.3 | — | 8,744.2 | 94 | 7.68 |
| *Short-term borrowings* | | | | | | | |
| Central bank facility (US dollars) | 504.9 | 5 | 1.0 | — | 504.9 | 5 | 8.97 |
| COPS (Swiss francs)[d] | 36.7 | 1 | 0.2 | — | 36.7 | 1 | 4.55 |
| Total | 9,285.8 | 100 | 7.8 | — | 9,285.8 | 100 | 7.73 |

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

a. Swap transactions totaled $2,570 million.

b. Does not include $3.0 billion of refinancings of prepaid borrowings.

c. Represents borrowings in Australian dollars ($119.2 million), Canadian dollars ($209.7 million), ECU ($232.1 million), Finnish markka ($140.7 million), French francs ($146.9 million), Hong Kong dollars ($64.0 million), Italian lire ($218.7 million), Luxembourg francs ($22.5 million), Netherlands guilders ($285.0 million), New Zealand dollars ($45.4 million), pounds sterling ($231.9 million), Spanish pesetas ($373.6 million), and Swedish kronor ($156.2 million).

d. Continuously offered payment rights (COPS).

swap arbitrage resulted in an average savings of 38 basis points compared to the prevailing cost of direct borrowings of U.S. dollars.

In addition, the IBRD also had a limited currency-swap program among the Deutsche mark bloc of currencies that involved swaps out of Deutsche mark and Netherlands guilders into Swiss francs for an aggregate volume of $380 million.

The IBRD borrowed a total of seventeen currencies. About 99 percent of its borrowings, after swaps, were in U.S. dollars, yen, Deutsche mark, and Swiss francs. The borrowings of thirteen other currencies, which enabled the IBRD to maintain its diversified sources of funds, accounted for 24 percent of borrowings before swaps and 1 percent after swaps.

The IBRD engaged in its first public issue of Hong Kong dollars and was the first nonresident borrower in the Hong Kong domestic market. It also engaged, in the Euromarket, in its first public issue of New Zealand dollars, and was the first issuer of Swedish kronor in the Euromarket.

In October 1988, the IBRD initiated in Switzerland its continuously offered payment rights (COPS) short-term borrowing program in Swiss francs with maturities of up to one year. COPS constitute the closest alternative to commercial paper available in the Swiss money market. The program is intended to provide the IBRD additional flexibility in the management of its Swiss franc funding operations and responds to investor demand for such short-term assets. At the end of fiscal 1989, SwF62 million ($37 million equivalent) of COPS were outstanding. Another development in the fiscal 1989 borrowing program included expansion of the IBRD's program of continuously offered longer-term securities (COLTS) in the United States' medium-term note market. This was the first full fiscal year in which COLTS were sold through the expanded group of fourteen U.S. regional agents and three Canadian agents, as well as five primary agents based in New York city. COLTS transactions totaled $833 million. Reflecting the stronger emphasis of COLTS sales to smaller institutions and large retail investors, the average size of COLTS sales declined from $5.5 million in fiscal 1987 and $2.8 million in fiscal 1988, to $1.3 million in fiscal 1989.

**Income, expenditures, and reserves.** The IBRD's gross revenues totaled $8,274 million in fiscal 1989, down $275 million or 3.2 percent from the previous year. The outstanding loan portfolio, after translation adjustments on nondollar assets, totaled $77,942 million equivalent in forty-two currencies at the end of fiscal

1989. The average interest rate on disbursed and outstanding loans was 7.86 percent, producing interest income of $6,394 million. In addition, commitment charges of 0.75 percent on undisbursed loan balances produced $272 million. Altogether, the IBRD's income from loans was $6,666 million, for a total return on average loans during the fiscal year of 8.20 percent.

At the end of fiscal 1989, fixed-interest rates applied to $38,266 million of disbursed and outstanding loans and to $2,178 million of undisbursed loans, while disbursed and outstanding variable-rate loans totaled $39,676 million, with $47,799 million of variable-rate loans undisbursed.

At June 30, 1989, liquid assets aggregated $19,360 million net of commitments for settlements and cash collateral received on loaned securities, a decrease of $157 million from a year earlier. Liquidity was at 52 percent of projected net cash requirements for the next three years at the end of fiscal 1989, up from 50 percent at the end of fiscal 1988, primarily as a result of prepayments by three borrowers. The IBRD's liquidity, targeted for at least 45 percent, is designed to assure flexibility in its borrowing decisions and to permit it to meet adequately its cash requirements in case borrowings are temporarily affected by adverse conditions in the capital markets.

Liquid assets in fiscal 1989 yielded a realized rate of return on average investments of 8.20 percent and generated $1,586 million of investment income, including a net loss of $96 million from sales of investments. An additional $22 million of revenues was derived from other income, including $6.5 million in net gains from the sale of loans.

Net income of $1,094 million was 1.09 percent of average assets, up from the prior year's 0.98 percent. The IBRD's R/L ratio improved to 10.2 percent from 9.3 percent, and, as a result, the IBRD enjoyed a stronger financial position with greater disposable income than a year earlier.

Pursuant to the benchmark provisioning rate of 1 percent monthly of the outstanding principal balance on nonaccruing loans, $358 million (before $58 million in translation adjustments) was added to provisions for potential losses on loans to nine countries that were six months or more in arrears on debt service to the IBRD. This brought accumulated provisions to $800 million, or 25 percent of nonaccruing loans. During fiscal 1989, one additional country went into nonaccrual status, raising the volume of nonaccruing loans to $3,193 million, just over 4 percent of the IBRD's loan portfolio. This compares with 3.6 percent at the end of fiscal 1988. Net income for fiscal 1989 was $263 million lower than it otherwise would have been as a result of interest income not accrued for these countries.

Other expenses include interest and issuance costs on borrowings, administrative expenses, and $60 million in contributions to special programs. Expenses totaled $7,120 million, down 5 percent from the previous year. Costs associated with IBRD borrowings—interest of $6,140 million and bond-issuance charges and other borrowing expenses of $156 million—were by far the IBRD's major expenditures. Administrative costs totaled $462 million, after deducting $259 million for the management fee charged to IDA, $3.5 million for the service-and-support fee charged to the IFC, and $311,000 charged to MIGA.

All of the $1,004 million of net income earned in fiscal 1988 was allocated in fiscal 1989 to the general reserve. This made a major contribution to the improvement of the IBRD's R/L ratio from 9.3 percent to 10.2 percent.

The IBRD's principal financial statements are expressed in U.S. dollars. Translation adjustments at market rates of exchange generally affect the IBRD's stated loan balances and other assets and liabilities, as well as the general reserve. Because the translation adjustment to loans was in rough proportion to that to reserves in fiscal 1989, the IBRD's R/L ratio was little affected by exchange-rate movements.

**Loans: IBRD.** As of the end of fiscal 1989, the IBRD held $127,918 million of loans. This included $14,972 million of loans that had been approved but not yet become effective and loans to the IFC of $1,077 million. Disbursed and outstanding loans, including $695 million to the IFC, totaled $77,942 million, a decrease of $3,849 million since June 30, 1988. The loan balance would have been $5,788 million higher but for translation adjustments.

Gross disbursements on loans to countries totaled $11,310 million in fiscal 1989, compared with $11,636 million in fiscal 1988. Since the IBRD began operations, it has disbursed $112,021 million to its borrowing member countries. Net disbursements dropped from $3.4 billion to $1.9 billion due to large prepayments by some members. These amounted to $2.6 billion, including $1.3 billion by Romania, $0.7 billion by the Republic of Korea, and $0.3 billion by Thailand.

Including prepayments, total repayments of principal on the IBRD's loans, based on exchange rates at the time of repayment, amounted to $9,454 million. Cumulative loan repayments as of June 30, 1989, based on exchange rates at the time of disbursement, were $43,933 million: $40,671 million to the IBRD and $3,262 million to purchasers of loans.

**Borrowings: IBRD.** Borrowings in international capital markets provide the major portion of the funds for the IBRD's lending operations and are supplemented by the other principal financial resources of the IBRD, which are its usable paid-in capital, accumulated earnings, and loan repayments. Total borrowings by the IBRD settled in fiscal 1989 consisted of $8,744 million of new medium-term and long-term borrowings, plus incremental short-term borrowings totaling $542 million (consisting of $505 million through the central bank facility and $37 million equivalent through the COPS program). The comparable fiscal 1988 amount was $10,832 million (see Table 4-2). This fiscal 1989 total does not include $3,019 million of yen-denominated refinancings of prepaid issues or rollovers out of short-term U.S. dollar borrowings that were outstanding at the end of fiscal 1988—some $2,568 million in short-term notes and $2,095 million in the central bank facility. Those refinancings brought the IBRD's gross borrowings for fiscal 1989 to $16,968 million, some $2,629 million under fiscal 1988 totals.

Direct short-term, medium-term, and long-term borrowings in U.S. dollars contributed the largest share (39 percent), before swaps, of the total borrowing program for fiscal 1989. The balance of the borrowing program consisted of direct borrowings of Japanese yen (22 percent, excluding refinancings), Deutsche mark (8 percent), Swiss francs (7 percent), and thirteen other currencies (24 percent).

After taking into account currency swaps, which changed the "effective" currency structure of the borrowing program, the borrowed currencies in fiscal year 1989 were United States dollars (62 percent), Japanese yen (19 percent), Swiss francs (11 percent), Deutsche mark (7 percent), and other currencies (1 percent).

**Swap transactions.** Twenty-nine currency-swap transactions were settled in fiscal 1989, aggregating $2,570 million.

Of the swaps completed during fiscal 1989, 82 percent were into U.S. dollars; the remainder were 15 percent into Swiss francs and 3 percent into yen. The currencies swapped out (vehicle currencies) reflect continued diversification. (See Table 4-3.)

**Sources of borrowings.** The IBRD sells its securities primarily in the private sector—markets where assets are offered to investors through public offerings, loans, and private placements. It also employs direct placement with official sources—governments, government institutions, and central banks. Of the 710 medium-term and long-term new borrowing operations that the IBRD conducted during fiscal 1989, including 656 COLTS transactions, 703 were in the private sector throughout the world and accounted for $7,758 million, or 84 percent, of total new funds borrowed. The other medium-term and long-term issues, totaling $986 million, or 11 percent of the new borrowings, were placed with official sources at market-based rates.

Short-term borrowings outstanding on June 30, 1989, net of unamortized discounts, totaled $5,164 million: $2,528 million in the discount-note market ($40 million less than the amount outstanding at the end of fiscal 1988); $2,600 million in official borrowings through the central bank facility (an increase of $505 million over the amount outstanding at the end of fiscal 1988); and $37 million in the new short-term Swiss franc borrowing program (COPS). This increase accounted for 5.8 percent of the fiscal year's program of new borrowings.

The IBRD's securities have been placed with investors in more than 100 countries throughout the world. Diversity in access allows the IBRD flexibility in selecting the markets that will allow optimum borrowing conditions; the same diversity lessens its dependence on any specific market.

A total of $8,139 million equivalent of debt, not including short-term notes, matured during the year. Additional debt, not including short-term notes, aggregating $3,513 million, was retired by means of sinking-fund and purchase-fund operations, and exercise of prepayment rights.

The IBRD's outstanding debt, net of discounts and premia, decreased by $4,165 million to $80,249 million as of June 30, 1989. These obligations were denominated in twenty-three different currencies and currency units. A summary classification of outstanding borrowings, by currency, at June 30, 1989, is set forth in the Summary Statements of Borrowings in the IBRD Financial Statements. (See page 192.)

**Cost of borrowings.** The cost, after swaps, of new borrowings by the IBRD in the fiscal year, weighted by amount, was 7.73 percent.

The equivalent figure for the $16,968 million of gross borrowings (new borrowings plus the refinancing of $4,663 million of short-term debt and $3,019 million of yen-denominated prepayments) was 7.64 percent. The average cost, after swaps, of total borrowings in fiscal 1989 is categorized as follows: fixed-rate medium-term and long-term borrowings of $8,744 million cost 7.68 percent, and incremental short-term borrowings of $542 million cost 8.67

*Table 4-4.* **Average Cost and Maturity of the IBRD's Total Borrowings Outstanding, Fiscal Years 1985–89**

| Year | Average principal outstanding (US$ millions) | Average cost (percentage) | Average maturity at year-end (years) |
|---|---|---|---|
| 1985 | 46,066 | 8.67 | 5.58 |
| 1986 | 61,815 | 8.25 | 6.16 |
| 1987 | 78,178 | 7.73 | 5.93 |
| 1988 | 88,269 | 7.47 | 6.54 |
| 1989 | 85,343 | 7.38 | 6.71 |

percent. In addition, refinancing of short-term borrowings outstanding at the end of fiscal 1988 cost 8.77 percent.

In recent years, the IBRD has used variable-rate and short-term borrowings to take advantage of lower interest rates at the short end of the yield curve in U.S. dollars. In fiscal 1989, however, the IBRD engaged in no new variable-rate borrowings.

The after-swap cost of the IBRD's average outstanding borrowings was 7.38 percent, compared with 7.47 percent for fiscal 1988. The average cost of total funds to the IBRD (debt plus equity, that is, usable capital, reserves, and retained earnings) was 6.31 percent, compared with 6.46 percent for the prior year. The cost, after swaps, of the IBRD's average outstanding borrowings for each of the past five fiscal years, as well as their average maturities at fiscal-year end, is summarized in Table 4-4.

**Prepayment of borrowings.** Prepayments were made by the IBRD of $3.4 billion equivalent on selected issues of its securities, primarily in Japanese yen ($3,085 million), in Austrian schillings ($47 million), in Belgian francs ($76 million), and in Swiss francs ($179 million). The IBRD refinanced $3,019 million of the yen prepayments, resulting in savings in present-value terms of $217 million equivalent for prepayments of which notice was given during fiscal 1989, and $296 million equivalent for prepayments settled in that year. The other prepaid borrowings (those not refinanced) would produce notional present-value savings of about $15 million over the remaining life of the borrowings, based on the estimated or actual refinancing costs at the time of the prepayment decision.

**Capitalization.** Capital subscribed in fiscal 1989 is shown in Table 4-5.

## IDA Finances

**IDA-9 negotiations.** The negotiations for the ninth replenishment of IDA resources (IDA-9) were launched with a meeting of IDA deputies in Washington, D.C., in February 1989 under the chairmanship of the Bank's senior vice president, finance. The IDA deputies, the representatives of the donor countries, reviewed IDA's programs as they had evolved in recent years as a basis for considering the role of IDA during the IDA-9 commitment period, fiscal years 1991–93.

In their discussions, deputies focused on IDA's role in adjustment lending, poverty reduction, the environment, human-resource development, aid coordination, and the allocation of IDA resources among countries and regions. They noted with approval the adaptations that IDA had made over the past four years to the changing needs of its borrowers. All deputies agreed that it was important to reach a timely agreement on an adequate IDA-9 so that resources would be available by July 1990, the beginning of the IDA-9 commitment period.

The second meeting of the IDA deputies was held on May 17-18 in London to consider issues related to the allocation, eligibility, and the size of the ninth replenishment. With regard to country allocations, deputies took the view that performance criteria should be applied universally. In addition to country size, relative poverty, and lack of creditworthiness, performance should be a key determinant of allocations to individual countries and performance criteria ought to include the quality of economic management and policies for poverty reduction and sustainable development. In addition, there was general agreement among the deputies in support of the proposal to increase emphasis on human-resource development. Deputies also emphasized IDA's role in supporting growth-oriented poverty reduction, population planning, environmental protection, institutional development, and women in development.

Three further meetings were planned for the remainder of calendar year 1989. The first was scheduled to take place in Copenhagen on July 6-7; the second was planned for September, to coincide with the annual meetings of the IMF and the Bank; the third was slated to be held in Kyoto in November. It is expected that negotiations would be concluded at the Kyoto meeting.

**IDA financial policies.** With the maturing of IDA's portfolio and an increasing number of credits reaching their twentieth year, a year in which amortization accelerates, repayments of IDA credits are expected to rise rapidly—from $188 million in fiscal 1989 to almost $900 million in fiscal 1999, making $5.4 billion available over the period.

**Table 4-5. Capital Subscriptions, Fiscal Year 1989**

| Type and country | Amount (SDR millions) |
|---|---|
| *General capital increase of 1980* | |
| Benin | 2.5 |
| Cape Verde | 11.8 |
| Comoros | 1.5 |
| Djibouti | 25.6 |
| Guinea-Bissau | 308.9 |
| Kiribati | 25.0 |
| Madagascar | 2.9 |
| Mauritania | 11.0 |
| Poland | 1.5 |
| Subtotal | 390.7 |
| *General capital increase of 1988* | |
| Australia | 788.0 |
| Austria | 485.4 |
| Barbados | 41.6 |
| Belgium | 472.0 |
| Botswana | 27.0 |
| Canada | 231.4 |
| Chile | 304.1 |
| Denmark | 449.8 |
| Finland | 75.1 |
| France | 828.0 |
| Germany, Federal Republic of | 3,176.7 |
| Hungary | 353.2 |
| Iceland | 55.2 |
| Indonesia | 131.4 |
| Ireland | 231.3 |
| Japan | 4,114.4 |
| Kenya | 108.0 |
| Luxembourg | 14.5 |
| Myanmar[a] | 18.1 |
| New Zealand | 63.5 |
| Norway | 113.5 |
| Portugal | 239.6 |
| St. Lucia | 24.2 |
| Sweden | 657.0 |
| Turkey | 323.8 |
| United Kingdom | 3,045.0 |
| United States | 1,381.6 |
| Subtotal | 17,753.4 |
| *Other increases in subscriptions* | |
| Algeria | 43.7 |
| Argentina | 62.4 |
| Australia | 17.8 |
| Bangladesh | 2.9 |
| Benin | 0.1 |
| Brazil | 23.5 |
| Burkina Faso | 0.9 |
| Burundi | 0.2 |
| Cameroon | 3.6 |
| Cape Verde | 0.4 |
| Central African Republic | 0.2 |
| Chad | 0.1 |
| Colombia | 6.6 |
| Comoros | 0.1 |
| Côte d'Ivoire | 10.0 |
| Ecuador | 9.4 |
| Egypt, Arab Republic of | 37.0 |
| Gabon | 7.4 |
| Guatemala | 6.3 |
| Guinea | 1.2 |
| Guinea-Bissau | 0.1 |
| Haiti | 1.0 |
| India | 130.5 |
| Indonesia | 7.1 |
| Iraq | 70.7 |
| Italy | 529.8 |
| Korea, Republic of | 166.4 |
| Lesotho | 1.0 |
| Mali | 0.9 |
| Mauritania | 1.1 |
| Mexico | 100.0 |
| Morocco | 4.2 |
| Netherlands | 254.4 |
| Nigeria | 33.6 |
| Oman | 12.0 |
| Paraguay | 4.5 |
| Poland | 278.4 |
| Seychelles | 0.2 |
| Sierra Leone | 0.3 |
| Somalia | 1.3 |
| Spain | 23.5 |
| Tanzania | 2.7 |
| Thailand | 21.4 |
| Turkey | 44.0 |
| Uganda | 3.4 |
| Yemen Arab Republic | 11.8 |
| Zambia | 5.2 |
| Subtotal | 1,943.3 |
| Grand total | 20,087.4 |

a. Formerly Burma

In the past, the Association made credit commitments against reflows only as they were actually received. This practice was continued until fiscal 1984, when the executive directors decided to set aside reflows to help meet a resource shortfall under IDA-5 arising from unfavorable movements of exchange rates. The IDA-5 shortfall has been fully covered, and reflows have become available for other uses. If this past approach of committing reflows only as they were received had been continued, in future years, as the volume of reflows became much larger, IDA would have had an excessively high level of liquidity.

On September 23, 1988, the executive directors approved the use of future repayments to increase the Association's commitment authority in advance of their actual receipt. They approved annual commitments of SDR525 million for the period fiscal 1989–93 in the form of advance commitments. In addition, annual allocations may be made out of investment earnings on donor contributions and the 10 percent of reflows that are not being committed in advance. The latter represents a supplement to IDA resources that are being made available in the form of fast-disbursing adjustment credits to support IDA-only countries that are not only implementing agreed adjustment programs, but have outstanding IBRD debt, as well. (For a complete list of those countries receiving IDA reflows in fiscal 1989, see Table 3-2 on page 44.)

**IDA Commitment Authority.** During fiscal 1989, the Association received additional IDA-8 notifications of participation representing about 11.5 percent of the IDA-8 basic replenishment from the following donors: Belgium, Brazil, Colombia, Italy, Luxembourg, Poland, Saudi Arabia, Spain, and Yugoslavia. At June 30, 1989, only Argentina had not submitted its formal notifications of participation in IDA-8. Its share in IDA-8, at rates agreed upon in the IDA-8 resolution, is 0.21 percent.

Because of the temporary shortfall in commitment authority at the beginning of fiscal 1989, donors were requested to advance the release of their IDA-8 second tranche prior to the scheduled release date of November 1, 1988. Donors that responded to this request included Austria, Denmark, Finland, France, Greece, Hungary, Iceland, Ireland, Japan, the Republic of Korea, Kuwait, Mexico, the Netherlands, New Zealand, Sweden, Turkey, and the United Kingdom. The IDA-8 second tranches eventually became effective on November 30, 1988, when the United States submitted its IDA-8 second installment.

The overall resources available for commitment in the fiscal year amounted to SDR4,319 million. This amount included both donor contributions and advance reflows. Against these resources, the Association approved 106 credits totaling SDR3,738 million.

**Special Facility for sub-Saharan Africa.** The facility was established on May 21, 1985, by a resolution of the IDA executive directors. The facility mobilized two types of resources: funds provided as direct contributions (60 percent) from thirteen bilateral donors and in the form of special joint financing (40 percent) from six bilateral donors. The IBRD also participated with a contribution to the facility of $150 million.

The facility is administered by IDA, and the resources made available in the form of direct contributions are kept separate from the resources of IDA. The contributions to the facility were fully committed by the Association for facility credits by the end of June 1988. Since its inception, the facility has extended credits, financed from direct contributions, special joint financing, and accumulated investment income, totaling SDR1,540 million, to twenty-five countries in sub-Saharan Africa. As of June 30, 1989, about 88 percent of the facility's commitments had been disbursed; the balance is expected to be disbursed in fiscal 1990.

## Disbursements by Source of Supply

Projects financed by the World Bank require foreign and local expenditures to achieve project goals. Disbursements are made to cover specific foreign costs and, in addition, are often made to finance some local expenditures.

The specific procurement rules and procedures to be followed in the execution of a project depend on the circumstances of the particular case. Three considerations, however, 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 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 development of local contractors and manufacturers in the borrowing country.

In most cases, these needs can be best realized through international competitive bidding, properly administered, and with suitable allowance for preferences for local or regional manufacturers of goods, and, where appropriate, for local contractors for works under prescribed conditions.

Through the end of fiscal year 1989, 64 percent of IBRD and IDA disbursements covered goods and services provided directly by suppliers located outside the borrowing coun-

**_Table 4-6._ IBRD and IDA Foreign and Local Disbursements, by Source of Supply**
(amounts in US$ millions equivalent)

| | Cumulative June 30, 1985 | | Fiscal 1986 | | Fiscal 1987 | | Fiscal 1988 | | Fiscal 1989 | | Cumulative June 30, 1989 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| *IBRD foreign disbursement* | | | | | | | | | | | | |
| Part I supplying countries | 40,876 | 45.2 | 3,819 | 33.3 | 5,676 | 38.4 | 5,025 | 32.7 | 5,259 | 34.9 | 60,655 | 41.2 |
| Non-Part I supplying countries | 4,834 | 5.3 | 716 | 6.2 | 1,452 | 9.8 | 1,773 | 11.6 | 1,514 | 10.1 | 10,290 | 7.0 |
| Total | 45,711 | 50.5 | 4,535 | 39.6 | 7,128 | 48.2 | 6,798 | 44.3 | 6,773 | 45.0 | 70,945 | 48.2 |
| *IDA foreign disbursement* | | | | | | | | | | | | |
| Part I supplying countries | 11,651 | 12.9 | 1,717 | 15.0 | 1,848 | 12.5 | 1,922 | 12.5 | 1,922 | 12.8 | 19,060 | 12.9 |
| Non-Part I supplying countries | 2,223 | 2.5 | 389 | 3.4 | 429 | 2.9 | 561 | 3.7 | 575 | 3.8 | 4,175 | 2.8 |
| Total | 13,873 | 15.3 | 2,106 | 18.4 | 2,277 | 15.4 | 2,483 | 16.2 | 2,497 | 16.6 | 23,235 | 15.8 |
| IBRD and IDA foreign disbursements | 59,584 | 65.8 | 6,641 | 58.0 | 9,405 | 63.6 | 9,281 | 60.4 | 9,270 | 61.5 | 94,180 | 64.0 |
| IBRD and IDA local disbursements | 30,942 | 34.2 | 4,817 | 42.0 | 5,373 | 36.4 | 6,072 | 39.6 | 5,797 | 38.5 | 53,001 | 36.0 |
| Grand total | 90,526 | 100.0 | 11,458 | 100.0 | 14,777 | 100.0 | 15,353 | 100.0 | 15,066 | 100.0 | 147,181 | 100.0 |

NOTE: IBRD figures exclude disbursements on loans to the IFC and "B" loans. IDA figures include Special Fund and Special Facility for sub-Saharan African credits and exclude exchange adjustments in fiscal years 1972–73. Details may not add to totals because of rounding.

try. While most foreign procurement comes from suppliers in developed member countries and Switzerland, developing-country suppliers have become increasingly effective in winning contract awards. Through the end of fiscal 1985, disbursements to these suppliers amounted to 7.8 percent. During fiscal year 1989, the amount was 13.9 percent.

Table 4-6 shows consolidated foreign and local disbursements to the end of fiscal 1985, for each of the next four fiscal years, and to the end of fiscal 1989.

Locally produced goods and services usually include a significant foreign-exchange component. Cumulative local disbursements increased from 34.2 percent at the end of fiscal 1985 to about 39 percent at the end of fiscal 1989. Table 4-7 shows disbursements made in fiscal 1989 by the IBRD and IDA for local procurement from selected non-Part I countries and disbursements made for goods, works, and services procured from them by World Bank borrowers.

Table 4-8 shows IBRD and IDA foreign disbursements by supplying Part I and selected non-Part I countries.

Table 4-9 is a record of IBRD and IDA foreign disbursements for goods, works, and services from Part I and selected non-Part I countries in fiscal 1989.

## Cofinancing

The total volume of cofinancing anticipated in support of World Bank-assisted operations approved in fiscal 1989 reached an unprecedented $9.9 billion. For the first time ever, more than half of all World Bank-assisted projects and programs attracted some form of cofinancing (see Table 4-10). By region, 31 percent of the cofinancing volume was for operations in Asia, 26 percent in Africa, 22 percent in Latin America and the Caribbean, and 21 percent in the Europe, Middle East, and North Africa region. In terms of operations, the distribution by region indicates that 45 percent was in Africa, 26 percent in Asia, 15 percent in Latin America and the Caribbean, and 14 percent in the Europe, Middle East, and North Africa region.

The largest source of cofinancing continued to be official bilateral aid agencies and multilateral development institutions, which, together, accounted for $5.7 billion. Export-

***Table 4-7.*** **IBRD and IDA Disbursements for Goods, Works, and Services Procured from Selected Non-Part I Countries, Fiscal Year 1989**
(amounts in US$ millions equivalent)

| Non-Part I countries | Local procurement | Foreign procurement | Total amount | Percentage of total disbursements[a] |
|---|---|---|---|---|
| India | 1,165 | 67 | 1,232 | 8.2 |
| Indonesia | 767 | 62 | 830 | 5.5 |
| Brazil | 561 | 217 | 779 | 5.2 |
| Mexico | 626 | 33 | 659 | 4.4 |
| China | 310 | 174 | 483 | 3.2 |
| Korea, Republic of | 313 | 169 | 483 | 3.2 |
| Argentina | 138 | 217 | 355 | 2.4 |
| Colombia | 167 | 44 | 212 | 1.4 |
| Pakistan | 168 | 33 | 201 | 1.3 |
| Morocco | 181 | 13 | 194 | 1.3 |
| Singapore | 1 | 192 | 193 | 1.3 |
| Yugoslavia | 65 | 111 | 176 | 1.2 |
| Chile | 116 | 27 | 142 | 0.9 |
| Malaysia | 96 | 43 | 139 | 0.9 |
| Philippines | 105 | 5 | 111 | 0.7 |
| Iraq | — | 103 | 103 | 0.7 |
| Turkey | 48 | 55 | 103 | 0.7 |
| Bangladesh | 88 | 13 | 101 | 0.7 |
| Thailand | 64 | 23 | 86 | 0.6 |
| Spain | — | 76 | 76 | 0.5 |
| Côte d'Ivoire | 57 | 17 | 75 | 0.5 |
| Portugal | 33 | 26 | 59 | 0.4 |
| Nigeria | 23 | 35 | 58 | 0.4 |
| Tunisia | 51 | 4 | 55 | 0.4 |
| Jordan | 26 | 12 | 37 | 0.2 |
| Romania | 1 | 34 | 36 | 0.2 |
| Papua New Guinea | 35 | — | 35 | 0.2 |
| Bolivia | 26 | 8 | 34 | 0.2 |
| Kenya | 19 | 15 | 33 | 0.2 |
| Sri Lanka | 28 | 3 | 30 | 0.2 |
| Poland | — | 29 | 29 | 0.2 |
| Cameroon | 25 | 3 | 28 | 0.2 |
| Hungary | 5 | 23 | 27 | 0.2 |
| Senegal | 16 | 12 | 27 | 0.2 |
| Niger | 26 | 1 | 27 | 0.2 |
| Saudi Arabia | — | 26 | 26 | 0.2 |
| Ecuador | 24 | 1 | 26 | 0.2 |
| Malawi | 22 | 2 | 24 | 0.2 |
| Ethiopia | 22 | 1 | 23 | 0.2 |
| Oman | 8 | 12 | 20 | 0.1 |
| Total | 5,426 | 1,942 | 7,367 | 48.9 |

NOTE: Details may not add to totals because of rounding.
a. Refers to developing-country shares of total disbursements.

## *Table 4-8.* IBRD and IDA Foreign Disbursements, by Source of Supply

(amounts in US$ millions equivalent)

| | IBRD cumulative to June 30, 1988 | | IBRD fiscal 1989 | | IDA cumulative to June 30, 1988 | | IDA fiscal 1989 | |
|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| *Part I supplying countries* | | | | | | | | |
| Australia | 557 | 0.9 | 126 | 1.9 | 246 | 1.2 | 33 | 1.3 |
| Austria | 643 | 1.0 | 71 | 1.1 | 118 | 0.6 | 11 | 0.4 |
| Belgium | 942 | 1.5 | 84 | 1.2 | 544 | 2.6 | 83 | 3.3 |
| Canada | 1,449 | 2.3 | 197 | 2.9 | 416 | 2.0 | 45 | 1.8 |
| Denmark | 331 | 0.5 | 26 | 0.4 | 147 | 0.7 | 15 | 0.6 |
| Finland | 210 | 0.3 | 37 | 0.6 | 52 | 0.2 | 9 | 0.4 |
| France | 4,444 | 6.9 | 361 | 5.3 | 2,038 | 9.8 | 275 | 11.0 |
| Germany, Federal Republic of | 7,676 | 12.0 | 621 | 9.2 | 2,224 | 10.7 | 237 | 9.5 |
| Iceland | 3 | * | 1 | * | 1 | * | — | — |
| Ireland | 54 | 0.1 | 12 | 0.2 | 24 | 0.1 | 7 | 0.3 |
| Italy | 3,973 | 6.2 | 312 | 4.6 | 1,002 | 4.8 | 71 | 2.9 |
| Japan | 10,073 | 15.7 | 1,049 | 15.5 | 2,980 | 14.4 | 272 | 10.9 |
| Kuwait | 130 | 0.2 | 29 | 0.4 | 68 | 0.3 | 11 | 0.4 |
| Luxembourg | 44 | 0.1 | 9 | 0.1 | 25 | 0.1 | 1 | * |
| Netherlands | 1,133 | 1.8 | 105 | 1.5 | 477 | 2.3 | 66 | 2.6 |
| New Zealand | 101 | 0.2 | 13 | 0.2 | 29 | 0.1 | 9 | 0.4 |
| Norway | 162 | 0.3 | 16 | 0.2 | 44 | 0.2 | 15 | 0.6 |
| South Africa | 262 | 0.4 | 21 | 0.3 | 179 | 0.9 | 39 | 1.6 |
| Sweden | 1,138 | 1.8 | 92 | 1.4 | 298 | 1.4 | 18 | 0.7 |
| Switzerland | 2,610 | 4.1 | 317 | 4.7 | 592 | 2.9 | 69 | 2.8 |
| United Arab Emirates | 346 | 0.5 | 18 | 0.3 | 207 | 1.0 | 35 | 1.4 |
| United Kingdom | 5,121 | 8.0 | 546 | 8.1 | 2,941 | 14.2 | 389 | 15.6 |
| United States | 13,994 | 21.8 | 1,196 | 17.7 | 2,486 | 12.0 | 212 | 8.5 |
| Total | 55,396 | 86.3 | 5,259 | 77.6 | 17,138 | 82.6 | 1,922 | 77.0 |
| *Non-Part I supplying countries* | | | | | | | | |
| Argentina | 375 | 0.6 | 196 | 2.9 | 15 | 0.1 | 21 | 0.9 |
| Brazil | 664 | 1.0 | 172 | 2.5 | 122 | 0.6 | 45 | 1.8 |
| Chile | 255 | 0.4 | 14 | 0.2 | 6 | * | 13 | 0.5 |
| China | 175 | 0.3 | 76 | 1.1 | 261 | 1.3 | 98 | 3.9 |
| Colombia | 227 | 0.4 | 44 | 0.6 | 4 | * | — | — |
| India | 291 | 0.5 | 32 | 0.5 | 338 | 1.6 | 36 | 1.4 |
| Indonesia | 179 | 0.3 | 52 | 0.8 | 14 | 0.1 | 11 | 0.4 |
| Iraq | 358 | 0.6 | 103 | 1.5 | 23 | 0.1 | * | — |
| Korea, Republic of | 436 | 0.7 | 139 | 2.1 | 432 | 2.1 | 30 | 1.2 |
| Malaysia | 199 | 0.3 | 25 | 0.4 | 130 | 0.6 | 19 | 0.7 |
| Mexico | 265 | 0.4 | 31 | 0.5 | 62 | 0.3 | 2 | 0.1 |
| Nigeria | 92 | 0.1 | 7 | 0.1 | 35 | 0.2 | 28 | 1.1 |
| Pakistan | 90 | 0.1 | 19 | 0.3 | 95 | 0.5 | 14 | 0.6 |
| Poland | 8 | * | 26 | 0.4 | 1 | * | 3 | 0.1 |
| Romania | 169 | 0.3 | 27 | 0.4 | 46 | 0.2 | 8 | 0.3 |
| Saudi Arabia | 248 | 0.4 | 25 | 0.4 | 113 | 0.5 | 1 | 0.1 |
| Singapore | 361 | 0.6 | 165 | 2.4 | 248 | 1.2 | 27 | 1.1 |
| Spain | 676 | 1.1 | 62 | 0.9 | 143 | 0.7 | 14 | 0.6 |
| Turkey | 134 | 0.2 | 55 | 0.8 | 14 | 0.1 | 1 | * |
| Yugoslavia | 653 | 1.0 | 106 | 1.6 | 132 | 0.6 | 5 | 0.2 |
| Others | 2,921 | 4.6 | 141 | 2.1 | 1,367 | 6.6 | 199 | 8.0 |
| Total | 8,776 | 13.7 | 1,514 | 22.4 | 3,601 | 17.4 | 575 | 23.0 |
| Total foreign disbursements | 64,172 | 100.0 | 6,773 | 100.0 | 20,738 | 100.0 | 2,497 | 100.0 |

NOTE: * negligible; — nil.

Details may not add to totals because of rounding.

## *Table 4-9.* IBRD and IDA Foreign Disbursements, by Source of Supply and Description of Goods, Fiscal Year 1989

(amounts in US$ millions equivalent)

| Source | Equipment | | Civil works | | Consultants | | All other goods | | Total disbursements | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| *Part I supplying countries* | | | | | | | | | | |
| Australia | 26 | 0.7 | — | — | 11 | 1.7 | 122 | 2.8 | 159 | 1.7 |
| Austria | 58 | 1.5 | — | — | 2 | 0.2 | 23 | 0.5 | 82 | 0.9 |
| Belgium | 61 | 1.6 | 2 | 0.4 | 21 | 3.2 | 84 | 1.9 | 167 | 1.8 |
| Canada | 53 | 1.4 | 9 | 1.6 | 48 | 7.5 | 133 | 3.1 | 242 | 2.6 |
| Denmark | 11 | 0.3 | 4 | 0.7 | 7 | 1.1 | 18 | 0.4 | 41 | 0.4 |
| Finland | 27 | 0.7 | — | — | 1 | 0.1 | 19 | 0.4 | 47 | 0.5 |
| France | 230 | 6.1 | 44 | 8.3 | 97 | 15.2 | 265 | 6.1 | 636 | 6.9 |
| Germany, Federal Republic of | 486 | 12.9 | 28 | 5.4 | 49 | 7.7 | 294 | 6.8 | 858 | 9.3 |
| Iceland | — | — | — | — | — | — | 1 | * | 1 | * |
| Ireland | 2 | * | — | — | 5 | 0.7 | 12 | 0.3 | 19 | 0.2 |
| Italy | 170 | 4.5 | 69 | 13.0 | 14 | 2.1 | 131 | 3.0 | 384 | 4.1 |
| Japan | 904 | 24.0 | 85 | 16.0 | 17 | 2.6 | 316 | 7.3 | 1,321 | 14.3 |
| Kuwait | — | — | — | — | — | — | 40 | 0.9 | 40 | 0.4 |
| Luxembourg | 5 | 0.1 | 1 | 0.2 | 1 | 0.1 | 4 | 0.1 | 10 | 0.1 |
| Netherlands | 53 | 1.4 | 4 | 0.7 | 22 | 3.4 | 92 | 2.1 | 170 | 1.8 |
| New Zealand | 1 | * | — | — | 6 | 0.9 | 16 | 0.4 | 22 | 0.2 |
| Norway | 6 | 0.2 | — | — | 1 | 0.2 | 24 | 0.6 | 31 | 0.3 |
| South Africa | 16 | 0.4 | * | 0.1 | — | — | 44 | 1.0 | 60 | 0.6 |
| Sweden | 63 | 1.7 | 4 | 0.7 | 5 | 0.8 | 38 | 0.9 | 110 | 1.2 |
| Switzerland | 143 | 3.8 | 29 | 5.5 | 17 | 2.7 | 197 | 4.5 | 386 | 4.2 |
| United Arab Emirates | 13 | 0.3 | 2 | 0.4 | 2 | 0.3 | 36 | 0.8 | 53 | 0.6 |
| United Kingdom | 329 | 8.8 | 21 | 4.1 | 115 | 17.9 | 470 | 10.8 | 935 | 10.1 |
| United States | 495 | 13.2 | 12 | 2.3 | 133 | 20.8 | 768 | 17.7 | 1,408 | 15.2 |
| Total | 3,150 | 83.8 | 313 | 59.2 | 573 | 89.3 | 3,145 | 72.4 | 7,181 | 77.5 |
| *Non-Part I supplying countries* | | | | | | | | | | |
| Argentina | 19 | 0.5 | 4 | 0.8 | 8 | 1.2 | 186 | 4.3 | 217 | 2.3 |
| Brazil | 120 | 3.2 | 1 | 0.2 | 2 | 0.3 | 94 | 2.2 | 217 | 2.3 |
| Chile | 11 | 0.3 | — | — | — | — | 15 | 0.4 | 27 | 0.3 |
| China | 22 | 0.6 | 74 | 14.0 | 1 | 0.1 | 77 | 1.8 | 174 | 1.9 |
| Colombia | 3 | 0.1 | 2 | 0.5 | 1 | 0.2 | 38 | 0.9 | 44 | 0.5 |
| India | 29 | 0.8 | 7 | 1.3 | 11 | 1.7 | 20 | 0.5 | 67 | 0.7 |
| Indonesia | 28 | 0.8 | 11 | 2.2 | 2 | 0.2 | 21 | 0.5 | 62 | 0.7 |
| Iraq | — | — | — | — | — | — | 103 | 2.4 | 103 | 1.1 |
| Korea, Republic of | 101 | 2.7 | 16 | 3.1 | 3 | 0.4 | 50 | 1.1 | 169 | 1.8 |
| Malaysia | 8 | 0.2 | — | — | — | 0.1 | 35 | 0.8 | 43 | 0.5 |
| Mexico | 9 | 0.2 | — | — | — | — | 25 | 0.6 | 33 | 0.4 |
| Nigeria | 1 | * | 1 | 0.1 | — | — | 33 | 0.8 | 35 | 0.4 |
| Pakistan | 8 | 0.2 | — | — | 1 | 0.1 | 24 | 0.6 | 33 | 0.4 |
| Poland | 8 | 0.2 | 2 | 0.4 | — | — | 19 | 0.4 | 29 | 0.3 |
| Romania | 10 | 0.3 | 1 | 0.1 | — | — | 24 | 0.6 | 34 | 0.4 |
| Saudi Arabia | 1 | * | — | — | — | — | 25 | 0.6 | 26 | 0.3 |
| Singapore | 49 | 1.3 | 5 | 0.9 | 8 | 1.3 | 130 | 3.0 | 192 | 2.1 |
| Spain | 21 | 0.6 | 6 | 1.2 | 1 | 0.2 | 48 | 1.1 | 76 | 0.8 |
| Turkey | 26 | 0.7 | 9 | 1.7 | 1 | 0.2 | 19 | 0.4 | 55 | 0.6 |
| Yugoslavia | 65 | 1.7 | 33 | 6.2 | — | — | 13 | 0.3 | 111 | 1.2 |
| Others | 70 | 1.9 | 42 | 8.0 | 29 | 4.5 | 199 | 4.6 | 340 | 3.7 |
| Total | 608 | 16.2 | 215 | 40.8 | 69 | 10.7 | 1,197 | 27.6 | 2,089 | 22.5 |
| Total foreign disbursements | 3,758 | 100.0 | 528 | 100.0 | 641 | 100.0 | 4,342 | 100.0 | 9,270 | 100.0 |

NOTE: * = negligible. — = nil. Details may not add to totals because of rounding. Excludes disbursements on B-loans and loans to the IFC.

**Table 4-10. World Bank Cofinancing Operations, by Region, Fiscal Years 1988–89**
(amounts in U.S.$ millions)

| Region and year | Project No. | Project Amount | Cofinancers' contribution: Official No. | Official Amount | Export credit No. | Export credit Amount | Private No. | Private Amount | Bank participation: IBRD | IDA | Total project costs |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Africa | | | | | | | | | | | |
| 1988 | 52 | 1,935.6 | 52 | 1,908.3 | 0 | 0.0 | 2 | 30.3 | 292.9 | 1,758.4 | 4,803.9 |
| 1989 | 60 | 2,620.3 | 60 | 2,337.4 | 3 | 282.9 | 0 | 0.0 | 1,004.1 | 1,844.0 | 6,549.0 |
| Asia | | | | | | | | | | | |
| 1988 | 23 | 558.4 | 16 | 285.1 | 7 | 254.5 | 2 | 18.8 | 1,518.0 | 361.4 | 5,759.2 |
| 1989 | 34 | 3,092.1 | 31 | 815.5 | 7 | 1,485.6 | 2 | 791.0 | 3,951.7 | 405.2 | 14,432.4 |
| Europe, Middle East, and North Africa | | | | | | | | | | | |
| 1988 | 18 | 2,659.1 | 11 | 597.2 | 8 | 1,658.9 | 3 | 403.0 | 1,365.1 | 205.1 | 5,676.7 |
| 1989 | 18 | 2,089.1 | 15 | 1,548.4 | 3 | 272.0 | 1 | 268.7 | 1,600.8 | 153.5 | 6,770.7 |
| Latin America and the Caribbean | | | | | | | | | | | |
| 1988 | 7 | 1,250.9 | 6 | 445.9 | 2 | 605.0 | 1 | 200.0 | 579.3 | 42.0 | 2,055.0 |
| 1989 | 19 | 2,141.4 | 14 | 985.0 | 8 | 1,156.4 | 0 | 0.0 | 2,690.8 | 101.7 | 8,062.4 |
| Total | | | | | | | | | | | |
| 1988 | 100 | 6,407.1 | 85 | 3,236.5 | 17 | 2,518.4 | 8 | 652.1 | 3,755.3 | 2,366.9 | 18,294.7 |
| 1989 | 131 | 9,942.9 | 120 | 5,686.3 | 21 | 3,196.9 | 3 | 1,059.7 | 9,247.4 | 2,504.4 | 35,814.4 |

NOTE: These figures are based on the proposed financing plan at the time of Board presentation and are subsequently modified to reflect actual financing commitments as they are arranged. The number of cofinancings by source is greater than the number of projects cofinanced because many projects are cofinanced by more than one source. Details may not add to totals because of rounding.

a. Amounts include cofinancing with untied loans from the Export-Import Bank of Japan.

credit flows increased significantly over the volume of recent years, reaching an estimated $3.2 billion, including approximately $1 billion from the untied loan facility of the Export-Import Bank of Japan. Commercial-bank cofinancing accounted for $1.1 billion.

In fiscal 1989, the volume of cofinancing with official aid agencies reflected a large increase in commitments from the whole of the donor community, as the Bank continued efforts to coordinate its lending activities with those of other multilateral and bilateral donors. Cofinancing consultations were held with representatives of eleven such agencies during the year. To date, consultant trust funds have been established with twenty-two donors. Under these agreements, donors have committed about $28 million in grant funds to support World Bank operational work. Discussions with other prospective donors for establishing consultant trust funds are under way.

Fiscal 1989 was the second year of the three-year, multidonor special program of assistance (SPA) in support of adjustment programs in sub-Saharan Africa. In addition to the fiscal 1989 cofinancing amount of $2.620 million to the Africa region as a whole, some $1.1 billion in coordinated financing (quick-disbursing financing administered by donors) was provided to the group of twenty-two countries eligible for SPA funding.

The government of Japan has appointed the Bank as administrator of a ¥30 billion untied grant facility. These untied grants are intended mainly for technical assistance in project preparatory and implementation work in countries that are borrowers of IBRD funds. Japan has contributed a total of ¥25 billion to the facility.

Over the past three fiscal years, the untied loan facility of the Export-Import Bank of Japan has been particularly important for the World Bank's cofinancing program. Under this facility, the Export-Import Bank of Japan provides capital to developing-country borrowers on an untied basis. To date, thirteen loan agreements have been concluded between the Export-Import Bank of Japan and World Bank borrowers for a total of $3.9 billion equivalent in cofinancing, of which five agreements, for a total of $1.2 billion equivalent, were concluded in fiscal 1989. A number of additional operations are under active consideration for a similar volume of cofinancing in fiscal 1990.

The enhanced contacts between the World Bank and export-credit agencies over the past few years have contributed to the adoption by these agencies of policies that are increasingly more helpful to the adjustment efforts of the highly indebted, middle-income countries. The last meeting (in May 1988) of the Bank with industrial-country export-credit agencies explored a new area of possible operational collaboration to facilitate greater export-credit support for private-sector initiatives in developing countries. Possible modalities for such collaboration are currently being discussed by Bank staff with a working group set up by the Berne Union.

# Section Five
# World Bank Policies and Operations

## Review of Experience with Adjustment Lending

A comprehensive review of the World Bank's experience with adjustment lending[1] concludes that, by and large, average economic performance during the 1980s of countries that received support for adjustment—as measured by a number of indicators—was moderately better than that of countries which did not.[2]

The study noted that the average improvements in growth and the resource balance were greater for adjusting countries than for nonadjusting countries. In addition, the improved performance was noteworthy because adjusting countries faced larger external shocks than did the nonadjusting countries during the adjustment process.

The review, which was undertaken by a team under the leadership of the Bank's vice president for development economics and chief economist, also reaffirmed that, given the high economic and social costs of rapid forced adjustment to the severe shocks of the decade, quickly disbursing loans should continue to be a major form of Bank assistance—but with refinements and clarifications in their design and implementation so as to strengthen their effectiveness.

**Measuring Adjustment's Successes.** To measure the success of adjustment operations, the Bank study compared the experience of thirty adjusting countries that had received Bank adjustment loans before 1985 (and, more particularly, of twelve that had received three or more such loans before 1986)[3] with a control group of sixty-three countries that had not.

Among the group of thirty, which, on the average, faced larger external shocks than did the group of sixty-three, several aspects of performance stood out:

- The relative growth of about half the recipients of adjustment lending improved.
- The real exchange rate depreciated more for about two thirds of the thirty countries, mirrored in the relative improvement for exports and the current account.
- The burden of adjustment fell heavily on investment: There was a relative worsening of the investment/gross domestic product (GDP) ratio for nearly two thirds of the group of thirty.
- Inflation fell in about half of the group of thirty countries.
- External-debt indicators improved for about half the recipients of adjustment lending, especially among the low-income ones.
- The dozen "adjustment-intensive" countries improved their relative performance in 62 percent of the cases for low-income countries and 63 percent for middle-income countries. Nine improved their position on external balance and eight on GDP growth and debt service.

The Bank study cautioned, however, that, because it was not possible to isolate the effects of adjustment lending from other factors (such as external shocks and prevailing distortions), its conclusions about the effects of adjustment lending had to be based on incomplete evidence.

The study also noted that, despite the presence of indicators showing relative improvements, several factors continue to bring the sustainability of adjustment programs into

[1] World Bank, *Adjustment Lending: An Evaluation of Ten Years of Experience*. Policy and Research Report 1 (Washington, D.C., March 1989).

[2] Structural-adjustment lending was initiated in 1980 in response to the serious balance-of-payments problems—stemming mainly from a sharp deterioration in terms of trade and from a legacy of weaknesses in domestic policies and institutions—affecting many developing countries.

It was initially expected that structural-adjustment loans to a country would continue for three to five years. Adjustment lending has intensified, however, rather than disappeared, as developments in the 1980s departed greatly from what was expected at the start of the decade. The terms of trade for most developing countries deteriorated further, real interest rates increased, the debt crisis and worldwide recession spread, and industrial-country growth remained below the levels of earlier decades. Moreover, the scope of adjustment lending widened with the introduction of less comprehensive sectoral-adjustment loans.

[3] Brazil, Côte d'Ivoire, Ghana, Jamaica, Kenya, Republic of Korea, Malawi, Morocco, Pakistan, the Philippines, Turkey, and Zambia.

question. Investment ratios have declined, and budget deficits are higher in the highly indebted and sub-Saharan African countries. Although current-account deficits have been reduced, debt-service ratios, and especially debt-export ratios, have increased. It is not possible, therefore, to conclude that the adjusting countries are growing out of debt.

In addition, progress has slowed in nutrition, infant mortality, life expectancy, and primary school enrollments, giving rise to the proper concern over the "social costs of adjustment." Although there have been clear gainers produced by adjustment programs—typically, agricultural producers and exporters—scattered and anecdotal evidence suggests that their stabilization components have often initially hurt welfare, especially in low-income countries, generally, and sub-Saharan African countries, in particular.

**Program Design and Implementation.** Government programs supported by adjustment lending have tended to have three distinct elements.

First, the programs have set out a number of broad objectives to be achieved over the medium term. These objectives have included targets for key macroeconomic variables (savings rates, current-account deficits, and aggregate or sectoral growth rates, for instance) and for important sectoral variables (such as crop diversification and the development of export industries or domestic energy sources).

Second, the programs have included a broad set of measures to be introduced in the medium term in support of those objectives, such as increasing the scope of taxation or cost recovery, as well as improving incentives for exports or agricultural products.

Third, the programs have detailed a set of specific actions that the government planned to undertake over twelve to eighteen months and that the Bank would monitor.

To facilitate monitoring and to ensure that progress is appropriate, adjustment loans generally have been tranched; disbursements of remaining commitments (the second or third tranche) depend on satisfactory compliance with a number of key conditions and with the implementation of the program in general.

According to the Bank's review, a detailed examination of the experience in implementing conditionality in fifty-one adjustment loans in fifteen countries supports several generalizations:

- About 60 percent of the conditions in structural-adjustment loans and sectoral-adjustment loans were implemented fully, or more than fully. That rate increased to more than 80 percent if conditions on which progress was deemed to be "substantial" were also included.
- There was great variation, however, in implementational success. Policy changes were clearly implemented quite successfully in some areas (exchange-rate management, energy and agricultural pricing, financial-sector reforms, and budget/public-expenditure policy). Changes in other areas (industrial policies, tax reforms, and some aspects of public-enterprise reforms), however, were slower or less successful.
- Performance in implementing conditionality did not vary sharply between groups of countries.
- Performance on adhering to key conditions—those four or five program elements on which governments and the Bank put particular emphasis because they are expected to make a significant contribution to stabilization or adjustment in the short run—was, on balance, better than performance in adhering to all conditions (68 percent as compared with 60 percent, respectively).

The review of adjustment lending also reiterated findings from previous years—that adjustment programs were better implemented in those cases in which governments "owned" the program, and hence, were committed to carrying it through. Thus, progress towards adjustment was most marked in Asia and Latin America, the two regions in which governmental involvement in the design of programs was the greatest.

Conversely, progress was weakest in sub-Saharan Africa, where, although countries were in urgent need of resources, specific knowledge of what reforms were both desirable and feasible was often poor. The report notes, however, a growing consensus among these countries and the Bank about the essential problems and specific remedies, and, as reported elsewhere in this *Annual Report* (page 106), nearly thirty sub-Saharan African countries are now implementing programs of structural adjustment, with encouraging signs of progress.

**Future Directions in Adjustment Lending.** Because of the continued need for physical and human infrastructure in its developing member countries, the Bank will continue to rely on projects for the majority of its development lending. Adjustment lending remains a valuable operational vehicle, however, and although adjustment lending is a high-risk activity, risks can be reduced, rewards improved, and effects strengthened.

To this end, the review carried a number of recommendations to guide further lending for adjustment. Discussion of these by the executive board yielded five areas of general agreement:

*On the importance of meeting prerequisites.* Adjustment loans providing quickly disbursing finance for general imports should be undertaken only when three prerequisites are satisfactorily fulfilled: that, in addition to agreement on the specific actions that are conditions for effectiveness or tranche release, there should be an understanding with the government on its overall structural-adjustment program; that governments "own" the program; and that the adjustment process be realistic—that is, sufficiently restrictive to be consistent with the available financing, but not so restrictive as to prove socially and politically unacceptable and therefore unsustainable.

*On the establishment of key conditions.* In formulating adjustment loans, there should be a continuation of the trend towards fewer conditions that are so clearly defined there can be little uncertainty about whether they have been fulfilled. These conditions should relate to policy changes and institutional changes that are under the direct control of the borrower and not to performance targets. Economic performance is what matters in the long run, but unexpected external factors can affect economic performance. There are also lags, of variable length, between the adoption of adjustment measures and their effects on performance. However, in a series of adjustment operations, the required policy actions under subsequent operations would inevitably be adjusted in the light of progress of economic performance.

*On limits of adjustment lending.* Whether IBRD or IDA financing is involved, adjustment with growth clearly requires a mix of balance-of-payments support and more traditional sector and project financing. In view of the Bank's primary role as a development institution, the predominant share of the Bank's lending portfolio should continue to contain sector and project financing. In order to provide assurance that the Bank is not pursuing an inappropriate lending mix, an overall limit on adjustment lending is desirable.

In the case of IBRD loans, the 25 percent overall limit for adjustment operations recommended for portfolio-management purposes should continue. In the case of IDA, the Bank and donors, under the eighth replenishment of IDA resources, agreed on an overall level of lending of between 24 percent and 28 percent for adjustment operations. The IDA limits will be reviewed during negotiations on IDA's ninth replenishment.

*On dealing with the social costs of adjustment.* There is a need for greater emphasis on ways to lower the social costs of adjustment. This will require both a better understanding of the effect of adjustment policies on the poor and on the design of programs and interventions to help the poor. Support for programs designed to ameliorate the social costs of adjustment should be intensified.

*On monitoring the macroeconomic framework for sector-adjustment operations.* The reforms supported by structural-adjustment loans normally include specific measures that can be expected to contribute to reducing, over the medium term, the macroeconomic imbalances that gave rise to the need for loans for balance-of-payments support.

This may not be the case for sectoral-adjustment loans, however. Instead, they may focus on other important concerns—including relatively longer-run efforts to improve economic efficiency or the effectiveness of government programs in the area concerned. To insist that all sectoral-adjustment loans should include policy conditions that contribute directly to medium-term reduction in the macroeconomic imbalances would restrict the flexibility with which adjustment lending is used and may lead to a reduced focus in these operations on longer-term sectoral issues. Nevertheless, given the nature of financing, it is important, in the context of a sectoral-adjustment loan, that the Bank be satisfied as to the soundness of the government's overall structural-adjustment program, including short-term stabilization, as well as longer-term development objectives. The current approach is to be monitored for a period of eighteen months, after which management of the Bank will reassess its adequacy with respect to improving macroeconomic management.

**Looking to the Future.** The Bank's evolving structural-adjustment policy implies a somewhat more selective approach to quick-disbursing adjustment lending. It should strengthen confidence that an adequate macroeconomic program is being maintained by the review of recent developments at the time any adjustment operation is presented to the executive board, and also, when any later tranches are to be released. It also calls for a closer application of the specific conditions associated with disbursement of adjustment financing.

The increase in selectivity should provide greater assurance that quick-disbursing lending for balance-of-payments support will complement, rather than substitute for, structural reforms by the borrowing country. But, it might slow down the pace of adjustment lending—at least initially. Developing a consensus on the appropriate strategy and working out a program that a country genuinely owns may

**Box 5-1. Adjustment and the Poor**

Little is known about the overall effect of adjustment programs on poverty. To a large extent, this is because it is difficult to distinguish the effects of externally induced recession from the effects of the policies and programs designed to offset them. Nevertheless, one clear lesson from experience with adjustment programs has been that failure to adjust is likely to hurt the poor and that an orderly adjustment process is indispensable to improve the long-term position of the poor.

At the same time, the poor may be adversely affected during the adjustment process. Broadly, these adverse effects may result from increases in unemployment and reductions in wage rates resulting from changes in economywide incentive structures or from reductions in public-sector employment and from cuts in public expenditures and consumer subsidies. The likelihood of such effects must be kept in mind when designing adjustment programs, and remedial actions must be considered.

Expenditure cuts have a contractional effect and many public-sector employees and unskilled and semiskilled workers involved in infrastructure or the provision of public service are likely to become unemployed or suffer cuts in real wages. The transition to new jobs may be slow and difficult because of constraints to labor mobility or because of mismatching skills. Such cuts are likely to exacerbate poverty, particularly in urban areas. Several compensatory programs are intended to address these issues, for example, by providing severance payments or retraining to those who become unemployed.

Beyond the direct and indirect effect on employment and income, cuts in public expenditure may slow investment and have a lasting adverse effect on productive and social infrastructure and services. Such cuts may hurt the poor because these services can be an effective way to enhance their productivity in the long run; they can also act as a safety net, particularly in the poorest countries. Reduced allocations for recurrent expenditures often affect the social sectors most since recurrent outlays account for most of the spending in these sectors.

Since expenditure cuts may be unavoidable, the key to reducing adverse social effects is for governments to avoid across-the-board reductions. Instead, available resources should be allocated to priority investment and human-resource development activities as well as to operations and maintenance expenditures and to increasing the efficiency of existing programs.

Some adjustment programs have addressed these issues, and more now concentrate on more effective targeting of resources to the poor. The key question is how such targeted programs can be financed during a period of widespread cuts in government expenditures. Since additional resources are unlikely to become available, priority social and poverty programs must be protected at the expense of alternatives. Some external financing from multilateral and bilateral donors is often available to support such programs. But it is also essential to increase the efficiency of service delivery and to pursue measures, including cost recovery from those who can afford to pay, to raise additional domestic resources.

Subsidy reductions have been controversial and have sometimes provoked strong opposition. In cases where subsidies benefited the poor, the poor have suffered considerable hardship when subsidies have been cut. In such cases, better targeting or substitution of alternative, more efficient schemes, is needed. In Morocco, subsidies are being restructured so as to be applied mainly to foods eaten by the poor. This could give the poor greater nutritional benefits for one fifth the former cost. Nonetheless, progress in implementing these reforms has been slow. In Mexico, the government, with the help of two Bank loans, is replacing its marketwide subsidies by more targeted and cheaper alternatives. These alternative schemes include food coupons and milk distribution, subsidies on low-income foods in selected areas, and school-lunch programs.

The most common way of addressing the adverse effects of adjustment has been the implementation of complementary targeted programs, of which the best known example is Bolivia's emergency social fund. Such programs represent an attractive option for ameliorating adverse social effects because they can be effective in reaching the groups they are intended to reach while the adjustment program is being implemented. These programs have compensated those affected by adjustment or have provided temporary employment or relief to the chronically poor. But the programs have often faced serious shortcomings such as insufficient political commitment, institutional weaknesses, shortages of funding, and poorly trained staff.

also take time. Mobilizing the needed external financing, which is, in part, outside the control of the country and the Bank, may take more time, as well.

Other concerns are the need for greater realism in the speed with which supply responses can be expected and fuller recognition of the effects of the external economic environment. Overoptimism in either respect is likely to lead to subsequent disillusionment with the adjustment process. The joint emphasis upon selectivity and realism should help the Bank grasp new opportunities, reduce its portfolio risk, and strengthen its country relations by further progress in the effort to support structural adjustment and growth. Most important, it should assist countries engaged in the unavoidable task of adjustment for growth.

## Bank Lending for Emergencies

While discussing details of proposed emergency lending projects, the Bank's executive directors have suggested that it would be desirable to review more broadly the Bank's lending for emergencies. Thus, in fiscal 1989, a policy paper was prepared that reviewed the Bank's experience with operations of this type, examined the factors that seemed to make for success or problems, and presented the policies and criteria used for selecting and designing such operations.

Although the World Bank normally provides advice and finance associated with the long-term development plans of its developing member countries, since its earliest days it has also provided financial and technical support in response to major emergencies.

This support has characteristically been in the form of reconstruction loans following natural or man-made disasters. Although the volume of lending has been modest—$375 million on the average over the five-year period, fiscal 1985–89—emergency lending is more important to the Bank as an institution than is reflected in the figures alone. First, reconstruction and recovery are at the heart of the Bank's original mandate. Second, lending for emergencies usually comes in the wake of immense human tragedy, which calls for an urgent response. And third, these operations test the Bank's ability to respond quickly and effectively to the urgent needs of its members, and they challenge the Bank to find new solutions to problems of procedure and implementation.

The Bank's procedures for handling emergency lending have evolved over the years. But they have always been governed by two principles: The Bank should finance productive activities and investment rather than relief and consumption; and, it should focus on the areas of its own comparative advantage.

The first principle flows from the Bank's Articles of Agreement. Avoidance of relief activities is not merely a product of the Articles, however; it is also a reflection of the second principle. The Bank's natural perspective is on medium-term and long-term development, and its approaches to information, analysis, and administration of lending operations all reflect this outlook. A division of labor has developed between the Bank and official agencies and nongovernmental organizations (NGOs) that have the specialized skills and experience to deal effectively with relief activities.

While the Bank avoids financing relief operations, it does not ignore their importance or priority in the immediate aftermath of a natural disaster. The Bank tries to work closely with governments even in the early relief phase to ensure that longer-term development considerations are kept in view and that important development options are not foreclosed when decisions have to be made hurriedly and without adequate information.

A review of experience with emergency lending operations concentrated on the fifty-seven emergency loans and credits in forty countries that were approved between fiscal 1960 and fiscal 1988. The events that led to the emergencies were almost always major natural disasters (cyclones, drought, earthquakes, and floods), but also included war or civil disturbances in ten different countries. The review did not lead to proposals for any major departures from past practice, but it did provide an opportunity to reinforce the lessons of experience and refine the scope of future activities in this area.

The Bank, the review shows, has learned from experience. Thus, earlier emergency operations often experienced long implementation delays as compared with their original schedules. These delays are attributed to the fact that the response to natural disasters was often in the form of a single-sector loan that attempted to compress most of the elements of a regular operation into the accelerated time frame of an emergency loan. In recent years, however, the design of emergency operations has been simplified and has become geared more specifically to the restoration of particular facilities or services. In addition, there has been an evolution in the direction of multisector time-slice reconstruction loans, in which, although the Bank agrees with the government on an overall recovery program and on the criteria that subprojects have to meet to be eligible for Bank financing, the funds are not allocated in advance to specific subprojects. In this way, subprojects meeting previously agreed-to criteria can proceed as they are ready, and disbursement delays can be minimized.

The review also pointed out the advantages of flexibility and a willingness to experiment.

Thus, for example, although it was acknowledged that emergency loans in response to droughts in the mid 1970s were not generally successful, the Bank, nevertheless, made two emergency loans in response to the 1984 drought in East Africa. These loans, however, were designed specifically to deal with the short-term restoration of production by financing inputs of agricultural chemicals, machinery, fertilizer, and transport equipment, and so did not repeat the earlier mistake of trying to solve long-term agricultural development problems in a short-term framework.

The review also revealed that, generally, experience with emergency operations closely reflected that of regular operations in corresponding sectors and countries. Thus, the previously mentioned drought-emergency operations in the 1970s, all of which were in sub-Saharan Africa, were characterized by implementational problems (as were normal Bank-assisted agricultural projects in the region), while emergency operations that dealt with a well-defined technical activity in one sector (such as the project that restored Ecuadorian oil production and exports that had been stopped by the earthquake-caused rupture of the Ecuadorian oil pipeline in March 1987) enjoyed high rates of success, just as regular operations of a similar nature do.

Finally, the review pointed to six features that seemed to recur in the more successful examples of emergency operations:

- Strong government commitment, often at the highest levels, helps overcome bureaucratic tangles and ensures that decisions are made promptly.
- Involvement by Bank staff at the early post-disaster stage is highly desirable.
- The existence of a comprehensive program that provides a framework for the whole recovery effort facilitates planning and the coordination of donor assistance and provides a long-term perspective for decisionmaking.
- Successful operations have limited objectives and realistic time frames for attaining them.
- Problems are solved and decisions made quickly when there is a strong prior relationship between the Bank and the agencies concerned.
- Because emergencies cause dislocations, simple implementation and institutional arrangements are important.

Looking to the future, the policy paper focused on three major policy areas: criteria for proceeding with emergency loans, aspects of their design, and questions relating to mitigating the effect of emergencies.[4]

*Determining when emergency operations are warranted.* In considering proposals for emergency lending, the Bank now applies five broad criteria: An operation must be directed at restoring assets or productivity in a long-term development perspective—not at relief. Prospective economic returns should be high; if they are not, there is reason to question whether the operation is really focused on the emergency rather than on long-term development problems. The effects of an emergency should be significant, and the event triggering the emergency should be so infrequent that the consequences, while severe, can be regarded as a temporary dislocation. The need for an urgent response must be evident. Emergency lending should be limited to cases in which effective action can be felt in the short and medium term (two to three years). And finally, there must be some prospect for future reduction of hazard; although an emergency operation may not be the only or best vehicle for preventing a recurrence of the cause of the emergency, it is usually a good place to start.

*The design of emergency operations.* The criteria determining when emergency operations are warranted play an important role in guiding their design. However, there are four other important considerations affecting the design process:

- The possibility of a reallocation of proceeds under existing loans for related purposes is always considered as the Bank's initial approach (as this can be done more expeditiously than processing a new operation).
- If a new operation must be designed, functioning and familiar institutional capacities should be made full use of, and the operation itself should be made as simple as possible.
- Flexibility in regard to policy conditionality is essential; emergency lending operations are not intended to address long-term economic problems requiring major policy adjustment, but, if warranted, conditionality should focus primarily on issues directly linked to the cause of the emergency, where a change is likely to reduce the probability of a recurrence. More generally, the Bank takes into account the effect of an emergency on a government's macroeconomic program and performance.
- Although most emergency operations finance specific capital investments or intermediate imports, such as agricultural inputs or transport equipment, the need for flexibility demands that the Bank occasionally permit the importation of a broad range of urgently needed imported supplies in response to an emergency (as, for example, following a war or civil disturbance). To maintain the distinction between lending for structural or sectoral adjustment and emergency lending, the latter will finance only a "positive list" of imports iden-

[4] Discussion of a fourth aspect of policy, dealing with internal processing and administration of emergency lending operations, has been omitted here. It deals with the need for accelerated processing procedures, the provision of finance for the recurrent costs of implementation assistance, and the extent of flexibility desired in providing retroactive financing.

tified as critical to a well-defined recovery program.

*Mitigating the effects of future emergencies.* Experience has demonstrated that disaster-mitigation components of emergency operations have not been uniformly successful and that the best vehicle for these components is often regular lending operations, which not only share the same long-term horizon but also benefit from more careful planning and preparation.

This does not mean that emergency-lending operations should exclude mitigation components; it means, rather, that these components should become more prominent in a wide range of Bank operations in countries prone to natural disasters.

In these countries, risks are to be assessed and analyzed explicitly in the context of national planning and investment-program reviews. In their dialogue with government officials in disaster-prone countries, Bank staff are to point out the need to allocate resources in anticipation of disaster, as well as the cost-effectiveness of appropriate emergency preparedness and hazard-reduction measures.

In addition, ties are to be built with other international organizations involved in emergency relief and recovery activities, as well as with those NGOs that work within the broad framework of a borrowing government's policies, so that collaboration in the field, where necessary, can be effective; the Bank stands ready to help governments gain access to new developments in hazard-reduction technologies and standards; in designing regular investment projects and sector loans in disaster-prone countries, due attention will be given to early-warning systems and other elements of emergency preparedness through financial or technical assistance; and emergency operations will continue to incorporate mitigation components, with the knowledge that they must be given special attention by Bank staff during implementation.

* * *

The report on lending by the Bank for emergencies was discussed by the executive directors, who generally endorsed its findings and recommendations.

## Reducing Poverty and Food Insecurity

Studies emanating from two World Bank task forces have concluded that per capita economic growth is the *sine qua non* of successful efforts to reduce poverty and food insecurity.

But both studies—one on poverty alleviation, the other on food security in Africa—while stating that economic growth is essential, also conclude that long-term aggregate growth alone is not sufficient (since the poor do not possess the physical and human assets needed to take advantage of growth) and that it must be supplemented by additional efforts to ensure access to food by those at greatest risk from food insecurity, through increases in production and real household incomes, to facilitate productive employment for the growing numbers of the poor, to endow them with more physical and human assets, to improve their access to basic social services, and to better target funds for those most in need.

The reports of the two task forces also underline that these additional efforts need not involve a trade-off with efficiency because the scope for improving the productivity of the poor is very broad.

The Bankwide task force on poverty alleviation was formed in fiscal 1988 under the chairmanship of the regional vice president for Asia. Its mandate was to define a program of action for the Bank over the next five years that could help eliminate the worst forms of poverty in developing member countries by the year 2000.

The task force on food security in Africa, chaired by the regional vice president for Africa, and also established in fiscal 1988, had a mandate to develop improved approaches to meet the goal of food security by the end of the century.

Although the two task force reports could be read and analyzed separately, the recommended approaches and actions were mutually consistent and complementary: The task force on poverty alleviation approached the issue globally and comprehensively, while the food security task force narrowed its attention to a critical regional dimension of poverty.

**Issues in Poverty Alleviation.** In reviewing the relationship between economic growth and poverty alleviation, the task force achieved a consensus on several basic premises.

- Over the long haul, economic growth is the major factor in the reduction of mass poverty. The incidence of poverty goes down, therefore, in those economies experiencing sustained periods of increased efficiency in resource use and aggregate growth.
- Conversely, the incidence of poverty increases in stagnating or declining economies.
- Long-term aggregate growth, while necessary, is not, however, sufficient for the alleviation of absolute poverty at the desired speed. Benefits of national growth do not always accrue to those who are below the poverty line. In many instances, the poor do not possess the physical and human assets needed to

take advantage of growth, and growth may not provide adequate expansion of employment for the unskilled.

• This helps explain why the number of people living in absolute poverty has increased in low-income countries even while respectable growth rates have been achieved over the past three decades. Similarly, in many middle-income countries, sizeable pockets of poverty persist side by side with relative affluence and vigorous growth.

The task force concluded, therefore, that growth policies must be supplemented by clearly defined poverty-alleviation efforts and noted that evidence pointed to the economic feasibility of such an approach. Because areas of complementarity between the twin objectives of efficient economic growth and the alleviation of poverty exceed those areas involving serious trade-offs, pursuit of both objectives is essential to lasting and stable development.

The task force report noted that an effective antipoverty effort also needed to emphasize the role of policies and institutions, including the reallocation of public resources for social services, to complement the more traditional investment-oriented interventions. Such an approach, launched on a sectoral rather than a project-by-project basis and with due regard for sustainability, should be feasible and effective for poverty alleviation in agriculture, health, nutrition, family planning, education, and urban development.

Improving the access of the poor to social services is another major area in which an effective and focused sector-policy effort can be made and antipoverty strategies implemented, the study added. Services, such as health and family planning, have important short-term and long-term roles to play in poverty-alleviation efforts. Significant improvements can be made in orienting social services towards poorer households, in making these services more relevant to the needs of the poor, and in raising the efficiency of delivery systems.

The task force report also called for an increased effort in protecting vulnerable groups during implementation of adjustment policies. During initial efforts to correct internal and external imbalances, output, along with employment and consumption, may be depressed. Reallocation of fiscal resources between sectors and activities may benefit some groups (such as farmers) while penalizing others (such as urban wage earners). In most developing countries, poverty groups tend to be the least protected by the social safety nets, and experience obtained so far strongly suggests that the urban poor bear a disproportionate share of adjustment costs.

The report did not set out detailed country strategies and medium-term poverty lending strategies, as they would likely emerge country-by-country only over time and in the context of the Bank's dialogue with governments. In most cases, projects that have as their primary and direct objective the reduction of poverty would be evaluated according either to cost-effectiveness (least cost) considerations (in education and population and health) or economic rates of return calculations (as in agriculture).

**Issues in Food Security.** Food insecurity is a problem throughout Africa: About a quarter of the population—more than 100 million people—do not eat enough for an active working life (see Figure 5-1). Food insecurity is a problem in both adjusting, as well as in nonadjusting countries, in low-income food-deficit countries and in the middle-income countries that are self-sufficient in food, in the drought-prone and the drought-free countries, and in countries with generally sound economic growth policies.

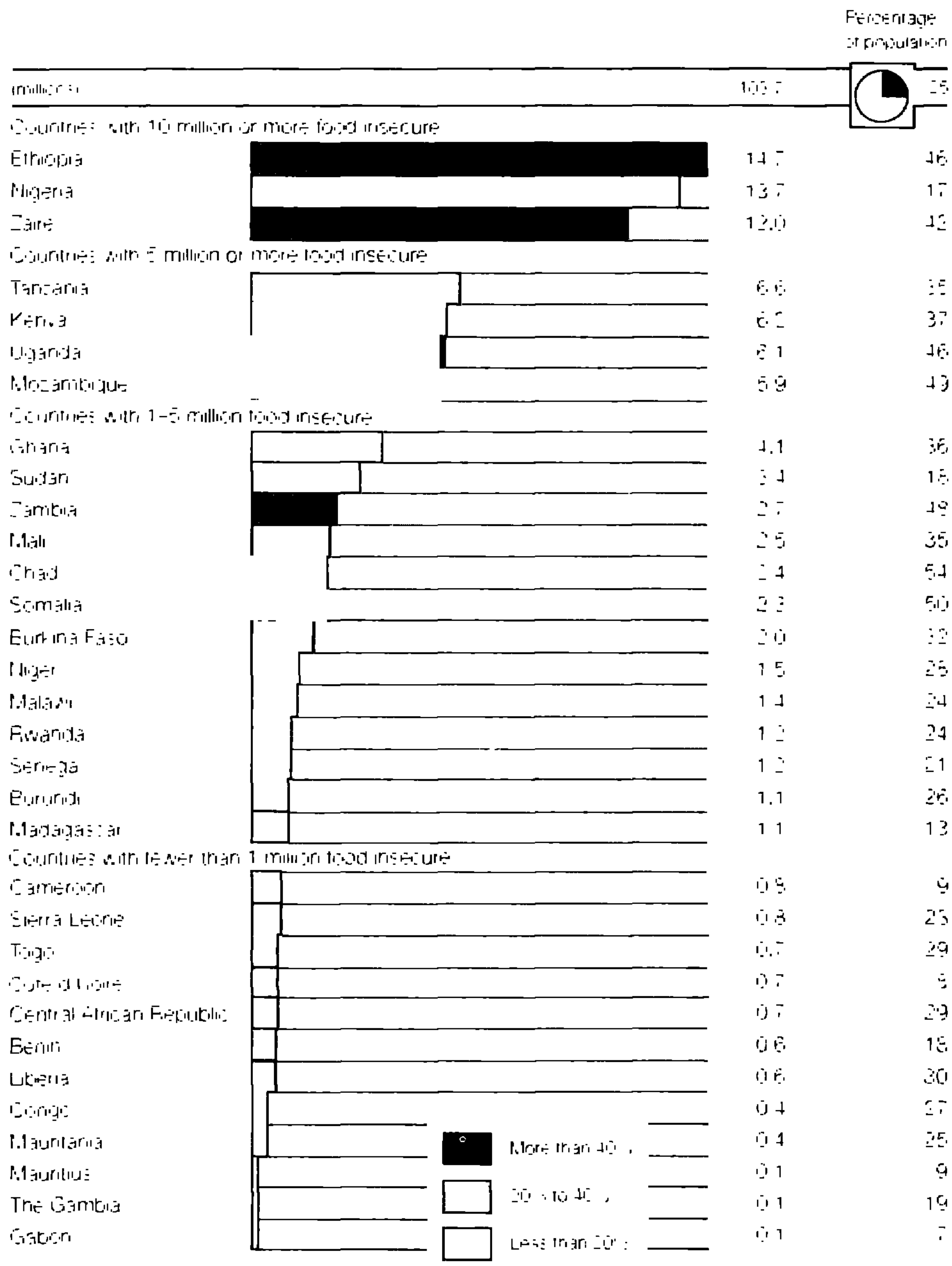
The problem is serious and deteriorating. In the 1970s, the proportion of Africans with deficient diets increased by far less than the rate of population increase. In the 1980s, however, both the proportion and the total number of Africans with deficient diets are believed to have climbed.

Part of the report of the task force on food security in Africa dealt with the aspect of hunger that attracts most media attention —transitory food insecurity, which occurs when households are faced with a temporary inability to acquire food as a result of sporadic misfortunes such as drought or civil strife; but the report also addressed the more deep-rooted and larger problem of chronic food insecurity, which exists when households suffer from a persistent inability to acquire enough food to eat.[5]

Assuring African food security, the task force report noted, entails meeting two conditions: first, food must be available, and second, households must have the ability to acquire it. While much attention has been given to the food-availability dimension, the report concluded that effective action to combat both chronic and transitory food insecurity must focus also on the root cause of food insecurity: insufficient real income of households either to grow or buy food.

[5] World Bank, *The Challenge of Hunger in Africa: A Call to Action* (Washington, D.C., 1989).

## Figure 5-1. Number of Food Insecure in sub-Saharan Africa




The food insecure population is an estimate of the average number of food insecure in these countries over "good" and "bad" years given the trend line of per capita food consumption in 1980. Estimates exclude Angola, Botswana, Cape Verde, Comoros, Guinea-Bissau, Lesotho, São Tomé and Principe, Seychelles, Swaziland, and Zimbabwe.

The study stated that although ongoing efforts to promote per capita income growth comprise an essential element of a sound food-security strategy, they should be accompanied by: the introduction of new elements to identify the groups at high risk of food insecurity and to develop action plans to deal with food insecurity; provision of more real external resources to finance programs for the food insecure; improvements in the capabilities of African governments and donors to respond to emergencies; the development of policies and programs to stabilize national incomes and prices; and the strengthening of institutional capabilities to deal with food-insecurity problems.

The report cautioned, however, that there are no quick fixes, simple short cuts, and easy answers that can make the problem go away, and added that only large-scale action, pursued over many years with adequate resources and skilled personnel, could alleviate the problem.

In response to the challenge, the task force recommended that the Bank take action in four areas, the implementation of which could make a significant contribution toward resolving the problem of food insecurity.

1. The Bank should build the foundation for long-term food security through a more vigorous application of ongoing approaches to growth and adjustment.

Thus, for example, the Bank could increase its efforts to enhance agricultural production through an operational emphasis on farmers at risk of food insecurity—especially low-income smallholders and women farmers; examine, in the context of its adjustment operations, food-security implications and take advantage of ways to protect and help the undernourished; give special attention to programs in support of family planning, health, and nutrition; conduct reviews of public investment and expenditure programs (to ensure that they fund growth-oriented projects that can help undernourished people) and of targeted subsidy schemes that support the food insecure; and give increasing attention to incorporating environmental concerns into development policy and programs.

2. The Bank should pursue a new set of country-specific actions to form a more intensive, organized, and systematic approach to the problem of hunger in Africa.

Thus, for example, the Bank would begin preparation of food-security action programs in at least six countries, with the intention of covering, in five years' time, one third of African countries and the bulk of Africa's food-insecure population; in countries where transitory food insecurity was a problem, these programs could be designed to ensure that a groundwork was laid for coping with emergencies and preventing famine. In addition, the report recommended that the Bank make a systematic effort to identify, prepare, and lend for growth-oriented projects benefiting undernourished people, as well as for cost-effective interventions (growth-promoting programs that especially benefit the undernourished, subsidy schemes for production or consumption to improve food security, and policy actions aimed at relieving key constraints to achieving food security, for instance); and assist African governments build the institutional capacity to handle food-security issues.

3. The study urged the Bank to take steps to mobilize an effective partnership of all concerned donors so as to minimize duplication of effort, increase staff expertise, and mobilize additional funds. The task force suggested that the main focus of collaboration should be at the individual country level and that the Bank work to enhance its catalytic role in bringing together governments and NGOs to work to meet common food-security objectives.

4. A final set of actions was identified that involves applied research. These actions would include: the carrying out, in collaboration with the World Food Programme, an overall review of African food aid with a view to developing recommendations for enhancing its effectiveness and efficiency; exploring ways to provide catalytic assistance to the Food and Agriculture Organization of the UN (FAO), which is heading up efforts to accelerate the pace of enhanced collaboration in early-warning systems for droughts; finding ways to accelerate women farmers' integration into the development process; and encouraging regional integration, with a view to finding practical ways of enhancing food security.

* * *

In summarizing the executive board's discussion of the two task force reports, the chairman noted that its obvious interest reaffirmed that poverty alleviation was a fundamental objective of the Bank and that a more focused and concerted action appropriately could be undertaken on a country-by-country basis to reduce poverty. The directors, he continued, expressed broad support for intensifying the Bank's role in both poverty alleviation and food security.

There was broad agreement that economic growth, while necessary, was not sufficient to resolve the poverty problem. It was agreed that growth must be supplemented by additional efforts to ensure that development reaches the poor. Such efforts need not involve trade-offs with efficiency standards, and the need for sustainability was stressed.

There was also general support for the Bank to draw on its considerable experience to develop specific antipoverty programs. Directors stressed the importance of governmental commitment; the need for a country-specific approach; the need for sectoral approaches, especially in agriculture and social services, to ensure that the poor were being reached; increased participation of the poorest of the poor; use of selected but carefully targeted subsidies; and the need to review the methodology used in evaluating the efficiency of projects that aimed at reaching the poor.

There was also full agreement that economic growth in Africa depended both on a healthy agriculture sector and continued structural reform. There was to be no stepping back from the Bank's commitment to increase agricultural production in Africa, nor did the Bank intend to relax its support for structural adjustment.

The chairman reported that the Bank would proceed with the implementation of the recommendations of the food security report and with the intensification of work on poverty, and that the executive board would be informed of any progress made in both activities and consulted on key issues.[6]

## The Research Program

During fiscal 1989, the Bank devoted 105 staff years to research and allocated $4.9 million to the central research support budget. This budget, administered by the Research Committee, allows researchers from all parts of the Bank to compete for funds to finance consultants, travel, and computing expenses related to their research. The process of allocating these funds through a central screening of research proposals is the most important mechanism for ensuring both the institutional relevance and technical quality of the Bank's research. The centrally funded research portfolio consisted of 130 projects, including thirty projects completed during the year and sixty new starts. Research is mainly conducted in the policy, planning, and research (PPR) complex, but research is a significant part of the work program in the operations and finance complexes.

Institutional priorities set the tone and direction for Bank research, but specific research agendas or topics are the product of exchange among research and operational staff at all working levels. Thus, the past year witnessed a substantial redeployment of research resources toward the priority areas identified by Bank management as requiring special emphasis: debt and adjustment, financial intermediation, food security and poverty alleviation, environment, human resources and the role of women in development, private-sector development, and public-sector management. Research on these areas of special emphasis now accounts for two thirds of total resources devoted by PPR to its research program. In parallel with ongoing work, research initiatives or plans are being developed in each of these priority areas, concentrating on the most important issues that need to be addressed in the context of the Bank's operational and policy work.

Current work on debt issues is looking at the interwar record on external debt and default in order to assess its relevance to current problems and policy issues. Work is also ongoing on the debt problems of middle-income sub-Saharan African countries that fall outside the Bank's special program of assistance (SPA). Investigation of the external financing needs of low-income African countries in the 1990s after the expiration of the SPA has begun and will continue in fiscal 1990. So, too, will work on the determinants of foreign direct investment flows designed to assess the possible expanded use of these forms of finance as alternatives to debt finance. Five additional areas of research will be emphasized: commercial-bank behavior and constraints in international lending, the relationship between debt and growth, the relationship between external-debt difficulties and internal financial and banking crisis, fiscal aspects of the debt crisis, and continued analysis of market-based strategies for resolving the crisis.

Research aimed at developing a better understanding of the process of adjustment forms an important part of the Bank's research agenda. A major initiative in this area is the development of macroeconomic models that incorporate key interactions among macroeconomic variables that are affected by adjustment packages. Other related studies deal with the political economy of adjustment, the role and functioning of labor and financial markets in the adjustment process, the effects of economic policies on domestic savings, and macroeconomic adjustment issues of special relevance to Africa. Stabilization programs also figure high in the research agenda. While lessons are being drawn from Latin America's experience with stopping high inflation, a new study will examine issues of inflation and stabilization in Africa. Another study will trace the macroeconomic aspects of public-sector

[6] Details of the Bank's operational focus on poverty reduction during the year are found on page 38.

deficits. Studies are also under way on various aspects of adjustment-related reforms (trade, public-sector finances, the financial sector, and public enterprises, for example). Some will focus on issues of sustainability and sequencing of the reforms.

Several studies are under way that relate to private-sector development and the role of the private sector in the adjustment process. They deal with issues of macroeconomic adjustment and private investment, financial policy and private investment, and private provision of public services. Other areas of concentration will include: the pace and sequencing of private-sector development in structural-adjustment programs, issues of regulatory reforms and the promotion of competitive markets as substitutes for more directed economic interventions, entrepreneurial development in least-developed countries, and privatization. On public-sector management, research is aimed at finding ways to improve the efficiency of resources in public-services sectors and to reform the civil service, public employment and pay, as well as municipal finances and taxation.

On poverty-related issues, an increasing number of studies are examining the social effects of adjustment. In particular, these studies are looking for targeted policies that are both affordable and can mitigate the negative effects on the poor. Poverty reduction is also directly or indirectly addressed in other sector-specific research, notably research aimed at raising agricultural productivity on a sustainable basis, facilitating structural change in rural economies, and designing effective programs for the alleviation of rural poverty and food insecurity. Many poverty-related research issues cut across several departments' concerns (for example, user fees are relevant for health and education and also for water supply, electricity, and public transportation; the effects on the poor of contractions in the formal market have implications for schooling and employment). Raising the welfare and living conditions of the poor is also the motivation for several studies under way or planned on the effectiveness of family-planning and nutrition programs, the causes and consequences of morbidity, and the specific contribution of women to household welfare and to poverty reduction.

Women's economic productivity has emerged as a key area for research. A recent review of evidence shows that improving women's economic opportunities can achieve gains not only for women but also for their families and for national and regional economies. Further research will concentrate on the following: the supply-response effects resulting from removal of barriers to women's access to factors of production such as information and credit; the contribution of education, training, and health and family-planning services to women's productivity; and the influence of economic policy on women's incentive to work. A new and major research project is specifically focused on women's access to, and use of, public services.

In the area of environment, topics under study are: deforestation and desertification, pesticide management, irrigation and salinity, watershed rehabilitation, and protection of biodiversity. An attempt is also being made to undertake a comparative analysis of air pollution. The groundwork for a policy and research work program, covering both technical/scientific and economic/behavioral issues has been prepared. Economic issues likely to receive priority in research are the relationship between environment and economic growth and poverty, the costs of economic degradation, and integration of environmental concerns in adjustment lending.

While these studies and themes form the core of the Bank's research program in the areas of special emphasis, there is much research in other areas, ranging from the international economic environment, financial intermediation, and public economies, to land-rights systems, education and vocational training, energy use, and urban and transport development. An emerging area of new research concerns the implications of an uncertain future for the analysis of risk and the development of risk-management instruments. Another important area of new research is technology change and diffusion, and the relationship between technology and human resources as it affects the development process.

The Bank held the first of what is hoped to be an annual series of conferences on development economics at the end of April 1989 in Washington, D.C. The aim of the conferences is to bring together Bank staff, development researchers, practitioners, and policy advisors from around the world to focus on important issues confronting development economics today.

The conferences are also intended to signal to the academic and policy communities in the Bank's member countries that the Bank is willing to listen carefully to them in its attempt to find innovative solutions to the conceptual and practical problems that its staff and its member countries face in working on development issues. About fifty outside researchers, more than three dozen from developing countries, attended the conference. Over 400 Bank staff from all the Bank complexes attended at some point during the two-day conference.

Six major papers were discussed at the conference. They dealt with the Uruguay Round of multilateral trade negotiations, savings behavior in developing countries, social-sector (mainly health and education) pricing policy, the role of institutions in development, the policy implications of the new strategic trade theories, and agricultural supply response and public policy. The conference began with a keynote address by Manmohan Singh, the secretary-general of the Geneva-based South Commission, and ended with a roundtable discussion by development experts on the major issues in development.

The Bank is launching a visiting research fellow program to draw some of the best development research scholars worldwide into the Bank's research activities. The program, funded by the Research Committee through the research support budget, is managed in the research administrator's office. The program has two objectives: first, to broaden and deepen the Bank's existing and future research base; and second, to enhance scholarly understanding of the Bank's research activities, its operational and policy work, and the challenges it faces. Visiting research fellows may be based in one or more units in the Bank in Washington, D.C. during their fellowship term.

The Bank disseminates its research results widely, within, as well as outside, the Bank. University press books remain a major dissemination avenue for the Bank's research ouput. The Bank's journals, *The World Bank Economic Review* and *The World Bank Research Observer*, as well as the widely circulated *Finance and Development*, published jointly by the Bank and the International Monetary Fund, spread the results of Bank research throughout the world, as does the quarterly newsletter, *Research News*. Free distribution of journals in developing countries aims at getting research results—and, in particular, results of work funded by the Bank—to libraries, researchers, students, and policymakers with limited access to professional journals. This past year, PPR launched two new publications series aimed primarily at disseminating results of its research to operations staff of the Bank. The *PPR Working Paper Series* disseminates the findings of work under way; one of its objectives is to get these findings published quickly, even if presentations are less than fully polished. The *PPR Policy and Research Series* highlights the findings and implications of broad programs of research in a form that is accessible and useful to operations staff.

## Economic Development Institute

Fiscal year 1989 marked the final year of the five-year plan prepared by the Economic Development Institute (EDI) in 1984. A review of the experience over the five-year period points to satisfactory progress in fulfilling the plan's objectives: giving emphasis more to development-policy decisions than to individual investments; concentrating more heavily on the institutionally weaker countries, especially in sub-Saharan Africa; and increasing support for developing countries' own training institutions.

Table 5-1 shows the changes in the number and pattern of EDI teaching and institutional-assistance activities between fiscal 1984 (the year before the plan was launched) and fiscal 1989. Apart from the expansion in the number of activities, especially in assistance to partner training institutions, there was a marked shift in favor of policy-related training in the form of senior policy seminars (three- to five-day events for top-level government officials) and of macroeconomic and sector-management seminars (one- to four-week events for senior officials in economic and sector ministries). There was also a shift in favor of training-of-trainers seminars. In contrast, there was a sharp decline in the number of training events in project analysis and management, a field of training increasingly provided by other institutions, some assisted by EDI.

The table also compares, on an annual average basis, the programs planned and the actual outcome. In every category of activity, the planned program was either met or exceeded. A separate calculation shows that the plan objective of concentrating more heavily on sub-Saharan Africa and other institutionally weaker countries was also attained. The EDI focused 30 percent of its training and assistance activities on sub-Saharan Africa in fiscal 1984 compared with 44 percent in fiscal 1989.

The EDI's work program in fiscal 1989 was strongly oriented towards structural-adjustment policy and implementation issues at the macroeconomic and sectoral levels.

At the macroeconomic level, particular attention was given to the persisting external-debt problem and on the social costs of adjustment. Also, a pilot seminar to train trainers from EDI's partner institutions throughout the world in the design and delivery of national economic-management courses and seminars was held in Washington, D.C., in March 1989.

At the sectoral level, increased attention was given to issues in the financial sector, health, natural-resource management, and public-expenditure planning. In recognition of the in-

***Table 5-1.*** **EDI Teaching and Institutional Assistance, Fiscal Years 1984 and 1989: Annual Averages, Fiscal Years 1985–89**

| | 1984 | Annual averages fiscal 1985–89: Planned | Annual averages fiscal 1985–89: Actual | 1989 Actual |
|---|---|---|---|---|
| *Courses and seminars* | | | | |
| Senior policy | 8 | 16 | 17 | 20 |
| Economic and sector management | 17 | 35 | 39 | 51 |
| Project analysis and management | 36 | 18 | 20 | 7 |
| Training of trainers | 11 | 20 | 20 | 23 |
| Subtotal | 72 | 89 | 96 | 101 |
| *Institutional assistance* | | | | |
| Pedagogical | 14 | 53 | 31 | 44 |
| Other[a] | n.a. | — | 40 | 55 |
| Subtotal | 14 | 53 | 71 | 99 |
| Total | 86 | 142 | 167 | 200 |

n.a. Not available.

a. Indicates the number of institutes to which broader assistance on program and staff planning and development was provided.

creased importance attached to financial-sector reforms as part of the adjustment process, EDI focused its work on financial-systems evaluation, innovative instruments in foreign financing, and the prospects of capital-market development in developing countries. These efforts yielded highly valuable written materials for training purposes, as well as for wide public distribution.

A number of training and institutional-development activities undertaken by EDI in fiscal 1989 are worthy of note.

Decentralization of public-sector authority is increasingly being accepted as an instrument for improving public-administration efficiency. To explore the relevant issues and policy options surrounding decentralization, three training events were organized. Two workshops on strengthening local government in sub-Saharan Africa were held near Bologna, Italy, in March 1989. The World Bank's Africa technical department, the Italian government, the Emilia Romagna region, and the Italo-Africano Institute collaborated in carrying out the workshops, which were attended by senior government officials, mayors, and local-authority managers from Africa. The third event, a roundtable on decentralization policies and socioeconomic development in sub-Saharan Africa, was held in Douala, Cameroon, in June 1989. The objective was to examine actual and potential contributions of decentralization policies to economic development.

Closely related to questions of decentralization is the role of the private sector at the local level. Community participation, project management, and sustainability were the foci of a seminar held in Kuala Lumpur, Malaysia, in July 1988. Private and public officials from five Asian countries gathered to assess the potential contribution of community participation in implementing and sustaining development projects, as well as to learn about the comparative advantage provided by nongovernmental organizations (NGOs) in fostering community participation.

As part of EDI's work program in China, a two-phased case-development workshop was held, in partnership with Tsinghua University (Beijing). In September 1988, a week was spent discussing and demonstrating the use of case materials of different types and providing training in their preparation and writing. Thereafter, the participants returned to their institutions to prepare their case studies on the implementation of China's economic reform. In March 1989, a week was devoted to practicing the teaching of these cases; the practice was interspersed with lectures on case use and development. The EDI expects to publish sixteen of the case studies in Chinese and about half that number in English.

As part of its program emphasis on environmental issues, EDI organized seminars on social forestry, land access, and water resources. At a senior policy seminar in Zimbabwe in March 1989, senior foresters and NGO representatives looked at ways to manage forest resources at the local level. At another senior policy seminar in Bali in October 1988, held in collaboration with the Royal Tropical Institute of the Netherlands and the Centre on Integrated Rural Development for Asia and the Pacific, participants discussed several major issues, including database surveys and management, land-tenure systems and their effect on rural poverty, and encouragement of land-use planning to avoid environmental degradation.

A third seminar, on water resources and water-quality management, was held in Amman, Jordan, for countries of the Middle East and Africa. Cosponsored by the World Health Organization (WHO), it addressed the environmental and health issues involved in the planning and management of water resources.

A major seminar on ecosystem management was held in Turrialba, Costa Rica, with the Tropical Agricultural Research and Training Center and with financial support from Japan. The seminar evaluated policies and practices related to the management and conservation of natural resources consistent with long-term sustainable economic development.

Since health-sector financing has been recognized as an important bottleneck to improving health services, EDI expanded its activities in this field in fiscal 1989 to reach both senior policymakers and technical-level managers in all regions of the world. The following activities were undertaken: EDI, in collaboration with the Pan American Health Organization, held a seminar on health financing in Barbados for the Eastern Caribbean countries; provided pedagogical assistance to an Eastern and Southern Africa Management Institute-sponsored seminar on health financing in February 1989; cosponsored an Asian seminar on social security health insurance in Seoul with the International Labour Organisation (ILO), WHO, and the Asian Development Bank; organized a meeting on health financing with senior officials from five Portuguese-speaking countries in Geneva during an annual World Health Assembly; and sponsored a consultation with senior African policymakers in June 1989 to review a draft World Bank health-policy brief as it pertains to health financing in Africa. The EDI is also increasingly involved in developing training in the related fields of population programs and the relationship between nutrition and health. In fiscal 1989, it cosponsored a population program with the United Nations Fund for Population Activities (UNFPA) in Zimbabwe for various anglophone countries.

In line with the increased attention to women in development in World Bank operations, EDI intensified its efforts to include gender issues in its training programs and in the preparation of training materials. Modules on women in development were included in the curricula of several courses, notably one on macroeconomic analysis for structural adjustment, held in Harare, Zimbabwe, in May 1989. The EDI is also managing a pilot project to strengthen the capacity of selected African institutions to train trainers and extension agents, who, in turn, will help African women establish and manage small-scale enterprises.

An important vehicle for delivering EDI activities is the partnership it has established with many regional and national management-training institutions in developing countries. The EDI cooperates regularly with forty-five partners, of which twenty-eight are regional institutions or associations (the remainder are national). The EDI helps partner institutions with pedagogical assistance, including advice on the design and delivery of seminars; staff development; training materials; advice on efficient management; enhancement of their consulting capacity; and mobilization of external resources.

The EDI is also supporting the formation of networks among management-training and research institutions to stimulate cooperative self-help in improving their programs. This entails such measures as exchanges of information and staff, collaboration to fill gaps in training materials, joint discussion of management problems, and organization of common courses for faculty development of member institutes. In Latin America and francophone West Africa, for example, multicountry networks have been established in the urban-management field; the focus is on joint development, on a regional basis, of new curricula, related course materials, and the training-of-trainers programs.

Fiscal 1989 saw important new developments in a major institutional-strengthening project in sub-Saharan Africa financed by the United Nations Development Programme (UNDP), for which EDI, in collaboration with the ILO, is the executing agency. The project involves direct assistance to sixteen management-training institutions, as well as three associations. To assist in the coordination of activities and to extend the project's outreach to other institutions, two field offices have been established—one in Douala, Cameroon (for the francophone countries), and the other in Gaborone, Botswana (for the anglophone community).

The project is now entering its full-implementation phase. A number of workshops and seminars, focusing on the practical development problems of the partner institutions and associations (faculty and consultancy skills, marketing, and financial management), were held during the year, and the main areas and lines of interinstitutional collaboration under the project were agreed at a general meeting of institute directors. Special efforts have been made to integrate gender issues into the program. The project has attracted collaboration of other donors, including the Commonwealth Secretariat and the Canadian International Development Agency.

Another capacity-building program for sub-Saharan Africa in which EDI is engaged in providing pedagogical assistance is the agriculture management training-in-Africa program. The program, cofinanced by the International Fund for Agricultural Development and the African Development Bank and aimed at upgrading project-management and implementation skills, focuses in its current phase on twenty projects in six countries of sub-Saharan Africa.

The World Bank graduate scholarship program, financed by the government of Japan, is providing financial assistance to seventy-eight scholars (nineteen of whom are women) in the 1988–89 academic year. Thirty-eight countries are represented, most of which are developing member countries of the Bank. The scholars are attending forty-four universities in Asia, Australia, Europe, and North America. Thirty-three scholars are pursuing master's level degrees, and forty-five are engaged in doctoral studies. For the 1989–90 academic year, 1,325 applications were received, and forty-three scholarships for graduate study were awarded.

For the 1989 cycle of McNamara fellowships, eleven outstanding scholars from seven member countries of the Bank were awarded fellowships aggregating $330,000 in support of innovative research topics in development economics. Most of the year's recipients, who come from both developed and developing countries, will conduct research on either technology transfer to developing countries or exchange-rate issues. More than 300 applications were received from scholars in seventy-one countries for the year's round of fellowships. The McNamara fellowships will support the researchers' work for one year beginning July 1, 1989.

A substantial volume of training materials was published during the year. Fifty-seven titles were added to the EDI catalog. Seventeen are formal publications that appear in one or another of the EDI series and are now included in the list of World Bank publications. Forty are informal publications, distributed in response to requests. They include twenty-seven working papers and thirteen miscellaneous documents such as course notes, case studies, and collected course papers.

In addition to its regular end-of-seminar evaluations, EDI carried out a number of in-depth studies in fiscal 1989. The effect of EDI training in Senegal and Tanzania was evaluated, and suggestions made for increasing the contribution to development of future EDI types of training efforts. A survey conducted in five Asian countries reviewed the effectiveness of "two-tier" seminars, in which one seminar for top-level public officials overlaps partially with another on the same topic held for middle-level officials. The survey concluded that the approach significantly improves in-country understanding and cooperation between ministries and hierarchical levels. Finally, studies by participant-observers at two training events in fiscal 1989 provided valuable insights into the dynamics of training and ways to improve their quality.

External sources of support for EDI's programs in developing countries expanded further in fiscal 1989. While the UNDP continued to be the largest contributor to EDI's regular programs of seminars and institutional assistance, the increase in total cofinancing came largely, as it has in the past few years, from bilateral aid agencies, whose contributions now represent well over half the total external resources mobilized by EDI. This increase was due, in part, to the full-year effect of arrangements that had been negotiated or renewed in the previous year with Australia, Canada, Japan, Italy, and Spain. Additional contributions from France, the Netherlands, Switzerland, the United Kingdom, and the United States also contributed significantly to the increase in cofinancing. Among multilateral organizations other than the UNDP, WHO and the United Nations Commission on Human Settlements (Habitat) remained EDI's most important collaborators. The EDI continued throughout the year to lay the groundwork for enlarging its cofinancing base, and discussions with interested governments suggest that additional collaborative arrangements, in one form or another, are likely to be concluded in fiscal 1990. The EDI's collaboration with regional financial institutions, such as the Asian Development Bank and the Inter-American Development Bank, was strengthened during fiscal 1989 and is likely to widen in fiscal 1990.

In May 1989, the executive board of the World Bank approved the EDI strategic plan for the five-year period, 1990–94. The main thrust of the plan, prepared with considerable help from EDI's new advisory board, will continue to be towards policy issues and the strengthening of local training capacity. The intended expansion of EDI's work program is likely to entail increased reliance on cofinancing. Based on the lessons of experience, a number of refinements in program emphases will be instituted: a sharper focus on selected priorities in each region and subject area; a slight shift from macroeconomic to sector-related adjustment concerns; additional publication and dissemination of training materials; a progressive move from *ad hoc* cofinancing of individual activities towards multiyear programs; more systematic and in-depth evaluation of EDI's activities; and the introduction of annual activity reports to provide better feedback on the substance and lessons of EDI activities for the rest of the Bank.

### Interagency Cooperation

The Bank and agencies of the United Nations continue to cooperate on a number of innovative global and interregional programs of special interest to developing countries. Significant among these ongoing programs are the Consultative Group on International Agricultural Research (CGIAR); the Energy Sector Management Assistance Program, implementing priority energy investments and providing related technical assistance; the Onchocerciasis—riverblindness—Control Programme and the Special Programme for Research and Training in Tropical Diseases, which undertake research into the development of better tools to control tropical diseases and provide training and strengthening of institutions to increase research capability in tropical countries; and the International Drinking Water Supply and Sanitation Decade, which identifies and implements sanitation-investment projects and seeks to increase substantially safe drinking water and sanitation by 1990.

Other recent cooperative endeavors toward improving economic and social conditions in developing countries, particularly in Africa, are noteworthy. The United Nations Development Programme (UNDP)/World Bank trade expansion program provides technical and policy advice to countries intending to reform their trade regimes. The social dimension of adjustment program, presently being executed by the Bank in collaboration with the UNDP, the African Development Bank, and bilateral donors, helps ensure that the human dimensions of economic-adjustment programs are systematically taken into account in countries undergoing adjustment. The safe motherhood operational research program, created at the initiative of the Bank and executed by the World Health Organization, provides grants for studies on how to deliver maternal health care with greater efficiency and on the effect of such health care on the health and lives of women and their young children. The Bank and the United Nations Children's Fund (UNICEF) are actively working together through the interagency task force for child survival, established to promote initiatives aimed at protecting the world's children. Combined efforts with other agencies have resulted in an expanded immunization program for children worldwide. It is expected that many developing countries will reach full immunization by the end of 1990.

The past year witnessed a resurgence of international concern and collaboration for educational priorities. With a renewed focus on basic education, Unesco, the UNDP, UNICEF, and the Bank have agreed to sponsor a "world conference on education for all." The conference, to be held early in 1990, is intended to serve as a catalyst for securing basic education for all by the year 2000.

**Nongovernmental Organizations.** The Bank continues to accumulate considerable experience in involving nongovernmental organizations (NGOs) in Bank-assisted projects. Between 1973 and 1988, NGOs were involved in some 200 projects supported by the Bank. Most have been in Africa, and almost half in agriculture and rural development (see Table 5-2).

***Table 5-2.* Projects Involving NGOs, by Sector and Region, Fiscal Years 1973–88**

| | Region | | | | | |
|---|---|---|---|---|---|---|
| Sector | Asia | Africa | Europe, Middle East, and North Africa | Latin America and the Caribbean | Total number of projects | Percentage |
| Agriculture | 25 | 51 | 6 | 8 | 90 | 45 |
| Education/training | 2 | 13 | 1 | 4 | 20 | 10 |
| Population/health | 8 | 11 | 2 | 5 | 26 | 13 |
| Industry/energy | 4 | 10 | 4 | 3 | 21 | 10 |
| Infrastructure/urban development | 6 | 28 | 2 | 6 | 42 | 21 |
| Reconstruction | — | 2 | — | 1 | 3 | 1 |
| Total number of projects | 45 | 115 | 15 | 27 | 202 | |
| Percentage | 22 | 57 | 7 | 13 | | 100 |

Cooperation with NGOs continued to increase in fiscal 1989. In his annual meetings speech to the board of governors of the Bank in September 1988, the president of the Bank encouraged Bank staff to "initiate a broadened dialogue with NGOs" and stated that he fully expected collaboration to "flourish." The Bank is working with developing-country member governments to expand, within the framework of their policies toward NGOs, the involvement of NGOs in Bank-supported activities—especially in the early stages of project planning and design—as one way to achieve greater effectiveness.

Several reviews of Bank-assisted projects have confirmed the importance of beneficiary organizations to the success and sustainability of many development activities. NGOs, such as local women's groups, independent cooperatives, and private voluntary organizations, can often bring insights about the needs and perspectives of low-income people into the planning and implementation of official development projects. NGOs are increasingly involved with government officials at the design stage of Bank-supported projects. For example, in the second Upper Krishna irrigation project, approved during the past fiscal year, MYRADA (an Indian NGO) assisted in planning resettlement of up to 12,000 affected families. In Madagascar, NGOs contributed to the formulation of a national environmental action plan and of the social action plan that IDA is supporting through the economic management and social action project, approved in fiscal 1989.

NGOs can be cost-effective in the delivery of social services. A mid term review of the Bolivia second emergency social fund project found that the project has been remarkably effective, partly because many NGOs—including religious organizations and community groups—have been involved. The Imo state health and population project in Nigeria, also approved in fiscal 1989, builds on a strong tradition of community self-reliance; community health committees, made up of representatives of traditional groups, women's organizations, schools, and local government agencies, are responsible for developing and implementing community health care and family-planning programs. Most Bank-supported population and health projects include a major role for the local family-planning association or community-based health groups.

The first freestanding NGO project financed by the Bank—the grassroots-development initiatives project in Togo—was approved in fiscal 1989. The government of Togo, supported by IDA, will provide grant financing of $3 million to community-based development projects designed and implemented by NGOs and their beneficiaries.

In some countries, the Bank is working with government officials to help establish public policies and institutions that are conducive to effective NGO contribution to national development. The Bank's most recent economic report on Nepal, for example, documented NGO contributions to development among low-income groups and suggested steps that the government, official donors, and NGOs might take to strengthen the NGO sector. The Philippines Department of Health is using the health-development project, approved in fiscal 1989 in the amount of $70.1 million, to learn from and strengthen NGO community-health programs in the country.

The Bank has taken a number of steps to foster increased NGO involvement in Bank-supported activities, with the agreement of the government and within the framework of the relevant policies of the governments concerned. Resident missions are playing a lead role, since they are well positioned to learn about NGOs that are active at the country level. Regional staff have identified potential, subject to government agreement, for NGO involvement in some 200 upcoming Bank-supported operations, and this list of projects is being distributed to help NGOs involve themselves early in the project cycle. The Bank's *Monthly Operational Summary* is also being sent to some 200 NGOs around the world to help them learn about projects of interest to them and signal potential social or environmental problems.

An operational manual statement on collaboration with NGOs, issued in August 1988, encourages staff to explore possibilities for operational collaboration, particularly with local NGOs, while bearing in mind the Bank's primary relationship with governments. The Bank organized its first staff training course on NGO collaboration in March 1989. The Bank has also established an NGO database to help staff learn about NGOs and to strengthen its institutional memory regarding NGOs.

NGOs in both developed and developing countries contribute to the Bank's thinking on important development issues in various ways. Unofficial conferences and NGO events are increasingly prominent during the annual meetings of the Bank and the IMF, for example. The Bank-NGO Committee continues to provide a formal forum and focal point for policy discussion between Bank staff and NGOs. Well over half of the twenty-six NGO members on the committee are from developing countries.

**Organisation for Economic Co-operation and Development (OECD).** As the decade of the

1980s draws to an end, aid donors are assessing the lessons of experience and are planning strategies for the 1990s. In the Development Assistance Committee (DAC) of the OECD, which is the primary policy-coordination forum for bilateral donors, aid in the 1990s was a key theme during the past year.

The OECD Development Center's twenty-fifth anniversary symposium provided an opportunity for the international community to deliberate on a sustainable development strategy for the new decade in the face of continuing uncertainties in the world economy. The Bank's observer status in DAC and its continuing strong working relationship with the OECD secretariat have enabled Bank staff to participate in these and related debates on poverty alleviation and equitable growth, the environment, health care, and private-sector development. There have also been opportunities to share experience with the broader aid community on NGOs (especially those from developing countries), women in development, technical assistance, and progress under the special program of assistance for Africa.

A first DAC meeting using a regional approach enabled bilateral and multilateral agencies active in South Asia to focus on problems that countries in that area have in common. The Bank helped to develop the "principles of project appraisal," which represent the commitment of donors to harmonize their procedures in the interest of developing countries and to adhere to sound economic, financial, technical, environmental, and social principles in project lending.

Participation in other OECD fora permits the Bank to bring its development perspective to bear and to integrate industrial-country issues into its own analytical and advisory work. Bank staff have recently participated in meetings of bankers, debt analysts, forecasters, environmentalists, and trade specialists. Meetings of the Economic Policy Committee have focused on agriculture, savings, and investment. The Bank attends the annual ministerial-level meeting, which, during the past year, concentrated on growth and global interdependence, including the Uruguay Round, the environment, and debt. Since October 1988, cooperation has been facilitated by on-line and direct electronic communications between the Bank and the OECD, making consultation and the exchange of data much more efficient.

**Collaboration between the Bank and the International Monetary Fund.** During the 1980s, the work of the Bank and the International Monetary Fund (IMF) has increasingly moved into areas of common concern in response to the evolving adjustment needs of member countries. This has resulted in an increasing emphasis on the need to strengthen collaboration between the Bank and the IMF.

Over the past several years, many steps have been taken to strengthen collaboration —including the increased sharing of information, cross-attendance by staff at selected meetings of the executive boards of the two institutions, and temporary exchange of staff. Greater coordination in financial assistance has increasingly been achieved while continuing to avoid cross-conditionality.

Given the central role of the Bank and the IMF in helping countries design and implement adjustment programs, the two institutions recognize the need to work even more effectively together in areas of common concern and complement one another using their comparative advantages. The central task for both institutions is to continue to move towards better and more effective understandings over the whole range of policies required for each country, the mobilization of adequate financial support for economic-reform programs, and the monitoring of these programs in time, as well as range.

Given the complexity of the problems faced by the developing member countries of the Bank and the IMF, the different perspectives of the two institutions, and the increased overlapping of their activities, it is not unusual that differences of view may sometimes arise. However, the two institutions recognize that it is essential that the advice they offer be consistent. The president of the Bank and the managing director of the IMF acted in concert during the past year to strengthen collaboration, to more clearly define institutional responsibilities, to ensure that conflicts of views were resolved at an early stage, and that these neither surfaced in contacts with country authorities nor resulted in differing policy advice to member countries. New guidelines were issued to the staffs of the two institutions reflecting these basic positions. The guidelines, which were discussed by the executive directors, are designed to ensure the closest possible collaboration and working relations between the two institutions, while recognizing that each institution must make its financial assistance available to its members in accordance with the standards laid down in their respective Articles of Agreement and the policies adopted by their respective executive boards.

The guidelines include, among others, the following points:

• The daily interactions and *ad hoc* contacts involving management and staffs (as well as monthly and *ad hoc* meetings between the president and the managing director) will be supplemented with regular meetings of the senior staff of each institution. These meetings will anticipate and thus reduce the differences of view between the two staffs.

• Whenever conditionality or advice to countries on major issues is involved, agreement will be sought early and promptly among working-level staffs. Detailed procedures were put in place to resolve issues that are not resolved at the staff level.

• In the low-income countries, discussions concerning policy framework papers will continue to be handled jointly on the basis of preagreed terms of reference and, whenever possible, with a single mission chief at an appropriate rank. When parallel missions are in the field, they will be expected to cooperate fully and meet jointly with country authorities, following positions clearly agreed on in advance.

• In order to better coordinate assistance to debtor countries faced with the need to develop other innovative forms of financing, including those aimed at debt reduction, a task force to promote cooperation, analysis, and the exchange of information on the financing techniques of the two institutions was established.

• In dealing with other institutions that have an interest in matters of debt and growth (the United Nations and the OECD and its DAC, for example), draft reports prepared by one of the two institutions, to the maximum extent possible, will be sent to the other well in advance of the circulation date for review and comment so as to provide an additional opportunity to identify and resolve possible problems.

• Finally, to better acquaint staff of one institution with the corporate culture and constraints within which the other operates, an exchange of staff will be initiated at the senior professional level. During a two-year or three-year period of secondment, staff members will be wholly integrated into the regular staff of the institution to which they have been seconded.

Taking note of the agreement between the heads of the two organizations, members of the Development Committee, meeting in Washington, D.C., in April 1989, welcomed the efforts of the Bank and the IMF to develop further their collaboration, while avoiding cross-conditionality, and to make full use of their comparative advantage in respect of the advice they offer borrowing countries on the design, financing, and monitoring of structural-adjustment programs.

**Cooperation on Agricultural Research.** The Consultative Group on International Agricultural Research (CGIAR) is an informal association of forty public and private-sector donors that funds research programs and related activities, including training, carried out by a network of thirteen international agricultural-research centers. The Bank is a cosponsor of the CGIAR, together with the Food and Agriculture Organization of the UN (FAO) and the UNDP. CGIAR-funded programs cover most of the world's major food crops, and include research on animal-production systems, as well as food policy. One of the CGIAR centers encourages the collection and preservation of the germplasm of food crops. Another devotes itself to supporting developing-country research systems.

High-yielding cultivars of wheat and rice, based on research at CGIAR centers, are now grown on half of the wheat land in developing countries and on more than half of the rice land. Research into both commodities continues, with the goal of producing new varieties that increase yields without depleting natural resources. Research on cassava, millet, sorghum, and other food crops, as well as research on farming systems and post-harvest technologies, also continue to have a broad impact. The need to apply dangerous pesticides has been reduced as a result of integrated pest-management programs and biological-control programs devised by CGIAR centers.

In calendar year 1988, contributions to the centers totaled $212 million, up $10.4 million from 1987. The Bank contributed $30 million. The strength of the United States dollar resulted in lower dollar revenues from donations in nondollar currencies, but center programs were generally unaffected because of the existence of a special "stabilization" fund that compensated for exchange-rate losses. The stabilization mechanism, established in 1984 with Bank funds, buffers the budgets of the thirteen international agricultural-research centers against short-term exchange-rate and inflation-rate fluctuations. Exchange rates favorable to the system in previous years helped to create the reserves that were used in 1988.

*Focus on sustainability*. The development of sustainable agriculture was reemphasized as a major responsibility of the CGIAR when the group held its mid term meeting in Berlin (West) in May 1988. A report from the group's Technical Advisory Committee (TAC), as well as *Our Common Future*, the report of the World Commission on Environment and Development, served as the basis for discussion among donors. Defining sustainability, the TAC report said that "sustainable agriculture should involve the successful management of resources for agriculture to satisfy changing human needs, while maintaining or enhancing the quality of the environment and enhancing natural resources." Several concerns emerged from the discussion: for instance, how to develop technologies that encourage sustainable development; how best to evaluate the new technologies; and how to support national research systems as they carry out new responsibilities arising from an overall emphasis on sustainable development.

The CGIAR system has always been committed to the sustainability of agriculture, but the group saw that a renewed effort was required. In response to the views expressed, the chairman of the CGIAR, World Bank senior vice president for policy, planning, and research, W. David Hopper, appointed a technical group, including the scientific leadership at the centers, to help determine what specific form that effort should take. In one of its first actions, the technical group designed a matrix by which the sustainability orientation of each of the thirteen CGIAR centers' research programs could be defined and assessed as a prelude to detailed recommendations for future programs.

*Expansion of the system.* A second major theme that occupied the group was the relationship of the CGIAR system to international agricultural-research centers not directly associated with the group at present. A substantial number of these "nonassociated centers" focus on resources such as soil, water, and forests, whose future contribution to food and agricultural production is central to sustainability. For this reason, among others, the group decided to embark on a review of the ten nonassociated centers in order to decide whether some or all of them should be brought into the CGIAR system.

At the group's annual meeting, held in October 1988 in Washington, D.C., the group approved a proposal by the TAC chairman that called for the programs and management of the ten nonassociated centers to be reviewed in relation to CGIAR programs. The group also agreed that such a review should consider the possibilities of cutting back on lower-priority activities currently financed by the CGIAR. Specific proposals will be formulated and decided on at the completion of the reviews. In a connected development, several donors, which have been collaborating under the sponsorship of the Bank, the FAO, and the UNDP in looking at worldwide needs for forestry research, urged the CGIAR to consider adding forestry to its areas of concerns.

*Support to national systems.* Collaboration between international centers and national research systems is a continuing process on which the implementation of research depends. Partly as a result of this association, and also because of strong domestic support in some instances, many national systems have reached high levels of competence. Conversely, however, many national systems are inadequately supported, both domestically and by the international donor community. Against this background, the CGIAR found it appropriate to reexamine and, where necessary, reorder its relations with national research systems.

Direct links between international centers and national systems underwent a qualitative change, in some instances, with representatives of national systems drawn into the research process from the first stages of planning. Scientists from international centers continued to help strengthen national systems. At the same time, the CGIAR began to examine the issue of how specific responsibilities should be shared between international centers and national systems.

*Strengthening research in Africa.* Many of the programs that centers will initiate will be supported by the infrastructure and systems developed over the past several years. In Africa, two new research facilities—both directed at increasing food supplies and protecting fragile African ecosystems—were established in 1988.

In Niger, just outside the capital city of Niamey, a 1,200-acre research center for the Sahelian zone was put into operation as a base for pearl millet, groundnuts, and dryland cropping-systems research. The center is part of the International Crops Research Institute for the Semi-arid Tropics (ICRISAT), based in Hyderabad, India. The Niamey center will strengthen cooperative research between ICRISAT and national research systems seeking to increase food production in areas of scarce rainfall and poor soil fertility. It also provides a base for several other international agencies doing agricultural research in the Sahel.

To the southwest, in Benin, work was completed in 1988 on the CGIAR's first facility devoted to biocontrol. The International Institute of Tropical Agriculture's Biological Control Center in Cotonou was inaugurated in October. The center is an extension of a program that has reversed the spread of the cassava mealybug, an insect pest responsible for $5.5 billion in damages to Africa's cassava crop. Recent studies indicate that the cost-benefit ratio of the mealybug-control program is well in excess of $100 for each dollar invested. Research at the Cotonou facility will also cover other pests, including large grain borers—a recent invader from Latin America—several other cereal borers, locusts and grasshoppers, water hyacinth, which clogs in-

***Table 5-3.* Aid Coordination Group Meetings Held in Fiscal Year 1989**
(consortia, consultative and aid groups)

| Date | Country | Location |
|---|---|---|
| *Chaired by the World Bank* | | |
| July 6–7, 1988 | Bolivia consultative group | Paris, France |
| July 11, 1988 | Tanzania consultative group | Paris, France |
| September 15, 1988 | Sudan consultative group | Paris, France |
| September 19, 1988 | Mozambique consultative group | Paris, France |
| October 24, 1988 | Kenya consultative group | Paris, France |
| October 27, 1988 | Uganda consultative group | Paris, France |
| November 3, 1988 | Mozambique consultative group | Paris, France |
| November 15, 1988 | Nepal aid group | Paris, France |
| December 12, 1988 | Mauritania consultative group | Paris, France |
| February 28, 1989 | Ghana consultative group | Paris, France |
| April 18–19, 1989 | Bangladesh aid group | Paris, France |
| April 20, 1989 | Pakistan consortium | Paris, France |
| May 25–26, 1989 | Papua New Guinea consultative group | Tokyo, Japan |
| June 19–20, 1989 | India consortium | Paris, France |
| June 21–22, 1989 | Sri Lanka aid group | Paris, France |
| *Chaired by the Netherlands* | | |
| June 13–14, 1989 | Inter-governmental Group on Indonesia | The Hague, Netherlands |

land waterways, and a parasitic weed known as "striga," which is a major impediment to increases in African maize production.

The past year also saw the relocation of the West Africa Rice Development Association (WARDA) to Côte d'Ivoire. The move was part of the revitalization of the once-ailing regional rice-research program. WARDA now operates from temporary headquarters near Bouaké and conducts research on land provided by the Ivorian national research program. Planning for a permanent 3,200-acre headquarters site in the Mbe valley is under way.

### Technical Assistance

The major source of technical assistance in Bank lending comes from technical-assistance components in loans and credits. In calendar year 1988, technical-assistance components increased slightly in amount, from $1,022.3 million in 1987 to $1,095.1 million. The major change occurred in the Africa region, where technical-assistance components increased by 50 percent in amount. In contrast, the shares in other regions declined. As a percentage of total lending, the share of technical-assistance components in all regions fell from 6.5 percent in the five-year period, 1984–88, to 5.7 percent in 1988.

The decrease in the weight of technical-assistance components is the result of at least three factors. First, there is a growing capacity among borrowers to undertake assistance on their own. Second, the share of adjustment operations in all regions has increased from 8.4 percent in calendar 1984 to 24.5 percent in calendar 1988. This type of lending normally requires a proportionately smaller amount of technical assistance than regular investment operations; much of the technical assistance that is associated with adjustment lending is provided through separate, freestanding technical-assistance projects. Third, there is a reluctance by countries to borrow for technical assistance if prospects are favorable for securing technical assistance on grant terms.

Freestanding technical-assistance loans finance projects devoted entirely to technical assistance. Sixty-one freestanding technical-assistance projects were approved during the five-year period, calendar 1984–88, for an annual average amount of $129.3 million. In 1988, twelve projects were approved. Of these, ten were in the Africa region; the other two were in the Latin America and the Caribbean region. Although small in size compared with other Bank operations, freestanding technical-assistance loans and credits may target specific technical-assistance activities in support of adjustment programs, both at the macro and micro levels. At the macro level, support is commonly geared to strengthening governmental capacity to formulate and/or implement economic policies and reform measures. At the micro level, assistance is largely focused on specific sectors and is aimed at improving efficiency and expanding output.

In 1988, ninety-two project-preparation facility (PPF) advances were approved, for a total of $66.6 million. The use of the facility is concentrated in the Africa region, averaging, by value, 79.5 percent of all advances in the five-year period, 1984–88, followed by Latin America and the Caribbean (10.4 percent), Europe, Middle East, and North Africa (7.3 percent), and Asia (2.8 percent). The use of the facility has increased sharply since 1986. In part, this can be attributed to the increase in the number of IDA credits approved. By sector, the use of the facility is most heavily found in the agriculture sector (29 percent), followed by technical assistance and transportation (10 percent each).

Special project-preparation facility (SPPF) advances increased in 1988 compared with the previous year, but approvals of $3.4 million were below the $5 million peak set in 1986.

The Bank's portfolio of United Nations Development Programme projects under Bank execution consists of 154 projects in progress, for a total of $234.5 million. Disbursements on these projects have been increasing in recent years at an annual rate of 14 percent.

### Operations Evaluation

Operations evaluation provides systematic and independent assessment of Bank operations and activities. Its principal objectives are to account to the Bank's shareholders for the outcome of Bank-supported projects and programs and to feed back that experience into the design and conduct of future operations.

The director-general, operations evaluation (DGO), has overall responsibility for the evaluation function. He reports directly to the executive board and is supported by the operations evaluation department (OED). The Joint Audit Committee (JAC) of the board oversees the work of the OED. As in the past, the committee's findings and recommendations were reviewed during the year by the full board, as was the fiscal 1988 annual report of the director-general and the department's *Annual Review of Project Performance Results* for 1987.

Most OED evaluations fall into two categories: audits of completed projects and programs and special studies that address broader development issues at the country and sectoral level. During fiscal 1989, performance audits of ninety-two operations were issued to the executive board. In addition, project-completion reports (PRCs), prepared by operational staff and covering 136 projects, were passed on to the executive directors without full audit by OED staff. The cumulative total of Bank operations subjected to *ex-post* evaluation reached 2,152 by the end of the fiscal year.

A Bankwide working group reviewed the preparation of project-completion reports. This working group formulated a number of specific recommendations to help ensure the timely production of PCRs, to improve the quality of the PCRs through increased emphasis on the analysis of main issues and lesson-learning rather than description, to encourage substantive borrower participation in the preparation of PCRs, and to make the whole PCR process as cost-effective as possible. With this in mind, it was agreed that PCR preparation should start during the last supervision mission of each project. In addition, a new, three-part format of the PCR was designed: Parts I and III, to be completed by the Bank, analyze the project experience and include the relevant data, while Part II, to be completed by the borrower, presents the borrower's views on the project and the issues.

Equally important are the recommendations of a task force that analyzed the dissemination and utilization of OED findings in the context of the reorganized Bank and made a number of suggestions designed to enhance the effectiveness of the process, including: that OED sharpen its message, that formal management responses to major OED studies be reinstituted, and that earlier evaluation findings be cited more systematically in decision memoranda and board documents. The recommendations of both the working group and the task force were endorsed by the Bank's management, the DGO, and the JAC, and are now being incorporated into operational guidelines.

The *Annual Review of Project Performance Results*, covering calendar year 1987, was issued in October 1988 and was subsequently published. The review constitutes an important mechanism for synthesizing the results of operations evaluation, thus contributing to the cumulative assessment of the Bank's operational effectiveness. A new, more analytical and thematic design was approved by the JAC for future *Annual Reviews* and will begin to be reflected in the next review, covering calendar year 1988, which is currently being completed.

Of the 187 projects covered by the 1987 review, 72 percent were considered to have achieved satisfactory results. This compares with 82 percent the year before. The significantly higher rating in the year before was the result partly of that year's different sectoral and regional composition. The satisfactory rate was 70 percent two years ago. Satisfactory performance achievements in 1987 continued to be concentrated in the Asia (84 percent) and the Europe, Middle East, and North Africa (83 percent) regions. The percentage of satisfactory outcomes for the Latin America and the Caribbean region was 68; for the Africa region, it was 53. Among the sectors, the seven structural-adjustment projects had the highest satisfactory assessment rating in 1987—86 percent. Agricultural and rural-development projects had the lowest—61 percent.

OED's fiscal 1989 work program was discussed and agreed in April 1988. In addition to OED's activities related to PCRs and audits, this program includes a broad array of studies. Studies are the most effective instrument available to OED for documenting and distilling recommendations—not only because they are topical but also because groups of operations offer considerably more scope for drawing lessons than do single audits. A prime consideration in identifying and selecting studies is their relevance to current and prospective issues as identified by executive directors, member countries, and Bank management and staff. The study program covers studies in various stages of progress. The topics range from country studies, macroeconomic and policy reviews (structural-adjustment loans and sector-adjustment loans), and sectoral studies (impact studies of irrigation and of agricultural credit in different countries, a review of rural-roads maintenance, education-impact studies, a power-sector review, and a review of sustainability of development finance companies) to operational issues, such as technical assistance in sub-Saharan Africa and procurement and construction modes in highway projects. These examples of topics covered provide a flavor of the diversity and complexity of OED's study program, as well as an indication of the future focus of OED's dissemination activities. Eight studies were sent to the executive board during the fiscal year, and another four were substantially completed.

Two other studies were published during the year: a study on educational development in Thailand and the role of Bank lending to that sector and a review of agricultural-pricing policies as conditionality in Bank lending. Two further studies dealing with renewable-resource management and agricultural marketing are being prepared for publication in early fiscal 1990.

In his annual report to the executive directors, the director-general provided a detailed account of all evaluation activities in the Bank, including those conducted by the IFC and the Economic Development Institute. The director-general emphasized the need for a strong evaluation function as a necessary complement to the increased delegation of authority in the reorganized Bank. In this context, the OED is stepping up its interaction with other units Bankwide to ensure the continued relevance of its products, to support their dissemination, and to report on their impact.

## Internal Auditing

The internal auditing department (IAD), headed by an auditor-general (a newly formed position within the reorganized Bank), reports functionally to the president of the Bank and administratively to the senior vice president, external affairs and administration.

Internal auditing is an independent appraisal function within the Bank that reviews and evaluates Bank operations and activities as a service to the Bank. This appraisal function is accomplished through operational audits of the financial and operating systems and procedures used in the conduct and management of the Bank's operations. The overall objective of the IAD is to assist vice presidents, department directors, and other managers in the effective discharge of their responsibilities by providing them with periodic reports and appraisals carried out on activities within their respective areas of responsibility.

IAD's examination and evaluation of the adequacy and effectiveness of policies, systems, and internal controls used in the management and conduct of activities include, as appropriate, an assessment of the reliability and integrity of financial and operating information. The department reviews systems already established to ensure adherence to those governing agreements, instruments, and related decisions, as well as to regulations, policies, plans, and procedures that could have a material effect on operations; it also reports and determines the extent of such compliance. In addition, where appropriate, each audit includes an evaluation of the means used to safeguard the World Bank's assets from various types of losses, an appraisal of the efficiency and economy with which resources are used, and the accomplishment of established goals and objectives of specific programs or operations.

In order to achieve its objectives, the department prepares an annual work program, which is considered by the Joint Audit Committee of the executive board. This annual program is derived from a master work program, an overall assessment of total audit coverage for which the department is responsible. During fiscal 1989, a comprehensive review of this master work program was initiated to ensure that it remain appropriate to the current Bank environment. In parallel with this review, a fundamental reassessment of the methodology used within the department to assess the degree of risk associated with specific parts of the Bank's operations was undertaken. The result of this exercise should be a methodology that enables the allocation of scarce audit resources to be prioritized. Within the annual work program, specific provision is made to allocate a proportion of IAD resources to meet requests by operational managers for *ad hoc* assignments.

During the past year, a significant proportion of IAD resources was allocated to a special review, which had been requested by the senior vice president, operations, of loan-processing arrangements. Other major assignments undertaken during the year included a special review of the reorganization budget, procurement in investment lending, technical assistance, trust funds, security of information-resource management, data sharing, and the project-preparation facility.

A number of activities were initiated by the auditor-general to enhance the quality of the department's work. A strategic review, identifying the major issues facing the department into the mid 1990s, was completed. A comprehensive study of departmental standards, policies, and procedures was undertaken, new approaches to staff recruitment and training were introduced, communications with client departments were enhanced, and the possibility of arranging the interchange of staff with other departments was also examined.

Finally, means by which members of the senior management council can be kept aware of significant findings arising from IAD work in their respective units and of the status of implementation of recommendations made in internal audit reports came into operation with the introduction of formal meetings held by the auditor-general at six-month intervals at which these matters are discussed.

### International Finance Corporation

The mandate of the International Finance Corporation (IFC) is to promote private-sector development in its developing member countries. It does this by financing private-sector projects, mobilizing funds from other investors and lenders for projects, and providing technical assistance and advisory services to both governments and private enterprises.

Fiscal year 1989 marked the close of the IFC's five-year program. Despite difficult economic conditions in the developing world, particularly during fiscal years 1985 and 1986, most of the program's objectives were achieved, and some were surpassed. The IFC's growth over the period, supported by the doubling of its authorized capital from $650 million to $1,300 million in December 1985, has made the corporation a stronger institution, able to offer its member countries a greater variety of services.

Fiscal year 1989 was a record year in terms of the volume of new projects and the IFC's own financial performance. The IFC approved investments of all types of $1,709 million for ninety projects, with total costs of $9,694 million. Disbursements reached $870 million. The IFC's net income increased for the third successive year to a record $197 million.

Fiscal 1989 marked a major milestone for the IFC, with the decision to apply for a rating for a public issue of the corporation's debt securities. The conferral of a AAA rating by Standard & Poor and a Aaa rating by Moody was recognition of the IFC's superior financial status. Access to the top-rated public securities' markets will help minimize the IFC's funding costs, while broadening significantly its investor base—advantages that can also benefit the IFC's clients. Moreover, the ratings will help the IFC's efforts to mobilize funds by confirming to the commercial-banking community that it successfully combines profitability with its broader developmental role.

As part of a continuing effort to mobilize equity in its developing member countries, the IFC established a new international securities group within its capital markets department. The group will be responsible for structuring securities transactions and executing sales of shares in enterprises in the IFC's developing member countries to dealers, brokers, and investors. The IFC has already reached agreements with the authorities in Japan and in the United Kingdom, permitting it to place securities in those financial markets.

The capital markets department continued to provide technical assistance to member governments in capital-markets development. Through the foreign investment advisory service (FIAS), a joint service of the IFC and the Multilateral Investment Guarantee Agency, the IFC also provided advice to governments on mechanisms for encouraging foreign direct investment.

With the creation of a new corporate finance services group, the IFC has expanded its ability to provide advisory services in two important areas: corporate restructurings and privatization.

In collaboration with five bilateral donor agencies from its developed member countries, the IFC set up trust funds totaling $4 million to finance technical-assistance projects. A new technology service unit was established to help companies identify and acquire appropriate technologies, from developed, as well as from other developing, countries.

Sub-Saharan Africa continued to be one of the corporation's priorities: the African management services company (AMSCo) and the Africa enterprise fund (AEF) were both launched during the year. The former will address the need of African enterprises for better management, while the latter will allow the corporation to increase its assistance to small and medium-sized African enterprises. Moreover, in light of the success of the African project-development facility, which began operations in 1986, an extension of that service in a second phase is now being considered.

While the IFC's traditional investment activities will continue to grow in the coming years, the IFC plans to make special efforts to expand its advisory services and fund mobilization activities. It will also devote more attention to small and medium-sized enterprises, which are often dynamic and innovative and make up a significant portion of the productive economy in many developing countries.

Full details of the IFC's fiscal year can be found in its annual report, which is published separately.

## Multilateral Investment Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA), the newest member of the "World Bank Group," has a specialized mandate: to encourage equity investment and other direct investment flows to developing countries through the mitigation of noncommercial investment barriers, especially political risk. To carry out this mandate, MIGA offers investors guarantees against noncommercial risks; advises developing member governments on the design and implementation of policies, programs, and procedures related to foreign investments; and sponsors a dialogue between the international business community and host governments on investment issues.

*The guarantee program.* Through media exposure, referrals by national investment credit insurers, direct mailings, participation in business and trade fora, and seminars, MIGA's guarantee program was successfully launched in fiscal 1989. By June 30, 1989, MIGA had received sixty-nine preliminary applications for guarantee, covering potential investments in twenty-four member countries. During the year, twenty-one additional preliminary applications were received for projects in fifteen countries that have not yet become MIGA signatories.

The variety of host countries in which the proposed investments are to be made is encouraging. A diversity of sectors is also represented in these applications and includes mining, agriculture and agribusiness, aquaculture, manufacturing, services, energy, and forestry.

Guarantees are available for eligible investments that had not been made or irrevocably committed at the point of filing a preliminary application for guarantee. After submission of a preliminary application, the second step toward obtaining the guaranty is to complete a more detailed, definitive application for guarantee. By the end of the fiscal year, fifteen definitive applications had been filed, covering investments in eleven countries.

*Policy and advisory services.* The principal task of MIGA's policy and advisory services (PAS) is to help promote the flow of foreign investments to and among developing countries and to assist these countries in creating an attractive and hospitable investment climate.

A major component of the PAS is the foreign investment advisory services (FIAS). Established in 1986 in the International Finance Corporation, it became, in late 1988, a joint venture between MIGA and the IFC. FIAS is charged with providing advice and technical assistance to developing countries on their investment laws, policies, programs, and institutions. The advice and technical assistance are designed to promote, regulate, and otherwise influence the amount and character of foreign direct investment that member countries receive.

In fiscal 1989, FIAS staff worked on fourteen advisory projects, four conferences, and four research projects. Of the advisory projects, ten were completed, including five in MIGA member countries. These five projects involved making recommendations on new approaches to the problem of foreign-exchange allocation to joint ventures in China; assistance in formulating a new foreign-investment code in Togo; identifying policy impediments to foreign investment in the agricultural sector in Indonesia and Senegal; and a general diagnosis of policy issues for foreign investment in Madagascar.

In addition to the advisory functions that FIAS undertakes, PAS also provides consultative services to developing member countries that include the design and organization of investment promotion fora, specialized research and other related activities aimed at enhancing the level of investments and promoting opportunities for joint ventures in developing countries.

As of June 30, 1989, the convention establishing MIGA had been signed by fifteen category one (capital-exporting) countries and fifty-eight category two (capital-importing) countries, whose subscriptions totaled 74.43 percent of the agency's authorized capital. Fifty-two signatory states had also ratified the convention; their subscriptions totaled 65.21 percent of the capital. Membership in MIGA is open to all members of the Bank and to Switzerland.

Details of MIGA's activities in fiscal year 1989 appear in its annual report, which is published separately.

### 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), which was opened for signature in 1965 and entered into force on October 14, 1966. Pursuant to the provisions of the Convention, ICSID provides facilities for the conciliation and arbitration of investment disputes between an ICSID member state and a national or nationals of other member states. The World Bank sponsored the Convention in the belief that the availability of such facilities could contribute to creating an atmosphere of mutual confidence conducive to increasing the flow of private foreign investment into countries seeking it.

Membership in ICSID continued to grow with the ratification of the Convention by Honduras and Turkey during the fiscal year. As of June 30, 1989, ICSID membership comprised ninety-one member countries of the World Bank, plus Switzerland. In addition, seven countries have signed but not yet ratified the Convention.

There are currently nine disputes pending before the centre. These include two proceedings for the annulment of an award and seven arbitration cases. During the fiscal year, the disputes in two other cases submitted to the centre were amicably settled. This brought to eleven the number of ICSID cases that have been settled or discontinued, as compared with nine that have given rise to binding awards. The high proportion of settlements is encouraging evidence of ICSID's ability to facilitate the resolution of disputes on terms agreed by the parties.

In addition to administering conciliation and arbitration cases, ICSID carries out a variety of promotional and publications activities. The centre's publications include a semiannual law journal, *ICSID Review—Foreign Investment Law Journal*, and multivolume collections of *Investment Laws of the World* and of *Investment Treaties*. Two issues of the law journal and four releases of the investment laws and treaties collections were published in fiscal 1989.

Details of ICSID's activities in fiscal year 1989 appear in the annual report of the centre, which is published separately.

# Section Six
# 1989 Regional Perspectives

## Africa

Reflecting normal weather conditions, a terms-of-trade improvement (except for the petroleum exporters), and continued structural adjustment, sub-Saharan Africa's gross domestic product (GDP) is estimated to have grown modestly in 1988, reversing the decline in the previous year. The recovery was shared by most countries in the region.

Although the varied performance of African countries makes it hard to isolate general trends, in aggregate, sub-Saharan Africa's GDP has grown at 2.6 percent a year during 1985–88, counteracting the general perception that Africa is a continent still in unrelenting decline. On average, oil exporters, which account for a quarter of the region's population, grew at a lower rate (2.3 percent a year) and experienced larger fluctuations in GDP. In contrast, the low-income countries in the region have had more steady growth, averaging 2.6 percent annually. Growth, however, has been inadequate to permit increases in per

***Table 6-1.* Africa: 1987 Population and Per Capita GNP of Country Borrowers, Fiscal Years 1987–89**

| Country borrowers fiscal 1987–89 | Population (thousands)[a] | Per capita GNP 1987[b] (US$) | Country borrowers fiscal 1987–89 | Population (thousands)[a] | Per capita GNP 1987[b] (US$) |
|---|---|---|---|---|---|
| Benin | 4,313 | 310 | Lesotho | 1,629 | 370 |
| Burkina Faso | 8,312 | 190 | Madagascar | 10,902 | 210 |
| Burundi | 4,990 | 250 | Malawi | 7,905 | 160 |
| Cameroon | 10,859 | 970 | Mali | 7,774 | 210 |
| Cape Verde | 344 | 500 | Mauritania | 1,860 | 440 |
| Central African Republic | 2,720 | 330 | Mauritius | 1,038 | 1,490 |
| Chad | 5,267 | 150 | Mozambique | 14,555 | 170 |
| Comoros | 426 | 370 | Niger | 6,787 | 260 |
| Congo, People's Republic of the | 2,018 | 870 | Nigeria | 106,638 | 370 |
| | | | Rwanda | 6,434 | 300 |
| Côte d'Ivoire | 11,126 | 740 | São Tome and Principe | 115 | 280 |
| Djibouti | 370 | n.a.[c] | Senegal | 6,950 | 520 |
| Equatorial Guinea | 389 | n.a.[d] | Somalia | 5,711 | 290 |
| Ethiopia | 44,786 | 130 | Sudan | 23,119 | 330 |
| Gabon | 1,050 | 2,700 | Tanzania[e] | 23,870 | 180 |
| Gambia, The | 797 | 220 | Togo | 3,249 | 290 |
| Ghana | 13,572 | 390 | Uganda | 15,666 | 260 |
| Guinea | 6,479 | n.a.[d] | Zaire | 32,604 | 150 |
| Guinea-Bissau | 922 | 160 | Zambia | 7,213 | 250 |
| Kenya | 22,096 | 330 | Zimbabwe | 9,044 | 580 |

NOTE: The 1987 estimates of GNP per capita presented above are from the "World Development Indicators" in the *World Development Report 1989*.

n.a. Not available.

a. Estimates for mid 1987.

b. *World Bank Atlas* methodology, 1985–87 base period.

c. GNP per capita estimated to be in the lower-middle-income range.

d. GNP per capita estimated to be in the low-income range.

e. The GNP per capita refers to mainland Tanzania only.

capita income, which is estimated to be about 15 percent below its level of a decade ago.

The region's major source of growth in the past four years has been agriculture, which, according to indices of the Food and Agriculture Organization of the UN (FAO), grew at an annual rate of 4 percent in 1985–88. Production in 1988 was 13 percent higher than what would have been predicted from an extrapolation of the 1970–85 trend rate of growth. As a result, the often-reported decline in per capita agricultural production seems to have been reversed, although it remains to be seen whether such growth can continue in the longer term. Higher production is also reflected in a reversal of the decline in market shares for some agricultural commodities that characterized the 1970s and the early 1980s. Food production rose less sharply, but increased enough to maintain per capita output.

By the end of fiscal 1989, the number of countries implementing policy reforms to effect structural adjustment had increased to nearly thirty. In many countries that have had strong and sustained reform programs and which have not been affected by strong external shocks, for example, in The Gambia, Ghana, Guinea, Mauritius, Tanzania, and Togo, there are encouraging signs of growth in output generally well above the average for the region as a whole and above that achieved in the early 1980s.

Net official development assistance (ODA) disbursements to sub-Saharan Africa have increased, on average, by about 9 percent a year in real terms during 1984–87, compared with 2.8 percent a year in the early years of this decade. The region's share in worldwide net ODA disbursements has increased from 23 percent in 1980 to almost 30 percent in 1987; the low-income countries in the region received $36 per capita in 1987, compared with $25 in 1983. Adjusting countries, in particular, have received substantially higher increases of aid in the past two years. Flows of ODA to countries undertaking adjustment have grown at an annual rate of 20 percent in real terms during 1985–87, reflecting shifts in donor preferences and increased cofinancing, including cofinancing under the auspices of the special program of assistance (SPA). In addition, the adjusting countries have been the major beneficiaries of increased debt relief, including the special concessionary menu of options agreed to in 1988 at the Toronto economic summit and at the September 1988 meeting of the Development Committee.

***Table 6-2.* Lending to Borrowers in Africa, by Sector, Fiscal Years 1980–89**
(millions of US dollars)

| Sector | Annual average 1980–84 | 1985 | 1986 | 1987 | 1988 | 1989 |
|---|---|---|---|---|---|---|
| Agriculture and Rural Development | 540.3 | 350.0 | 434.7 | 519.2 | 562.3 | 754.8 |
| Development Finance Companies | 96.7 | 59.3 | 85.3 | 518.0 | 162.5 | 76.6 |
| Education | 102.1 | 119.0 | 114.7 | 104.9 | 178.2 | 88.2 |
| Energy | | | | | | |
| Oil, gas, and coal | 76.9 | 27.7 | 3.1 | 35.0 | — | 31.2 |
| Power | 162.1 | 56.6 | 217.0 | 69.3 | 88.0 | 138.4 |
| Industry | 47.9 | 6.4 | 193.9 | — | 150.5 | 81.4 |
| Nonproject | 274.4 | 164.2 | 416.0 | 307.0 | 760.0 | 1,274.0 |
| Population, Health, and Nutrition | 15.1 | 64.1 | 81.1 | 30.8 | 121.4 | 81.3 |
| Small-scale Enterprise | 24.6 | — | 30.0 | 16.0 | — | 270.0 |
| Technical Assistance | 57.2 | 75.5 | 58.4 | 50.7 | 95.7 | 124.6 |
| Telecommunications | 29.4 | 72.6 | 46.5 | 27.8 | — | 103.3 |
| Transportation | 316.4 | 409.9 | 193.3 | 226.7 | 618.6 | 248.7 |
| Urban Development | 53.6 | 42.0 | 153.0 | 130.5 | 146.5 | 414.0 |
| Water Supply and Sewerage | 67.8 | 150.0 | 19.5 | 61.8 | 45.0 | 238.2 |
| Total | 1,864.5 | 1,597.3 | 2,046.5 | 2,097.7 | 2,928.7 | 3,924.7 |
| Of which IBRD | 825.7 | 493.6 | 901.2 | 865.8 | 725.1 | 1,560.6 |
| IDA | 1,038.8 | 1,103.7 | 1,145.3 | 1,231.9 | 2,203.6 | 2,364.1 |
| Number of operations | 75 | 80 | 79 | 78 | 80 | 81 |

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

*An agriculture-extension agent offering advice in Burkina Faso. The Bank is giving special emphasis to agricultural research and extension in sub-Saharan Africa.*

Economic policy adjustments continue to be complemented by investment programs supported by the Bank. Although the share of adjustment lending in total Bank lending has inevitably risen as more countries have turned to structural adjustment, about 60 percent of Bank and IDA lending in fiscal 1989 was in support of nonadjustment operations.

A number of adjusting countries are undertaking, with donor support, programs to alleviate the social costs of adjustment and to reduce the incidence of poverty. In many other countries, studies under the social dimension of adjustment program are under way. In a number of regional initiatives started last year —food security, the environment, education, agricultural research and extension—progress has been made. In addition, the acceleration of population growth and the need for building indigenous capacity for policy formulation are receiving increased attention.

## Subregional Perspectives

*West Africa.* Despite a decline in oil prices through much of 1988, the oil exporters grew at an estimated 4.5 percent in 1988. In Nigeria, GDP is estimated to have increased by more than 5 percent, reflecting a 9 percent increase in oil production and a recovery in agriculture. The striking feature of the Nigerian economy, however, was the continued strong performance of its manufacturing sector, which, despite a 10 percent decline in imports, grew by 5 percent. This reflected the sector's response to the new relative prices established by the major overhaul, beginning in 1986, of the country's exchange rate and trading system. Those reform measures encouraged a switch to local import substitutes and to growth in nonoil exports. These improvements notwithstanding, the sharp depreciation of the exchange rate that was a major component of the adjustment program resulted in a steep drop in the valuation of gross national product (GNP) per capita, and the Bank reclassified Nigeria as an IDA-eligible country in September 1988.

Nigeria's recent performance is in sharp contrast to Cameroon, the other major oil exporter of the region, where GDP declined by 11 percent in real terms in both 1986 and 1987; it is estimated that GDP fell again in 1988. Although the country has recently attempted to balance its public finances, and although some fiscal-restraint measures have been adopted, it is only beginning to implement the kinds of measures that would support the resumption of growth in its nonoil sectors.

In the Sahel, six out of eight countries are now implementing structural-adjustment programs, with Chad having started in 1988. Although Burkina Faso does not have a formal program supported by foreign donors, its government has been taking, since mid 1984, a number of adjustment measures. While it is premature to assess the impact of these programs on economic growth, measures to improve incentives, combined with favorable weather conditions, are beginning to bear fruit. Except for Mali, where agricultural output suffered from unfavorable climatic conditions, economic growth accelerated significantly in all Sahelian countries in 1988, averaging some 6 percent. Real exports increased by more than 6 percent, on average, in The Gambia, Mauritania, Niger, and Senegal in 1988. In five Sahelian countries that have been implementing measures of structural adjustment for some time, the budget and current-account deficits were reduced in the past three years relative to GDP. Everywhere the inflation rate has come down substantially, and prices declined in several cases in 1988.

To address the persistent weakness in the Sahelian governments' capacity for policymaking and economic management, extensive institutional and analytical support is being provided for the reform process through IDA-financed technical-assistance projects in Chad, Mali, Mauritania, Niger, and Senegal. The banking systems in several countries of the Sahel are in considerable disarray, and the reestablishment and enhancement of financial-intermediation services is a necessary condition for the success of structural adjustment. Thus, IDA supported adjustment operations that emphasize banking-sector reforms, either ongoing (Benin, The Gambia, and Mauritania) or under preparation (Niger and Senegal).

A special priority in the Sahelian countries, in view of their generally poor natural-resource base, is investment in human-resource development. Projects and project components in population and education are being prepared for most of these countries; education projects were completed for Chad, Mali, and Mauritania in the past year. Another important effort rapidly being implemented is directed at improvement of agricultural-extension services. Following on the successful implementation of such projects elsewhere in Africa, a nationwide extension project was approved in fiscal 1989 in Burkina Faso, and another for Senegal was appraised following pilot operations in that country. In Mali and Niger, as well, pilot operations were conducted. Initial results of these operations are promising.

Among countries of West Africa, Ghana continues to perform well. Its economy grew at over 6 percent in 1988, reflecting continuing commitment, both by the authorities and donors, to the process of economic reform that started in 1983. In early 1988, the government authorized the establishment of foreign-exchange bureaus and, in early 1989, abolished import licensing. In Guinea, which started its adjustment program in 1985, GDP grew by 5 percent in 1988. A significant supply response to price changes is evident, particularly in agriculture. With the replacement of the coffee-marketing parastatal by the private sector, producers are receiving a higher price for coffee, and exports have increased dramatically. In recent months, the government began the liquidation of the national petroleum company and took steps to reform the civil service. In contrast to these countries, in Côte d'Ivoire, per capita GDP fell by around 12 percent in the period 1987–88. A distorted agricultural-pricing and marketing system that unduly favors cocoa against more promising export crops and high public-sector spending (the fiscal deficit as a percentage of GDP rose for the second year in a row) are major structural weaknesses.

*Eastern and Central Africa.* In Uganda, which is in its second year of adjustment, early setbacks in its stabilization program were reversed. During 1988 and early 1989, the currency was devalued by more than 25 percent in foreign-currency terms, and inflation was reduced from the 1987 level of 250 percent to 55 percent. Other measures included further liberalization of imports and the extension of the 100 percent export-receipts retention scheme to all noncoffee exports. Gross domestic product is estimated to have increased by 4.5 percent in 1988. In Kenya, GDP grew by 5 percent, continuing the increase in per capita income that has occurred since 1984. The budget deficit decreased by nearly 3 percentage points of GDP after a sharp increase in 1987. The government's sectoral-adjustment programs remain on track, although the implementation of import liberalization has been slower than expected. In Mauritius, which undertook structural adjustment and diversification in the late 1970s and early 1980s, GDP has grown at an annual average rate of 7 percent since 1984. Mauritius's adjustment has been so successful that it now must contend with a different set of problems: constrained labor supplies and an excessive concentration of export activity in garments and textiles.

Other countries in the subregion performed less well. In Sudan, GDP fell by almost 2 percent in the fiscal year ending June 1988. The August 1988 floods that left about 2 million people homeless and the continuation of civil war have diverted both resources and attention away from economic matters. Although the government took some partial structural-reform measures late in 1988, a full economic-reform program has yet to be implemented. In Ethiopia, resurgence of dissident activity, subnormal rainfall, and a continued fall in export earnings resulted in no growth in GDP and a serious decline in external reserves in fiscal 1988. Better weather, as well as agricultural-pricing and marketing reforms, are expected to revive growth in fiscal 1989. Food aid and exceptional mobilization of domestic revenues helped to moderate the country's fiscal balances, which remain under pressure due to the civil war.

Civil war further disrupted production and exports in Somalia, adding to the difficulties created by the interruption of the adjustment program in September 1987. However, since July 1988, the government has restored fiscal discipline and embarked, once again, on a program of adjustment. Legislation has been enacted to eliminate state monopolies in banking, trade, insurance, and shipping, and a flexible exchange-rate policy has been pursued following a major devaluation in July 1988. In Rwanda, sluggish agricultural growth in 1988 may have resulted in a decline of per capita income. Depressed world market prices for coffee had an adverse impact on the balance of payments and the budget, despite measures to control expenditures. In Zaire, the pursuit of structural-adjustment reforms slowed down in both 1987 and 1988. The government's failure to curtail the growth of public expenditures resulted in runaway inflation and seriously hampered economic recovery. At the end of 1988, however, the government initiated a program to bring its expenditures under control and resumed structural-adjustment reforms, including adjustments in petroleum prices and tariffs for public services.

*Southern Africa.* Economic developments in 1988 have been quite favorable for the member countries of the Southern African Development Coordinating Conference,[1] and positive per capita income growth was realized for the subregion for the first time in a decade. Growth rates in GDP of over 4 percent took place in Botswana, Mozambique, Tanzania, Zambia, and Zimbabwe; in Lesotho and Malawi, growth was of a lesser magnitude, but still positive. This favorable performance can be attributed to four factors: good weather, the initial benefits of economic reforms, notably in Mozambique and Tanzania, growth in donor-financed imports, some of which can be attributed to the SPA, and, in the case of Zambia, a terms-of-trade improvement.

An initial radical reorientation of exchange-rate and domestic-pricing policies has occurred in Mozambique and Tanzania, and both countries are now embarking on more complex second-stage reforms in the areas of trade policy and public-sector management (Mozambique) and agricultural internal marketing, public-sector management, and the financial system (Tanzania). In both these countries, the exchange rates are now closer to parallel market rates and to sustainable levels. In Tanzania, decontrol of prices has resulted in less than 15 percent of the "consumption basket" remaining under price controls, and the institution of a scheme that allows importers to use foreign exchange from unofficial sources to import a wide variety of commodities makes remaining controls irrelevant.

In Malawi, continued implementation of the adjustment program—a reduction of 2 percentage points in the budget deficit as a ratio to GDP, tax reform, and import liberalization—combined with impressive donor support, contributed to a GDP growth of 3.6 percent in 1988 after only a slight increase in 1987. However, the flow of refugees, now numbering 700,000, from Mozambique continued. Although external aid has met much of the cost of caring for these people, their presence obviously has a direct impact on the budget and the social-services infrastructure.

### Structural Adjustment: A Medium-term Perspective

The number of adjustment loans approved by the World Bank to the countries in the region has grown from about five a year in the early 1980s to fifteen a year since 1985. Exchange-rate devaluation and trade reforms, increased producer incentives in agriculture, and restructuring of government finance and public enterprises have been the major components of structural-adjustment programs. Last year's

[1] Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, and Zimbabwe.

*Annual Report* presented the results of a preliminary analysis of key reform indicators that showed that countries with strong reform programs had reduced budget deficits, effected greater real exchange-rate depreciation, and increased agricultural price incentives more than those with weak or no reform programs. Further analysis contained in a recent study of adjustment and growth in Africa has confirmed the results of the preliminary analysis.[2]

In some countries, exchange-rate changes have resulted from the introduction of foreign-exchange auctions (The Gambia, Ghana, and Guinea, for example); in others, they have taken place through discrete devaluations (Madagascar, Tanzania, and Uganda). In the latter group, efforts have been made to introduce some degree of automaticity and transparency in the allocation of foreign exchange through, for example, open general licensing and other special schemes for importers and exporters.[3] In most countries, agricultural producer prices are officially fixed, but these prices have been raised to a level higher than the rate of inflation by reducing taxes, improving efficiency of marketing agencies, or passing on the effects of devaluation. Other countries (Guinea, Madagascar, Malawi, Mali, Niger, Nigeria, and Somalia) have liberalized their policies—either by eliminating fixed pricing and/or by permitting private trade to market the crops. In almost all cases, real prices that farmers receive have increased.

The most significant measures to reduce public spending have included a relative reduction in wages and salaries, while spending on education and health has remained fairly steady (but low) at around 14 percent and 5 percent, respectively, of total expenditures. Because of the rising share of interest payments, however, the share of governments' purchases of goods and services—crucial to maintaining the productivity of public services—has declined. Fiscal revenue has generally stagnated or diminished, while foreign official budgetary support has increased. Analysis of a sample of countries shows that during 1985–87, public-enterprise reforms have been implemented through privatization (in nineteen countries affecting eighty enterprises), liquidation (thirteen countries affecting seventy-eight enterprises), rehabilitation (fifty-six enterprises in fifteen countries), and other measures such as increasing the prices charged by parastatals, adoption of performance and management contracts, and the granting of greater autonomy to enterprise management.

The severity of economic problems, the vulnerability to external factors, the time required for reforms to bear fruit, and the uneven progress across countries and sectors make it difficult to draw general conclusions on the effects of these reforms. Nevertheless, evidence suggests that reforms are beginning to lead to better economic performance. In those strongly adjusting countries that have not been subjected to severe external shocks (both positive and negative), such as unusual weather or change in terms of trade, there is evidence that growth of output, exports, and per capita consumption during 1985–87 was somewhat higher than in those countries with weak or no reform programs (see Table 6-3).

Reforms in strongly adjusting countries have been supported by multilateral and bilateral donors, which have gradually but significantly shifted their aid flows to give greater support to such countries. They have also increased the annual amount of debt relief by some 50 percent in 1986–87 compared with the previous six years. As a result of this external support, reforming countries have been able to increase their imports, investment, and consumption.

Views on the development challenges facing Africa, particularly on the current structural-adjustment programs being implemented by many African governments, were exchanged at a May 1989 meeting at the Bank by officials of the Bank, several major United Nations agencies, the Organization of African Unity, and the African Development Bank.

While not unanimously in agreement on all points, all participants emphasized that policy reforms, whatever their form, must be relevant to specific country situations, must be designed, implemented, and owned by the African countries themselves, and that adjustment must take full account of the human dimension.

### Addressing the Social Costs of Adjustment

In recent years, there has been growing concern about the social costs of adjustment programs. While many economic reforms help the poor—increases in farm producer prices, for example—there is no doubt that many vulnerable groups are adversely affected in the short run. Further, past economic policies and country circumstances have often left pockets of poverty untouched. In response to these concerns, a number of countries are formulating, and many are implementing, special action

[2] World Bank and United Nations Development Programme, *Africa's Adjustment and Growth* (Washington, D.C., 1989).

[3] These schemes include, for example, the retention of foreign-exchange earnings by exporters and allocation of foreign exchange on a first-come, first-served basis (as in Uganda) and the use of foreign exchange from unofficial sources (as in Tanzania).

*Table 6-3*. **Summary of Economic Performance Indicators for sub-Saharan African Countries**

(average annual percentage change)

| | | All countries | | Countries not affected by strong shocks | |
|---|---|---|---|---|---|
| Indicator | Period | With strong reform programs | With weak or no reform programs | With strong reform programs | With weak or no reform programs |
| Growth of GDP (constant | 1980–84 | 1.4 | 1.5 | 1.2 | 0.7 |
| 1980 prices) | 1985–87 | 2.8 | 2.7 | 3.8 | 1.5 |
| Agricultural production | 1980–84 | 1.1 | 1.3 | 1.4 | 1.8 |
| | 1985–87 | 2.6 | 1.5 | 3.4 | 2.6 |
| Growth of export volume | 1980–84 | −1.3 | −3.1 | −0.7 | −5.7 |
| | 1985–87 | 4.2 | 0.2 | 4.9 | −3.3 |
| Growth of import volume, | 1985–87 | 1.7 | −2.7 | 6.1 | −4.0 |
| excluding oil exporters | | 4.8 | | | |
| Growth of real domestic | 1980–84 | −8.1 | −3.7 | −3.5 | −7.0 |
| investment | 1985–87 | −0.9 | −7.0 | 1.9 | −4.8 |
| Gross domestic savings | 1982–84 | 9.9 | 2.3 | 7.8 | 0.9 |
| (percentage of GDP) | 1986–87 | 10.7 | 6.0 | 10.7 | 5.6 |
| Growth of per capita | 1980–84 | −2.3 | −1.1 | −2.4 | −1.5 |
| consumption (real) | 1985–87 | −0.4 | −0.5 | 0.7 | −0.9 |

NOTE: Country coverage varies by indicator depending on available data over the entire period covered. Averages are unweighted except as noted. Growth rates are computed using least squares. Periods are inclusive.

SOURCE: World Bank data files; FAO production data tapes; UN trade data system.

programs targeted on the poor, in parallel with structural-adjustment programs. One of the earliest action programs to be prepared was in Ghana (the components of which were discussed in last year's *Annual Report*); this has begun to be implemented after some initial delays were overcome and donors converted their pledges into firm commitments.

The social dimensions of adjustment (SDA) program, which was launched in 1987, is providing support for the formulation of such programs, preparation of poverty profiles, and identification of policy issues for the design of poverty-reduction strategies and institutional development. To date, twenty-six countries in the region have requested to participate in the program.

In Madagascar, for instance, implementation has started of programs to rehabilitate workers laid off from public enterprises, labor-intensive public works, a nationwide antimalaria program, pilot food-security projects, and support to family-planning services through nongovernmental organizations. In Cameroon, the government is fully integrating social dimensions in its adjustment program by reorienting policies in the health and education sectors and establishing specific action programs to reduce the costs of adjustment. The action program currently being prepared in Chad includes, in particular, a program to promote the development of microenterprises. In Guinea-Bissau, Mozambique, São Tomé and Principe, Somalia, Tanzania, and Uganda, similar programs are in various stages of preparation.

While Bank staff have played a key role in helping the governments to prepare these programs, other UN agencies, such as the United Nations Children's Fund, the United Nations Development Programme (UNDP), and the International Labour Organisation, as well as bilateral and multilateral donors, have also participated closely and are funding large parts of the programs.

These poverty programs are generally multisectoral, community-based, and decentralized, covering many of the disadvantaged groups in the countries. More specific interventions to address the problems of retrenched public-sector employees are also being formulated and implemented in a number of countries. The civil-service resettlement program in The Gambia, a redeployment fund for public-sector employees and civil servants in Mali, Mauritania, and Senegal, and special schemes for civil servants leaving the public service in Guinea are some examples.

### Longer-term Issues

While the Bank has devoted substantial staff and financial resources to the problems of adjustment, the bulk of its efforts continues to

***Table 6-4.* Net Transfers to Africa**
(millions of U.S. dollars, fiscal years)

| | Nigeria | | Ethiopia | | Zaire | | Total region | |
|---|---|---|---|---|---|---|---|---|
| Item | 1989 | 1985–89 | 1989 | 1985–89 | 1989 | 1985–89 | 1989 | 1985–89 |
| IBRD and IDA commitments | 1,184.6 | 2,588.3 | 157.0 | 584.5 | 114.7 | 603.1 | 3,924.7 | 12,389.2 |
| Gross disbursements | 401.5 | 1,728.8 | 77.0 | 307.4 | 106.3 | 445.4 | 2,256.2 | 9,447.5 |
| Repayments | 210.6 | 562.4 | 14.4 | 54.6 | 10.9 | 63.3 | 662.4 | 2,113.8 |
| Net disbursements | 190.9 | 1,166.4 | 62.7 | 252.8 | 95.4 | 382.1 | 1,593.8 | 7,333.6 |
| Interest and charges | 225.8 | 809.4 | 8.3 | 41.5 | 8.5 | 42.7 | 717.0 | 2,878.1 |
| Net transfer | (34.9) | 357.0 | 54.4 | 211.3 | 86.9 | 339.5 | 876.7 | 4,455.6 |

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest population. The regional totals include current borrowers only. Details may not add to totals because of rounding.

focus on issues of long-term development. In addition to strengthening its investment-lending program, the Bank is giving special emphasis to several areas that need urgent attention: population, environment, agricultural research and extension, food security, education, and institution building.

A task force was set up in fiscal 1988 to examine ways to deal directly with malnutrition, both chronic and transitory, in the countries of Africa. Its report, completed in fiscal 1989 and discussed with concerned donors, has resulted in considerable staff resources being devoted to the development of action programs in eight priority countries (Benin, Burkina Faso, Kenya, Madagascar, Malawi, Mozambique, Nigeria, and Sudan). Although the composition of these action plans is likely to vary depending on country needs, a number of areas, such as marketing and storage, income generation for the poor, nutritional education, early-warning facilities, pricing and planning of food aid, and pilot interventions to reach the poor, would be covered. In addition, a study of food aid is being made, jointly with the World Food Programme, to find ways of improving the effectiveness of food aid.

Africa's population is growing at more than 3 percent a year, and unless fertility rates are brought down, many countries will approach a rate of 4 percent a year. While the difficulty of accommodating rapid population growth is obvious at the national level, households often perceive large families to be economically beneficial. A major objective of the Bank's efforts in the area of family planning is to generate a consensus among opinion leaders, the public, and in governments on the need for a vigorous family-planning program that includes demand-generation activities and to help translate the consensus into effective action programs. As part of this effort, the Bank and other multilateral donors (the United Nations Fund for Population Activities, the International Planned Parenthood Federation, and the World Health Organization) have launched an initiative to support African institutions to develop an agenda for action for the 1990s. For this purpose, an African Population Advisory Committee has been formed. In addition, to enhance the internal capacity of the Bank, a task force has been constituted to recommend actions to expand population activities, including analytical work and lending to the sector. A second regional conference on "safe motherhood" (the first was held in Nairobi in 1987) was sponsored by the Bank in Niger early in 1989, and the participants, who included political leaders, nongovernmental organizations, and donors, reiterated the urgent need for accelerated action in the related areas of reduction in maternal mortality and morbidity.

Many African countries are experiencing an alarming rate of desertification, deforestation, groundwater loss, and air and water pollution. The Bank is trying to build a multisectoral environmental focus in its operational work. One aim is to obtain accurate data on the changing status of natural resources; a second is to understand better the behavioral and technical factors that influence the use of natural resources; and a third is to develop and promote more efficient technologies for such use. Seven country environmental action plans (EAPs) were launched in fiscal 1988 and 1989 (Burkina Faso, Ghana, Guinea, Lesotho, Madagascar, Mauritius, and Rwanda), of which three (Lesotho, Madagascar, and Mauritius) were completed during the past year. The EAP in Madagascar has paved the way for a major investment—the Environment I project.[4] Similarly, in Mauritius, the EAP has generated strong donor support. In addition, several regional studies have also been started in areas such as remote sensing, management and monitoring of changes in environmental resources, agroforestry, and other related areas.

In the area of education, over a dozen countries are either implementing education-sector programs or are planning for programs in the near future. Following up on the publication of the Bank's education policy paper in 1988,[5] twenty-five donors to African education have agreed to improve coordination of their financial assistance to educational programs. In addition to establishing an information system on donor assistance, working groups have been formed to assist governments to develop national education strategies, improve educational statistics, increase the quality and availability of textbooks, and upgrade the quality of teaching and examination systems. Parallel to this effort, the World Bank is in the early stages of launching an initiative to strengthen African capacity for economic policy analysis and management. It cohosted, with the Rockefeller Foundation, a meeting of African leaders and donors to discuss the best approach, and is participating in consortia that provide support to Africans undertaking research on economic issues. Another important effort involves strengthening local consulting capacity in Africa. With support from other UN agencies and the Netherlands, the Bank is assisting in the preparation of action plans for Côte d'Ivoire, the People's Republic of the Congo, Ghana, Madagascar, Mauritius, Senegal, and Tanzania.

[4] For details, see page 51.

[5] World Bank, *Education in Sub-Saharan Africa* (Washington, D.C., 1988).

# Asia

The economic expansion that marked the performance of many Asian countries in both 1987 and 1988 continued into 1989. Growth in gross domestic product (GDP) for Asian developing countries was 9.3 percent in 1988 and is projected at 7.6 percent for 1989. Many countries, propelled by a consistent record of macroeconomic stability and an enduring commitment to undertake structural economic reforms, have shared in this growth. Trade has played a central role, with export volume expanding by over 9 percent in 1988. High rates of investment have also contributed to vigorous growth, especially in East Asia, where fixed investment grew by over 12 percent in 1988.

The dynamism of these Asian economies co-exists with severe economic, social, and environmental problems, which deserve, and are receiving, more concerted attention from governments. In what might be termed a "second Asia," over half of the developing world's poor, some 500 million people, struggle to survive on incomes below the poverty line. Although economic growth has been the primary factor in the reduced incidence of poverty in Asian countries, the continuing high rates of population increase have applied relentless pressure on natural resources and have helped block any significant reduction in the numbers of the poor.

**Table 6-5. Asia: 1987 Population and Per Capita GNP of Country Borrowers, Fiscal Years 1987–89**

| Country borrowers fiscal 1987–89 | Population[a] (thousands) | Per capita GNP 1987[b] (US$) |
|---|---|---|
| Bangladesh | 106,096 | 160 |
| Bhutan | 1,343 | 150 |
| China | 1,068,543 | 290 |
| Fiji | 722 | 1,570 |
| India | 797,526 | 300 |
| Indonesia | 171,443 | 450 |
| Korea, Republic of | 42,082 | 2,690 |
| Lao People's Democratic Republic | 3,780 | 170 |
| Malaysia | 16,528 | 1,810 |
| Maldives | 196 | 300 |
| Myanmar[c] | 39,277 | n.a.[d] |
| Nepal | 17,591 | 160 |
| Papua New Guinea | 3,704 | 700 |
| Philippines | 58,419 | 590 |
| Sri Lanka | 16,361 | 400 |
| Thailand | 53,605 | 850 |
| Tonga | 100 | 720 |
| Vanuatu | 150 | n.a.[d] |
| Western Samoa | 166 | 550 |

NOTE: The 1987 estimates of GNP per capita presented above are from the "World Development Indicators" in the *World Development Report 1989*.

n.a. Not available.

a. Estimates from mid 1987.

b. *World Bank Atlas* methodology, 1985–87 base period.

c. Formerly Burma.

d. GNP per capita estimated to be in the low-income range.

## Structural Reform and Economic Growth

In many countries of Asia, economic management is distinguished by two important characteristics: prudent macroeconomic management and an ongoing process of structural reform. The former can be seen in the successful avoidance of macroeconomic imbalances in most Asian countries, where low rates of inflation, modest fiscal deficits, and manageable levels of external debt generally apply. Underlying and complementing this macro stability of Asian countries is the attention paid by many governments to emerging structural problems in their economies and the continuing efforts to correct them through economic policy reform. In other countries that are contending with financial crisis and severe macro imbalances, these structural changes are necessarily compressed into shorter time frames and supported by programs of structural adjustment. Over the past year, the reform process and expanding international and regional trade have helped a number of Asian countries either to meet or exceed expectations in terms of their growth performance.

Since 1986, the economies of both Thailand and the Republic of Korea have experienced boom conditions due, in large part, to their timely adjustments to external conditions over a substantial period of time. For Thailand, the initial stimulus came from surging exports of manufactures (34 percent growth in 1987), which has since led to a major increase in investment. Private fixed investment rose 23 percent in 1988, and GDP growth accelerated by a record 11 percent. In Korea, GDP growth for 1988 was at 11.3 percent, with exports expanding at a 13.1 percent rate. Both countries are encountering some constraints to further double-digit growth, such as transportation and other infrastructural bottlenecks in Thailand, and growing labor problems, trade difficulties, and some inflationary pressures in Korea.

In Malaysia, growth has also been strong. Real GDP growth was close to 9 percent in 1988, and only a slight moderation of this rate is expected in 1989. Growth in manufacturing has been particularly robust (18 percent growth in 1988, 14 percent forecast for 1989). Evidence of the important structural changes that have been taking place in the economy is provided by the fact that manufactures now represent over 50 percent of Malaysia's export trade. Recent growth has also become more broad-based, with domestic demand becoming significant. As in previous decades, the important challenge for Malaysia is to sustain respectable rates of economic growth that also takes into account the need for equitable distribution.

The Philippines, which has begun implementation of a serious program of structural reform, has staged a remarkable and unexpectedly vigorous economic recovery. Following the severe recession of 1983–85, GDP registered a positive growth of 4.7 percent in 1987 and further accelerated in 1988 to almost 7 percent despite poor performance in agriculture and a large external debt burden of about $29 billion. Public-sector deficits were held to 3.4 percent of GDP in 1988, and inflation is running below 9 percent a year. Despite this recent macroeconomic progress, the Philippines continues to face structural difficulties in such areas as the low level of savings and tax collection, a rapidly growing population, and severe problems of poverty and unemployment. The government is well aware of these issues and their potential effect on the sustainability of the recovery.

Since the early 1980s, the Indonesian economy has been buffeted by a severe deterioration in the external terms of trade (primarily caused by the collapse of oil prices) and a rising debt-service burden (resulting in large part from the adverse effects of international currency fluctuations and the composition of the external debt). In response, the government has taken decisive actions to restrain domestic demand, mobilize additional resources, and set in train the structural changes needed to develop the nonoil economy.

The economy has responded strongly to these reforms. Gross domestic product increased by 4.7 percent in 1988, with the nonoil economy increasing by 5.6 percent. Nonoil exports have underpinned the economy's growth performance, totaling around $12.1 billion in Indonesia's 1989 fiscal year (ending March 31, 1989), compared with $6.7 billion in fiscal 1987—a real growth rate of 20 percent annually over the past two years. While commodity exports, such as palm oil and shrimp, have performed strongly, two thirds of the increase was due to manufactured exports, reflecting substantial gains across a broad range of manufactured goods. Because of this strong nonoil export performance, the government succeeded in further reducing the current-account deficit from about 5.9 percent of gross national product (GNP) in fiscal 1987 to 2.5 percent in fiscal 1989.

The government also undertook measures to deregulate further the economy in three key areas. Two major packages of reforms in the financial sector were announced at the end of 1988 that provide for greater competition in the banking system and promote the development of capital markets. Another major set of reforms was announced in trade policy and included the removal of import-licensing restrictions in areas such as plastics, fertilizers, and agricultural products. Regulatory impediments have been reduced, thus easing the bias against foreign investment and making the local-content programs more flexible. In May 1989, the government converted the "investment priority list" to a short negative list, thereby increasing the transparency of the system and opening up new sectors to domestic and foreign investment. Finally, wide-ranging reforms in the maritime sector removed virtually all restrictions on entry by domestic and foreign shipping lines. These reforms result from the government's conscious strategy to expand the role of the private sector and remove constraints on private-sector development.

Although still a very poor country and the victim of a major earthquake in August 1988, Nepal's economic performance has improved, and the country's structural-adjustment and development programs have remained on track. Led by a strong recovery in agriculture, GDP grew by 7 percent during Nepal's 1988 fiscal year, and exports rose by more than 20 percent in volume terms. Public-revenue reforms and increased aid disbursements in support of the country's adjustment program resulted in a much stronger fiscal position and contributed to a continued build-up of reserves. However, with the expiration of the bilateral trade and transit treaties with India in March 1989, Nepal's external trade was severely constrained, posing potential problems for economic growth and the pace of reform.

In another poor Himalayan country, Bhutan, the economy continued to grow rapidly during 1988 following completion of a large hydropower plant. Gross domestic product is estimated to have increased by 25 percent over the past two years. The government recently published its sixth five-year plan, which received strong support from donors.

The World Bank's lending and analytical work has contributed significantly to structural reform programs in Asia, while also addressing investment needs. In Thailand, for example, the Bank last year supported operations in the highway sector and in power-system development. Malaysia and Korea also received Bank support for investments in key sectors such as agriculture, transportation, industry, and education. For countries following more concentrated programs of reform under difficult external conditions, the Bank directed support to sectoral and macroeconomic issues. In the Philippines, the Bank financed a financial-sector adjustment program with a loan of $300 million and completed important studies in education, energy, and municipal management and finance. Similarly, in Indonesia, a private-sector development loan was designed to support key structural reforms, and operations in industry, energy, agriculture, and health will finance improvements in efficiency and needed expansion in infrastructure. In Nepal, IDA approved a second structural-adjustment credit last year to support continuing improvements in macroeconomic management.

## Reform Challenges in India and China

The two largest economies in Asia, China and India, are undertaking distinctive programs of structural reform, and both have enjoyed positive growth outcomes. But over the past year, these two countries have also experienced significant macroeconomic imbalances.

The impact of the almost total failure of the 1987 monsoon on India's economy has turned out to have been much less severe than had been feared. Overall GDP growth in India's 1988 fiscal year (ending March 31, 1988) is now estimated to have been about 3.6 percent,

***Table 6-6.* Lending to Borrowers in Asia, by Sector, Fiscal Years 1980–89**
(millions of US dollars)

| Sector | Annual average 1980–84 | 1985 | 1986 | 1987 | 1988 | 1989 |
|---|---|---|---|---|---|---|
| Agriculture and Rural Development | 1,495.4 | 1,943.0 | 1,621.5 | 817.7 | 1,966.3 | 1,162.0 |
| Development Finance Companies | 312.2 | 224.0 | 376.5 | 302.0 | — | 1,102.8 |
| Education | 299.2 | 456.4 | 491.4 | — | 355.7 | 484.5 |
| Energy | | | | | | |
| Oil, gas, and coal | 504.4 | 594.0 | 97.0 | 527.0 | 558.0 | 340.0 |
| Power | 1,108.2 | 893.0 | 1,155.5 | 1,926.8 | 1,095.9 | 1,993.5 |
| Industry | 214.8 | 456.0 | 502.2 | 197.4 | 632.1 | 656.0 |
| Nonproject | 378.2 | 30.0 | 200.0 | 840.0 | 500.0 | 452.5 |
| Population, Health, and Nutrition | 65.0 | 85.0 | 242.4 | — | 74.5 | 290.2 |
| Small-scale Enterprise | 125.8 | 170.6 | 74.5 | 166.5 | 185.0 | 160.0 |
| Technical Assistance | 12.6 | — | 20.0 | 30.7 | — | — |
| Telecommunications | 112.9 | 26.0 | 3.9 | 359.5 | — | 12.7 |
| Transportation | 644.5 | 709.9 | 970.8 | 449.1 | 1,486.3 | 1,136.8 |
| Urban Development | 183.6 | 218.5 | 500.0 | 837.0 | 1,015.8 | 41.5 |
| Water Supply and Sewerage | 132.4 | 175.0 | 290.3 | 284.0 | — | |
| Total | 5,589.2 | 5,981.4 | 6,546.0 | 6,737.7 | 7,669.6 | 7,832.5 |
| Of which IBRD | 3,627.1 | 4,390.3 | 4,845.0 | 4,890.4 | 5,751.6 | 5,657.1 |
| IDA | 1,962.1 | 1,591.1 | 1,701.0 | 1,847.3 | 1,918.0 | 2,175.4 |
| Number of Operations | 70 | 68 | 69 | 57 | 65 | 62 |

NOTE Details may not add to totals because of rounding

*At a rubber-processing laboratory in Thailand, where GDP growth in 1988 registered a robust 11 percent.*

highlighting the resilience of the economy, and of the agricultural sector in particular, and the success of government programs to protect incomes and cushion the effects of drought.

In India's 1989 fiscal year, an excellent monsoon led to an extremely strong economic recovery. Agricultural production is expected to have grown by between 17 percent and 20 percent and industrial production by about 9 percent. As a result, GDP is likely to rise by about 9 percent. The upsurge in economic activity means that India, in all probability, will surpass the 5 percent growth target of the seventh plan (1986–90), thus confirming that the country has indeed broken free of the low-growth syndrome that had characterized much of its post-independence period.

The major challenges to economic management come from a difficult balance-of-payments situation and continuing strain on public finances. On the fiscal side, the government recognizes that the current level of the deficit is unsustainably large and that progress must be achieved in arresting the trend toward rising budget deficits, which have climbed from an average of 6.1 percent of GDP in the early 1980s to nearly 9 percent in the first three years of the seventh-plan period. In this respect, the fiscal 1990 budget, which programs a substantial reduction in the deficit, is particularly welcome.

As to the balance of payments, India's fiscal 1989 import needs, fueled by the drought and surging industrial growth, have resulted in a rise in the current-account deficit from about $4.7 billion (2 percent of GDP) to $5.6 billion (2.2 percent of GDP). This rise was a major factor behind increased recourse to nonconcessional sources of finance in fiscal 1988, a shift accentuated by the severe constraints in the availability of concessional aid during the 1980s. India's nonconcessional external debt outstanding increased from about 19 percent of total medium- and long-term debt in 1985–86 to about 23 percent in 1987–88.

While India's macroeconomic balances show some signs of strain, the situation is not unmanageable. Inflation remains in the single-digit range, foreign-exchange reserves are equivalent to 2.6 months of imports, and the debt-service ratio, at 25 percent, is not high by international standards. Interest payments are equivalent to only 0.5 percent of GDP.

Given the acceleration of economic growth, it will be possible for the government to aim at a 6 percent growth target for the eighth-plan period (1991–95). However, tighter control of domestic demand, especially more stringent fiscal management, will be necessary to avert inflationary pressures that can jeopardize achievement of growth targets. Also crucial will be the continuation of the steady progress in industrial and trade reforms. The government, for example, has streamlined procedures for approving industrial investments, eased licensing and entry requirements for large firms, and reduced the number of products reserved for manufacture by small firms. Of particular importance for the future will be a more concerted assault on protectionist barriers in the trade regime.

In China, structural reforms have accomplished a great deal in moving the economy towards market responsiveness, but the most difficult part of the reform process lies ahead. The stunning economic results of promoting private enterprise in agriculture and decentralizing decisionmaking to urban enterprises have brought with them more fundamental problems relating to the management of investment in an economy based on public ownership of capital. Nonetheless, China's economy has advanced with remarkable speed in recent years.

China's GDP growth rates have accelerated from 7.9 percent in 1986 to 11.2 percent in 1988. Industry, which expanded by 18 percent in 1988, has provided much of the impetus. Agricultural output, by comparison, grew only by 3.5 percent. While the rising tempo of economic activity has raised the living standards of the broad mass of the population and served to keep alive grassroots support for China's reform program, such high rates of growth have clearly pushed the economy to the limits of its productive capacity. With investment as a percentage of GDP approaching 40 percent in 1988 and consumption demand rising by over 10 percent in real terms, shortages of energy, building materials, basic metals, and certain foodstuffs have become steadily more acute and resulted in spiraling prices. The annual increase in the retail price index tripled between 1986 and 1988, from 6.0 percent to 18.5 percent.

Although the economy departed substantially from the more stable price regime of earlier years, those macroeconomic imbalances that had become very marked in 1985 were rectified. A balance-of-payments deficit on current account, equivalent to 4.6 percent of GDP, had been completely erased by 1987 through an increase in domestic savings. Rapidly growing exports of textiles, machinery, foodstuffs, and metal products, together with curbs on imports, were instrumental in narrowing the trade deficit to $3.8 billion from nearly $15 billion in 1985. Net medium- and long-term external borrowing, which climbed to $4 billion in 1985, also slowed, to $2.77 billion in 1987, thus stabilizing the debt-service ratio at 10.4 percent. The estimated current-account deficit for 1988 was a modest 0.4 percent of GDP, despite sharply rising demand for imports.

While robust economic performance is a source of satisfaction for Chinese policymakers, widespread public concern over inflation has induced the government to launch a stabilization drive and to moderate certain aspects of the reform program. To regain price stability over the medium term, a series of administrative, monetary, and fiscal measures has been introduced. Administrative reduction of investment spending by state entities attempts to reach the root of the demand pressures. Control over monetary expansion and higher interest rates reinforce the curbs on spending throughout the economy. Finally, efforts are being made to augment tax revenues and compress the budget deficit, which, at about 2 percent of GDP in 1988, also fuels demand in the economy.

These actions should push growth closer to sustainable levels and gradually moderate inflationary pressures. By deferring certain planned price reforms, the government expects to reinforce its macroeconomic policies and dampen expectations regarding future price trends. A continuation of enterprise and financial reforms should also improve the efficiency and the prospects of rapid growth with price stability.

The Bank's operational activity in China and India continued to be substantial in fiscal 1989: India received IBRD and IDA support for eleven projects, with an emphasis on hydropower, agriculture, and transport. The Nathpa Jhakri hydroelectric project merits special attention as a high-return, environmentally sound power project with an innovative approach to utility pricing. An export-development credit is addressing outstanding policy issues, while operations in health and family planning and education are aimed at social problems.

For China during the past year, the Bank completed work on two major economic reports. A country economic memorandum analyzed the sources of the current inflation problems and their implications for the reform process, and a tax report examined options for fiscal reform and the greater use of taxes as incentives for production and growth.

The Bank's lending program to China continued to address both growth and social sectors. Two more provincial agriculture projects aim at improving rural productivity and expanding food production. An industry project in Tianjin is supporting efforts to restructure key industries, while an operation with the China Investment Bank supports further efforts to modernize medium-sized state enterprises. Two ports projects, two provincial highways projects, and a railway project in Inner Mongolia will help address important transport bottlenecks. A textbook-development project will increase the volume and improve the quality of textbooks at all levels of education, and a health project in three regions will help find new, more cost-effective approaches to medical care and give increased emphasis to preventive medicine.

### Modest Growth in Several Low-income Countries

Natural disasters and political disturbances have impeded development efforts in several low-income countries in South and Southeast Asia during the past year. Severe floods devastated the economy of Bangladesh; civil strife disrupted the economies of Sri Lanka and Myanmar (formerly Burma); and the Lao People's Democratic Republic endured a second year of drought.

Bangladesh, for the second consecutive year, suffered severe flooding. Nearly 85 percent of the land area was inundated during the floods of August and September 1988. Forty-five million people were affected, and crops and infrastructure were extensively damaged. The government responded to this crisis by initiating programs to ensure food security through imports, stabilize food prices, increase the fall and winter crop production, and repair and rehabilitate infrastructure. The government's agricultural-rehabilitation program helped the exceptionally resilient Bangladeshi people produce a good winter rice crop—overall, foodgrain production will not be far short of normal levels. However, if following last year's unprecedented flood the country had not suffered from, successively, a cyclone, drought, and tornados, foodgrain production would have been much higher. Other crops also suffered setbacks due to natural calamities.

While foodgrain production held up remarkably well, there were disruptions to production in other sectors. Economic growth is estimated to have been around only 2 percent. Although imports of foodgrain and materials for reconstruction increased, the depressed economic situation kept import demand down, and reserves rose substantially. Partly due to these disruptions, the gains made in the early 1980s in the fight against poverty appear to have been reversed in the past two years. The central challenge now facing the government is to revive the economy and accelerate growth and development, including the key agricultural sector, which accounts for half of GDP. A comprehensive report prepared by the United Nations Development Programme on how agricultural growth could be rejuvenated was discussed in a special aid-group meeting chaired by the Bank.

Uncertainties continue to affect Sri Lanka's economic performance. As a result, reconstruction activity was modest, GDP growth in 1988 was 2.7 percent in real terms, the fiscal deficit, inflation, and unemployment began to worsen, and foreign-exchange reserves to show an adverse trend. The government has indicated that it remains committed to economic reforms, and the Bank and other donors are working actively with it to improve policies in trade, public enterprises, and public-sector management.

The economic performance of Laos, the poorest country in Southeast Asia, has been mixed because of droughts during the past two years. Real GDP fell by an estimated 2.5 percent in 1987, and is estimated to have recovered by only 2 percent in 1988. Over the past few years, the government has undertaken a program of wide-ranging economic reforms to liberalize and restructure the economy for more rapid growth. Early results are positive: Inflation slowed down considerably, from 115 percent in 1985 to 7 percent in 1988, and there has been a shift in relative prices in favor of agriculture, thus improving the condition of the poorer, rural population. Exports of log and

***Table 6-7.* Net Transfers to Asia**
(millions of US dollars, fiscal years)

| | China | | India | | Indonesia | | Total region | |
|---|---|---|---|---|---|---|---|---|
| Item | 1989 | 1985–89 | 1989 | 1985–89 | 1989 | 1985–89 | 1989 | 1985–89 |
| IBRD and IDA commitments | 1,348.4 | 6,704.5 | 3,036.6 | 13,542.8 | 1,640.4 | 6,178.2 | 7,832.5 | 34,780.3 |
| Gross disbursements | 1,233.9 | 3,600.4 | 2,359.3 | 8,516.2 | 1,476.2 | 5,566.5 | 6,507.0 | 25,372.6 |
| Repayments | 41.4 | 156.0 | 379.6 | 1,419.0 | 450.9 | 1,452.0 | 2,988.4 | 8,979.5 |
| Net disbursements | 1,192.5 | 3,444.3 | 1,979.7 | 7,097.2 | 1,025.4 | 4,114.5 | 3,518.6 | 16,393.1 |
| Interest and charges | 153.6 | 456.7 | 580.7 | 1,993.7 | 645.6 | 2,279.8 | 2,358.0 | 9,373.9 |
| Net transfer | 1,038.9 | 2,987.6 | 1,399.0 | 5,103.5 | 379.8 | 1,834.7 | 1,160.6 | 7,019.3 |

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest population. The regional totals include current borrowers only. Regional repayment amount for fiscal 1989 includes prepayments of \$0.7 billion by the Republic of Korea and \$0.3 billion by Thailand. Details may not add to totals because of rounding.

wood products continue to contribute a substantial share to export earnings, while manufactured exports are growing rapidly, although from a small base. The Laotian economy, however, shows severe structural weaknesses, which are being addressed by an IDA-supported structural-reform program.

Myanmar, another low-income Southeast Asian country with considerable potential, is still trying to overcome the economic downturn in the aftermath of political disturbances. The Bank hopes to play an active role with other donors in assisting its efforts at opening up the economy.

The unexpected disasters and civil disruptions in these countries has affected the implementation capacity of some governments and hampered the flow of development assistance. Nonetheless, the Bank has maintained an active policy dialogue and significant operational activity.

In Bangladesh, for example, IDA is supporting the government's flood-reconstruction efforts through a third flood-rehabilitation project, and economic reforms are being assisted by IDA credits in the energy sector. In Sri Lanka, the Bank is assisting the government in analyzing poverty and employment issues. A third industrial-development project and a forest-sector development project to address environmental and forest-management problems is also being supported. In addition to its first structural-adjustment credit for Laos, the Bank also approved an industrial-sector credit and an education credit for a total of three operations, an increase over past levels of activity.

## Papua New Guinea and the Island Economies

Among the smaller Pacific island countries, internal developments, rather than external factors, governed economic performance in 1988. In Fiji, emergency stabilization and adjustment measures, following the political developments of 1987, restored economic stability, but GDP declined by about 2 percent. Among the other Pacific economies, Solomon Islands registered strong growth in production, as well as exports, following a weather-related decline of GDP in 1987. Real GDP growth in 1988 is estimated at 8 percent. Vanuatu's recovery from cyclone damage was undermined by political difficulties encountered in 1988. In Tonga and Western Samoa, the effects of drought were evident in lower production, higher prices, and some deterioration in the current accounts. A decline in GDP of about 2 percent is estimated for each country, but growth should return in 1989. In Kiribati, GDP growth is provisionally estimated at 4 percent in 1988, primarily because of record copra production. In the Maldives, a small island economy outside the Pacific region, growth was sustained at a high rate of 8 percent, led by tourism and fisheries exports.

Recent years have witnessed a revival of growth in Papua New Guinea. Growth in GDP has averaged about 4.5 percent from 1985 to 1988, compared with only 1.3 percent a year earlier in the decade. Most of this improvement, however, has been due to increases in output of the enclave mineral sector. The main challenge facing the government is to promote stronger and broad-based growth in the non-mining economy, on which the vast majority of the population depends for income and employment. The Bank's operational strategy in Papua New Guinea places particular emphasis on supporting the development of agriculture, infrastructure, and human resources.

## Reducing Poverty and Protecting the Environment

Despite the impressive performance of most Asian countries during the past year, the region still faces massive social and economic problems. The core issue is poverty, made worse by high rates of population growth, both of which are closely linked to most forms of environmental degradation. Although impressive progress has been achieved in such areas as food self-sufficiency, indicators of health, and good institutional capacity for managing relief in times of major droughts or floods, the overall picture is not encouraging. The world's poor are overwhelmingly concentrated in Asia, and the number of people with incomes below their national poverty lines may well be increasing. Population growth is highest in the poorest areas, where population densities often exceed environmental carrying capacities. Severe soil degradation, widespread deforestation, and growing water and air pollution—stemming mostly from the region's rapid industrial growth—have raised the environmental awareness of Asian governments and their citizens alike. Over the past year, the Bank and many of its Asian borrowers have sharpened their operational focus on the long-term issues of poverty reduction and environmental protection.

Bangladesh and Sri Lanka are both engaged in efforts to improve the antipoverty impact of their development programs with the active collaboration of IDA. However, the unprecedented floods of 1987 and 1988 resulted in a decline in real wages and an increase in unemployment, causing some deterioration in the poverty situation in Bangladesh. India has perhaps the region's most extensive programs to address the needs of the poor, who now number over 300 million people out of a total population of some 800 million.

In fiscal 1989, the Bank's analytical work on India was heavily concentrated on production of a major report on poverty, employment, and social services. Bank initiatives during the year to address environmental problems and issues included a first environmental reconnaissance mission to help formulate future operational priorities for dealing with India's most critical natural-resource problems. An industrial-finance project, which was approved in fiscal 1989, contains a substantial technical-assistance component for environmental-management improvement in the Steel Authority of India.

An estimated 70 million people live in conditions of absolute poverty in China, where regional disparities in natural-resource endowment and remoteness from dynamic centers of industrial and agricultural development add a distinct geographical dimension to the incidence of poverty. The Bank is helping the government in alleviating poverty in remote areas through rural-development projects in Nei Monggol and Ningxia (where 123,000 families are expected to increase their living standards), Shaanxi (where 180,000 families are to benefit), and in Shandong (where, through development of coastal lowlands, as many as 1.5 million families stand to benefit directly).

Nepal is another country with daunting problems of poverty and degradation of the natural-resource base. The government has launched a basic-needs program with the ambitious goal of eradicating absolute poverty by the year 2000. Much of the Bank's analytical work is focused on Nepal's basic-needs strategy and the priority for developing human capital. There is also a growing appreciation among aid donors and government officials of the fragility of Nepal's natural-resource base and the costs of further degradation. The Bank is working with the government and other donors on a series of studies to analyze longer-term environmental issues. Meanwhile, building upon past involvement, an IDA credit for a hill-community forestry project was approved.

In the Philippines, poverty remains an extensive and serious problem, with the incomes of over half the households falling below the poverty line. The current recovery, while vigorous, has not yet exerted a telling impact on the poverty situation, and there is a great need for expanded public services, as well as efficient implementation of the comprehensive agrarian reform bill, to meet the needs of the poor. As to poverty-related environmental trends, the rapidly expanding poor population in rural areas has moved into fragile upland ecosystems not suited for farming and has caused widespread damage to forests, soils, and watersheds. The Bank has completed major operational reports on poverty and the environment for the government's consideration.

In the past year, the government of Indonesia has made a renewed commitment to reduce the incidence of poverty and to improve environmental management in order to ensure the sustainability of development. The share of public expenditure allocated to poverty-related sectors, such as social services and smallholder agriculture, has been increased.

# Europe, Middle East, and North Africa

The Europe, Middle East, and North Africa region is characterized by great diversity: diversity in economic management, from the socialist economies of Eastern Europe to the relatively free-market economies of Pakistan and Turkey; and diversity in stage of development, from relatively high-income countries, such as Portugal and Hungary, to poor, such as the two Yemens. The region includes oil importers (Morocco, Pakistan, Portugal, Turkey) and oil exporters (Algeria, the Arab Republic of Egypt, Tunisia, and the six member states of the Gulf Cooperation Council—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates).[6]

**_Table 6-8_. Europe, Middle East, and North Africa: 1987 Population and Per Capita GNP of Country Borrowers, Fiscal Years 1987–89**

| Country borrowers, fiscal 1987–89 | Population[a] (thousands) | Per capita GNP 1987[b] (US$) |
|---|---|---|
| Algeria | 23,097 | 2,680 |
| Cyprus | 680 | 5,200 |
| Egypt, Arab Republic of | 50,140 | 680 |
| Hungary | 10,621 | 2,240 |
| Jordan | 3,790 | 1,560[c] |
| Morocco | 23,309 | 610 |
| Oman | 1,347 | 5,810 |
| Pakistan | 102,482 | 350 |
| Portugal | 10,161 | 2,830 |
| Tunisia | 7,618 | 1,180 |
| Turkey | 52,623 | 1,210 |
| Yemen Arab Republic | 8,474 | 590 |
| Yemen, People's Democratic Republic of | 2,269 | 420 |
| Yugoslavia | 23,411 | 2,480 |

NOTE: The 1987 estimates of GNP per capita presented above are from the "World Development Indicators" in the *World Development Report 1989*.

a. Estimates from mid 1987.

b. *World Bank Atlas* methodology, 1985–87 base period.

c. East Bank only.

All borrowing member countries of the World Bank share a common goal: that of developing their human, physical, and institutional infrastructure to provide for long-term sustainable growth so as to raise living standards. The attainment of these common goals has been made particularly difficult for all these countries by the need to deal with heavy debt burdens and introduce reforms that increase reliance on both efficiency and an appropriate balance between the private and public sectors in order to raise long-term productivity and growth.

The growth experienced in 1988 in the countries of the region was also diverse. Algeria, Hungary, Tunisia, and Turkey had declines in GDP growth, while Morocco, Poland, Portugal, and the Yemen Arab Republic had rates above those for 1987. In Portugal, sound domestic economic policies, together with a strong export performance, allowed that country to continue an impressive growth rate of over 4 percent and continue its sustained recovery from the macroeconomic difficulties of the early 1980s. The divergence in economic growth is country specific, and can be explained by differing exposures to externally induced shocks, continued low oil prices, growth in oil exports (the Yemen Arab Republic is the prime example), drought (particularly in Algeria), and differing economic policies. The excellent export performance of the region in 1987 continued, and exports in 1988 grew by about 10 percent; performance in a few countries (Egypt, Jordan, Tunisia, and Turkey) fell off from the record levels recorded in 1987, however.

[6] The Gulf Cooperation Council, established in 1981, provides a political, economic, and social framework for cooperation among the six countries. In February 1989, leaders of Algeria, Libya, Mauritania, Morocco, and Tunisia formally agreed to the establishment of the Arab Maghreb Union, which is expected to increase regional cooperation among these countries, as well. The Arab Cooperation Council, composed of Egypt, Iraq, Jordan, and the Yemen Arab Republic, was also formed in February 1989 for the purpose of achieving economic coordination and integration.

## Continued Variation in Economic Performance

Real gross domestic product increased the fastest (19.2 percent) in the Yemen Arab Republic, which benefited from a massive increase in oil production and exports; Morocco (10.3 percent); and in Pakistan (6.5 percent, a rate, however, that was slightly lower than in 1987). No country experienced negative growth, although GDP growth in Algeria, Tunisia, the United Arab Emirates, and Yugoslavia was around 1 percent.

In Pakistan, the most populous country in the region, the steady economic expansion, which has lasted throughout much of the decade, was accompanied by growing macroeconomic imbalances. In 1988, for example, the fiscal deficit, at 8.6 percent of GDP, reached its highest level in the past ten years. Despite strong export growth (24 percent in current dollars), the country's current-account deficit stood at 4.1 percent of GDP, well above the annual average of 3.3 percent experienced during the earlier years of the 1980s. A deficit of this magnitude is unsustainable, given Pakistan's low gross official foreign-exchange reserves and its relatively high debt-service ratio. By mid 1988, gross reserves covered but three weeks of imports, and the debt-service ratio stood at 28 percent. In response to the growing crisis, the government introduced significant fiscal and trade-policy reforms, and, in December 1988, reached agreement with the International Monetary Fund (IMF) and the World Bank on a policy framework paper (PFP) that outlines government-reform proposals for the period 1989 through 1991. The program of reform, reflecting strong government commitment to adjustment and structural reform, seeks to redress the growing macroeconomic imbalances of recent years and increase economic productivity in the economy, as well as in the financial sector. Key targets, covering a reduction in the budgetary deficit, inflation, the external current-account deficit, and the external debt-service ratio, have been agreed upon. Once implemented, these reforms could result in a sustained real growth in GDP of about 5.2 percent in 1989 and of 5.5 percent a year in 1990 and 1991. The government has also stated that it intends to give greater priority to the social sectors, and the Bank has indicated its willingness to support these efforts. During the past year, the Bank gave considerable attention in its economic and sector work program to social-sector issues and to ways to alleviate poverty.

Inflation continues to be the prime concern in Turkey, where it increased from a rate of about 50 percent in 1987 to about 70 percent in 1988 despite the concerted efforts of the government to tighten fiscal and monetary policies. Key objectives for the government for 1988 included a reduction in the public-sector borrowing requirement to 6 percent of GDP (from over 8 percent in 1987) and a reduction in the growth rate to 5 percent (from an average of about 8 percent over the previous two years). These goals were broadly met, and real growth declined to 3.4 percent in 1988. Moreover, aided by a boom in tourism, the balance-of-payments improvement was greater than the targeted goal, with the current account shifting from a deficit of 1.4 percent of gross national product (GNP) to a surplus of over 2 percent in 1988. The improved current-account performance, together with a significant increase in direct foreign investment, permitted a reduction in external-debt ratios. These macroeconomic policies were not successful in containing inflation, however.

The initial impetus for the increase in the inflation rate appears to have been the adjustments made, in late 1987, in public-sector prices and tax rates. As rising inflationary expectations rendered real deposit interest rates negative, demand for domestic money declined in real terms, and the Turkish lira was subjected to periodic bouts of speculation. In response, the government permitted interest rates to rise significantly in October 1988 when it liberalized the banking sector's ability to set interest rates. This action, combined with a partial freeing of the exchange rate earlier in the year, did ease pressure on the exchange rate, but it also led to a rise, to very high levels, in real lending rates. In turn, demand was dampened, particularly in the manufacturing sector, at a time when economic growth was already slowing. The government is currently faced, simultaneously, with weakening real economic activity and an inflationary situation that shows no signs of subsiding. Recognizing the difficulty in addressing the twin goals of bolstering growth and controlling inflation at the same time, the government has chosen to give the priority to the goal of achieving a sharp drop in inflation in 1989 and, accordingly, has revised its 1989 growth target downward, from 5 percent to 3.7 percent. Moreover, the government has placed even greater emphasis on tighter fiscal and monetary policies, accompanied by a longer-term adjustment agenda that gives priority to reforms in the financial and industrial sectors.

In Cyprus, all sectors of the economy have shown positive and satisfactorily high rates of growth, with particular accelerations in the rates of expansion of manufacturing and agriculture (8 percent and 6 percent, respectively, in 1988). Within the services sector, above average performance was exhibited by the subsectors that are directly related with tourism, offshore activities, and the provision of services abroad.

Yugoslavia experienced several economic developments similar to those in other highly indebted, middle-income countries. These included increasingly severe inflation (at over 250 percent a year) and a continued decline in GDP growth and consumption. The government has embarked on a major program of structural reform that stresses a more competitive and market-oriented economy. The Bank has provided extensive technical assistance in this effort. The constitution has been amended, and new laws are on the books that could fundamentally affect enterprise operations, foreign investment, and banking and financial operations. In addition, the government has been actively working with the Bank to identify policies to increase greatly both trade and domestic competition.

Reforms being developed in Poland are of unprecedented political and economic scope and represent a daunting task of institutional and policy change. Through an active program of economic and sector work, the Bank has been assisting the Polish authorities to develop reform and adjustment proposals to establish the basis for sustainable growth and improved creditworthiness. Important systemic and policy improvements are already being implemented, and further work is under way to prepare a revised medium-term plan.

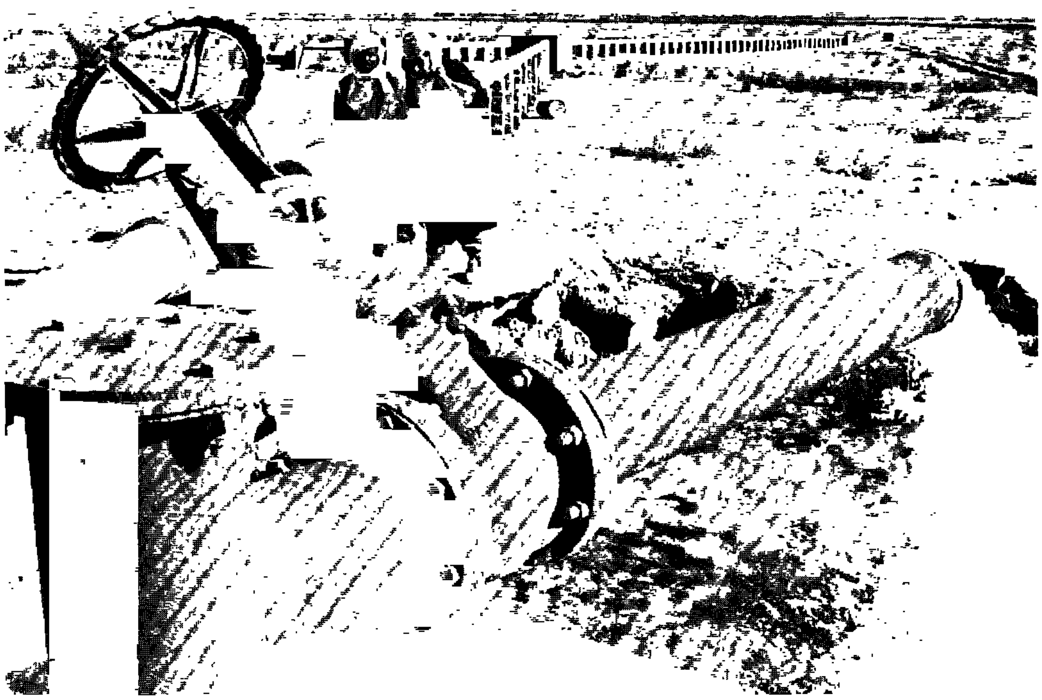
However, the macroeconomic context for implementing the reforms has deteriorated, and the country faces severe difficulties in restoring domestic and external balances. While Poland's output and exports continued their upward trends, 1988 was a difficult year, and the beginnings of 1989 show signs of further imbalances.

Reform is also critical to Hungary's medium-term and long-term prospects. In 1988, the government introduced a stabilization and structural-reform program that aimed at reducing the growth in foreign debt (presently at 64 percent of GDP) and accelerating the pace of structural reforms through improvements in fiscal balances, limitations on nominal wage increases, price and tax reform, and an active exchange-rate policy. This program was supported during the past year by the IMF, as well as by the Bank, which approved an industrial-

***Table 6-9.* Lending to Borrowers in Europe, Middle East, and North Africa, by Sector, Fiscal Years 1980–89**
(millions of US dollars)

| Sector | Annual average 1980–84 | 1985 | 1986 | 1987 | 1988 | 1989 |
|---|---|---|---|---|---|---|
| Agriculture and Rural | | | | | | |
| Development | 676.0 | 1,013.8 | 766.2 | 398.4 | 560.5 | 1,411.4 |
| Development Finance Companies | 363.9 | 87.1 | 735.0 | 362.9 | 580.0 | 323.0 |
| Education | 116.4 | 156.6 | 213.1 | 250.0 | 241.8 | 178.0 |
| Energy | | | | | | |
| Oil, gas, and coal | 169.7 | 399.7 | — | 21.0 | 30.1 | 115.5 |
| Power | 236.3 | 467.0 | 595.2 | 597.0 | 400.0 | 415.0 |
| Industry | 221.7 | 177.6 | 125.0 | 166.0 | 377.0 | 385.1 |
| Nonproject | 404.3 | — | — | 240.0 | 150.0 | 200.0 |
| Population, Health, and Nutrition | 9.7 | 41.9 | — | 13.3 | — | 152.5 |
| Small-scale Enterprise | 40.0 | 50.0 | 100.0 | 54.0 | 328.0 | — |
| Technical Assistance | 5.1 | 4.7 | 12.0 | 7.0 | — | — |
| Telecommunications | 50.8 | 23.0 | — | 295.0 | 36.0 | — |
| Transportation | 306.1 | 356.9 | 193.5 | 545.8 | 327.0 | 296.0 |
| Urban Development | 61.4 | 37.2 | 95.0 | 176.6 | 90.0 | 58.0 |
| Water Supply and Sewerage | 180.3 | 292.0 | 120.0 | 559.6 | 238.0 | 233.0 |
| Total | 2,841.7 | 3,107.5 | 2,955.0 | 3,686.6 | 3,358.4 | 3,767.5 |
| Of which: IBRD | 2,505.4 | 2,820.1 | 2,731.4 | 3,437.4 | 3,133.3 | 3,511.8 |
| IDA | 336.3 | 287.4 | 223.6 | 249.2 | 225.1 | 255.7 |
| Number of Operations | 51 | 47 | 37 | 42 | 35 | 39 |

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



*Irrigation provides water for a date-palm plantation in Tunisia, where drought induced a 24 percent decline in agricultural production in 1988.*

sector adjustment loan. Initial results, by and large, have been mixed. Gross domestic product remained constant (against a planned modest increase), exports to convertible-currency areas grew 9 percent in volume terms, and there was an improvement in the convertible-currency trade balance to an overall surplus of about $615 million. This improvement, however, was offset by a larger-than-expected deficit in the services account, with the result that the convertible-currency current-account deficit was about $100 million greater than expected. The government budget was also higher than planned, due largely to a failure to reduce sufficiently subsidies to enterprises.

Egypt continued to experience economic difficulties, which were exacerbated by the oil-price decline and by an extremely heavy external debt. After a significant slowdown in growth over the previous two years, the economy expanded slightly in 1988 (by about 3 percent), facilitated, in part, by a substantial increase in imports. The balance-of-payments situation, however, remained precarious, although some modicum of relief was provided through a sharp decline in interest payments as a result of the Paris Club debt rescheduling that covered the period through June 1988. With debt rescheduled, the current-account deficit was reduced to about 6.5 percent of GDP (compared with 12 percent had not interest payments been rescheduled). The budget deficit continued to decline considerably—from 20 percent of GDP in 1987 to about 16 percent in 1988—but still remains unsustainably high and continues to represent a potential source of high inflation. The government has initiated a series of changes in pricing policy, as well as other actions, designed to cut further the budget deficit. However, a more rapid and thorough structural reform will be needed if Egypt is to restore its economy to a balanced growth path.

### Adjustment in the Maghreb Countries

Over the past five years, Morocco has undertaken important structural reforms, which, despite difficult circumstances, have led to considerable progress towards achieving internal and external equilibria. At the same time, the country has succeeded in achieving a modest growth rate with low inflation and avoiding the drastic decline in per capita consumption experienced by other highly indebted countries facing a similar deterioration in terms of trade. Morocco's reform program can be traced back to the balance-of-payments crisis of 1983 that caused the government to embark on a courageous stabilization and adjustment program supported by the Bank and the IMF. Since then, an active exchange-rate policy has resulted in a decline in the real exchange rate of 23 percent, which has helped proceeds from tourism and workers' remittances to be maintained at high levels and import demand to be contained following a reduction in trade barriers. Budgetary subsidies have been reduced by about 3 percent of GDP, and public investment has been rationalized. The government has also implemented comprehensive tax-reform measures that should improve allocative efficiency and ensure that the tax burden is shared more equitably. In parallel to the macroeconomic reform program, the government has implemented reforms at the sectoral level. Policy reforms at the macro level and in the industrial, agriculture, education, and public-enterprise sectors have been pursued. These sectoral reforms, supported by Bank lending and advisory assistance, have made the economy reflect more realistically, through a set of incentives, economic costs and benefits to producers and consumers. They have also made the budget cost of state intervention more transparent and have led to an improvement in the climate for private investors.

The economy has responded positively. Total exports have increased by almost 5 percent a year since 1984, led by a dramatic rise in the share of manufactured exports, which now represent almost 30 percent of the total. The current-account deficit (after rescheduling), which was 8 percent of GDP in 1980, improved to a 1 percent surplus in 1988, and the fiscal deficit declined from almost 12 percent of GDP in 1983 to about 4 percent in 1988.

Morocco's success in adjusting has not been without costs, however. Since the inception of policy reforms, economic growth has not been strong enough to ensure significant increases in per capita income and adequate employment levels. The Bank has emphasized in its economic and sector work better understanding of the effect of economic adjustment on employment opportunities, on the compression of living standards, and poverty with a view to identifying operations that can substantially alleviate the social costs of adjustment.

In the case of Algeria, movement from a centrally planned economy to a more market-oriented system has been striking. The first step in this direction was the effective privatization of state farms, a structure that had resulted in low and stagnant productivity for the past twenty-five years.

This measure was followed by a complete revamping of the institutional framework for the conduct of macro policies, stressing the active role of the central bank in controlling credit and money supply and the disengagement of the treasury from direct financing of public enterprises. Further deep transformations are under way toward establishing fully autonomous public enterprises and banks, as well as reforming the incentive framework, including adjustment of the exchange rate, interest rate, and commodity prices.

Far-reaching adjustment has been a feature of the Tunisian economy for a number of years. Stabilization measures, begun in 1985, reduced the imbalances in the budget and external current account and established the conditions for the country's deep liberalization program, which was begun in 1986. Despite the government's commitment to adjustment (which has led to substantial donor support), recent economic events have been adverse.

In 1988, for example, the economy was affected by a severe drought and a locust infestation that, together, induced a 24 percent decline in agricultural production, bringing GDP growth down to 1.5 percent, as opposed to 5.8 percent in 1987. Nevertheless, exports performed strongly, and imports grew only modestly; as a consequence, the current account was slightly in surplus.

### Adjustment Issues in Jordan

During the past year, Jordan's economic performance was adversely affected by a decline in export receipts and by a slowdown in remittances from workers in neighboring oil-exporting countries. Consequently, strains have been placed on the government's budgetary operations, as well as on the balance of payments. Calendar year 1988 was difficult: GDP declined to 1.7 percent in real terms. The only sectors registering growth were agriculture and public administration, while manufacturing, mining, and construction showed sharp declines. The reduction in output was accompanied by a further deterioration in the fiscal situation, as the budget deficit rose from 11.8 percent of GDP in 1987 to almost 15 percent in 1988. This increase was caused by the slow growth in domestic revenue, together with a rapid growth in current expenditures that resulted from a rapidly rising public-sector wage bill and a steep increase in external and internal debt payments. At the same time, the balance of payments has come under increased pressure, and large deficits have led to a rundown in official reserves. The weakness in Jordan's balance-of-payments situation in 1988 was largely the result of the significant decline in remittances and grants (by 6 percent in nominal terms) and the increase (by nearly 40

**_Table 6-10_. Net Transfers to Europe, Middle East, and North Africa**
(millions of US dollars, fiscal years)

| | Pakistan | | Turkey | | Egypt | | Total region | |
|---|---|---|---|---|---|---|---|---|
| Item | 1989 | 1985–89 | 1989 | 1985–89 | 1989 | 1985–89 | 1989 | 1985–89 |
| IBRD and IDA commitments | 949.4 | 3,335.9 | 709.3 | 4,598.1 | 241.0 | 574.3 | 3,767.5 | 16,717.4 |
| Gross disbursements | 470.9 | 1,549.2 | 567.2 | 3,533.3 | 116.8 | 948.7 | 2,654.9 | 12,658.5 |
| Repayments | 81.9 | 306.5 | 488.3 | 1,522.4 | 142.9 | 533.8 | 1,772.5 | 5,979.9 |
| Net disbursements | 389.0 | 1,242.7 | 78.9 | 2,010.8 | (26.2) | 415.0 | 882.4 | 6,678.6 |
| Interest and charges | 104.5 | 365.8 | 522.8 | 1,959.2 | 132.1 | 591.6 | 1,504.8 | 5,903.5 |
| Net transfer | 284.5 | 877.0 | (443.8) | 51.6 | (158.3) | (176.7) | (622.5) | 775.1 |

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those (not including Poland, which has yet to borrow from the Bank) with the largest population. The regional totals include current borrowers only. Details may not add to totals because of rounding.

percent) in debt-service payments. In response to the deteriorating economic situation, the government has implemented a series of reform measures, the most important of which are a 30 percent depreciation of the dinar, the deregulation of interest rates, the liberalization of financial markets, and a budget for 1989 that emphasizes economic austerity. The government recently signed a letter of intent with the IMF on a standby arrangement. Discussions on a Bank-supported structural-adjustment loan have progressed satisfactorily, and its presentation to the executive board is expected to take place early in fiscal 1990.

### Adjustment among the High-income Oil Exporters

The further decline in international oil prices during 1988 did not have a uniform effect upon the high-income, oil-exporting countries. Saudi Arabia was able to compensate for the oil-price decrease through an increase in output, while Bahrain, Oman, Qatar, and the United Arab Emirates experienced precipitous drops in oil revenues. As a result, growth rates in 1988 varied, with Saudi Arabia growing at 4 percent, the United Arab Emirates at less than 1 percent, and the other member countries of the Gulf Cooperation Council (Bahrain, Oman, Qatar) at about 2 percent. Aided by a growth in exports of 3.2 percent, Libya's GDP increased by 2.6 percent during the year. In Kuwait, where oil production was virtually the same in 1988 as in the year before, GDP growth was estimated at 2 percent.

The growth of nonoil GDP in many of these countries has been positive, thus demonstrating a resumption of a balanced level of economic activity and the emergence of a degree of independence from oil-price fluctuations. Preliminary estimates indicate that Kuwait, Oman, and the United Arab Emirates have had the highest nonoil GDP growth rates, in the 4 percent-to-6 percent range. The case of Oman is particularly noteworthy, as it had suffered significant negative growth rates in overall GDP in both 1986 and 1987. Nonoil GDP growth rates have been somewhat lower for Saudi Arabia (about 2 percent), Bahrain (about 3 percent), and Qatar (less than 1 percent).

A deterioration in the external balances of most of these countries took place in 1988, with the current-account deficit increasing from \$1.5 billion to \$3.8 billion. Kuwait and the United Arab Emirates were the only countries with current-account surpluses, of \$3.6 billion and \$3.4 billion, respectively. Saudi Arabia showed a current-account deficit of about \$7.4 billion, a 22 percent improvement over the previous year, reflecting increases in nonoil exports.

### The Challenge of Systemic Reform

While there are opportunities for increased domestic savings in several countries of the region, a consensus exists throughout the region that revival of growth must rely on greater economic efficiency. The search for economic efficiency encompasses a wide agenda—systemwide reforms, corrections of economic distortions through greater reliance on market prices, better balance between the public and private sectors, and greater outward orientation of economies through trade reform.

Perhaps the greatest challenge will be for countries to raise economic efficiency by permitting a greater role for markets and the private sector. In the socialist countries of the region, this means a fundamental reorientation of the economic system to one that would permit a greater role for markets and decision-making and introduce private-sector activity in large segments of economies that had previously been in the public sector. In many cases, efficiency will not need to be achieved by privatization *per se*, but through competition where none existed before. Trade reform and an opening of the economy to foreign competition is often an important element in this process. In mixed economies, efficiency involves restructuring of public enterprises, helping them become more autonomous, exposing them to more competition, and, where appropriate, assisting in their privatization.

Several countries of the region are contemplating, or have started, systemwide reforms that involve greater competition through greater freedom of entry for firms and a more liberal trade regime; greater financial discipline through limiting access to the budget and the banking system; and a general easing of constraints on labor and capital mobility through bankruptcy laws or other measures. Such reform measures, for example, have been a major focus of Bank assistance to Hungary through industrial-restructuring loans. Furthermore, in Hungary, Poland, and Yugoslavia, the Bank is assisting governments design new frameworks to facilitate foreign ventures and direct foreign private investment. New laws for this purpose were passed by all three countries in fiscal 1989.

In the more market-oriented economies of Morocco, Pakistan, Tunisia, and Turkey, improving economic efficiency depends less on systemic reform than on realistic pricing of foreign exchange and credit and liberalization of the price, foreign trade, and investment regimes. Even in these countries, a serious reappraisal and redefinition of the role of the state and the rules of the game for public-sector enterprises are under way.

Reforming the financial sector remains a critical aspect of any reform program. Financial-sector reforms are often essential to providing greater opportunities for private-sector development and to providing an important underpinning to expanding output in all sectors. Reform normally requires limitations to be placed upon subsidies, reductions of preferred-creditor practices, improved financial transparency, establishment of a sound banking regulatory framework, and the development of efficient central banks. Hungary, with the Bank's support, has introduced a comprehensive financial-sector reform program. Early results of this program are already visible, both in the banking sector and in the process of establishing capital markets. Recently, Poland has undertaken major reforms in this area with Bank support to separate the functions of savings banks and commercial banks from the central bank. In Yugoslavia, where banks have been owned by the enterprises they lend to, banks are now required to convert into profit-making entities with a minimum of paid-in capital and their management independent of sociopolitical communities. During the past year, the Bank has been actively involved with financial-sector reform, both through lending and advisory work, in Algeria, Morocco, Tunisia, Turkey, and Yugoslavia, as well as in Pakistan, where a first financial-sector loan was approved.

Systemic reform in the socialist economies of the region perhaps offers the greatest of challenges, given the major structural changes required within their economies. In order to gain a better understanding of the complexities and linkages of introducing market reforms while simultaneously pursuing stabilization and adjustment goals in these countries, the Bank has embarked on a major work program of analysis and research. The program is expected to be completed within two years.

## Bank Operations, Fiscal 1989

In a global environment characterized by continuing difficult external and domestic economic conditions, the World Bank continued to provide assistance for adjustment efforts —both at the macroeconomic and sectoral levels—aimed at strengthening the capabilities of the countries to implement key reforms. Policy-based lending, which included a first structural-adjustment loan to Morocco, three sector-adjustment loans in Pakistan, and one sector-adjustment loan to Tunisia, totaled $884 million during the year, or about 23 percent of total lending. Pakistan was the region's largest borrower, with $949 million in loan commitments from the IBRD and IDA.

Project lending was extremely varied, with almost all sectors represented, including regional development (Portugal and the Yemen Arab Republic), human-resource development (Jordan, Morocco, and Tunisia), and water and sanitation (Egypt, Pakistan, and the People's Democratic Republic of Yemen). Special emphasis in the lower-income countries (the two Yemens and Pakistan) was placed on projects designed to assist the poor. Finally, an unusual project was approved—a locust-control project, designed, on an emergency basis, to mitigate the effects of the devastation to Algeria caused by locusts during 1988.

# Latin America and the Caribbean

Over the past eighteen months, economic growth in the Latin America and the Caribbean region has slowed, further delaying the process of restoring per capita output, income, and consumption to average levels that had prevailed during the three-year period, 1979–81. Gross domestic product (GDP) per capita declined at an annual rate of −0.6 percent in 1988 and early 1989. Further, in the first half of 1989, the decline in per capita GDP was accelerating. The improvement in the region's terms of trade over the same eighteen-month period has partly offset, however, the effect of declining output per capita on income and consumption—except in the oil-exporting countries, which were hit by an additional decline in oil prices in 1988.

***Table 6-11.* Latin America and the Caribbean: 1987 Population and Per Capita GNP of Country Borrowers, Fiscal Years 1987–89**

| Country borrowers, fiscal 1987–89 | Population[a] (thousands) | Per capita GNP 1987[b] (US$) |
|---|---|---|
| Argentina | 31,121 | 2,390 |
| Bahamas, The | 240 | 10,280 |
| Barbados | 254 | 5,350 |
| Belize | 176 | 1,240 |
| Bolivia | 6,729 | 580 |
| Brazil | 141,433 | 2,020 |
| Chile | 12,543 | 1,310 |
| Colombia | 29,470 | 1,240 |
| Costa Rica | 2,608 | 1,610 |
| Dominica | 80 | 1,440 |
| Dominican Republic | 6,712 | 730 |
| Ecuador | 9,898 | 1,040 |
| El Salvador | 4,958 | 860 |
| Guatemala | 8,438 | 950 |
| Guyana | 797 | 390 |
| Haiti | 6,142 | 360 |
| Honduras | 4,687 | 810 |
| Jamaica | 2,401 | 940 |
| Mexico | 81,860 | 1,830 |
| Panama | 2,271 | 2,240 |
| St. Vincent and the Grenadines | 120 | 1,000 |
| Uruguay | 2,983 | 2,190 |

NOTE: The 1987 estimates of GNP per capita presented above are from the "World Development Indicators" in the *World Development Report 1989*.

a. Estimates from mid 1987.

b. *World Bank Atlas* methodology, 1985–87 base period.

Regional economic growth has been quite uneven. The record of regional performance has been much influenced by the deceleration of GDP growth in Argentina, Brazil, and Venezuela, which, together, account for around two thirds of the region's GDP. In these three countries, total GDP increased by only 0.8 percent in 1988 and declined in the first half of 1989. Deceleration of growth in Argentina and Brazil halted the economic recovery of Uruguay. The severe drought that has been affecting Argentina and Uruguay since mid 1988 reinforced the contractionary pressures on economic activity by early 1989. The experience of these three countries stands in contrast with the strong recovery that took place most noticeably in Chile, where growth of GDP continued at the high annual rate of 7 percent in the first half of 1989, but also in Colombia, Costa Rica, Guatemala, and Jamaica. The beginning of recovery in Bolivia and Paraguay contrasts with stagnation in the Dominican Republic and Mexico, and with large GDP losses in Haiti, Nicaragua, Panama, Peru, and Trinidad and Tobago. Ecuador recovered in 1988 the output level reached in 1986 after the loss brought about by the 1987 earthquake.

In most countries of the region, the decline in output per capita has been accompanied by increases in export earnings and acceleration of inflation. By early 1989, export earnings increased enough to ease significantly the foreign-exchange constraint in all countries except for the oil exporters. But increased export earnings failed to fuel a recovery in those countries where governments have not been successful in implementing credible fiscal adjustment programs.

The increased surplus in the region's trade balance with the rest of the world reflected both external and domestic factors. The surplus was used to pay interest on external debt, although some countries managed to accumulate international reserves. For the region as a whole, the net transfer to foreign creditors was still larger than the trade surplus, however. For the first time since the beginning of the debt crisis in 1982, the nominal value of the region's total external debt declined, from $443 billion at the end of 1987 to $428 billion at the end of 1988. The reduction of long-term debt with creditor banks through buybacks and swaps programs amounted to about $17 billion in 1988, but, in early 1989, it declined in anticipation of major actions by creditor countries.

Inflation, which accelerated to very high levels in Argentina, Brazil, Nicaragua, and Peru, stands in sharp contrast with Mexico, where inflation has been reduced from a rate of 144 percent in the twelve months up to December 1987 to one of 18 percent in the twelve months up to April 1989. In Bolivia, Costa Rica, the Dominican Republic, and Ecuador, the acceleration of inflation is noteworthy for its reemergence after a period of modest increase. Despite the acceleration of GDP growth, inflation declined in Chile and Paraguay. Although inflation also declined in Venezuela during 1988, it sharply increased in early 1989 as a result of the implementation of new policies to correct the country's macroeconomic imbalances and realign relative prices. Only in Panama and in the Caribbean countries was inflation kept at rates comparable with those of developed countries.

The acceleration of inflation over the past eighteen months was one consequence of the increasing difficulty that governments faced in implementing policies to correct macro imbalances, including controlling public finances and changing relative prices and real wages. Political pressures mounted to prevent further reductions in public-sector deficits. The financing of these deficits continued to rely on monetary expansion, but the demand for money balances declined due to the accelerated inflation brought about by the expansion. Thus, the real revenue from a given rate of monetary expansion also declined. The correction of external and internal imbalances called for changes in relative prices and real wages, which, in turn, called for adjustments in the exchange rate and government-controlled prices. But these adjustments were often accompanied by offsetting adjustments in nominal wages, government-determined incomes, and subsidies. Even in countries with a long

***Table 6-12.* Lending to Borrowers in Latin America and the Caribbean, by Sector, Fiscal Years 1980–89**
(millions of US dollars)

| Sector | Annual average 1980–84 | 1985 | 1986 | 1987 | 1988 | 1989 |
|---|---|---|---|---|---|---|
| Agriculture and Rural Development | 782.4 | 442.5 | 1,955.0 | 1,195.0 | 1,404.8 | 161.8 |
| Development Finance Companies | 263.2 | 195.0 | 252.4 | 1,115.0 | 970.0 | 864.3 |
| Education | 70.9 | 195.8 | 10.0 | 84.9 | 88.3 | 140.0 |
| Energy | | | | | | |
| Oil, gas, and coal | 98.8 | 310.0 | 131.0 | 104.4 | — | 94.0 |
| Power | 546.2 | 833.7 | 819.2 | 423.8 | 423.0 | 736.0 |
| Industry | 131.3 | 4.0 | — | 55.0 | 1,065.0 | 860.0 |
| Nonproject | 60.7 | 435.0 | 705.0 | 1,050.1 | 277.0 | 1,492.0 |
| Population, Health, and Nutrition | 20.8 | — | 96.0 | 10.0 | 109.0 | 99.0 |
| Small-scale Enterprise | 205.2 | 340.0 | 70.0 | 185.0 | — | 155.0 |
| Technical Assistance | 6.0 | 29.5 | 47.5 | 15.5 | — | 50.7 |
| Telecommunications | 22.8 | — | — | — | — | 45.0 |
| Transportation | 465.2 | 662.0 | 140.6 | 524.5 | 210.6 | 149.3 |
| Urban Development | 157.2 | 86.9 | 369.5 | 325.0 | 464.0 | 675.0 |
| Water Supply and Sewerage | 231.2 | 163.8 | 175.0 | 64.0 | 252.3 | 320.0 |
| Total | 3,061.9 | 3,698.2 | 4,771.2 | 5,152.0 | 5,264.0 | 5,842.1 |
| Of which: IBRD | 3,015.0 | 3,652.3 | 4,701.2 | 4,994.6 | 5,152.0 | 5,703.7 |
| IDA | 47.1 | 45.9 | 70.0 | 157.4 | 112.0 | 138.4 |
| Number of Operations | 46 | 41 | 43 | 58 | 37 | 43 |

NOTE: Details may not add to totals because of rounding

*A textile factory in Fortaleza, Brazil. Lending for industry in Latin America has totaled over $3 billion.*

history of low inflation, governments were not able to change relative prices and real wages without creating large inflationary pressures.

## Export Earnings, Resource Transfers, and Debt Service

The strong recovery of nonfuel commodity prices and the continued expansion of export volumes have been driving the region's export earnings to record levels (merchandise exports amounted to $104.3 billion in 1988, 11.7 percent higher than the average nominal value of 1980–87). By early 1989, nonfuel commodity prices, particularly metal prices, reached levels so high that there was little likelihood that they could be sustained over the next few years. Fuel prices began to recover somewhat in 1989 from their low 1988 levels. It is likely, therefore, that the key to growing export earnings in the future will be the expansion of export volumes, which has already been significant in Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, and, to a lesser extent, in Argentina, Costa Rica, and Uruguay. Further expansion of export volumes in these countries is likely to require corresponding increases in investment. In the Dominican Republic, Peru, and Venezuela, exports either increased very

**Box 6-1. The Amount and Uses of Debtor Countries' Trade Surpluses**

There are various measures of a country's resource transfer, but the availability of data greatly determines the choice. The most reliable data refer to the resource, or trade, balance, that is, the difference between exports and imports of merchandise and nonfactor services. The average of the trade balance of eight highly indebted Latin American countries for 1986–88 is presented in Box Table 6-1. In terms of resource availability, the trade surplus (column 1) can be complemented temporarily by using international reserves (column 2). In the table, the drawdown of international reserves, net of International Monetary Fund credit, is added to the trade surplus to give a "total" surplus (column 3). Only countries that had a positive total surplus are included in the table.

The total surplus can be transferred to foreign creditors and investors. First, it can be used to service the long-term external debt (column 4), including debt buybacks. Second, it can be used to service the short-term external debt. A gross estimate of this transfer is presented (column 5), but the quality of the data is not comparable to that of the long-term debt. Third, the trade surplus can be transferred to foreign investors in repayment of their previous investments. The effective transfer should take into account new investment flows. In some countries, the implementation of debt-equity swaps has led to a significant increase in foreign

***Box Table 6-1.* Estimates of the Resource (Trade) Surplus and Its Uses**

(averages for 1986–88, as percent of GDP at current prices)

| | Resource balance | | | Net transfer to foreign | | | |
|---|---|---|---|---|---|---|---|
| | | | | Creditors | | | |
| Country | Trade surplus (1) | Use of reserves (2) | Total surplus (3) | Long (4) | Short (5) | Investors (6) | Resource gap (7 = 3−4−5−6) |
| Argentina | 1.9 | 0.4 | 2.3 | 2.8 | 0.2 | −0.4 | −0.3 |
| Brazil | 3.7 | 0.3 | 4.0 | 3.5 | 0.2 | −0.1 | 0.5 |
| Chile | 5.3 | −0.8 | 4.4 | 13.3 | −0.2 | −3.9 | −4.7 |
| Colombia | 2.3 | −1.5 | 0.8 | 2.2 | 0.2 | −1.4 | −0.2 |
| Ecuador | 2.0 | 0.5 | 2.5 | −0.9 | 0.6 | −0.7 | 3.5 |
| Mexico | 4.5 | 0.1 | 4.6 | 6.0 | −0.2 | −1.7 | 0.5 |
| Uruguay | 3.6 | −1.8 | 1.7 | 2.0 | 0.5 | 0.0 | −0.7 |
| Venezuela | −1.4 | 4.2 | 2.8 | 7.1 | −0.1 | −0.4 | −3.8 |
| GDP-weighted average | 3.1 | 0.5 | 3.6 | 4.4 | 0.1 | −0.7 | −0.2 |

(1) Trade surplus is equal to excess of exports over imports of goods and nonfactor services.

(2) Reserves are defined as total reserves (excluding gold) net of use of IMF credit. Interest paid to the IMF has not been subtracted.

(3) The sum of (1) and (2).

(4) The total net transfer to foreign creditors related to the long-term debt. It also includes an estimate of the transfer involved in discounted buybacks and capitalizations of debt. Interest payments are cash rather than accrued. See Box Table 6-2 for details.

(5) Estimate of the net transfer related to short-term debts.

(6) Estimate of the net outflow of foreign investment. The repatriation of profits has not been subtracted from the net outflow.

SOURCE: The World Bank.

little or declined during the 1980s, and, in these countries, the potential exists for expanding exports without the corresponding need to increase investment. In Bolivia and Central America, any recovery in export volumes following the long decline of the early 1980s is constrained both by the need to develop new production and export activities and to resume investment in traditional exports.

Increased export earnings should have facilitated the transition from a foreign-exchange constrained situation to one in which conditions for sustained growth are ripe. This certainly has happened in Chile and Colombia. But in Argentina, Brazil, and Mexico, export earnings increased to record levels in 1988 without bringing about an accelerated recovery of output. In Mexico, imports increased in response to the liberalization of its trade system and the consequent transformation to an open economy. So far, Mexico's new level of imports reflects a change in the composition of output rather than a recovery of GDP per capita. In Argentina and Brazil, despite the increased availability of foreign exchange, the dollar value of imports did not increase be-investment that may not have been properly accounted. The estimates presented in column 6 are very tentative.

Box Table 6-2 shows the net transfer to long-term creditors. The net transfer includes any resource transferred to creditors as a result of debt buybacks and capitalization (column 2). The table provides information on the net transfer from debtor countries' public sectors, as well as on the total net transfer to financial markets, which includes mainly commercial banks. The basic information for this table is from the Bank's debtor reporting system, but some adjustments have been made to show actual, rather than accrued, payments.

The data used in the table are at current prices, and official exchange rates have been used to estimate the dollar value of GDP. Estimates of the trade surplus as a percentage of GDP at constant prices can be obtained from each country's national accounts, but the estimates depend on the prices of the base year, which is not the same for all countries. Given the large changes in relative prices and, in particular, the deterioration in the terms of trade with respect to 1979–81, the ratios at constant prices show a different picture, especially in countries that use 1980 as the base year for the national accounts at constant prices. The dollar valuation of GDP also poses problems because of the large discrepancies between official and parallel exchange rates in some countries. The figures for Argentina and Brazil in 1988 had to be adjusted to reflect the overvaluation of the national currency at the official rate.

***Box Table 6-2*. Net Transfer to Foreign Creditors, Long-term Debt**

*(averages for 1986–88, as percent of GDP at current prices)*

| | Total | | | | From public sector | | | | To financial markets | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (1) | (2) | (3) | (4) | (1) | (2) | (3) | (4) |
| Argentina | 2.8 | 0.2 | −1.3 | 3.9 | 2.1 | — | −1.4 | 3.5 | 3.0 | 0.2 | −0.6 | 3.4 |
| Brazil | 3.5 | 0.7 | 0.6 | 2.2 | 2.4 | 0.2 | 0.4 | 1.8 | 3.0 | 0.7 | 0.5 | 1.7 |
| Chile | 13.3 | 7.5 | −2.1 | 7.9 | 4.5 | 2.3 | −2.3 | 4.5 | 13.6 | 7.5 | −0.2 | 6.3 |
| Colombia | 2.2 | — | −1.0 | 3.2 | 1.9 | — | −1.0 | 2.9 | 0.7 | — | −0.7 | 1.4 |
| Ecuador | −0.9 | — | −4.7 | 3.8 | n.a. | n.a. | n.a. | n.a. | 1.2 | — | −0.9 | 2.1 |
| Mexico | 6.0 | 1.6 | −0.7 | 5.1 | 3.1 | 0.3 | −1.3 | 4.2 | 5.5 | 1.6 | −0.5 | 4.3 |
| Uruguay | 2.0 | — | −2.0 | 4.0 | 1.8 | — | −2.1 | 3.9 | 2.1 | — | −1.4 | 3.3 |
| Venezuela | 7.1 | — | 2.7 | 4.4 | 4.9 | — | 1.7 | 3.2 | 6.6 | — | 2.4 | 4.2 |
| GDP-weighted average | 4.4 | 0.9 | — | 3.5 | 2.7 | 0.2 | −0.2 | 2.8 | 4.0 | 0.9 | 0.2 | 2.8 |

NOTE: The public sector refers to public and publicly guaranteed debt, as in the Bank's *World Debt Tables*. Interest paid by Chile's private banks on their publicly guaranteed debt has been excluded from the public sector's interest payments. Financial markets are as defined in the Bank's *World Debt Tables*.

n.a. Not available.

— Zero or nil.

(1) Net transfer (1 = 2 + 3 + 4).

(2) Cash transfer as a result of debt reduction through buybacks and capitalizations (estimates refer to the discounted value of the transaction).

(3) Net outflows (equal to principal repayments less disbursements).

(4) Cash interest payments.

SOURCE: The World Bank.

cause domestic demand slowed, and, more recently, declined. Consequently, the resource balances of Argentina and, especially, Brazil with the rest of the world showed a large surplus over the past eighteen months.

The aggregate resource, or trade, balance of the region in 1988 showed a surplus of $25.6 billion, an increase of $7.1 billion over the average of 1986–87. Box 6-1 reports on estimates of the resource balance for 1986–88 and its uses. For the eight highly indebted countries reported on in the box, the GDP-weighted trade surplus over that three-year period amounted to 3.1 percent of GDP. The trade balance of the eight countries ranged from a trade deficit of 1.4 percent of GDP in Venezuela to a surplus of 5.3 percent in Chile. A trade surplus, by definition, means that part of output is not used for domestic consumption and investment, and that it is used either by the public or the private sector to accumulate foreign assets (international reserves in the case of central banks), or to transfer resources to foreign creditors and investors. While Chile, Colombia, and Uruguay were able to accumulate reserves, other countries used reserves, especially Venezuela, where both the trade deficit and part of the net transfer to creditors were financed by depleting reserves. The use of international reserves and the trade surplus for the eight countries amounted to 3.6 percent of GDP over 1986–88.

The net transfer to long-term creditors from the eight countries considered in Box 6-1 amounted to 4.4 percent of GDP over the 1986–88 period. This transfer was exceptionally high in the case of Chile (13.3 percent of GDP) because of a significant reduction of debt with commercial banks through buybacks and capitalizations (around 7.5 percent of GDP). The transfers from Mexico and Venezuela were also well above the average for the eight countries. There was a net transfer from long-term creditors only to Ecuador (estimated at 0.9 percent of GDP), mainly because of arrears in capital and interest payments (around 3.6 percent of GDP over 1986–88) and emergency loans granted after the 1987 earthquake. It is estimated that the public sector of debtor countries transferred 2.7 percent of GDP to long-term creditors, while the private sector transferred 1.7 percent of GDP. The private sector's transfer through debt buybacks and capitalizations was important in Brazil, Chile, and Mexico. From the viewpoint of creditors, an estimated 4 percent of debtor countries' GDP was transferred to commercial banks, of which 2.8 percent was in the form of interest payments.

For the eight countries, the net transfer to long-term creditors was 0.8 percentage points of GDP larger than the total surplus generated over the 1986–88 period. Foreign investors provided the additional resources (an estimated 0.7 percent of GDP). Only three countries clearly deviated from that pattern.

In Chile, the net transfer to creditors was much larger than the total surplus (around 9 percent of GDP), and financing involved the attraction of significant capital inflows from foreign investors and other private sources. The growing inflow of capital allowed Chile to reduce its external debt without pressing domestic interest rates upwards. In Venezuela, the net transfer to creditors was also larger than the total surplus (above 4 percent of GDP), but there was little net inflow of foreign capital. Venezuela's private sector was able to service external debt with earnings from holdings of foreign assets, which are not accounted for in the balance of payments. Finally, the net financial transfer from creditors to Ecuador implied a resource transfer only in 1987, when the trade balance showed a deficit. Over the 1986–88 period, Ecuador had a trade surplus and a net transfer from creditors, and, therefore, there should have been capital outflows that are not accounted for in the balance of payments.

The region's net transfer to foreign creditors has been significant in the past three years, and most highly indebted countries have had to generate a large trade surplus to finance this transfer. Measures of the trade surplus at current prices do not take account of the deterioration in the terms of trade in relation to 1979–81, which is still significant for oil-exporting countries. But no clear relationship is evident between the trade surplus and economic performance in 1986–88. In particular, there is no indication that the trade surplus was an obstacle to the sustained recovery of output.

On the one hand, Chile, which has a trade surplus well above that of the other highly indebted countries, has been recovering; Colombia has also continued to grow while generating a trade surplus larger, relative to GDP, than some highly indebted countries. On the other hand, the deceleration of growth in Argentina and Brazil since 1987 has taken place at a time when export earnings have reached record levels; further, Argentina's net transfer to creditors since early 1988 has been lower than at any time during the past six years. Over the past three years, the major oil-exporting countries of the region have pursued different strategies for adjusting to the fall in oil prices, but the need for servicing their external debt has not been the decisive factor in defining the strategies. Venezuela was able to support economic growth until late 1988 by depleting international reserves. Mexico made a quick adjustment to the fall in the price of oil; although adjustment has not yet resulted in a sustained recovery, it has generated a significant trade surplus to service its debt. Ecuador, where troubles were aggravated by the 1987 earthquake, is still attempting to put together a strategy and has not been able to service its debt.

The analysis of export earnings and resource transfers in the period 1986–88 highlights three issues. First, export earnings have increased enough to ease significantly the foreign-exchange constraint. Except in the oil-exporting countries, the process of restoring per capita output, income, and consumption to levels that had prevailed during the 1979–81 period is no longer constrained by the availability of foreign exchange. Second, the trade surplus has been increasingly responding to domestic policies rather than to the availability of foreign capital and to debt-service strategies. The capital constraint has been eased in countries whose sound fiscal policies are attracting both national and foreign capital, the latter from various sources other than commercial banks, including neighboring countries. Third, notwithstanding the significance of the net transfer to long-term creditors, its actual amount is increasingly becoming a residual variable determined—through negotiations or unilateral actions—by the resources available to the public sector. In particular, debt-reduction schemes have taken care of most of the private sector's long-term external debt and contributed to focus the debt problem on the capacity of the public sector to generate a surplus to service its debts.

### Public Finances, Internal Transfers, and Debt Service

While the public sector has effectively transferred resources to foreign creditors in an amount equivalent to 3 percent of GDP over 1986–88, in most countries it has not been able to generate a primary surplus larger than that fraction of GDP.[7] In none of the highly indebted countries is the public sector's primary surplus large enough to finance all interest payments on domestic and external debt; thus, total public debt has continued to increase at least in nominal value, and, in some countries, in real value, as well. In 1988, as a result of the large unexpected increase in the price of copper, Chile's public sector could have generated a primary surplus larger than interest payments, but the government opted to reduce taxes. In Colombia and Mexico, the public sector has also been generating a primary surplus, albeit one that is smaller than total interest payments. In other highly indebted countries, the public sector has not yet generated a primary surplus.

The difficulty the public sector has had in generating a surplus to finance the transfer of resources to foreign creditors means that its own financing has had to come from three sources: international reserves, a net transfer from domestic creditors (net borrowings larger than interest payments on the public sector's domestic debt), and monetary expansion. Each of these sources is essentially temporary.

The limits of using reserves was shown by the experience of Venezuela, which depleted them in 1988. In Argentina and Brazil, transfers from domestic creditors resulted in larger increases in outstanding domestic debt, with attendant increasing pressures on real interest rates. This situation became unsustainable because both governments borrowed to pay a growing interest bill on domestic debt and created further financial distress in the private sector. In both countries, monetary expansion led to accelerated inflation, to the point of triggering hyperinflation, which eventually reduced the demand for money and the collection of real revenue from a given rate of monetary growth. To a lesser extent, Ecuador has also experienced the same problems, since the government has relied on both monetary expansion and domestic borrowing to finance the primary deficit, although real interest rates have remained negative as a result of controls on nominal rates and a lagged adjustment to the unexpected acceleration of inflation.

In contrast with the experience of Argentina and Brazil, Mexico has largely overcome the high costs of relying on monetary expansion and transfers from domestic creditors by deepening, since late 1987, the adjustment of the public sector. The public sector's primary surplus is large enough today for the government to transfer resources to both domestic and foreign creditors (interest payments are larger than net borrowings from each set of creditors). But because the primary surplus is not large enough to finance the interest bill, the total debt of the public sector has kept growing. Given the already extensive adjustment, including large reductions in real wages and investment, of Mexico's public sector, the potential for further adjustment is limited. It is in this context that new options for managing Mexico's external debt will have to be identified and assessed.

The experience of Chile and Colombia, where recovery has been sustained over the past three years, has been quite different. The public sector's primary surplus may have been lower than the resource transfer to foreign creditors in these two countries, but it was large enough to enable domestic resources to be mobilized to finance the gap without pressing interest rates upwards. Revenue from monetary expansion is not insignificant, but the two governments have avoided its use as the residual source of financing. Furthermore, domestic financial markets have satisfied the limited borrowing demands of the public sector without pressing interest rates to rise. Both

[7] The public sector is defined inclusive of central banks and all state-owned enterprises. The primary, or noninterest, balance is equal to the difference between total public revenues and total public expenditures net of interest payments. A primary surplus then means that revenues are larger than expenditures net of total interest payments. It can be calculated by subtracting total interest payments from the public-sector borrowing requirement. Financial information about the consolidated public sector (inclusive of central banks and public enterprises) is not good enough to allow comparison with the statistics used in Box 6-1. Because of the lack of appropriate data in the text, the primary surplus is defined as an excess of (a) the sum of interest payments on government's domestic debt and interest payments on the public-sector's long-term external debt over (b) the sum of the public-sector's borrowing requirement and the central bank's losses.

Chile and Colombia have been able to accumulate some reserves over the past three years.

In sum, the recent experience of the region's highly indebted countries highlights the critical importance of the internal transfer of resources. The primary surplus of the public sector in Argentina, Brazil, Ecuador, and Venezuela will have to increase—as has happened in Chile, Colombia, Mexico, and Uruguay—if governments no longer are to rely on unsustainable domestic sources to finance the transfer to foreign creditors. An increase in the primary surplus will require further adjustments in public-sector revenues and expenditures, compatible with efficiency in resource allocation and tax collection. Additional taxation should not introduce new distortions, and public expenditures that complement private investment and that protect the poorest groups in the population should be maintained. This limits the speed at which the primary surplus can be efficiently increased. Thus, at least during the transition to a sustainable level of primary surplus, the amount of the external transfer will have to be limited. In countries where the public sector is overindebted—where even substantial efforts to undertake adjustments will not be enough to generate the primary surplus needed to pay fully the interest bill on outstanding debt—creditors will have to share the burden of fiscal adjustment through debt-service relief.

### Activities of the Bank, Fiscal 1989

The Bank increased its lending program to the region in fiscal 1989 by 11 percent over fiscal 1988 amounts. Total lending commitments for forty-three operations were \$5.8 billion, an amount \$578 million above fiscal 1988 totals. Gross disbursements to countries in the region were \$3.4 billion, a decrease of \$817 million over fiscal 1988. Gross disbursements for the four-year period, fiscal 1985–89 totaled more than \$18 billion, for an annual average of \$4,517 million. Since interest paid to the Bank has increased along with the region's outstanding debt, net transfers from the region to the Bank further increased. Table 6-13 shows the net transfers to the region as a whole and to its three most populous countries.

More than half, some 53 percent, of Bank commitments were in the form of adjustment lending to support economic policy reforms aimed at consolidating macroeconomic stability and enhancing allocative efficiency. Adjustment lending in Mexico, the largest recipient of this type of lending, supported policy reforms in the financial system, the area of industrial regulation, and the restructuring of public enterprises and some manufacturing sectors. Venezuela, the second largest recipient of adjustment lending, received assistance to help restore the competitiveness of national production, improve public-sector management, and target social programs.

The Bank continued to provide substantial traditional investment loans, as well. Brazil and Argentina received the most commitments of IBRD funds. In Brazil, project lending included support for malaria control, decentralized urban development, and irrigation. In Argentina, Bank projects supported the housing and electric-power sectors, as well as the strengthening of tax administration. In other countries, project lending supported the expansion of infrastructure and housing, as well improvements in urban services and in the social sectors.

The Bank further strengthened the economic policy dialogue with its Latin American and Caribbean borrowers by expanding its economic and sector work. This work focused on four fundamental themes: macroeconomic issues of stabilization and growth, sectoral and institutional reform, external finance, and issues of transition to sustained growth that cut across all of the economic and sector work.

Bank lending and policy advice has paid special attention to the need to retarget subsidies and provide social services to the poorest groups in the areas of food programs, health, and primary education. This need has become particularly important in Bolivia, Colombia, Guatemala, Jamaica, and Venezuela.

### Cooperation and Cofinancing

The Caribbean Group for Cooperation in Economic Development (CGCED) had another successful year in providing a productive forum for economic policy dialogue and for coordinating external financing assistance to its developing member countries. It has also facilitated regional efforts of the Caribbean countries to promote private investment, tourism, trade, agricultural diversification and development, health, and a variety of other activities; and it has heightened awareness of the environment as a necessary element of sustainable development.

Following the hurricane that struck Jamaica on September 12, 1988, the Bank organized, under the auspices of the CGCED, a special donors' meeting in Berlin (West) during the Bank's annual meetings to help the government mobilize the financial support needed for its reconstruction effort. The CGCED forum was also instrumental in helping the government of Guyana mobilize the needed financial assistance in support of its economic-reform program.

**_Table 6-13_. Net Transfers to Latin America and the Caribbean**
(millions of U.S. dollars, fiscal years)

| | Brazil | | Mexico | | Argentina | | Total region | |
|---|---|---|---|---|---|---|---|---|
| Item | 1989 | 1985–89 | 1989 | 1985–89 | 1989 | 1985–89 | 1989 | 1985–89 |
| IBRD and IDA commitments | 707.0 | 6,471.0 | 2,230.0 | 7,440.0 | 886.5 | 3,202.5 | 5,767.1 | 24,381.5 |
| Gross disbursements | 832.2 | 5,250.5 | 1,260.6 | 4,919.9 | 474.1 | 2,137.1 | 3,439.8 | 18,068.8 |
| Repayments | 936.8 | 3,515.7 | 647.2 | 2,466.0 | 199.9 | 659.9 | 2,506.8 | 9,424.2 |
| Net disbursements | (104.6) | 1,734.8 | 613.4 | 2,453.9 | 274.1 | 1,477.1 | 933.0 | 8,644.6 |
| Interest and charges | 676.3 | 2,882.5 | 566.3 | 2,138.3 | 192.4 | 498.8 | 2,146.6 | 8,279.1 |
| Net transfer | (780.9) | (1,147.8) | 47.1 | 315.6 | 81.8 | 978.3 | (1,213.6) | 365.5 |

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest population. The regional totals include current borrowers only. Details may not add to totals because of rounding.

At the ninth meeting of the Ad Hoc Advisory Committee of the CGCED, held on May 12, 1989, at Port-of-Spain, Trinidad and Tobago, representatives of Jamaica, Guyana, and Trinidad and Tobago presented their governments' economic programs. These presentations afforded the donor community an advance notice of those programs and of the level of external financing needed.

The volume of cofinancing associated with Bank operations to countries in the region in fiscal 1989 amounted to $2,141 million for nineteen operations, a substantial increase over fiscal 1988. The catalytic effect of the Bank's lending improved, also, in relative terms: Every U.S. dollar lent to the region in fiscal 1989 catalyzed about $0.35 as opposed to $0.24 in fiscal 1988.

Japan remained the most important source of cofinancing in the region, participating in the largest number of projects and contributing the largest individual share of total cofinancing funds. The Export-Import Bank of Japan and Japan's Overseas Economic Cooperation Fund remained by far the most important sources of untied cofinancing for adjustment lending.

While official sources of cofinancing remained dominant in the region during fiscal 1989, it should be noted that cofinancing by export-credit agencies almost doubled. However, no cofinancings with private-sector sources were realized during the year.

*At work in a coffee-roasting plant in Madagascar. Except in the oil-exporting countries, Africa experienced a terms-of-trade improvement in 1988.*

# Section Seven
# Summaries of Projects Approved for IBRD, IDA, and African Facility Assistance in Fiscal Year 1989

## Acronyms and Abbreviations Used in This Section

ADF—African Development Fund
AfDB—African Development Bank
AFESD—Arab Fund for Economic and Social Development
AIDAB—Australian International Development Assistance Bureau
AsDB—Asian Development Bank
ASEAN—Association of Southeast Asian Nations
BADEA—Arab Bank for Economic Development in Africa
BDEAC—Banque de Développement des Etats de l'Afrique Centrale
BITS—Swedish Agency for International Technical and Economic Cooperation
CCCE—Caisse Centrale de Coopération Economique
CDC—Commonwealth Development Corporation
CIDA—Canadian International Development Agency
COFACE—Compagnie française d'Assurance pour le Commerce
DANIDA—Danish International Development Agency
EDF—European Development Fund
EEC—European Economic Community
EIB—European Investment Bank
Eurofima—European Company for the Financing of Railway Rolling Stock
FAC—Fonds d'Aide et de Coopération
FAO—Food and Agriculture Organization of the United Nations
FINNIDA—Finnish International Development Agency
GTZ—German Technical Assistance Corporation
IDB—Inter-American Development Bank
IFAD—International Fund for Agricultural Development
IsDB—Islamic Development Bank
ITU—International Telecommunications Union
KFAED—Kuwait Fund for Arab Economic Development
KfW—Kreditanstalt für Wiederaufbau
NORAD—Norwegian Agency for International Development
ODA—Overseas Development Administration
OECF—Overseas Economic Cooperation Fund
OPEC—Organization of Petroleum Exporting Countries
SDC—Swiss Development Corporation
SIDA—Swedish International Development Authority
UNCDF—United Nations Capital Development Fund
UNDP—United Nations Development Programme
UNFPA—United Nations Fund for Population Activities
UNHCR—Office of the United Nations High Commissioner for Refugees
UNICEF—United Nations Children's Fund
USAID—United States Agency for International Development
WFP—World Food Programme
WHO—World Health Organization

## Agriculture and Rural Development

ALGERIA: IBRD—$110 million. About 38,000 people are to benefit directly from increased farm incomes, and about 340,000 mandays of hired employment could be generated through a project that will complete an existing irrigation scheme in the north of the country and support newly created groups of private farmers with onfarm irrigation development and services. Total cost: $425.9 million.

ALGERIA: IBRD—$110 million. Finance will be provided to the Banque de l'Agriculture et du Développement Rural (BADR) for onlending for onfarm and agroindustrial investments. Institution-building assistance to the BADR is included. Cofinancing ($110 million) is expected from the Export-Import Bank of Japan. Total cost: $569 million.

ALGERIA: IBRD—$58 million. In support of a desert locust-control project, which seeks to minimize, if not avert, economic disruption to some 39.7 million hectares of the country's productive lands and to protect the livelihood of almost 12 million people, funds will be provided for equipment, vehicles, leasing of aircraft, strengthening of national locust-control capabilities, FAO-approved pesticides, technical assistance, and training. Total cost: $112 million.

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Data used in this section have been compiled from documentation provided at the time of project approval.

BRAZIL: IBRD—$71 million. The development of irrigated agriculture on some 23,600 hectares is expected to increase agricultural production, improve small- and medium-sized farmers' incomes, and create employment opportunities in the northeastern portion of Minas Gerais state. Total cost: $158 million.

BRAZIL: IBRD—$63 million. Productivity should increase, the net incomes of as many as 165,500 farmers in Parana state improve, and state natural resources be safeguarded through the increased adoption of sustainable modern forms of land management and soil and water conservation. Total cost: $138.3 million.

BURKINA FASO: IDA—$42 million. An agricultural services project seeks to improve the effectiveness and impact of agricultural and livestock extension services in transferring technology to farmers, to strengthen animal-health services and adaptive-research programs, and provide functional literacy training to farmers. Total cost: $44.9 million.

BURUNDI: IDA—$33.1 million. A hybrid operation will both deepen the adjustment process in the agricultural sector (through promoting the involvement of the private sector and cooperatives in sustainable agricultural input delivery) and provide investment finance to strengthen agricultural research and the country's agricultural-extension services (through design and establishment of a system based on training-and-visit principles). Cofinancing is expected from Belgium ($800,000) and France/the EDF ($400,000). Total cost: $40 million.

CAMEROON: IBRD—$34.6 million. A livestock-sector development project aims at increasing meat and milk production, raising producer incomes, and at reducing the government's financial burden resulting from its services to the livestock sector through a combination of policy reforms and investments. Cofinancing is expected from IFAD ($10.8 million), the EDF ($1.9 million), and the FAC ($1.6 million). Total cost: $55.2 million.

CHINA: IDA—$109 million. The incomes of more than 1.5 million families are likely to increase through a project designed to assist the Shandong provincial government in its efforts to accelerate the development of its unproductive coastal lowlands for culture fisheries, intensify crop production in existing low-yielding areas, increase the value of livestock production and processing in the Tuhai river basin, and upgrade the production and processing of small livestock in the Yi Meng poverty area (one of the poorest in China), thus providing productive employment (primarily for women), alleviating poverty, and reducing income disparities. Total cost: $272.3 million.

CHINA: IDA—$106 million. Farm production and incomes will be increased in Shaanxi province, one of the country's poorest, through a program of investments in irrigation, other rural infrastructure, and in agricultural services. In addition, some 130,000 people will be provided safe and secure drinking water. Total cost: $237.5 million.

EGYPT, ARAB REPUBLIC OF: IBRD—$40 million. The country will be assisted in modernizing and expanding the agricultural-storage infrastructure, as well as in improving the handling of agricultural inputs, grains, and animal feed through appropriate mechanization and the training of storage personnel. Total cost: $103.1 million.

ETHIOPIA: IDA—$85 million. Support for the government's reform-minded peasant agricultural-development program, which has considerably liberalized grain marketing, will help sustain the movement toward improving the sector's incentive framework, facilitate the productive response among peasants, and mobilize support from other donors. Total cost: $118.6 million.

GHANA: IDA—$39.4 million. A forest-resource management project aims at stabilizing forestry production and export earnings, promoting conservation and tree planting so as to counteract fuelwood shortages and ecological deterioration, and strengthen sector institutions. Cofinancing is expected from DANIDA ($8.3 million) and the ODA ($7.1 million). Total cost: $64.6 million.

GHANA: IDA—$20 million. Privately owned rural banks, credit unions, and informal savings and loan associations will be supported through a line of credit to enable them to mobilize more deposits and increase the flow of credit to the economy's largest and most important sector—agriculture. Technical assistance is included. Cofinancing is anticipated from the OPEC Fund for International Development ($5 million), as well as the GTZ and CIDA ($3.9 million). Total cost: $38 million.

GUINEA: IDA—$18.4 million. The first five-year phase of a long-term plan for developing and strengthening research, extension, and farmer organizations in the country will be financed. Cofinancing is anticipated from the EDF ($6.1 million), IFAD ($1.9 million), and the FAC ($1.6 million). Total cost: $30.9 million.

HONDURAS: IBRD—$25 million. A fourth agricultural-credit project will not only provide funds to a vital sector, but will also improve the rural credit system by rationalizing interest rates, imposing monitorable and enforceable performance criteria by financial intermediaries, and identifying and promoting innovative ways to channel more credit to low-income producers. Total cost: $39.6 million.

INDIA: IBRD—$165 million; IDA—$160 million. Agricultural production, incomes, and direct employment opportunities will be increased for some 40,000 farm families through the expansion of irrigation in Karnataka state's drought-prone north. In addition, the means for the physical relocation and reestablishment of the social and economic resource base for the population displaced as a consequence of the project will be provided. Institution-building assistance is included. Total cost: $542 million.

INDIA: IBRD—$30 million; IDA—$147 million. About 510,000 full-time jobs will be created through a national sericulture project that seeks to increase productivity and product quality; improve government supporting services and facilities; and promote the operation, on a commercial basis, of public-sector grainage facilities and the involvement of the private sector in other aspects of the industry. Cofinancing is expected from the SDC ($25 million). Total cost: $347.1 million.

INDIA: IDA—$150 million. By reorienting the operations of selected public-sector seed corporations along commercial lines, encouraging greater private initiative through the provision of investment funds, and developing the institutional environment to make it conducive to long-term growth of the seed industry, the development of a market-responsive, financially viable seed industry will be promoted. Total cost: $177.5 million.

INDONESIA: IBRD—$118.2 million. Some 60,000 families are to benefit from a tree-crop processing project that seeks to raise the efficiency of the tree-crop subsector, increase smallholder and estate incomes, promote regional development, and increase exports of palm oil and rubber. Technical assistance is included. Cofinancing ($1.8 million) is expected from Japan's grant facility. Total cost: $239 million.

INDONESIA: IBRD—$35.3 million. The efficiency and relevance of the agricultural-research system for promoting continued, sustained agricultural development will be increased through operational support of critical elements of the ongoing research program and the introduction of institutional and management reforms to improve research. Cofinancing ($3.4 million) is expected from Japan. Total cost: $50.4 million.

KENYA: IDA—$20.8 million. New technologies and management methods, designed to raise the productivity of smallholder farmers, get more out of severely constrained land resources, and, at the same time, promote environmental conservation, will be tested through a set of small-scale subprojects. Cofinancing ($5 million) is anticipated from the UNDP. Total cost: $35.5 million.

MADAGASCAR: IDA—$24 million. The first seven-year phase of a long-term support program to strengthen national agricultural research and make agricultural research more responsive to the needs of producers will be financed. Cofinancing ($10.4 million) is anticipated from France, the Federal Republic of Germany, USAID, the SDC, the AfDB, and IFAD. Total cost: $70.6 million.

MALAWI: IDA—$18.3 million. The marketing of smallholder crops will be improved through support for the government's efforts to develop a multichannel marketing system that encourages private-sector participation in agricultural trade. Total cost: $28.3 million.

MALAYSIA: IBRD—$71.5 million. The government will be helped in implementing the Sahabat land-settlement program in East Sabah, with emphasis on consolidation and settlement of already planted areas. In addition, the implementation of an environmental-management plan for the Dent peninsula, designed to strengthen management and protection of wildlife reserves and institution building in Sabah, will be supported. Cofinancing ($500,000) is anticipated from the UNDP. Total cost: $216 million.

MOROCCO: IBRD—$190 million. Through a line of credit and institution-building assistance, the National Agricultural Credit Bank (CNCA) will be assisted in adapting its organization and procedures so that it can be responsive to an accelerating investment rate by the private sector in the rural areas of the country. Cofinancing is being discussed with the OECF ($100 million), the AfDB ($70 million), the EIB ($60 million), the KfW ($38 million), and the AFESD ($30 million). Total cost: $1,532 million.

MOROCCO: IBRD—$28 million. At least 130,000 small farmers are to benefit from a project that comprises a first, five-year time slice of a ten-year program to reform research and extension services. Cofinancing, in the amount of $15.6 million, is anticipated from the KfW, the GTZ, and France. Total cost: $60.8 million.

NEPAL: IDA—$30.5 million. People and resources in Nepal's hill districts will be mobilized to establish a forest-management system that would conserve and expand the forest resources needed to sustain traditional farming systems and livelihoods. Cofinancing is expected from DANIDA ($6.9 million) and the UNDP ($500,000, which is a part of an ongoing $2.3 million project). Total cost: $45.4 million.

NIGERIA: IDA—$100.9 million. Some 1.2 million smallholder farm families are to benefit from a project that provides funds for strengthening extension services, onfarm adaptive research and technology testing, irrigation and rural water-supply works, farming and fishing inputs, road rehabilitation and maintenance, a training program for agricultural cooperatives, technical assistance, and training. Total cost: $159.4 million.

NIGERIA: IBRD—$85.2 million. Statewide agricultural-development programs (ADPs) in four states will be assisted in this first of a future series of ADPs that aims directly to support the objectives of renewed agricultural growth with progress on the long-run sustainability of agricultural expenditures and institutions. Total cost: $125 million.

PAKISTAN: IBRD—$200 million. An agricultural-sector adjustment loan has been designed to support the government's efforts to promote competitive agriculture and enhance sustainable productivity and growth through the mobilization of domestic resources, the rationalization of investment programs in the agriculture and water sectors, and the introduction of institutional improvements.

PAKISTAN: IDA—$40 million. In the wake of two devastating floods that occurred in 1988, selected flood-damaged irrigation, drainage, flood-protection, and road infrastructure will be restored. Total cost: $55.6 million.

PAKISTAN: IDA—$34.4 million. The viability of an integrated private tubewell-development program, designed to increase agricultural production, will be tested through the provision of a coordinated incentive package of electrification, credit, and supporting services to predominantly small farmers. Technical assistance is included. Total cost: $50.3 million.

PAPUA NEW GUINEA: IBRD—$19.6 million. Constraints to investment stemming from the inability of the government to identify, mobilize, and transfer lands with productive potential will be addressed through a project designed to improve the management of land administration. Cofinancing ($6.4 million) is expected from Australia. Total cost: $42.8 million.

PORTUGAL: IBRD—$90 million. To help make the country's agricultural sector more competitive and efficient within the larger EEC market, the agricultural-production structure of the Tras-os-Montes region will be transformed by focusing on investments in the most productive areas of Chavez, Terra Quente, and the Douro valley and on privatization of the sector. Cofinancing ($213.1 million) is expected from the EEC. Total cost: $415.8 million.

RWANDA: IDA—$19.9 million. Some 168,000 farm families are to benefit from a project designed to improve agricultural productivity, as well as farmer incomes and nutrition, through better and more cost-effective delivery of agricultural services (adaptive and onfarm research, extension, seed production) on a national scale. Total cost: $30.1 million.

SENEGAL: IDA—$16.1 million. Funds and technical services will be channeled in this second small rural operations project to small groups of rural people who will undertake to provide labor and some funds for the development of several types of directly productive agricultural activities. Cofinancing ($5 million) is expected from IFAD. Total cost: $26.1 million.

SOMALIA: IDA—$70 million. Recurrent import requirements of the economy will be financed in support of significant policy reforms that include the continuation of reform in foreign-exchange policies, the decontrol of the financing system, the elimination of subsidies on diesel fuel and tractor rentals, the liberalization of all agricultural marketing, the improvement of land-tenure institutions, and the expansion of private-sector participation in supplying and distributing inputs and services to the economy. Cofinancing is expected from the ADF ($25 million) and the BITS ($500,000).

SOMALIA: IDA—$19 million. The second phase of a project designed to maintain and improve the long-term productivity of the country's central rangelands and the living standards of pastoralists will be pursued through steps taken to minimize the degradation of vegetation, improve on the understanding of rangeland production systems, and increase the productive efficiency of livestock. Cofinancing ($11 million) is anticipated from the ADF. Total cost: $33.3 million.

SRI LANKA: IDA—$19.9 million. The implementation of a five-year time slice (1990–94) of the country's forestry master plan will be supported through a forest-sector development project that seeks to improve the performance of the sector in line with the economic, social, and environmental expectations of the government. Cofinancing ($2.8 million) is anticipated from FINNIDA. Total cost: $31.4 million.

ST. VINCENT AND THE GRENADINES: IBRD—$1.4 million; IDA—$1.4 million. Through a program of divestiture of state-owned land to small-scale farmers, improvements to farm-access roads, and technical assistance and training, growth and diversification of agricultural production will be promoted and income distribution of smallholder farmers improved. Total cost: $4 million.

SUDAN: IDA—$20 million. A project in south Kassala province seeks to increase crop and livestock production on a sustainable basis, improve environmental management, and promote greater economic self-reliance among the 200,000 refugees sheltered there. Cofinancing ($10 million) is anticipated from the UNHCR. Total cost: $34.4 million.

TANZANIA: IDA—$25.1 million. Long-term growth in the agricultural sector will be supported through a project that seeks to increase the nationwide production of cashewnuts for export and the production of coconuts for the domestic vegetable-oil market. Cofinancing is anticipated from the ODA ($6.3 million) and the Federal Republic of Germany ($5.7 million). Total cost: $42.4 million.

TANZANIA: IDA—$18.4 million. Existing extension services will be rehabilitated and consolidated into one efficient and cost-effective system able to disseminate appropriate agricultural technologies to farmers, thereby enabling them to increase production and rural incomes. Cofinancing ($8.8 million) is anticipated from the ADF. Total cost: $30.4 million.

TANZANIA: IDA—$8.3 million. The first stage in the longer-term process of rehabilitating the country's agricultural-research system, will be implemented: A consolidated and streamlined organizational structure and management system for research will be put in place, staff trained, institution-building assistance provided, some priority programs rehabilitated, and a research master plan prepared. Cofinancing is expected from the ADF ($8.2 million), the United Kingdom ($2.9 million), the Netherlands ($2.7 million), and the Federal Republic of Germany ($1.6 million). Total cost: $25.3 million.

TUNISIA: IBRD—$84 million. The implementation of the second phase of the government's medium-term agricultural-sector adjustment program—designed to maintain agricultural growth in a time of reduced public resources—will be supported.

TURKEY: IBRD—$250 million. The lending and institutional-development program of the Agricultural Bank of Turkey (TCZB), the country's largest bank, will be supported. In addition to lending directly to farmers, the TCZB will also channel funds to agricultural-credit cooperatives, which lend primarily to small and medium-scale farmers. Total cost: $1,227 million.

TURKEY: IBRD—$150 million. Lines of credit will be provided to participating credit institutions for onlending as subloans to cover the direct and indirect foreign-exchange costs of private-sector agroindustry subprojects that are financially and economically viable. Technical assistance is included.

YEMEN ARAB REPUBLIC: IDA—$15 million. Agricultural institutions, primarily the Eastern Region Agricultural Development Authority and the Agricultural Research Authority, will be strengthened in order to address the long-term agricultural-development needs of the Eastern Region and provide for the early and efficient use of the productive potential created by the Marib dam and its associated irrigation canals. Total cost: $27.9 million.

YEMEN, PEOPLE'S DEMOCRATIC REPUBLIC OF: IDA—$12 million. Some 1,250 farm families are to benefit directly from a third agricultural project in the Wadi Hadramawt area that will provide a program for consolidating, expanding, and ensuring sustained development of land and water resources. Cofinancing is anticipated from the KFAED ($11.9 million) and the AFESD ($8.5 million). Total cost: $41.8 million.

ZIMBABWE: IBRD—$36.3 million. An agricultural-credit and export-promotion project seeks to enable smallholders to increase the production of food, as well as cash and export commodities, while encouraging commercial farmers to diversify into export and import-substitution crops for which they have a comparative advantage. Cofinancing is expected from IFAD ($15 million), BADEA ($9.7 million), Japan ($1.8 million), and New Zealand ($200,000). Total cost: $116.9 million.

## Development Finance Companies

BOLIVIA: IDA—$11.3 million. Supplemental funds from IDA reflows will be provided to help finance the financial-sector adjustment credit, approved in fiscal 1988 in the amount of $70 million.

CHINA: IBRD—$300 million. Through provision of industrial credit and technical assistance, the China Investment Bank will be strengthened in both its traditional and new areas of activity, its resource base will be expanded and diversified, and investments financed in the modernization and restructuring of light industry and in the removal of operational bottlenecks. Total cost: $460 million.

CHINA: IBRD—$154 million. Industrial-sector weaknesses will be addressed at the provincial level through a project in Tianjin that will attempt to assist the authorities there in the identification and resolution of policy and system-reform issues in conjunction with specific enterprise-level restructuring. Total cost: $227.6 million.

THE GAMBIA: IDA—$10 million. An integrated package of financial resources, training, and technical assistance, designed to result in a smaller and improved public sector, a healthier financial system, and an invigorated small- and medium-sized enterprise sector, will be provided. Total cost: $13.6 million.

GHANA: IDA—$30 million. A small and medium enterprise (SME) development project seeks to ease the constraints working against private SMEs. Technical assistance to SMEs, as well as to governmental and nongovernmental organizations, is included. Cofinancing, in the amount of $6.3 million, is being sought. Total cost: $57.4 million.

GHANA: IDA—$6.6 million. Supplemental funds from IDA reflows will be provided to help finance the financial-sector adjustment credit, approved in fiscal 1988 in the amount of $100 million.

GUINEA-BISSAU: IDA—$5 million. Income and employment opportunities among low-income and unemployed urban and rural workers will be increased through support of activities having high economic and social rates of return. Cofinancing, in the amount of $11 million, is being sought. Total cost: $17 million.

INDIA: IBRD—$295 million. An integrated export-development program in four financial institutions, which would help play a major role in helping private-sector clients develop export plans for the production and marketing of their products and in financing the resulting investments, will be supported. Cofinancing ($2.7 million) is expected from Japan. Total cost: $730.4 million.

LAO PEOPLE'S DEMOCRATIC REPUBLIC: IDA—$10 million. Small and medium-sized rehabilitation and expansion projects, mainly in light industry, will be financed. In addition, technical assistance and training will be provided to the State Bank of the Lao PDR and various borrowing enterprises. Cofinancing ($600,000) will be provided by France. Total cost: $10.6 million.

MEXICO: IBRD—$500 million. The government's objectives of stabilizing the economy and restoring growth will be supported through a program that includes measures to reinforce the government's fiscal efforts, consolidate reforms in the financial sector, strengthen prudential regulations and supervision, and reduce interest subsidies and fiscal transfers for them. Technical assistance is included.

MOROCCO: IBRD—$23 million. The government's structural-adjustment reform measures will be carried out more efficiently through a project that provides assistance in introducing improved financial and operational management practices. Operational support to the government will be extended, as well, through financing consulting and advisory services, training and workshop activities, and equipment. Total cost: $39.8 million.

PAKISTAN: IBRD—$150 million. The government's financial-sector reform program, which aims at broadening and deepening financial markets so as to support an expansion of private investment and savings, will be assisted.

PAKISTAN: IBRD—$148 million; IDA—$2 million. A third industrial-investment credit project, which supports the government's policy of promoting private industrial investment and developing equity markets, will help finance viable private industries through a network of participating financial institutions (PFIs), including four major commercial banks and three leading development banks. Technical assistance, aimed at accelerating the growth of equity markets and capital-market institutions, as well as strengthening the PFIs, is included. Total cost: $298 million.

PHILIPPINES: IBRD—$300 million. Support will be provided the country's financial-sector reform program, which aims at strengthening the financial system, in particular, the commercial-banking segment. Cofinancing, in an amount equivalent or close to the Bank loan, is anticipated from the Export-Import Bank of Japan.

SAO TOME AND PRINCIPE: IDA—$5 million. The social and economic cost of structural adjustment and economic decline will be mitigated through a multisector project that seeks to generate income and employment opportunities for low-income and underemployed urban and rural households and supports the development of the country's emerging private sector. Cofinancing, in the amount of $2 million, is being sought. Total cost: $8 million.

SRI LANKA: IDA—$43.8 million. Funds will be channeled to private industries, the country's credit-delivery system strengthened, and issues that constrain development of a more efficient private manufacturing sector addressed. Cofinancing ($40.5 million) is expected from the AsDB. Total cost: $124.3 million.

VENEZUELA: IBRD—$353 million. The first phase of the government's program of trade-policy reforms to improve domestic efficiency and international competitiveness will be supported.

ZAIRE: IDA—$20 million. Technical assistance will be provided to Gecamines, the country's leading mining company and foreign-exchange earner, to help it reduce costs, improve operating efficiency, accelerate its current rehabilitation program, and prepare the next stage of that program. Total cost: $30 million.

## Education

THE BAHAMAS: IBRD—$10 million. Policies will be implemented and institutions developed for the management and financing of training that would make more efficient use of available public and private training resources. In addition, planning of post-secondary education will be improved, training capacity primarily for the hotel and tourism sectors will be upgraded and expanded, training opportunities for adults and out-of-school youth expanded, and the efficiency and relevance of vocational training improved. Total cost: $17.4 million.

CHAD: IDA—$22 million. An education-rehabilitation project will address three priority concerns: the sector's underfinancing and the need to ensure the sustainability and increase the productivity of investments made by local communities; the poor learning environment in primary education (dilapidated schools, lack of textbooks and classroom supplies, reliance on locally recruited and untrained teachers, and insufficient teacher supervision and support); and the Ministry of Education's institutional weaknesses. Total cost: $25.2 million.

CHINA: IDA—$57 million. Textbooks will be improved at all school levels through a project that, by providing technical assistance and training to assist the development of publishing and printing institutions, as well as modern printing equipment for new and existing publishing facilities, will result in improved textbooks with respect to educational effectiveness, content, variety, and physical quality. Total cost: $114.6 million.

COLOMBIA: IBRD—$100 million. A second subsector project for primary education, which focuses mainly on rural areas, seeks to improve resource management and mobilization for primary education and to raise educational quality at this level while further expanding access by school-age children. Total cost: $169.2 million.

GUATEMALA: IBRD—$30 million. Through a second basic-education project, net enrollment is to be increased, the quality and efficiency of lower primary education improved, and educational management strengthened. Total cost: $68.3 million.

INDIA: IBRD—$30 million; IDA—$250 million. This first-ever Bank-assisted vocational training project in the country seeks to improve the efficiency of industry by providing well-trained workers (attention will be paid to promoting training for women in modern sectors and high-tech trades) in relevant skill areas. Institution-building assistance is included. Total cost: $429.8 million.

INDONESIA: IBRD—$18.4 million. To bring about improved tree-crops subsector productivity, institutional capacity to manage human resources will be strengthened, and training for staff and farmers will be provided. Total cost: $26.6 million.

KOREA, REPUBLIC OF: IBRD—$16.4 million. The government's priority for development in technology-intensive sectors will be reinforced through assistance to improve the performance of three national institutions involved in technological education and technical support services to industry. Total cost: $30 million.

LAO PEOPLE'S DEMOCRATIC REPUBLIC: IDA—$3.5 million. The government's objective of reducing shortages of professional manpower will be supported by training engineers in the basic disciplines required for development and by rehabilitating and equipping the National Polytechnic Institute. Cofinancing ($13 million) is anticipated from the SDC. Total cost: $18.7 million.

MALAYSIA: IBRD—$58.8 million. Implementation of the government's education sectoral policy and institution-building efforts will be accelerated to improve the quality of education and the efficiency of education management (through a national staff-development program), as well as to increase access to better education (through implementation of a five-year investment program). Total cost: $159.8 million.

MALDIVES: IDA—$8.2 million. By expanding the opportunities for higher-level training overseas and by increasing the capacity and improving the quality of secondary education (including increased enrollment of females), skilled manpower shortages are expected to be alleviated. Total cost: $9.3 million.

MALI: IDA—$26 million. The government will be assisted in implementing an integrated package of reforms and investments aimed at reshaping the country's unbalanced education system, improving its performance and relevance, and promoting a more cost-effective use of scarce resources. Total cost: $56.2 million.

MAURITANIA: IDA—$18.2 million. Support will be given to the government's education strategy that gives priority to expansion of, and quality improvements in, primary education and to the restructuring of secondary and higher education in order to align the development of these two subsectors with current resource constraints and trends in labor-market demands. Cofinancing ($17 million) is expected from the AfDB. Total cost: $37.4 million.

MOROCCO: IBRD—$83 million. Through the establishment and equipping of more than 11,600 new classrooms and related school facilities, access to primary schooling in rural areas will be increased (in particular, for girls), as will attendance, and the quality of primary education will also be improved. Institution-building assistance is included. Cofinancing ($40 million) is anticipated from the AfDB. Total cost: $165 million.

NEPAL: IDA—$22.8 million. Immediate assistance will be provided in support of the government's program to reconstruct or rehabilitate about 2,350 schools damaged by the August 1988 earthquake. In addition, earthquake-resistant design features will be introduced into the reconstructed schools, thus improving their durability. Total cost: $30.2 million.

NEPAL: IDA—$11.4 million. The enrollment capacity of the technician program and of the engineering degree program of the Institute of Engineering (IOE) will be increased through the construction and rehabilitation of facilities at the three IOE campuses, and the quality of engineering education increased through staff training, curricula improvements, provision of educational materials, and the raising of admission standards. Institution-building assistance is included. Cofinancing is anticipated from the SDC ($8.5 million) and CIDA ($4 million). Total cost: $26 million.

TUNISIA: IBRD—$95 million. The first phase of the government's reform program of the education and training system, designed to make it more consistent with the country's medium-term development needs, equitable, and cost-effective, will be supported. Total cost: $183 million.

UGANDA: IDA—$22 million. A fourth education project, designed primarily as a follow-up to the third project, seeks to continue the rehabilitation of primary schools and the supply to them of didactic materials and textbooks. In addition, groundwork will be prepared for a more comprehensive sector operation aimed at systemwide improvements. Total cost: $27.9 million.

VANUATU: IDA—$8 million. Principal investments in primary and secondary education over the medium term will be financed, and assistance in implementing the education-sector objectives of the government's five-year development plan provided. Cofinancing ($7.7 million) is expected from the AIDAB. Total cost: $17.8 million.

## Energy

ARGENTINA: IBRD—$252 million. Support will be provided to help the government's electric power program meet the objectives of confining an expansion program to least-cost solutions, rehabilitating the finances of the national power utilities, promoting more rational use of electricity through a tariff system based on economic costs, improving the efficiency of utilities, strengthening the institutional structure of the sector, and establishing greater environmental safeguards. Cofinancing ($250 million) is being provided by the IDB. Total cost: $2,352.7 million.

BANGLADESH: IDA—$175 million. The government's energy-reform program, which consists of a number of significant improvements in the areas of resource development and investment, energy pricing and demand management, and institutional performance and development, will be supported. Cofinancing (DM26 million) is expected from the Federal Republic of Germany and, perhaps, Japan.

BANGLADESH: IDA—$87 million. The load growth in sixteen major towns up to the next ten years will be met at least cost, system losses reduced, and the quality and efficiency of electricity supply improved. Institution-building assistance to the Bangladesh Power Development Board is included. Total cost: $121.3 million.

BRAZIL: IBRD—$94 million. A natural-gas distribution project seeks to substantially increase the supply of natural gas to industrial, commercial, and residential consumers in the São Paulo area, as well as to strengthen the management and organization of the Companhia de Gas de São Paulo. In addition, environmental pollution in São Paulo will be reduced through the substitution of clean-burning natural gas for other fuels. Total cost: $285 million.

CENTRAL AFRICAN REPUBLIC: IDA—$18 million. Through the construction of a dam to harness the hydroelectric potential of the M'Bali river, the rehabilitation of the power system in Bangui, and provision of institution-building measures and technical assistance to the power and petroleum subsectors, the first step will be taken in restructuring the country's energy sector. Cofinancing is expected from the ADF ($14.6 million), the CCCE ($13.3 million), BADEA and the OPEC Fund for International Development ($8 million), the KFAED ($6.9 million), FAC ($4.8 million), and others, possibly including the EDF ($2.7 million). Total cost: $75.7 million.

DJIBOUTI: IDA—$9.2 million. Djibouti's dependence on imported fuel oil will be reduced through the further development of its geothermal resources. Institutional-strengthening assistance is included. Cofinancing is anticipated from Italy ($22 million) and the UNDP, together with the OPEC Fund for International Development ($1.4 million). Total cost: $38 million.

EGYPT, ARAB REPUBLIC OF: IBRD—$165 million. The Egyptian Electricity Authority will be assisted in alleviating power shortages, thereby meeting the growing demand for electricity; acquiring technology, particularly in high-efficiency, combined-cycle power plant construction and operation; and in implementing a program to protect and improve the environment. Institution-building assistance is included. Cofinancing is anticipated from the AfDB ($124 million), the AFESD ($123 million), the EIB ($57 million), and the IsDB ($15 million). Total cost: $848.5 million.

HAITI: IDA—$24 million. A fifth power project seeks to provide power investments that are urgently needed to ensure a reliable supply of power necessary for economic growth, and, in particular, for industrial and commercial activities. Institution-building assistance to Electricité d'Haiti is included. Total cost: $30.1 million.

HUNGARY: IBRD—$110 million. A project to develop and conserve energy is designed to support significant improvements in the policy and institutional framework of the energy sector, development of the oil and gas sector, and preparation of an updated energy-conservation program and financing of related investments. Total cost: $680 million.

INDIA: IBRD—$485 million. Assistance in meeting electricity demand in the northern region will be provided through the addition of 1,500 mW of hydro capacity. In addition to the construction of a power station at Nathpa Jhakri, the transmission and distribution system in Himachal Pradesh state will be reinforced and expanded. Cofinancing, in the amount of $300 million, will be sought from bilateral donors, suppliers' credits, and commercial banks. Total cost: $1,474.6 million.

INDIA: IBRD—$400 million. Power supply in the western region will be increased through the construction of a 1,000-mW addition to the Koyna hydroelectric power plant and transmission/distribution lines. In addition, the Maharashtra State Electricity Board's finances and management-information system will be strengthened. Cofinancing, in the amount of $150 million, is being sought. Total cost: $1,344 million.

INDIA: IBRD—$340 million. Through construction of a 1,454-kilometer oil-products pipeline from the port of Kandla to Bhatinda, the Indian Oil Corporation (IOC) will be able to reduce the cost of domestic transport of oil products and to respond quickly to shifts in oil-product demand through imports, thus reducing costly and risky investments in new refining capacity. In addition, IOC's capabilities in operating its pipeline network and distribution facilities will be strengthened. Export and suppliers' credits, in the amount of $75 million, are expected. Total cost: $1,009 million.

INDONESIA: IBRD—$354 million. The generating capacity of the state electricity corporation (PLN) will be expanded to meet expected growth demand through 1995; the use of coal for electricity generation will be promoted; the PLN's project-implementation capability will be developed; and the government's ability to monitor environmental effects, as well as to formulate and enforce environmental standards in the energy sector, will be strengthened. Export credits, in the amount of $274 million, are being sought, as is parallel cofinancing ($92 million). Total cost: $1,117 million.

INDONESIA: IBRD—$337 million. A power-sector efficiency project seeks to improve the efficiency of operations of diesel power plants, renovate small hydro plants in Java, extend distribution facilities to supply about 893,000 new customers, and augment the telecommunications facilities of the state electricity corporation (PLN) in Java. Technical assistance to the PLN is included. Cofinancing ($20 million) is expected from the Netherlands, while an additional $67.6 million in cofinancing is being sought. Total cost: $597 million.

KENYA: IDA—$40.7 million. The country will be assisted in preparing the necessary expansion of its electricity-generating capacity at least cost through the utilization of indigenous energy sources—in particular, the mobilization of a major geothermal program, to be implemented over the next twenty years. Cofinancing, in the amount of $9.5 million, is under consideration from the ODA, Japan, the KfW, FINNIDA, and CIDA. Total cost: $59.6 million.

MALAWI: IDA—$46.7 million. A 50-mW hydroelectric power plant will be constructed and existing generating capacity rehabilitated so as to maintain system efficiency. In addition, a woodfuel program, comprising nurseries, tree plantations, forest management, and woodfuel conservation, will be extended. Cofinancing ($17.6 million) is anticipated from Austria. Total cost: $86.9 million.

MALI: IDA—$33 million. The implementation of the power sector's reorganization and the strengthening of the general and financial management of Energie du Mali will be supported. In addition, part of the power-sector investment program for the period 1989–94 will be financed. Cofinancing is expected from the CCCE ($12.5 million), the ADF ($11.8 million), the KfW ($11.5 million), CIDA ($8.6 million), the EIB ($6.8 million), and the FAC ($1.9 million). Total cost: $103.2 million.

MEXICO: IBRD—$460 million. Two hydroelectric power plants (rated 1,240 mW) will be constructed and those people affected by the construction resettled, and a social and environmental program, designed to strengthen the government-owned national electric utility's ability to construct and operate hydroelectric projects with due regard to affected people and the environment developed. Technical assistance is included. Total cost: $1,440 million.

MOZAMBIQUE: IDA—$22 million. A variety of commercial fuels to substitute for high-cost and scarce wood fuels and charcoal will be made available to urban households, a rapid increase of electrification of urban areas facilitated, and coal stoves provided to 10 percent of urban households. Technical assistance is included. Cofinancing is anticipated from BADEA ($10 million), the Nordic Development Fund ($5.7 million), and DANIDA ($3 million). Total cost: $50.8 million.

PAKISTAN: IBRD—$250 million. The process of energy-sector adjustment will be continued through the provision of finance to help cover the costs of investments to be made during the FY1989–91 period of the sector's core investment program. Cofinancing ($250 million) is being sought from the Export-Import Bank of Japan. Total cost: $4,959 million.

PHILIPPINES: IBRD—$65.5 million. A Manila power-distribution project has been designed to improve the Manila Electric Company's subtransmission and substation systems, facilitate better communication between substations, and revitalize the organization's maintenance capabilities. Total cost: $130 million.

THAILAND: IBRD—$90 million. The financing of the Electric Generating Authority of Thailand's 1989–90 power-development program, including the Bang Pakong combined-cycle power plant and expansion of the Mae Moh lignite mine, will help meet the rapid growth in power demand, while reducing the country's dependence on imported fuels. Total cost: $2,037 million.

TUNISIA: IBRD—$5.5 million. A petroleum exploration-promotion project will assist the government and the Entreprise Tunisienne d'Activités Pétrolière in developing the requisite technical expertise for supervision, monitoring, and management of the petroleum sector. In addition, the rate of discovery and development of the country's hydrocarbon resources will be increased through provision of exploration-promotion technical assistance, as well as equipment and materials, and the acquisition, processing, and reprocessing of seismic data. Total cost: $9 million.

## Industry

BANGLADESH: IDA—$25 million. Preshipment credit in foreign exchange will be provided to eligible exporters, in particular, to small and new nontraditional exporters, and the export-financing and guarantee elements of the country's credit-delivery system will be strengthened. Technical assistance, designed to address policy and procedural issues that constrain the active development of the country's export potential, is included. Cofinancing ($1.2 million) for the technical-assistance component is expected from USAID. Total cost: $31.2 million.

BOLIVIA: IDA—$35 million. The government will be assisted in the implementation of its mining-sector strategy through the creation of a conducive legal and regulatory framework, promotion of new private mining investment, and the rehabilitation of the Corporación Minero de Bolivia. Cofinancing ($25 million) is anticipated from the BITS and the IDB. Total cost: $126.8 million.

CHINA: IBRD—$137 million. The implementation of the first phase of the investment program developed as a result of a phosphate-subsector study, undertaken during project preparation, will be supported, thereby providing a model for future investments in the integrated development of phosphate mines and fertilizer plants. Institution-building assistance is included. Bilateral assistance ($100,000) is being sought. Total cost: $510.6 million.

DOMINICAN REPUBLIC: IBRD—$30 million. The government will be assisted in formulating and implementing an effective and comprehensive strategy for the development of new industrial free zones and the expansion of existing ones; reducing unemployment, increasing foreign-exchange earnings, and strengthening backward linkages with the domestic economy; alleviating scarcity in term financing; and improving the capacity of institutions involved in financing, regulating, and promoting industrial free zones. Cofinancing, in the amount of $1.4 million, is expected. Total cost: $51 million.

HUNGARY: IBRD—$140 million. A third industrial-restructuring project will provide credit facilities for restructuring of enterprises with export orientation, as well as for small businesses and entreprenurial development (including the private sector). Measures for efficient employment creation and new employment services to help alleviate the social costs of restructuring will also be developed. Technical assistance is included. Total cost: $342.8 million.

INDIA: IBRD—$210 million. Lines of credit to two major development finance institutions and a loan to the government for manpower development and training will support the government's objective of developing an efficient electronics industry, eventually capable of internationally competitive production. Technical assistance is included. Cofinancing is anticipated from the SDC ($16.2 million) and Japan ($2.7 million). Total cost: $450 million.

INDONESIA: IBRD—$284 million. An industrial-restructuring project has been designed to assist existing industrial enterprises in the engineering, pulp and paper, and textiles subsectors to undertake viable, environmentally sound, restructuring investments; strengthen institutional capabilities and technical services assisting the three subsectors; and evaluate the restructuring potential of other industrial subsectors. Total cost: $506.1 million.

JAMAICA: IBRD—$30 million. The country's emergency reconstruction program, occasioned by the destruction left in the wake of Hurricane Gilbert, will be supported through the financing of essential imports and the provision of a sound framework for overall reconstruction coordination and implementation. Multilateral and bilateral cofinancing for the program is expected to amount to about $446 million.

JAMAICA: IBRD—$15 million. Part of the 1989–91 investment program of the Jamalco Joint Venture, a 50–50 joint venture between Alcoa and the wholly government-owned company, Clarendon Alumina Production, Limited, will be financed. Cofinancing ($8.9 million) is expected from the EEC. Total cost: $90.2 million.

KENYA: IDA—$53.7 million. Supplemental funds from IDA reflows will be used to finance the industrial-sector adjustment credit, approved in fiscal 1988 in the amount of $102 million.

MEXICO: IBRD—$500 million. An industrial-sector policy loan is supporting the government's objectives of stabilizing its economy and resuming growth through removing distortions in goods, factor and service markets, and through provision of an appropriate institutional and regulatory environment to enable industrial enterprises meet the challenge of a more competitive world economy.

MEXICO: IBRD—$250 million. An industrial-restructuring project aims at helping the economy improve the efficiency of important industrial subsectors and increase nonoil exports by supporting private-sector restructuring policies and programs and providing financial and technical assistance to potentially competitive companies that are affected by trade liberalization. Total cost: $500 million.

NIGERIA: IBRD—$27.7 million. A refineries-rehabilitation project seeks to improve the Nigerian National Petroleum Company's institutional approach to preventive maintenance, decisionmaking on investments and repairs, and rehabilitation of its assets; utilization and efficiency of its existing refineries; and monitoring and control of environmental pollution. Total cost: $439.2 million.

TURKEY: IBRD—$204.5 million. A second small and medium-scale industry (SMI) project seeks to promote efficient SMI investments and operations, improve credit access for SMI by significantly increasing the number of financial institutions that can channel credit to SMI efficiently, and improve SMI product quality and expand its markets by providing effective technical and marketing support services. Total cost: $506 million.

YEMEN ARAB REPUBLIC: IDA—$10.8 million. The government's efforts to improve public administration through the institutional development of the Ministry of Civil Service and Administrative Reform and the National Institute of Public Administration will be supported. Total cost: $15.4 million.

## Nonproject

ARGENTINA: IBRD—$300 million. A second trade-policy loan will support the implementation of the second phase of a program for integrating the country into the world economy in which the government would address import protection, deregulate exports, and tighten the industrial-incentive system, which tends to undercut the opening of the economy.

BANGLADESH: IDA—$2.5 million. Supplemental funds from IDA reflows will be provided to help finance an industrial-sector credit, approved in fiscal 1989 in the amount of $190 million.

BENIN: IDA—$45 million. Benin's structural-adjustment program, aimed at a fundamental reorientation of the country's development strategy from overemphasis on state intervention in the economy to greater reliance on private initiative and market forces, will be supported.

CAMEROON: IBRD—$150 million. The first phase of the government's adjustment program, whose objective is to redress the recent substantial decline in gross domestic product and to reestablish a positive rate of per capita growth, will be supported.

CHAD: IDA—$16.2 million; African Facility—$21.3 million. The first phase of the government's adjustment program, whose principal objectives are to improve resource use in public finance and the cotton sector, will be supported. Cofinancing is to be provided through special joint financing and from the ADF.

COSTA RICA: IBRD—$100 million. A second loan in support of the government's structural-adjustment program, which seeks to accelerate exports and increase domestic savings while creating the preconditions for a recovery of economic growth and employment, will be provided.

THE GAMBIA: IDA—$23 million. The second phase of the government's economic-recovery program, focusing on measures to reduce the fiscal deficit, strengthen the performance of the agricultural sector, and improve public-sector management, will be supported. Cofinancing is expected from the ADF ($6 million) and the Netherlands ($2.5 million).

GHANA: IDA—$120 million. The second phase of the government's structural-adjustment program, which aims to maintain an average growth rate of at least 5 percent a year, raise investment to 16 percent of GDP by 1990, and raise national saving to 8.5 percent of GDP, will be supported.

GUINEA-BISSAU: IDA—$23.4 million. The second phase of the government's structural-adjustment program will support and facilitate the continued expansion of economic activity while reforms are being implemented. Cofinancing would be provided by the Netherlands ($4.8 million) and USAID ($4.5 million), while additional financing would be provided by the ADF ($12 million).

HONDURAS: IBRD—$50 million. The government's three-year structural-adjustment program, designed to achieve growth of exports and efficient import substitution, increase public and private savings, and make financial intermediation more efficient through liberalization of interest-rate policies and institutional measures, will be supported. Future cofinancing from the OECF and other bilateral agencies is expected.

INDONESIA: IBRD—$350 million. The private sector will be developed through support of governmental policy measures to provide a stable macroeconomic setting, develop a less distortionary trade regime, reduce regulatory restrictions on investment and maritime transport, and promote a more competitive and responsive financial system.

KENYA: IDA—$120 million. Wide-ranging policy and institutional reforms in the financial sector, designed to make it more efficient and market-oriented, will be supported.

LAO PEOPLE'S DEMOCRATIC REPUBLIC: IDA—$40 million. The government's adjustment program, designed to reinvigorate economic growth by improving public-enterprise management, bolstering the private sector, introducing major fiscal reforms, and initiating financial-sector reforms, will be supported.

MADAGASCAR: IDA—$1.4 million. Supplemental funds from IDA reflows will be provided to finance the public-sector adjustment credit, approved in fiscal 1988 in the amount of $125 million.

MALAWI: IDA—$5.2 million. Supplemental funds from IDA reflows will be provided to finance the industry- and trade-adjustment credit, approved in fiscal 1988 in the amount of $70 million.

MEXICO: IBRD—$500 million. Through a "disengagement" component to continue with the sale, liquidation, and merger of public enterprises (PEs) and through a program of reforms in the policy and institutional environment of PEs, the heavy burden PEs impose on the economy and, particularly, the national budget, will be reduced.

MOROCCO: IBRD—$200 million. The next phase of the country's structural-adjustment program has been designed to increase the level of public revenues and savings to finance essential infrastructure and social investment while reducing the need for public-sector borrowing, to rationalize further trade and industrial policy, and to streamline external-liability management. Cofinancing is anticipated from the OECF ($100 million) and may be forthcoming from the AfDB, as well.

MOZAMBIQUE: IDA—$90 million. The country's economic-rehabilitation program, designed to restore Mozambique to a sustainable growth path, will be supported. Cofinancing is expected from the United Kingdom ($17.5 million), Switzerland ($12.8 million), the Federal Republic of Germany ($10.9 million), Sweden ($9.4 million), and Finland ($8.9 million).

NEPAL: IDA—$60 million. The second phase of the government's structural-adjustment program, designed to accelerate sustained economic growth by reorienting the economy towards a path relying more on the private sector and on improved allocation of public and financial resources, will be supported. Cofinancing ($5 million) is anticipated from the KfW.

NIGERIA: IBRD—$500 million. The second in a series of quick-disbursing loans, designed to support the government's structural-adjustment program, will support the consolidation of the exchange-rate and trade-policy initiatives that were aided by the first loan. In addition, measures to facilitate efficient investment are included in the policy package.

SENEGAL: IDA—$5.5 million. Supplemental funds from IDA reflows will be provided to add additional financing for the third structural-adjustment credit, approved in fiscal 1987 in the amount of $45 million.

TANZANIA: IDA—$135 million. The broadening of the government's economic-recovery program will be supported through reform in the trade regime and the initiation of restructuring and rehabilitation of the industrial sector. Cofinancing is expected from the ADF ($24 million), the United Kingdom ($15 million), Switzerland ($14 million), and the Netherlands ($10 million).

TANZANIA: IDA—$12.5 million. Supplemental funds from IDA reflows will be provided to help finance the industrial trade-adjustment and rehabilitation credit (see above).

TOGO: IDA—$100,000. Supplemental funds from IDA reflows will be provided to help finance the third structural-adjustment credit, approved in fiscal 1988 in the amount of $45 million.

UGANDA: IDA—$25 million. Supplemental funds will be provided in support of the country's economic-recovery program, assisted through an IDA credit, in the amount of $65 million, approved in September 1987.

UGANDA: IDA—$1.7 million. Supplemental funds from IDA reflows will be provided to help finance the economic-recovery program, approved in fiscal 1988 in the amount of $65 million.

URUGUAY: IBRD—$140 million. The government's medium-term structural-adjustment and development program, designed to increase exports and promote domestic savings, will be further supported.

VENEZUELA: IBRD—$402 million. The government's structural-adjustment program, launched in February 1989 and aimed at achieving balanced and sustainable economic growth, will be supported.

## Population, Health, and Nutrition

BENIN: IDA—$18.6 million. National health-policy reforms will be supported through quick-disbursing funds and program investments to help the government improve the efficiency of the country's health-care system and expand service delivery in rural areas. Cofinancing ($11.3 million) is anticipated from Switzerland. Total cost: $32 million.

BRAZIL: IBRD—$99 million. Over 16 million people are to benefit from a project designed to reduce malaria in the Amazon basin to a level that no longer constitutes a public-health problem and to reduce the risk of its reintroduction to areas where transmission has already been interrupted. Institutional-development assistance for the Superintendancy for Public Health Campaigns is included. Total cost: $198 million.

CHINA: IDA—$52 million. Approaches that experiment, in three regions, with health-policy initiatives relevant to integrated health planning, chronic diseases, and health financing are designed to serve as possible models in other parts of the country. Total cost: $113 million.

INDIA: IBRD—$11.3 million; IDA—$113.3 million. A sixth population project will support shifts in the approach, emphasis, and orientation to training health administrators, supervisors, and workers. This will include more intensive in-service and on-the-job training, as well as the technical upgrading of family-welfare training staff. Total cost: $182 million.

INDONESIA: IBRD—$43.5 million. The delivery of health services in the provinces of Kalimantan Timur and Nusa Tenggara Barat will be improved; policy measures, on a pilot basis, will be implemented for increasing efficiency in the use and availability of resources; and institutional capabilities at the local-government and central levels will be strengthened. Cofinancing is anticipated from Japan ($4 million) and from the AIDAB, which will finance the rural water-supply and sanitation component. Total cost: $103.5 million.

JORDAN: IBRD—$73 million. To develop an increasingly knowledge-based and skills-adaptable workforce, support will be provided for the first phase of a ten-year reform program to introduce into basic and secondary schooling policy, institutional, and quality-enhancement measures. Cofinancing is expected from the OECF ($73 million) and the ODA ($1.4 million). Total cost: $252.5 million.

MOZAMBIQUE: IDA—$27 million. To help improve the state of health and nutrition in the country, institutional capacity in policy formulation and management will be strengthened, efficiency and service quality will be upgraded, and some of the social costs of adjustment will be mitigated, in particular, through strengthening the urban food-distribution system and a supplemental feeding program targeted to primary school children in Maputo and Beira. Cofinancing is expected from Switzerland ($5.3 million), the WFP ($4.4 million), UNICEF ($1.9 million), and NORAD ($200,000). Total cost: $42.5 million.

NIGERIA: IBRD—$27.6 million. The government of Imo state will be assisted in its efforts to improve the health and nutrition of its people and to provide voluntary family-planning services. In addition, the federal Ministry of Health's capacity to assist state-level health planning and project preparation will be strengthened, and federal health and population projects will be prepared for internal and external financing. Total cost: $36.8 million.

PHILIPPINES: IBRD—$70.1 million. The government's priorities of expanding and improving public health and primary care, especially to high-risk groups, will be supported; the efficiency and effectiveness of the Department of Health will be strengthened; collaboration among the government, local governments, and nongovernmental organizations in meeting community health needs will be promoted; and improved mechanisms for future health-policy development will be established. Cofinancing is expected from Italy ($8.1 million) and Japan ($4.3 million). Total cost: $108.4 million.

TURKEY: IBRD—$75 million. Provincial health services will be reorganized and strengthened, and measures to enhance efficiency in service delivery and improve financial prospects for the sector will be initiated. Institution-building assistance to the Ministry of Health is included. Total cost: $146.3 million.

YEMEN, PEOPLE'S DEMOCRATIC REPUBLIC OF: IDA—$4.5 million. Primary health care in two governorates and one island district, with an overall population of 400,000, will be upgraded and expanded, health manpower in those areas developed and upgraded, family planning and health education promoted throughout the country, and management capabilities in the public health sector strengthened. Cofinancing is expected from the UNCDF ($500,000), UNICEF, UNFPA, and WHO ($200,000 each). Total cost: $7.9 million.

ZAIRE: IDA—$8.1 million. The country's National AIDS Control Program, which seeks to prevent HIV transmission; reduce the impact of AIDS on individuals, families, and communities; and improve the database on AIDS in the country, will be supported. Cofinancing is expected from the EEC ($2 million), USAID ($1.7 million), UNICEF ($1.5 million), Belgium ($1.5 million), Italy ($1.2 million), the UNDP and WHO ($1 million each), and the Federal Republic of Germany ($600,000). Total cost: $21.9 million.

## Small-scale Enterprises

CHILE: IBRD—$75 million. Credit will be provided to medium-sized industries for investment in new plant, plant expansion, and permanent working capital. Total cost: $280 million.

COLOMBIA: IBRD—$80 million. A fifth small and medium-scale enterprise (SME) project will help the country accelerate value added, create employment, and increase the supply of goods and services of SMEs through provision of a line of credit for onlending to SMEs and microenterprises, primarily through changes in public policies and institutional mechanisms influencing SME access to credit, expansion of the number of intermediaries making SME loans and the volume of credit, and through an increase in SME access to technical-support systems. Total cost: $235.1 million.

INDONESIA: IBRD—$100 million. By providing high-quality, cost-effective technical assistance and term credit at market rates, the small and medium-scale industrial sector will be assisted and its potential to respond to new opportunities, to plan and implement investment and operational strategies, and to modernize, expand, and diversify, thereby increasing manufacturing output and jobs, will be demonstrated. Cofinancing is expected from the Netherlands ($6.1 million) and Japan ($3.1 million). Total cost: $193.3 million.

NIGERIA: IBRD—$270 million. The resumption of growth and efficient employment generation will be stimulated through the provision of credit and technical assistance to small and medium-scale enterprises in the context of the new policy environment and the ongoing adjustment process. Total cost: $415.8 million.

PHILIPPINES: IBRD—$60 million. A fourth small and medium-scale industries project seeks to provide employment opportunities, improve income distribution and regional development, and act as a catalyst for promoting general economic growth and exports. Cofinancing is expected from the AsDB ($100 million), the ASEAN Japan Development Fund ($40 million), and Japan ($3.6 million). Total cost: $358.7 million.

## Technical Assistance

ARGENTINA: IBRD—$28 million. Through a program of technical assistance to various ministries that are responsible for delivering social services, major improvements may be expected in the efficiency of social-service delivery, additional resources will be mobilized, and the negative effect of the deteriorating economic situation of the last decade alleviated. Cofinancing ($3.7 million) is expected from Japan. Total cost: $45 million.

ARGENTINA: IBRD—$6.5 million. Through a program of technical assistance, the necessary financing will be provided for the execution of a program intended to bridge the gap between the full realization of the benefits of a basic structural reform of the Directorate of Tax Administration and the need to counter the recent fall in tax revenues. Total cost: $10.7 million.

BOLIVIA: IDA—$9.7 million. An economic management-strengthening operation seeks to rebuild the country's public institutions for economic management so that the direction and momentum of policy change achieved to date can be sustained. Cofinancing is anticipated from Switzerland ($2.5 million) and Italy ($2.4 million). Total cost: $16.6 million.

CENTRAL AFRICAN REPUBLIC: IDA—$13.2 million. Through an integrated package of assistance and training, the core ministries responsible for managing the economy and for implementing the ongoing structural-adjustment program will be strengthened. Cofinancing ($2 million) is anticipated from the UNDP. Total cost: $16.6 million.

GUINEA: IDA—$9 million. The government's capacity in the areas of social-policy design, coordination, and implementation will be strengthened, as will its ability to identify target population groups and to monitor the evolution of living conditions of households throughout the adjustment process and afterwards. In addition, assistance will be provided in implementing a priority social-action program, based on specific subprojects aimed at upgrading the living conditions of the poor and disadvantaged groups. Cofinancing is anticipated from the ADF ($1.9 million) and CIDA ($840,000). Total cost: $13.5 million.

GUINEA: IDA—$14.5 million. An integrated package of mutually supporting operations—short- and long-term consultant services, training programs, studies, and financing of equipment and vehicles—will be financed, thus helping to facilitate the implementation of the country's economic- and financial-recovery program. Cofinancing is anticipated from the FAC ($2.8 million), the AfDB ($2.5 million), the UNDP ($2.2 million), USAID ($1.3 million), and the CCCE ($1.2 million). Total cost: $27.8 million.

MADAGASCAR: IDA—$22 million. The social costs of adjustment will be mitigated through a project that supports the government's efforts to improve public-sector management; address the plight of the more disadvantaged groups; and strengthen governmental capacity to monitor and address social issues, policies, and programs consistent with its overall economic policy framework and budgetary realities. Cofinancing is expected from Switzerland ($4.7 million), the UNDP ($3.8 million), the ADF ($2 million), the AfDB's Technical Assistance Fund ($2 million), and others ($1.8 million), including various UN agencies, France, Italy, and Japan. Total cost: $40.9 million.

MALAWI: IDA—$11.3 million. Funds will be provided to help establish and operate the Malawi Institute of Management to train managers in the public and private sectors in management techniques. In addition, the Ministry of Finance will be helped to implement its development plan and its ongoing tax-modernization program. Cofinancing ($6 million) is expected from the UNDP. Total cost: $18.9 million.

TOGO: IDA—$5 million. A grassroots-development initiatives project aims to strengthen government-nongovernmental organization (NGO) collaboration and to improve directly the living standards and working conditions of some of the poorest communities in the country by providing additional resources to NGOs engaged in poverty alleviation and in meeting communities' highest-priority basic needs. Total cost: $6.7 million.

TOGO: IDA—$5 million. A preinvestment project will provide for the preparation of project feasibility studies and project execution plans, studies of the investment needs and priorities of individual sectors in the country's economy, and training of staff to manage and supervise the studies. Total cost: $5.6 million.

UGANDA: IDA—$18 million. Technical assistance will be provided to help increase the financial management and administrative capacities of the Ministry of Finance and the Bank of Uganda to help them plan, implement, and monitor the country's ongoing economic-reform program. Total cost: $23 million.

UGANDA: IDA—$15 million. Financing will be provided for local and international consultant services, training, equipment and materials, and special studies, all aimed at strengthening the capacity of the government and key productive parastatal enterprises to sustain economic recovery. Total cost: $19.3 million.

URUGUAY: IBRD—$6.5 million. A second technical-assistance project supports the government's objectives to restore effective competition in domestic banking and to improve the regulatory framework and central bank supervision of the banking system. Total cost: $9.2 million.

ZAIRE: IDA—$11.6 million. The government's policy-formulation and -implementation capacity in three key agricultural ministries (agriculture, rural development, and environment) is to be strengthened through technical assistance, training, and logistical support. Cofinancing ($2.5 million) is anticipated from Belgium. Total cost: $16.6 million.

## Telecommunications

BENIN: IDA—$16 million. Support will be provided for a program to improve institutional and management capacity in the telecommunications sector, service to present subscribers, and the sector's financial position and performance. Cofinancing is expected from the AfDB ($16 million), the EIB ($14 million), the CCCE ($9 million), CIDA ($3.5 million), and the FAC ($300,000). Total cost: $65.3 million.

ECUADOR: IBRD—$45 million. This first telecommunications project in the country will expand local telephone service to 189,000 additional subscribers, rehabilitate the cable network in Guayaquil, expand the long-distance network, extend service to rural communities, and expand and modernize international telephone, telex, and data services. Institution-building assistance is included. Cofinancing is anticipated from the CDC ($27 million), France ($47.2 million), Japan ($45 million), Mexico ($8.1 million), Brazil ($7.7 million), Spain ($6.7 million), and Italy ($5.7 million). Total cost: $330 million.

FIJI: IBRD—$8.1 million. A third telecommunications project aims to improve further the institutional environment of operating entities and build the infrastructure, thereby improving availability of, and access to, modern telecommunications services. Cofinancing is anticipated from Australia ($7.4 million) and the EIB ($6.4 million). Total cost: $47.9 million.

GHANA: IDA—$19 million. A second telecommunications project will support a program of institutional and management improvement, improve the quality of service offered to telecommunications subscribers, and offered to telecommunications subscribers, and improve the financial performance of the Ghana Posts and Telecommunications Corporation so as to eliminate government subsidies. Cofinancing is anticipated from Japan ($92.4 million in grants and suppliers' credits), the CCCE ($21.8 million), the Netherlands ($18.8 million in loans and suppliers' credits), and Ireland ($1.7 million in suppliers' credits). Total cost: $173 million.

TOGO: IDA—$16 million. The scope and availability of telecommunications services will increase to help meet likely demand increases resulting from private-sector development and enhanced external trade. Institution-building assistance is included. Cofinancing is expected from the EIB ($10.4 million), the AfDB ($4 million), CIDA ($2.3 million), the CCCE ($600,000), the FAC ($300,000), and the UNDP ($100,000). Total cost: $44.6 million.

UGANDA: IDA—$52.3 million. A second telecommunications project aims at rehabilitation of economically critical facilities and increases in the utilization of existing exchange capacity to satisfy partly current unmet demand. Institution-building assistance to the Uganda Posts and Telecommunications Corporation is included. Total cost: $58.8 million.

WESTERN SAMOA: IDA—$4.6 million. Priority investments will be financed to upgrade the telecommunications network and to build a basis for its future expansion, and to lay the groundwork for the development of rural telecommunications. Cofinancing is anticipated from the AsDB ($7.4 million) and the ITU ($100,000). Total cost: $16.3 million.

## Transportation

ALGERIA: IBRD—$63 million. Support will be provided for a first phase in the rehabilitation and modernization program for the key Algerian ports of Algiers, Annaba, and Oran. Total cost: $127.8 million.

BANGLADESH: IDA—$133.6 million. Priority infrastructure damaged by flooding will be restored so as to promote efficient operation of the economy. The project also aims to ensure appropriate design and location of works and equipment to minimize the risks of damage or loss arising from future floods. Total cost: $157.8 million.

BOLIVIA: IDA—$37 million. One of the country's main obstacles to export growth—the lack of adequate infrastructure and efficient, reliable service in the country's principal transport corridors to the Atlantic and the Pacific—will be addressed. Institution-building assistance to the Bolivian National Railway, the Road Authority, and the Ministry of Transportation and Communications is included. Total cost: $47.1 million.

CAPE VERDE: IDA—$4.7 million. A project that combines both policy reform and investment is designed to improve the efficiency of the transport and power sectors, support private-sector development, strengthen local institutions, examine the possibility of developing indigenous sources of energy, and preserve the capital investment already made in the country's road network. Total cost: $5.1 million.

CHAD: IDA—$60 million. A transport-sector adjustment and investment credit seeks to reduce the cost and the price of transport within the country through a number of policy-based components and the rehabilitation of some 1,800 kilometers of priority roads. Cofinancing is anticipated from USAID ($23 million), the Federal Republic of Germany ($22.7 million), the CCCE ($13.1 million), the ADF ($11.3 million), the BDEAC ($10.6 million), the EDF ($4.8 million), the OPEC Fund for International Development ($4.5 million), the FAC ($3.3 million), and the UNDP ($500,000). Total cost: $180 million.

CHINA: IBRD—$70 million; IDA—$80 million. The construction of a 948-kilometer single-track rail line in Inner Mongolia running toward the industrial province of Jilin in the country's northeast will facilitate the movement of coal and other products between the two provinces. Total cost: $349.9 million.

CHINA: IBRD—$60 million; IDA—$50 million. A 319-kilometer four-lane highway in the important corridor between Jinan, the capital of Shandong province, and the port of Qingdao will be financed. Institution-building assistance and training are included. Total cost: $423.5 million.

CHINA: IBRD—$76.4 million. The operating efficiency and level of maintenance at the ports of Ningbo and Shanghai will be improved, physical facilities there will be expanded and modernized, and work on a comprehensive strategy for future port development in mideastern China initiated. Training and insititution-building components are included. Total cost: $340 million.

CHINA: IDA—$61 million. A Jiangxi provincial highway project will upgrade, through road and bridge construction, the heavily trafficked Nanchang-Jiujiang highway, and, through provision of technical assistance, address specific policy, institutional, and technological objectives in the highway subsector. Total cost: $109 million.

CHINA: IBRD—$36 million. The operating efficiency and level of maintenance at the port of Xiamen will be improved, physical facilities there expanded and modernized, and the environmental impact of port operations and expansion improved. Training is included. Total cost: $90.3 million.

ETHIOPIA: IDA—$72 million. The turnaround time of export/import cargo will be speeded up by directly addressing the bottlenecks in the port of Assab, freight forwarding, customs, and road transport—particularly, the road from Assab to Addis Ababa. Cofinancing is anticipated from the AfDB ($55 million) and the EIB ($12.5 million). Total cost: $164.6 million.

GABON: IBRD—$30 million. Through the financing of priority items of the government's 1989–92 roads program, the adequate maintenance of the country's road network during the current economic-adjustment period will be ensured. Cofinancing ($31.1 million) is expected from the AfDB. Total cost: $110 million.

GUATEMALA: IBRD—$31.5 million. Damaged secondary and regional roads of key economic importance will be rehabilitated and maintained, the role of the private sector in the execution of public works promoted, and institution-building assistance provided to the General Directorate of Roads of the Ministry of Communications, Transport, and Public Works. Total cost: $49.1 million.

HUNGARY: IBRD—$95 million. A second transport project will help finance investments in railways, trucking, highways, and urban passenger transport, all designed to improve competition and operational efficiency in the sector, increase foreign-exchange earnings by carrying more traffic in international and transit trade, and promote technology transfer. Total cost: $250 million.

INDIA: IBRD—$170 million; IDA—$80 million. Policy and institutional improvements begun under the National Highway Project will be extended to the state level through a project, to be implemented in four states, that will promote the use of modern maintenance-management systems and introduce improved construction methods. Total cost: $450.2 million.

KOREA, REPUBLIC OF: IBRD—$200 million. Three principal road-related government objectives will be supported: enhancing transport efficiency by upgrading the surface and alignment of existing roads and by improving road maintenance and operations, expanding traffic capacity by widening roads with high transport demand, and increasing traffic safety. Total cost: $513.1 million.

NEPAL: IDA—$32.8 million. A 192 kilometer-long access road that will be built from Basantpur to the site of the Arun III power station will also serve to link food-deficit areas in the north with surplus areas to the south. The government will also be assisted in implementing environmental-protection and conservation measures, as well as in planning and administering measures benefiting families affected by the road construction. Total cost: $40 million.

THAILAND: IBRD—$87 million. A three-year (1989–91) time-slice of sector investments, designed to assist the government sustain an efficient road-transport system and achieve the goals of its sixth development plan that include protection of past investments, reduction of road-transport costs, improvements in highway transport services and road safety, and abatement of vehicular air and noise pollution, will be financed. Cofinancing ($259.3 million) is anticipated from the AsDB and the OECF.

UGANDA: IDA—$7 million. Assistance will be provided to the Uganda Railways Corporation for implementing an initial program of improvements in organization and management and for improving performance on the Kampala-Kaese line through repair and rehabilitation. Total cost: $8.8 million.

URUGUAY: IBRD—$80.8 million. Through policy reform, institutional development, and financing of high-priority investments in the roads and ports subsectors, the government's objectives of reforming the transport sector, strengthening its managerial and planning capabilities, and stimulating competition and private-sector involvement will be supported. Cofinancing ($73.9 million) is anticipated from the Export-Import Bank of Japan. Total cost: $257.4 million.

YUGOSLAVIA: IBRD—$138 million. The reform program of the Community of Yugoslav Railways will be supported through the financing of the 1989–91 investment plans of four of the community's railway organizations, which, together, operate about 85 percent of the country's main trunk line. Cofinancing is anticipated from the EIB ($80 million) and Eurofima ($44 million). Total cost: $907.1 million.

ZAIRE: IDA—$75 million. Comprehensive five-year rehabilitation programs for the Office National des Transports and the Société Nationale des Chemins de Fer Zairois will be supported to strengthen their performance in the transport sector in the context of a sustainable public-expenditure program. Cofinancing is anticipated from the AfDB ($91.6 million), the CCCE ($36.2 million), Belgium ($24.1 million), the KfW ($15 million), and the EEC ($6.2 million). Total cost: $280.1 million.

## Urban Development

ARGENTINA: IBRD—$300 million. The government will be supported in its efforts to reform policies in the housing sector through an increase in productivity in the housing programs financed by FONAVI, the national housing fund, improvements in FONAVI's financial performance, and a reduction (with concurrent improvement of targeting) of subsidies. Total cost: $608 million.

BRAZIL: IBRD—$100 million. Technical assistance, training, and equipment will be provided to municipalities and urban-sector institutions in Parana state to strengthen their financial management and overall administrative capacities. In addition, investments in urban infrastructure will be provided to muncipalities throughout the state, and a pilot project for low-income, self-help house construction will be financed. Total cost: $226.9 million.

BURUNDI: IDA—$21 million. A second urban project aims to strengthen the economy of secondary towns through provision of necessary infrastructure and community facilities, as well as employment opportunities, and through the establishment of an institutional and financial environment that would help these semirural agglomerations evolve into actual urban centers. Total cost: $24.1 million.

CAMEROON: IBRD—$146 million. A second project, which constitutes the cornerstone of the new urban policy, seeks to consolidate the basis for sustainable and replicable urban-development operations through components designed to mobilize urban resources; rehabilitate priority infrastructure in Yaounde, Douala, and secondary cities; and implement sector policy reforms, including parapublic-enterprise reform. Total cost: $253.5 million.

CHILE: IBRD—$200 million. A second housing-sector project supports governmental efforts to increase the number of housing solutions for low-income people, offer a greater variety of new housing types to meet their needs and preferences, introduce programs to upgrade the existing housing stock, improve cost recovery, and improve the resource mobilization and efficiency of the private mortgage-financing system. Total cost: $1,134 million.

CHILE: IBRD—$75 million. An institutional capability to manage effectively future urban street maintenance and rehabilitation will be developed, and a program to bring the urban-transport system back to a condition of maintainability will be financed. In addition, the technical, economic, and financial viability of less costly exclusive bus/tramways to accommodate increased demand and reduce public transport costs will be demonstrated. Total cost: $150 million.

MOZAMBIQUE: IDA—$60 million. The deterioration in basic urban infrastructure and services in Maputo and Beira will be stemmed, and the social effects of structural adjustment mitigated through the implementation of a program of urban rehabilitation and employment generation. Cofinancing is expected from FINNIDA ($6.1 million) and Spain ($3.9 million). Total cost: $83.8 million.

NEPAL: IDA—$41.5 million. The effective planning, delivery, and maintenance of infrastructure and muncipal services in town panchayats (municipalities) will be supported. In addition, the government will be helped to reconstruct housing damaged during the August 1988 earthquake, construction standards will be improved, and earthquake-resistant features will be incorporated into building codes. Technical assistance is included. Cofinancing is expected from the UNDP ($5.1 million) and the GTZ ($1.7 million). Total cost: $54.8 million.

RWANDA: IDA—$32 million. The government's urban-sector reforms, which aim at reducing the central government's role in urban development and strengthening that of local governments and the private sector, will be supported. Cofinancing is anticipated from the UNCDF ($2.9 million), the FAC ($1.1 million), and the UNDP ($1 million). Total cost: $66.2 million.

SUDAN: IDA—$75 million. An emergency flood-reconstruction project seeks to restore productive facilities and essential infrastructure damaged during the floods of August-September 1988, restore social services and destroyed housing, and outline requirements for an early-warning system against future flooding. In addition, the institutional framework needed to carry out the reconstruction program will be strengthened. Total cost: $83.8 million.

TUNISIA: IBRD—$58 million. The supply of affordable low- and medium-income housing programs will be increased as domestic savings are mobilized by the newly formed Housing Bank, to be supported through a line of credit and technical assistance. In addition, the share of the formal private sector in land and housing development, as well as in surveying activities, will be increased. Cofinancing is expected from USAID ($15 million); $2 million in additional cofinancing is being sought. Total cost: $200 million.

ZIMBABWE: IBRD—$80 million. Subsector loans will be made to specific urban authorities for their next five-year capital-investment programs for primary infrastructure and residential infrastructure. In addition, steps will be taken to maximize the role of nongovernmental investors in housing as a means to relieve the government's financial burden. Institution-building and technical assistance are included. Cofinancing is anticipated from the Federal Republic of Germany ($21 million) and SIDA ($3 million). Total cost: $580 million.

## Water Supply and Sewerage

BRAZIL: IBRD—$280 million. The capacity of the São Paulo State Water Company to carry out more efficient planning of investments, improved internal mobilization of revenues, and increased efficiency of operations will be strengthened. Total cost: $600 million.

EGYPT, ARAB REPUBLIC OF: IBRD—$36 million. A second project aims at improving water distribution in the Alexandria Water General Authority's (AWGA) network and improving AWGA's operation, maintenance, and metering practices, as well as its capital structure and financial performance. Cofinancing is anticipated from Italy ($22.5 million) and the GTZ ($5.5 million). Total cost: $102.5 million.

GHANA: IDA—$25 million. The managerial, financial, and technical capabilities of the Ghana Water and Sewerage Corporation will be strengthened to enable it to effectively plan and implement a meaningful development program, and its operating and maintenance ability will be improved. Cofinancing is expected from Austria ($19.5 million) and the ODA ($14.6 million) and is being sought elsewhere in the amount of $47.1 million. Total cost: $125 million.

GUINEA: IDA—$40 million. While financing key investments in the water-supply sector, this project will primarily focus on implementation of needed institutional reforms and adequate cost-recovery procedures, as well as rehabilitation of operations and facilities. Cofinancing is expected from the AfDB ($23 million), the CCCE ($16.6 million), and the EIB ($11.3 million). Total cost: $102.6 million.

HAITI: IDA—$20 million. About 425,000 people in Port-au-Prince will benefit from a project designed to improve the supply of water and expand its coverage. Institution-building assistance to the Centrale Autonome Metropolitaine d'Eau Potable is included. Cofinancing ($9.5 million) is expected from the CCCE. Total cost: $35.5 million.

MEXICO: IBRD—$20 million. Some 200,000 people are expected to benefit from a project that will provide water, sanitation, and health education, both to free women's labor for more productive activities and to reduce community morbidity. In addition, credit and technical assistance will be made available to help finance the investment and working capital needed by low-income beneficiaries to start productive activities (most likely involving microenterprises and some form of cooperative ownership). Total cost: $28.5 million.

NIGERIA: IBRD—$173.2 million. Access by the residents of Lagos to drinking-water supplies will be increased through a doubling of production and distribution-network capacities, subsidies from the state government to the Lagos State Water Corporation (LSWC) will be gradually eliminated, and institution-building assistance provided to the LSWC. Cofinancing is expected from French commercial banks with COFACE guarantee ($164.8 million), the EIB ($47.4 million), CIDA ($3.2 million), and the UNDP ($600,000). Total cost: $461.8 million.

PAKISTAN: IDA—$125 million. The supply of potable water will be increased by almost a third and improvements made to sanitation by increases in sewerage coverage and treatment capacity in this second Karachi water-supply and sanitation project. Institution-building assistance to the Karachi Water and Sewerage Board is included. Cofinancing is expected from the AsDB ($81.9 million) and mixed credits from the United Kingdom ($56.4 million). Total cost: $331.8 million.

YEMEN, PEOPLE'S DEMOCRATIC REPUBLIC OF: IDA—$12 million. Water production for Al Mukalla, the country's second largest city, will be increased to meet effective demand up to the year 2002 and to strengthen and expand the existing primary and secondary distribution systems. Institution-building assistance is included. Cofinancing is expected from the AFESD and the KFAED ($9.7 million each). Total cost: $34.7 million.

YUGOSLAVIA: IBRD—$60 million. A water-supply and sewerage project for the Slovene coastal region and the west coast of the Istrian peninsula has been designed to eliminate existing water shortages, provide additional water supplies needed for the expansion of tourism, reduce unaccounted-for water, provide protection from pollution, and increase efficiency in water-supply and sewerage-services delivery. Total cost: $243.9 million.

***Table 7-1.* Projects Approved for IBRD and IDA Assistance in Fiscal Year 1989, by Region**
(amounts in millions of US dollars)

| Region and country | IBRD loans | | IDA credits | | Total | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| **Africa** | | | | | | |
| Benin | — | — | 3 | 79.6 | 3 | 79.6 |
| Burkina Faso | — | — | 1 | 42.0 | 1 | 42.0 |
| Burundi | — | — | 2 | 54.1 | 2 | 54.1 |
| Cameroon | 3 | 330.6 | — | — | 3 | 330.6 |
| Cape Verde | — | — | 1 | 4.7 | 1 | 4.7 |
| Central African Republic | — | — | 2 | 31.2 | 2 | 31.2 |
| Chad | — | — | 3 | 98.2 | 3 | 98.2 |
| Djibouti | — | — | 1 | 9.2 | 1 | 9.2 |
| Ethiopia | — | — | 2 | 157.0 | 2 | 157.0 |
| Gabon | 1 | 30.0 | — | — | 1 | 30.0 |
| Gambia, The | — | — | 2 | 33.0 | 2 | 33.0 |
| Ghana | — | — | 6 | 260.0 | 6 | 260.0 |
| Guinea | — | — | 4 | 81.9 | 4 | 81.9 |
| Guinea-Bissau | — | — | 2 | 28.4 | 2 | 28.4 |
| Kenya | — | — | 3 | 235.2 | 3 | 235.2 |
| Madagascar | — | — | 2 | 47.4 | 2 | 47.4 |
| Malawi | — | — | 3 | 81.5 | 3 | 81.5 |
| Mali | — | — | 2 | 59.0 | 2 | 59.0 |
| Mauritania | — | — | 1 | 18.2 | 1 | 18.2 |
| Mozambique | — | — | 4 | 199.0 | 4 | 199.0 |
| Nigeria | 6 | 1,083.7 | 1 | 100.9 | 7 | 1,184.6 |
| Rwanda | — | — | 2 | 51.9 | 2 | 51.9 |
| São Tomé and Principe | — | — | 1 | 5.0 | 1 | 5.0 |
| Senegal | — | — | 1 | 21.6 | 1 | 21.6 |
| Somalia | — | — | 2 | 89.0 | 2 | 89.0 |
| Sudan | — | — | 2 | 95.0 | 2 | 95.0 |
| Tanzania | — | — | 4 | 199.3 | 4 | 199.3 |
| Togo | — | — | 3 | 26.1 | 3 | 26.1 |
| Uganda | — | — | 5 | 141.0 | 5 | 141.0 |
| Zaire | — | — | 4 | 114.7 | 4 | 114.7 |
| Zimbabwe | 2 | 116.3 | — | — | 2 | 116.3 |
| Total | 12 | 1,560.6 | 69 | 2,364.1 | 81 | 3,924.7 |
| **Asia** | | | | | | |
| Bangladesh | — | — | 4 | 423.1 | 4 | 423.1 |
| China | 7 | 833.4 | 5 | 515.0 | 12 | 1,348.4 |
| Fiji | 1 | 8.1 | — | — | 1 | 8.1 |
| India | 10 | 2,136.3 | 1 | 900.3 | 11 | 3,036.6 |
| Indonesia | 9 | 1,640.4 | — | — | 9 | 1,640.4 |
| Korea, Republic of | 2 | 216.4 | — | — | 2 | 216.4 |
| Lao People's Democratic Republic | — | — | 3 | 53.5 | 3 | 53.5 |
| Malaysia | 2 | 130.3 | — | — | 2 | 130.3 |
| Maldives | — | — | 1 | 8.2 | 1 | 8.2 |
| Nepal | — | — | 6 | 199.0 | 6 | 199.0 |
| Papua New Guinea | 1 | 19.6 | — | — | 1 | 19.6 |
| Philippines | 4 | 495.6 | — | — | 4 | 495.6 |

| Region and country | IBRD loans Number | IBRD loans Amount | IDA credits Number | IDA credits Amount | Total Number | Total Amount |
|---|---|---|---|---|---|---|
| **Asia** *(continued)* | | | | | | |
| Sri Lanka | — | — | 2 | 63.7 | 2 | 63.7 |
| Thailand | 2 | 177.0 | — | — | 2 | 177.0 |
| Vanuatu | — | — | 1 | 8.0 | 1 | 8.0 |
| Western Samoa | — | — | 1 | 4.6 | 1 | 4.6 |
| Total | 38 | 5,657.1 | 24 | 2,175.4 | 62 | 7,832.5 |
| **Europe, Middle East, and North Africa** | | | | | | |
| Algeria | 4 | 341.0 | — | — | 4 | 341.0 |
| Egypt, Arab Republic of | 3 | 241.0 | — | — | 3 | 241.0 |
| Hungary | 3 | 345.0 | — | — | 3 | 345.0 |
| Jordan | 1 | 73.0 | — | — | 1 | 73.0 |
| Morocco | 5 | 524.0 | — | — | 5 | 524.0 |
| Pakistan | 4 | 748.0 | 3 | 201.4 | 7 | 949.4 |
| Portugal | 1 | 90.0 | — | — | 1 | 90.0 |
| Tunisia | 4 | 242.5 | — | — | 4 | 242.5 |
| Turkey | 4 | 709.3 | — | — | 4 | 709.3 |
| Yemen Arab Republic | — | — | 2 | 25.8 | 2 | 25.8 |
| Yemen, People's Democratic Republic of | — | — | 3 | 28.5 | 3 | 28.5 |
| Yugoslavia | 2 | 198.0 | — | — | 2 | 198.0 |
| Total | 31 | 3,511.8 | 8 | 255.7 | 39 | 3,767.5 |
| **Latin America and the Caribbean** | | | | | | |
| Argentina | 5 | 886.5 | — | — | 5 | 886.5 |
| Bahamas, The | 1 | 10.0 | — | — | 1 | 10.0 |
| Bolivia | — | — | 3 | 93.0 | 3 | 93.0 |
| Brazil | 6 | 707.0 | — | — | 6 | 707.0 |
| Chile | 3 | 350.0 | — | — | 3 | 350.0 |
| Colombia | 2 | 180.0 | — | — | 2 | 180.0 |
| Costa Rica | 1 | 100.0 | — | — | 1 | 100.0 |
| Dominican Republic | 1 | 30.0 | — | — | 1 | 30.0 |
| Ecuador | 1 | 45.0 | — | — | 1 | 45.0 |
| Guatemala | 2 | 61.5 | — | — | 2 | 61.5 |
| Haiti | — | — | 2 | 44.0 | 2 | 44.0 |
| Honduras | 2 | 75.0 | — | — | 2 | 75.0 |
| Jamaica | 2 | 45.0 | — | — | 2 | 45.0 |
| Mexico | 6 | 2,230.0 | — | — | 6 | 2,230.0 |
| St. Vincent and the Grenadines | 1 | 1.4 | — | 1.4 | 1 | 2.8 |
| Uruguay | 3 | 227.3 | — | — | 3 | 227.3 |
| Venezuela | 2 | 755.0 | — | — | 2 | 755.0 |
| Total | 38 | 5,703.7 | 5 | 138.4 | 43 | 5,842.1 |
| Grand total | 119 | 16,433.2 | 106 | 4,933.6 | 225 | 21,366.8 |

NOTE: Supplements, as well as B-loans, are included in the amounts, but are not counted as separate lending operations. Joint IBRD/IDA operations are counted only once, as IBRD operations.

— Zero.

***Table 7-2.* Projects Approved for IBRD and IDA Assistance in Fiscal Year 1989, by Sector**
(millions of US dollars)

| Sector[a] | IBRD | IDA | Total |
|---|---|---|---|
| **Agriculture and Rural Development** | | | |
| Algeria—Agricultural credit | 110.0 | — | 110.0 |
| Algeria—Agricultural credit | 58.0 | — | 58.0 |
| Algeria—Irrigation and drainage | 110.0 | — | 110.0 |
| Brazil—Irrigation and drainage | 71.0 | — | 71.0 |
| Brazil—Agricultural credit | 63.0 | — | 63.0 |
| Burkina Faso—Research and extension | — | 42.0 | 42.0 |
| Burundi—Research and extension | — | 33.1 | 33.1 |
| Cameroon—Livestock | 34.6 | — | 34.6 |
| China—Area development | — | 106.0 | 106.0 |
| China—Area development | — | 109.0 | 109.0 |
| Egypt, Arab Republic of—Agroindustry | 40.0 | — | 40.0 |
| Ethiopia—Area development | — | 85.0 | 85.0 |
| Ghana—Forestry | — | 39.4 | 39.4 |
| Ghana—Research and extension | — | 20.0 | 20.0 |
| Guinea—Research and extension | — | 18.4 | 18.4 |
| Honduras—Agricultural credit | 25.0 | — | 25.0 |
| India—Agroindustry | — | 150.0 | 150.0 |
| India—Agroindustry | 30.0 | 147.0 | 177.0 |
| India—Irrigation and drainage | 165.0 | 160.0 | 325.0 |
| Indonesia—Agroindustry | 118.2 | — | 118.2 |
| Indonesia—Research and extension | 35.3 | — | 35.3 |
| Kenya—Agricultural credit | — | 20.8 | 20.8 |
| Madagascar—Research and extension | — | 24.0 | 24.0 |
| Malawi—Agricultural credit | — | 18.3 | 18.3 |
| Malaysia—Area development | 71.5 | — | 71.5 |
| Morocco—Research and extension | 28.0 | — | 28.0 |
| Morocco—Agricultural credit | 190.0 | — | 190.0 |
| Nepal—Forestry | — | 30.5 | 30.5 |
| Nigeria—Area development | 85.2 | — | 85.2 |
| Nigeria—Area development | — | 100.9 | 100.9 |
| Pakistan—Agriculture sector loan | 200.0 | — | 200.0 |
| Pakistan—Irrigation and drainage | — | 34.4 | 34.4 |
| Pakistan—Irrigation and drainage | — | 40.0 | 40.0 |
| Papua New Guinea—Agricultural credit | 19.6 | — | 19.6 |
| Portugal—Area development | 90.0 | — | 90.0 |
| Rwanda—Area development | — | 19.9 | 19.9 |
| Senegal—Agricultural credit | — | 16.1 | 16.1 |
| Somalia—Livestock | — | 19.0 | 19.0 |
| Somalia—Agriculture sector loan | — | 70.0 | 70.0 |
| Sri Lanka—Forestry | — | 19.9 | 19.9 |
| St. Vincent and the Grenadines—Agriculture sector loan | 1.4 | 1.4 | 2.8 |
| Sudan—Research and extension | — | 20.0 | 20.0 |
| Tanzania—Research and extension | — | 8.3 | 8.3 |
| Tanzania—Research and extension | — | 18.4 | 18.4 |
| Tanzania—Perennial crops | — | 25.1 | 25.1 |
| Tunisia—Agriculture sector loan | 84.0 | — | 84.0 |
| Turkey—Agroindustry | 150.0 | — | 150.0 |
| Turkey—Agricultural credit | 250.0 | — | 250.0 |

| Sector[a] | IBRD | IDA | Total |
|---|---|---|---|
| **Agriculture and Rural Development** *(continued)* | | | |
| Yemen Arab Republic—Area development | — | 15.0 | 15.0 |
| Yemen, People's Democratic Republic of—Area development | — | 12.0 | 12.0 |
| Zimbabwe—Agricultural credit | 36.3 | — | 36.3 |
| Total | 2,066.1 | 1,423.9 | 3,490.0 |
| **Development Finance Companies** | | | |
| Bolivia | — | 11.3 | 11.3[b] |
| China | 154.0 | — | 154.0 |
| China | 300.0 | — | 300.0 |
| Gambia, The | — | 10.0 | 10.0 |
| Ghana | — | 30.0 | 30.0 |
| Ghana | — | 6.6 | 6.6[b] |
| Guinea-Bissau | — | 5.0 | 5.0 |
| India | 295.0 | — | 295.0 |
| Lao People's Democratic Republic | — | 10.0 | 10.0 |
| Mexico | 500.0 | — | 500.0 |
| Morocco | 23.0 | — | 23.0 |
| Pakistan | 150.0 | — | 150.0 |
| Pakistan | 148.0 | 2.0 | 150.0 |
| Philippines | 300.0 | — | 300.0 |
| São Tomé and Principe | — | 5.0 | 5.0 |
| Sri Lanka | — | 43.8 | 43.8 |
| Venezuela | 353.0 | — | 353.0 |
| Zaire | — | 20.0 | 20.0 |
| Total | 2,223.0 | 143.7 | 2,366.7 |
| **Education** | | | |
| Bahamas, The | 10.0 | — | 10.0 |
| Chad | — | 22.0 | 22.0 |
| China | — | 57.0 | 57.0 |
| Colombia | 100.0 | — | 100.0 |
| Guatemala | 30.0 | — | 30.0 |
| India | 30.0 | 250.0 | 280.0 |
| Indonesia | 18.4 | — | 18.4 |
| Korea, Republic of | 16.4 | — | 16.4 |
| Lao People's Democratic Republic | — | 3.5 | 3.5 |
| Malaysia | 58.8 | — | 58.8 |
| Maldives | — | 8.2 | 8.2 |
| Mali | — | 26.0 | 26.0 |
| Mauritania | — | 18.2 | 18.2 |
| Morocco | 83.0 | — | 83.0 |
| Nepal | — | 11.4 | 11.4 |
| Nepal | — | 22.8 | 22.8 |
| Tunisia | 95.0 | — | 95.0 |
| Uganda | — | 22.0 | 22.0 |
| Vanuatu | — | 8.0 | 8.0 |
| Total | 441.6 | 449.1 | 890.7 |

*(continued)*

*Table 7-2 (continued)*

| Sector[a] | IBRD | IDA | Total |
|---|---|---|---|
| **Energy** | | | |
| *Oil, gas, and coal* | | | |
| Brazil | 94.0 | — | 94.0 |
| Djibouti | — | 9.2 | 9.2 |
| Hungary | 110.0 | — | 110.0 |
| India | 340.0 | — | 340.0 |
| Mozambique | — | 22.0 | 22.0 |
| Tunisia | 5.5 | — | 5.5 |
| Total | 549.5 | 31.2 | 580.7 |
| *Power* | | | |
| Argentina | 252.0 | — | 252.0 |
| Bangladesh | — | 175.0 | 175.0 |
| Bangladesh | — | 87.0 | 87.0 |
| Central African Republic | — | 18.0 | 18.0 |
| Egypt, Arab Republic of | 165.0 | — | 165.0 |
| Haiti | — | 24.0 | 24.0 |
| India | 485.0 | — | 485.0 |
| India | 400.0 | — | 400.0 |
| Indonesia | 354.0 | — | 354.0 |
| Indonesia | 337.0 | — | 337.0 |
| Kenya | — | 40.7 | 40.7 |
| Malawi | — | 46.7 | 46.7 |
| Mali | — | 33.0 | 33.0 |
| Mexico | 460.0 | — | 460.0 |
| Pakistan | 250.0 | — | 250.0 |
| Philippines | 65.5 | — | 65.5 |
| Thailand | 90.0 | — | 90.0 |
| Total | 2,858.5 | 424.4 | 3,282.9 |
| **Industry** | | | |
| Bangladesh—Industry sector loan | — | 25.0 | 25.0 |
| Bolivia—Mining, other extractive | — | 35.0 | 35.0 |
| China—Industry sector loan | 137.0 | — | 137.0 |
| Dominican Republic—Industry sector loan | 30.0 | — | 30.0 |
| Hungary—Industry sector loan | 140.0 | — | 140.0 |
| India—Industry sector loan | 210.0 | — | 210.0 |
| Indonesia—Industry sector loan | 284.0 | — | 284.0 |
| Jamaica—Industry sector loan | 30.0 | — | 30.0 |
| Jamaica—Mining, other extractive | 15.0 | — | 15.0 |
| Kenya—Industry sector loan | — | 53.7 | 53.7[b] |
| Mexico—Industry sector loan | 250.0 | — | 250.0 |
| Mexico—Industry sector loan | 500.0 | — | 500.0 |
| Nigeria—Engineering | 27.7 | — | 27.7 |
| Turkey—Industry sector loan | 29.8 | — | 29.8[c] |
| Turkey—Industry sector loan | 204.5 | — | 204.5 |
| Yemen Arab Republic—Industry sector loan | — | 10.8 | 10.8 |
| Total | 1,858.0 | 124.5 | 1,982.5 |

| Sector[a] | IBRD | IDA | Total |
|---|---|---|---|
| **Nonproject** | | | |
| Argentina | 300.0 | — | 300.0 |
| Bangladesh | — | 2.5 | 2.5[b] |
| Benin | — | 45.0 | 45.0 |
| Cameroon | 150.0 | — | 150.0 |
| Chad | — | 16.2 | 16.2 |
| Costa Rica | 100.0 | — | 100.0 |
| Gambia, The | — | 23.0 | 23.0 |
| Ghana | — | 120.0 | 120.0 |
| Guinea-Bissau | — | 23.4 | 23.4 |
| Honduras | 50.0 | — | 50.0 |
| Indonesia | 350.0 | — | 350.0 |
| Kenya | — | 120.0 | 120.0 |
| Lao People's Democratic Republic | — | 40.0 | 40.0 |
| Madagascar | — | 1.4 | 1.4[b] |
| Malawi | — | 5.2 | 5.2[b] |
| Mexico | 500.0 | — | 500.0 |
| Morocco | 200.0 | — | 200.0 |
| Mozambique | — | 90.0 | 90.0 |
| Nepal | — | 60.0 | 60.0 |
| Nigeria | 500.0 | — | 500.0 |
| Senegal | — | 5.5 | 5.5[b] |
| Tanzania | — | 135.0 | 135.0 |
| Tanzania | — | 12.5 | 12.5[b] |
| Togo | — | 0.1 | 0.1[b] |
| Uganda | — | 1.7 | 1.7[b] |
| Uganda | — | 25.0 | 25.0[b] |
| Uruguay | 140.0 | — | 140.0 |
| Venezuela | 402.0 | — | 402.0 |
| Total | 2,692.0 | 726.5 | 3,418.5 |
| **Population, Health, and Nutrition** | | | |
| Benin | — | 18.6 | 18.6 |
| Brazil | 99.0 | — | 99.0 |
| China | — | 52.0 | 52.0 |
| India | 11.3 | 113.3 | 124.6 |
| Indonesia | 43.5 | — | 43.5 |
| Jordan | 73.0 | — | 73.0 |
| Mozambique | — | 27.0 | 27.0 |
| Nigeria | 27.6 | — | 27.6 |
| Philippines | 70.1 | — | 70.1 |
| Turkey | 75.0 | — | 75.0 |
| Yemen, People's Democratic Republic of | — | 4.5 | 4.5 |
| Zaire | — | 8.1 | 8.1 |
| Total | 399.5 | 223.5 | 623.0 |
| **Small-scale Enterprises** | | | |
| Chile | 75.0 | — | 75.0 |
| Colombia | 80.0 | — | 80.0 |
| Indonesia | 100.0 | — | 100.0 |
| Nigeria | 270.0 | — | 270.0 |

*(continued)*

*Table 7-2 (continued)*

| Sector[a] | IBRD | IDA | Total |
|---|---|---|---|
| **Small-scale Enterprises** *(continued)* | | | |
| Philippines | 60.0 | — | 60.0 |
| Total | 585.0 | — | 585.0 |
| **Technical Assistance** | | | |
| Argentina | 28.0 | — | 28.0 |
| Argentina | 6.5 | — | 6.5 |
| Bolivia | — | 9.7 | 9.7 |
| Central African Republic | — | 13.2 | 13.2 |
| Guinea | — | 14.5 | 14.5 |
| Guinea | — | 9.0 | 9.0 |
| Madagascar | — | 22.0 | 22.0 |
| Malawi | — | 11.3 | 11.3 |
| Togo | — | 5.0 | 5.0 |
| Togo | — | 5.0 | 5.0 |
| Uganda | — | 18.0 | 18.0 |
| Uganda | — | 15.0 | 15.0 |
| Uruguay | 6.5 | — | 6.5 |
| Zaire | — | 11.6 | 11.6 |
| Total | 41.0 | 134.3 | 175.3 |
| **Telecommunications** | | | |
| Benin | — | 16.0 | 16.0 |
| Ecuador | 45.0 | — | 45.0 |
| Fiji | 8.1 | — | 8.1 |
| Ghana | — | 19.0 | 19.0 |
| Togo | — | 16.0 | 16.0 |
| Uganda | — | 52.3 | 52.3 |
| Western Samoa | — | 4.6 | 4.6 |
| Total | 53.1 | 107.9 | 161.0 |
| **Transportation** | | | |
| Algeria—Ports and waterways | 63.0 | — | 63.0 |
| Bangladesh—Transportation sector loan | — | 133.6 | 133.6 |
| Bolivia—Railways | — | 37.0 | 37.0 |
| Cape Verde—Highways | — | 4.7 | 4.7 |
| Chad—Transportation sector loan | — | 60.0 | 60.0 |
| China—Highways | — | 61.0 | 61.0 |
| China—Ports and waterways | 36.0 | — | 36.0 |
| China—Ports and waterways | 76.4 | — | 76.4 |
| China—Highways | 60.0 | 50.0 | 110.0 |
| China—Railways | 70.0 | 80.0 | 150.0 |
| Ethiopia—Transportation sector loan | — | 72.0 | 72.0 |
| Gabon—Highways | 30.0 | — | 30.0 |
| Guatemala—Highways | 31.5 | — | 31.5 |
| Hungary—Transportation sector loan | 95.0 | — | 95.0 |
| India—Highways | 170.0 | 80.0 | 250.0 |
| Korea, Republic of—Highways | 200.0 | — | 200.0 |
| Nepal—Transportation sector loan | — | 32.8 | 32.8 |
| Thailand—Highways | 87.0 | — | 87.0 |
| Uganda—Railways | — | 7.0 | 7.0 |

| Sector[a] | IBRD | IDA | Total |
|---|---|---|---|
| **Transportation** *(continued)* | | | |
| Uruguay—Transportation sector loan | 80.8 | — | 80.8 |
| Yugoslavia—Railways | 138.0 | — | 138.0 |
| Zaire—Transportation sector loan | — | 75.0 | 75.0 |
| Total | 1,137.7 | 693.1 | 1,830.8 |
| **Urban Development** | | | |
| Argentina | 300.0 | — | 300.0 |
| Brazil | 100.0 | — | 100.0 |
| Burundi | — | 21.0 | 21.0 |
| Cameroon | 146.0 | — | 146.0 |
| Chile | 200.0 | — | 200.0 |
| Chile | 75.0 | — | 75.0 |
| Mozambique | — | 60.0 | 60.0 |
| Nepal | — | 41.5 | 41.5 |
| Rwanda | — | 32.0 | 32.0 |
| Sudan | — | 75.0 | 75.0 |
| Tunisia | 58.0 | — | 58.0 |
| Zimbabwe | 80.0 | — | 80.0 |
| Total | 959.0 | 229.5 | 1,188.5 |
| **Water Supply and Sewerage** | | | |
| Brazil | 280.0 | — | 280.0 |
| Egypt, Arab Republic of | 36.0 | — | 36.0 |
| Ghana | — | 25.0 | 25.0 |
| Guinea | — | 40.0 | 40.0 |
| Haiti | — | 20.0 | 20.0 |
| Mexico | 20.0 | — | 20.0 |
| Nigeria | 173.2 | — | 173.2 |
| Pakistan | — | 125.0 | 125.0 |
| Yemen, People's Democratic Republic of | — | 12.0 | 12.0 |
| Yugoslavia | 60.0 | — | 60.0 |
| Total | 569.2 | 222.0 | 791.2 |
| Grand total | 16,433.2 | 4,933.6 | 21,366.8 |

NOTE: For additional details, see Tables 7-3 and 7-4.

— Zero.

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.

c. B-loan applied to an existing project, not counted as a separate operation.

**Table 7-3. Statement of IBRD Loans Approved during Fiscal Year 1989**

| Borrower or guarantor<br>Purpose | Date of approval | Maturities | Principal amount (US$ millions) |
|---|---|---|---|
| **Algeria** | | | |
| Desert locust control project | Jan. 31, 1989 | 1994/2004 | 58.0 |
| West Mitidja irrigation project | May 30, 1989 | 1994/2004 | 110.0 |
| Third ports project | June 29, 1989 | 1995/2004 | 63.0 |
| **Algeria (Guarantor)** | | | |
| Agricultural credit project—Banque de l'Agriculture et du Développement Rural | Dec. 13, 1988 | 1994/2003 | 110.0 |
| **Argentina** | | | |
| Social sector management technical assistance project | July 26, 1988 | 1994/2003 | 28.0 |
| First housing sector project | Oct. 27, 1988 | 1994/2003 | 300.0 |
| Second trade policy project | Oct. 27, 1988 | 1994/2003 | 300.0 |
| Electric power sector project | Oct. 27, 1988 | 1995/2001 | 252.0 |
| Tax administration technical assistance project | Jan. 24, 1989 | 1994/2004 | 6.5 |
| **Bahamas, The** | | | |
| Second technical and vocational training project | Dec. 8, 1988 | 1994/2003 | 10.0 |
| **Brazil** | | | |
| Jaiba irrigation project | Dec. 22, 1988 | 1994/2003 | 71.0 |
| Amazon basin malaria control project | May 25, 1989 | 1994/2004 | 99.0 |
| **Brazil (Guarantor)** | | | |
| Parana land management I project—State of Parana | Jan. 31, 1989 | 1994/2004 | 63.0 |
| São Paulo natural gas distribution project—Companhia de Gas de São Paulo | Apr. 25, 1989 | 1994/2004 | 94.0 |
| Parana municipal development project—State of Parana | June 22, 1989 | 1994/2004 | 100.0 |
| São Paulo state water sector project—Companhia de Saneamento Basico do Estado de São Paulo | June 28, 1989 | 1994/2004 | 280.0 |
| **Cameroon** | | | |
| Second urban development project | Oct. 27, 1988 | 1994/2005 | 146.0 |
| Livestock sector development project | Jan. 10, 1989 | 1994/2005 | 34.6 |
| Structural adjustment program | June 14, 1989 | 1995/2006 | 150.0 |
| **Chile** | | | |
| Urban streets and transport project | Mar. 21, 1989 | 1994/2006 | 75.0 |
| Second housing sector project | Mar. 28, 1989 | 1994/2006 | 200.0 |
| Second industrial finance project | May 11, 1989 | 1995/2006 | 75.0 |
| **China** | | | |
| Xiamen port project | Dec. 13, 1988 | 1994/2008 | 36.0 |
| Ningbo and Shanghai ports project | Dec. 13, 1988 | 1994/2008 | 76.4 |
| Tianjin light industry project | Feb. 21, 1989 | 1994/2009 | 154.0 |
| Inner Mongolia local railway project | May 12, 1989 | 1994/2009 | 70.0 |
| Hubei phosphate project | May 23, 1989 | 1994/2009 | 137.0 |
| Shandong provincial highway project | May 25, 1989 | 1994/2009 | 60.0 |
| Fifth industrial credit project | May 30, 1989 | 1994/2009 | 300.0 |
| **Colombia** | | | |
| Second subsector project for primary education | Dec. 20, 1988 | 1994/2006 | 100.0 |
| **Colombia (Guarantor)** | | | |
| Fifth small- and medium-scale enterprise project—Central Bank of Colombia | Mar. 14, 1989 | 1994/2006 | 80.0 |

| Borrower or guarantor<br>Purpose | Date of approval | Maturities | Principal amount (US$ millions) |
|---|---|---|---|
| **Costa Rica** | | | |
| Second structural adjustment loan | Dec. 13, 1988 | 1994/2005 | 100.0 |
| **Dominican Republic** | | | |
| Industrial free zone development project | Mar. 30, 1989 | 1994/2009 | 30.0 |
| **Ecuador (Guarantor)** | | | |
| First telecommunications project—Instituto Ecuatoriano de Telecomunicaciones | May 4, 1989 | 1994/2006 | 45.0 |
| **Egypt, Arab Republic of** | | | |
| Agricultural storage project | May 25, 1989 | 1995/2009 | 40.0 |
| **Egypt, Arab Republic of (Guarantor)** | | | |
| Second Alexandria water supply project—Alexandria Water General Authority | Sept. 15, 1988 | 1994/2008 | 36.0 |
| Fourth power project—Egyptian Electricity Authority | June 28, 1989 | 1995/2009 | 165.0 |
| **Fiji** | | | |
| Third telecommunications project | May 25, 1989 | 1994/2006 | 8.1 |
| **Gabon** | | | |
| Road maintenance project | Apr. 27, 1989 | 1994/2004 | 30.0 |
| **Guatemala** | | | |
| Second basic education project | Dec. 6, 1988 | 1994/2009 | 30.0 |
| Secondary and regional road rehabilitation project | Dec. 6, 1988 | 1994/2008 | 31.5 |
| **Honduras** | | | |
| Structural adjustment loan | Sept. 15, 1988 | 1994/2008 | 50.0 |
| Fourth agricultural credit | Sept. 15, 1988 | 1994/2008 | 25.0 |
| **Hungary** | | | |
| Second transport project | Mar. 30, 1989 | 1994/2004 | 95.0 |
| **Hungary (Guarantor)** | | | |
| Third industrial restructuring project—National Bank of Hungary | Feb. 7, 1989 | 1994/2004 | 140.0 |
| Energy development and conservation project—Hungarian National Oil and Gas Trust and National Bank of Hungary | May 11, 1989 | 1995/2004 | 110.0 |
| **India** | | | |
| States' road project | Oct. 20, 1988 | 1994/2008 | 170.0 |
| Nathpa Jhakri power project | Mar. 2, 1989 | 1994/2009 | 485.0 |
| Vocational training project | Apr. 27, 1989 | 1994/2009 | 30.0 |
| Upper Krishna (Phase II) irrigation project | May 4, 1989 | 1994/2009 | 165.0 |
| Export development project | May 12, 1989 | 1994/2009 | 120.0 |
| National sericulture project | May 18, 1989 | 1994/2009 | 30.0 |
| Maharashtra power project | June 15, 1989 | 1995/2009 | 400.0 |
| Electronics industry development project | June 15, 1989 | 1995/2009 | 8.0 |
| Sixth population project | June 29, 1989 | 1995/2009 | 11.3 |

*(continued)*

*Table 7-3 (continued)*

| Borrower or guarantor<br>Purpose | Date of approval | Maturities | Principal amount (US$ millions) |
|---|---|---|---|
| **India (Guarantor)** | | | |
| Petroleum transport project—Indian Oil Corporation Limited | Apr. 27, 1989 | 1994/2009 | 340.0 |
| Export development project—The Industrial Credit and Investment Corporation of India, Limited | May 12, 1989 | 1994/2009 | 175.0 |
| Electronics industry development project—Industrial Development Bank of India | June 15, 1989 | 1995/2009 | 101.0 |
| Electronics industry development project—Industrial Credit and Investment Corporation of India | June 15, 1989 | 1995/2009 | 101.0 |
| **Indonesia** | | | |
| Tree-crops human resource development project | Sept. 15, 1988 | 1994/2008 | 18.4 |
| Tree-crop processing project | Nov. 15, 1988 | 1994/2008 | 118.2 |
| Agricultural research management project | Mar. 28, 1989 | 1994/2009 | 35.3 |
| Third health project | Apr. 25, 1989 | 1994/2009 | 43.5 |
| Small and medium industrial enterprise project | Apr. 25, 1989 | 1994/2009 | 100.0 |
| Industrial restructuring project | Apr. 25, 1989 | 1994/2009 | 284.0 |
| Private sector development project | June 6, 1989 | 1995/2009 | 350.0 |
| Paiton thermal power project | June 22, 1989 | 1995/2009 | 354.0 |
| Power sector efficiency project | June 22, 1989 | 1995/2009 | 337.0 |
| **Jamaica** | | | |
| Emergency reconstruction import loan | Dec. 22, 1988 | 1994/2005 | 30.0 |
| Clarendon alumina production project | May 16, 1989 | 1995/2006 | 15.0 |
| **Jordan** | | | |
| Human resources development sector investment loan | June 29, 1989 | 1995/2006 | 73.0 |
| **Korea, Republic of** | | | |
| Technology advancement project | Apr. 18, 1989 | 1994/2004 | 16.4 |
| Road improvement project | May 16, 1989 | 1994/2004 | 200.0 |
| **Malaysia** | | | |
| Second primary and secondary education sector project | Aug. 2, 1988 | 1994/2003 | 58.8 |
| Sabah land settlement and environmental management project | Apr. 25, 1989 | 1994/2006 | 71.5 |
| **Mexico (Guarantor)** | | | |
| Industrial restructuring project—Nacional Financiera, S.N.C | Apr. 27, 1989 | 1994/2006 | 250.0 |
| Hydroelectric development project—Nacional Financiera, S.N.C | June 8, 1989 | 1995/2006 | 460.0 |
| Industry sector policy loan—Nacional Financiera, S.N.C | June 13, 1989 | 1995/2006 | 500.0 |
| Public enterprise reform loan—Nacional Financiera, S.N.C | June 13, 1989 | 1995/2006 | 500.0 |
| Financial sector adjustment loan—Banco Nacional de Comercio Exterior, S.N.C | June 13, 1989 | 1995/2006 | 500.0 |
| Water, women, and development project—Banco Nacional de Obras y Servicios Públicos, S.N.C | June 22, 1989 | 1995/2006 | 20.0 |

| Borrower or guarantor<br>Purpose | Date of approval | Maturities | Principal amount (US$ millions) |
|---|---|---|---|
| **Morocco** | | | |
| Structural adjustment loan | Dec. 1, 1988 | 1994/2009 | 200.0 |
| Rural primary education project | Mar. 14, 1989 | 1994/2009 | 83.0 |
| Agricultural research and extension project | Apr. 18, 1989 | 1994/2009 | 28.0 |
| Public administration support project | May 2, 1989 | 1995/2009 | 23.0 |
| **Morocco (Guarantor)** | | | |
| National agricultural credit project—National Agricultural Credit Bank | June 14, 1989 | 1994/2009 | 190.0 |
| **Nigeria** | | | |
| Lagos state water supply project | July 28, 1988 | 1994/2008 | 173.2 |
| Second multistate agricultural development project | Aug. 25, 1988 | 1994/2008 | 85.2 |
| Private small and medium enterprise development project | Oct. 20, 1988 | 1994/2008 | 270.0 |
| Trade and investment policy loan | Dec. 22, 1988 | 1994/2008 | 500.0 |
| Imo health and population project | Mar. 30, 1989 | 1993/2008 | 27.6 |
| **Nigeria (Guarantor)** | | | |
| Refineries rehabilitation project—Nigerian National Petroleum Corporation | June 29, 1989 | 1992/2004 | 27.7 |
| **Pakistan** | | | |
| Agricultural sector adjustment loan | Aug. 2, 1988 | 1994/2008 | 200.0 |
| Third industrial investment credit project | Jan. 31, 1989 | 1994/2008 | 148.0 |
| Financial sector adjustment loan | Mar. 28, 1989 | 1994/2009 | 150.0 |
| Second energy sector loan | June 29, 1989 | 1995/2009 | 250.0 |
| **Papua New Guinea** | | | |
| Land mobilization project | May 4, 1989 | 1994/2009 | 19.6 |
| **Philippines** | | | |
| Fourth small and medium industries development project | Apr. 25, 1989 | 1994/2009 | 60.0 |
| Financial sector adjustment program | May 4, 1989 | 1994/2009 | 300.0 |
| Health development project | June 22, 1989 | 1995/2009 | 70.1 |
| **Philippines (Guarantor)** | | | |
| Manila power distribution project—Development Bank of the Philippines | June 8, 1989 | 1995/2009 | 65.5 |
| **Portugal** | | | |
| Tras-Os-Montes regional development project | Apr. 11, 1989 | 1994/2004 | 90.0 |
| **St. Vincent and the Grenadines** | | | |
| Agricultural rehabilitation and diversification project | Jan. 26, 1989 | 1994/2006 | 1.4 |
| **Thailand** | | | |
| Second highway sector project | Dec. 13, 1988 | 1994/2008 | 87.0 |
| **Thailand (Guarantor)** | | | |
| Power system development project—Electricity Generating Authority of Thailand | Mar. 21, 1989 | 1994/2009 | 90.0 |

*(continued)*

*Table 7-3 (continued)*

| Borrower or guarantor<br>Purpose | Date of approval | Maturities | Principal amount (US$ millions) |
|---|---|---|---|
| **Tunisia** | | | |
| Education and training sector loan | May 11, 1989 | 1994/2006 | 95.0 |
| Fifth urban project | May 18, 1989 | 1994/2006 | 58.0 |
| Second agricultural sector adjustment loan | June 1, 1989 | 1994/2006 | 84.0 |
| **Tunisia (Guarantor)** | | | |
| Petroleum exploration promotion project—Entreprise Tunisienne d'Activités Pétrolières | Feb. 21, 1989 | 1994/2006 | 5.5 |
| **Turkey** | | | |
| Second financial sector adjustment project (B-Loan) | Sept. 14, 1988 | 1999/2000 | 29.8 |
| Health project | May 11, 1989 | 1994/2006 | 75.0 |
| Second small- and medium-scale industry project | May 23, 1989 | 1994/2006 | 204.5 |
| Agroindustry project | May 30, 1989 | 1994/2006 | 150.0 |
| Third agricultural credit project | June 15, 1989 | 1995/2006 | 250.0 |
| **Uruguay** | | | |
| Transport project I | Feb. 7, 1989 | 1994/2003 | 80.8 |
| Second technical assistance project | June 8, 1989 | 1995/2004 | 6.5 |
| Second structural adjustment loan | June 8, 1989 | 1995/2004 | 140.0 |
| **Venezuela** | | | |
| Trade policy loan | June 15, 1989 | 1995/2004 | 353.0 |
| Structural adjustment loan | June 15, 1989 | 1995/2004 | 402.0 |
| **Yugoslavia (Guarantor)** | | | |
| Seventh railway project—The Railway Transport Organizations of Belgrade, Ljubljana, Novi Sad, and Zagreb | May 23, 1989 | 1995/2004 | 138.0 |
| Istria and Slovene coast water supply and sewerage project—Rizana Water Works, Istrian Water Works, Pula Water Works | May 23, 1989 | 1994/2004 | 60.0 |
| **Zimbabwe** | | | |
| Agricultural credit and export promotion project | May 18, 1989 | 1995/2009 | 36.3 |
| Urban sector and regional development project | June 1, 1989 | 1994/2009 | 80.0 |
| Total | | | 16,433.2 |
| **International Finance Corporation** (total amount for fiscal 1989) | —[a] | —[b] | 179.1 |
| Grand total | | | 16,612.3 |

NOTE: All loans approved in fiscal year 1989 are at variable interest rates.

a. Various loans approved throughout the fiscal year.

b. Maturities vary for individual loans.

## *Table 7-4.* Statement of IDA Credits Approved during Fiscal Year 1989

| | | | Principal amount (millions) | |
|---|---|---|---|---|
| Country<br>Purpose | Date of approval | Maturities | SDR | US$ equivalent |
| **Bangladesh** | | | | |
| Industrial sector credit (supplemental credit) | Mar. 13, 1989 | 1999/2028 | 1.9 | 2.5 |
| Export development credit | April 11, 1989 | 1999/2028 | 19.4 | 25.0 |
| Energy sector adjustment credit | April 11, 1989 | 1999/2028 | 137.0 | 175.0 |
| Power distribution (16 towns) project | May 16, 1989 | 1999/2029 | 64.7 | 87.0 |
| Third flood rehabilitation (emergency) project | June 27, 1989 | 1999/2029 | 102.8 | 133.6 |
| **Benin** | | | | |
| Telecommunications project | Nov. 8, 1988 | 1999/2028 | 12.5 | 16.0 |
| Structural adjustment program | May 23, 1989 | 1999/2029 | 33.5 | 45.0 |
| Health services development project | June 6, 1989 | 1999/2029 | 14.1 | 18.6 |
| **Bolivia** | | | | |
| Economic management strengthening project | Dec. 22, 1988 | 1999/2028 | 7.2 | 9.7 |
| Financial sector adjustment credit (supplemental credit) | Mar. 13, 1989 | 1999/2028 | 9.2 | 11.3 |
| Mining sector rehabilitation project | May 11, 1989 | 1999/2029 | 26.5 | 35.0 |
| Export corridors project | May 11, 1989 | 1999/2029 | 28.3 | 37.0 |
| **Burkina Faso** | | | | |
| Agricultural services project | Jan. 17, 1989 | 1999/2028 | 31.2 | 42.0 |
| **Burundi** | | | | |
| Second urban development project | Dec. 6, 1988 | 1999/2028 | 16.1 | 21.0 |
| Agricultural services sector project | May 25, 1989 | 1999/2029 | 25.1 | 33.1 |
| **Cape Verde** | | | | |
| Infrastructure rehabilitation and technical assistance project | Sept. 8, 1988 | 1999/2028 | 3.5 | 4.7 |
| **Central African Republic** | | | | |
| Economic management project | Dec. 13, 1988 | 1999/2028 | 10.3 | 13.2 |
| Energy project | Jan. 10, 1989 | 1999/2028 | 13.5 | 18.0 |
| **Chad** | | | | |
| Financial rehabilitation program | July 26, 1988 | 1999/2028 | 11.9 | 16.2 |
| Education rehabilitation program | Aug. 2, 1988 | 1999/2028 | 16.2 | 22.0 |
| Transport sector adjustment/investment project | April 25, 1989 | 1999/2029 | 45.4 | 60.0 |
| **China** | | | | |
| Jiangxi provincial highway project | Feb. 7, 1989 | 1999/2023 | 44.7 | 61.0 |
| Shaanxi agricultural development project | Mar. 28, 1989 | 1999/2023 | 78.8 | 106.0 |
| Textbook development project | April 18, 1989 | 1999/2023 | 41.8 | 57.0 |
| Integrated regional health development project | May 2, 1989 | 1999/2024 | 39.4 | 52.0 |
| Inner Mongolia local railway project | May 12, 1989 | 1999/2024 | 58.6 | 80.0 |
| Shandong agricultural development project | May 16, 1989 | 1999/2024 | 82.5 | 109.0 |
| Shandong provincial highway project | May 25, 1989 | 1999/2024 | 38.8 | 50.0 |

*(continued)*

*Table 7-4 (continued)*

| Country<br>Purpose | Date of approval | Maturities | Principal amount (millions)<br>SDR | <br>US$ equivalent |
|---|---|---|---|---|
| **Djibouti** | | | | |
| Geothermal development project | June 29, 1989 | 1999/2029 | 7.1 | 9.2 |
| **Ethiopia** | | | | |
| First peasant agricultural development project | Oct. 18, 1988 | 1999/2028 | 66.0 | 85.0 |
| Transport project | April 11, 1989 | 1999/2029 | 55.8 | 72.0 |
| **Gambia, The** | | | | |
| Enterprise development project | Dec. 22, 1988 | 1999/2028 | 7.3 | 10.0 |
| Second structural adjustment program | June 8, 1989 | 1999/2029 | 17.9 | 23.0 |
| **Ghana** | | | | |
| Second telecommunications project | July 26, 1988 | 1999/2028 | 13.8 | 19.0 |
| Forest resource management project | Dec. 22, 1988 | 1999/2028 | 30.6 | 39.4 |
| Financial sector adjustment credit (supplemental credit) | Mar. 13, 1989 | 1999/2028 | 5.1 | 6.6 |
| Private small and medium enterprise development project | Mar. 28, 1989 | 1999/2029 | 22.3 | 30.0 |
| Second structural adjustment credit | April 18, 1989 | 1999/2029 | 89.2 | 120.0 |
| Rural finance project | June 14, 1989 | 1999/2029 | 15.2 | 20.0 |
| Water sector rehabilitation project | June 14, 1989 | 1999/2029 | 19.3 | 25.0 |
| **Guinea** | | | | |
| National agricultural research and extension project | Sept. 15, 1988 | 1999/2028 | 14.2 | 18.4 |
| Second economic management support project | Nov. 8, 1988 | 1999/2028 | 11.3 | 14.5 |
| Second water supply project | Feb. 21, 1989 | 1999/2029 | 29.3 | 40.0 |
| Socioeconomic development support project | Mar. 28, 1989 | 1999/2029 | 6.9 | 9.0 |
| **Guinea-Bissau** | | | | |
| Social and infrastructure relief project | May 18, 1989 | 1999/2029 | 3.8 | 5.0 |
| Second structural adjustment program | May 18, 1989 | 1999/2028 | 18.0 | 23.4 |
| **Haiti** | | | | |
| Fifth power project | June 27, 1989 | 1999/2029 | 18.6 | 24.0 |
| Port-au-Prince water supply project | June 27, 1989 | 1999/2029 | 15.2 | 20.0 |
| **India** | | | | |
| Third national seeds project | Aug. 25, 1988 | 1998/2023 | 108.6 | 150.0 |
| States' road project | Oct. 20, 1988 | 1998/2023 | 62.2 | 80.0 |
| Vocational training project | April 27, 1989 | 1998/2023 | 189.2 | 250.0 |
| Upper Krishna (Phase II) irrigation project | May 4, 1989 | 1999/2023 | 119.0 | 160.0 |
| National sericulture project | May 18, 1989 | 1999/2024 | 113.8 | 147.0 |
| Sixth population project | June 29, 1989 | 1999/2024 | 87.2 | 113.3 |
| **Kenya** | | | | |
| Geothermal development and energy preinvestment project | Dec. 22, 1988 | 1998/2023 | 31.6 | 40.7 |
| Rural services design project | Dec. 22, 1988 | 1998/2023 | 15.5 | 20.8 |
| Industrial sector adjustment credit (supplemental credit) | Mar. 13, 1989 | 1998/2023 | 41.4 | 53.7 |
| Financial sector adjustment credit | June 27, 1989 | 1999/2024 | 92.9 | 120.0 |

| Country<br>Purpose | Date of approval | Maturities | Principal amount (millions) | |
|---|---|---|---|---|
| | | | SDR | US$ equivalent |
| **Lao People's Democratic Republic** | | | | |
| Industrial credit project | July 26, 1988 | 1998/2028 | 7.4 | 10.0 |
| National polytechnic institute project | April 11, 1989 | 1999/2029 | 2.7 | 3.5 |
| Structural adjustment program | June 14, 1989 | 1999/2029 | 30.8 | 40.0 |
| **Madagascar** | | | | |
| Economic management and social action project | Dec. 6, 1988 | 1998/2028 | 17.1 | 22.0 |
| Public sector adjustment credit (supplemental credit) | Mar. 13, 1989 | 1998/2028 | 1.1 | 1.4 |
| National agricultural research project | June 15, 1989 | 1999/2029 | 18.6 | 24.0 |
| **Malawi** | | | | |
| Agricultural marketing and estate development project | Dec. 1, 1988 | 1998/2028 | 14.2 | 18.3 |
| Industry and trade adjustment credit (supplemental credit) | Mar. 13, 1989 | 1998/2028 | 4.0 | 5.2 |
| Energy I project | Mar. 14, 1989 | 1998/2028 | 34.8 | 46.7 |
| Institutional development project | June 13, 1989 | 1999/2029 | 8.8 | 11.3 |
| **Maldives** | | | | |
| Education and training project | Jan. 26, 1989 | 1998/2028 | 6.0 | 8.2 |
| **Mali** | | | | |
| Second power project | Mar. 30, 1989 | 1999/2028 | 24.2 | 33.0 |
| Education sector consolidation project | June 29, 1989 | 1999/2029 | 20.2 | 26.0 |
| **Mauritania** | | | | |
| Education sector restructuring project | July 19, 1988 | 1998/2028 | 13.2 | 18.2 |
| **Mozambique** | | | | |
| Urban rehabilitation project | Aug. 2, 1988 | 1998/2028 | 44.0 | 60.0 |
| Health and nutrition project | Mar. 14, 1989 | 1998/2028 | 21.0 | 27.0 |
| Third rehabilitation project | May 18, 1989 | 1999/2029 | 68.2 | 90.0 |
| Urban household energy project | June 8, 1989 | 1999/2029 | 17.1 | 22.0 |
| **Nepal** | | | | |
| Municipal development and earthquake emergency housing reconstruction project | Mar. 14, 1989 | 1998/2028 | 30.9 | 41.5 |
| Arun III access road project | May 30, 1989 | 1999/2029 | 24.4 | 32.8 |
| Hill community forestry project | May 30, 1989 | 1999/2029 | 23.5 | 30.5 |
| Engineering education project | June 22, 1989 | 1999/2029 | 8.8 | 11.4 |
| Earthquake emergency schools rehabilitation project | June 27, 1989 | 1999/2029 | 17.6 | 22.8 |
| Second structural adjustment credit | June 27, 1989 | 1999/2029 | 46.2 | 60.0 |
| **Nigeria** | | | | |
| Third multistate agricultural development project | June 13, 1989 | 1999/2024 | 75.0 | 100.9 |

*(continued)*

*Table 7-4 (continued)*

| Country<br>Purpose | Date of approval | Maturities | Principal amount (millions) SDR | US$ equivalent |
|---|---|---|---|---|
| **Pakistan** | | | | |
| Third industrial investment credit | Jan. 31, 1989 | 1999/2023 | 1.5 | 2.0 |
| Second Karachi water supply and sanitation project | Feb. 28, 1989 | 1999/2023 | 97.1 | 125.0 |
| 1988 flood damage restoration project | April 11, 1989 | 1999/2024 | 30.6 | 40.0 |
| Private tubewell development project | April 11, 1989 | 1999/2024 | 26.3 | 34.4 |
| **Rwanda** | | | | |
| Agricultural services project | May 30, 1989 | 1999/2029 | 15.5 | 19.9 |
| Urban institutions sectoral development project | June 15, 1989 | 1999/2029 | 24.8 | 32.0 |
| **São Tomé and Principe** | | | | |
| Multisector project | June 14, 1989 | 1999/2029 | 3.9 | 5.0 |
| **Senegal** | | | | |
| Third structural adjustment credit (supplemental credit) | Mar. 13, 1989 | 1999/2028 | 4.2 | 5.5 |
| Second small rural operations project | Mar. 21, 1989 | 1999/2028 | 12.0 | 16.1 |
| **Somalia** | | | | |
| Central rangelands research and development project | Oct. 18, 1988 | 1999/2028 | 14.7 | 19.0 |
| Second agricultural sector adjustment program | June 1, 1989 | 1999/2029 | 54.2 | 70.0 |
| **Sri Lanka** | | | | |
| Third industrial development project | July 26, 1988 | 1999/2028 | 31.7 | 43.8 |
| Forest sector development project | June 15, 1989 | 1999/2029 | 15.5 | 19.9 |
| **St. Vincent and the Grenadines** | | | | |
| Agricultural rehabilitation and diversification project | Jan. 26, 1989 | 1999/2023 | 1.1 | 1.4 |
| **Sudan** | | | | |
| Southern Kassala agricultural project | Nov. 8, 1988 | 1999/2028 | 15.6 | 20.0 |
| Emergency flood reconstruction project | May 4, 1989 | 1999/2029 | 54.9 | 75.0 |
| **Tanzania** | | | | |
| National agricultural and livestock research project | Dec. 13, 1988 | 1999/2028 | 6.0 | 8.3 |
| Industrial rehabilitation and trade adjustment program | Dec. 13, 1988 | 1999/2028 | 97.6 | 135.0 |
| Industrial rehabilitation and trade adjustment credit (supplemental credit) | Mar. 13, 1989 | 1999/2028 | 9.7 | 12.5 |
| National agricultural and livestock extension rehabilitation project | Mar. 21, 1989 | 1999/2029 | 13.7 | 18.4 |
| Cashew and coconut treecrops project | June 27, 1989 | 1999/2029 | 19.4 | 25.1 |
| **Togo** | | | | |
| Third structural adjustment credit (supplemental credit) | Mar. 13, 1989 | 1999/2027 | 0.1 | 0.1 |
| Grassroots development initiatives project | Mar. 21, 1989 | 1999/2029 | 3.8 | 5.0 |
| Preinvestment project | May 18, 1989 | 1999/2028 | 3.9 | 5.0 |
| Telecommunications project | June 29, 1989 | 1999/2029 | 12.4 | 16.0 |

| Country<br>Purpose | Date of approval | Maturities | Principal amount (millions) SDR | US$ equivalent |
|---|---|---|---|---|
| **Uganda** | | | | |
| Third technical assistance program | Aug. 23, 1988 | 1999/2028 | 13.8 | 18.0 |
| Public enterprise project | Nov. 8, 1988 | 1999/2028 | 11.7 | 15.0 |
| Fourth education project | Nov. 15, 1988 | 1999/2028 | 17.1 | 22.0 |
| Railways project | Feb. 21, 1989 | 1999/2029 | 5.2 | 7.0 |
| Economic recovery program I (supplemental credit) | Mar. 13, 1989 | 1997/2027 | 1.3 | 1.7 |
| Second telecommunications rehabilitation project | Mar. 14, 1989 | 1999/2029 | 38.3 | 52.3 |
| Economic recovery program (supplemental credit) | April 20, 1989 | 1997/2027 | 19.0 | 25.0 |
| **Vanuatu** | | | | |
| Primary and secondary education project | Nov. 15, 1988 | 1999/2028 | 6.3 | 8.0 |
| **Western Samoa** | | | | |
| Telecommunications project | June 8, 1989 | 1999/2029 | 3.6 | 4.6 |
| **Yemen Arab Republic** | | | | |
| Eastern Region agricultural development project | Jan. 31, 1989 | 1999/2029 | 11.0 | 15.0 |
| Institutional development for public administration project | May 12, 1989 | 1999/2029 | 8.2 | 10.8 |
| **Yemen, People's Democratic Republic of** | | | | |
| Al Mukalla water supply project | July 19, 1988 | 1999/2028 | 8.7 | 12.0 |
| Second health development project | Dec. 13, 1988 | 1999/2028 | 3.5 | 4.5 |
| Third Wadi Hadramawt agricultural development project | June 22, 1989 | 1999/2029 | 9.3 | 12.0 |
| **Zaire** | | | | |
| National AIDS control program assistance project | Sept. 8, 1988 | 1999/2028 | 6.2 | 8.1 |
| Agricultural sector management and institutional development project | Oct. 20, 1988 | 1999/2028 | 9.0 | 11.6 |
| First transport rehabilitation project | May 30, 1989 | 1999/2029 | 57.3 | 75.0 |
| Second Gecamines technical assistance project | June 27, 1989 | 1999/2029 | 15.4 | 20.0 |
| Total | | | 3,738.1 | 4,933.6 |

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 1989 have a service charge of 0.75 percent on the unwithdrawn balance.

**Table 7-5. IBRD and IDA Cumulative Lending Operations, by Major Purpose and Region, June 30, 1989**
(millions of US dollars)

| | IBRD loans to borrowers, by region[a] | | | | |
|---|---|---|---|---|---|
| Purpose[b] | Africa | Asia | Europe, Middle East, and North Africa | Latin America and the Caribbean | Total |
| **Agriculture and Rural Development** | | | | | |
| Agricultural credit | 319.8 | 1,287.9 | 2,610.3 | 2,445.4 | 6,663.4 |
| Agriculture sector loan | 14.6 | 427.3 | 1,232.0 | 2,082.1 | 3,756.0 |
| Agroindustry | 30.0 | 325.2 | 1,049.7 | 1,126.9 | 2,531.8 |
| Area development | 1,464.6 | 1,639.9 | 1,004.5 | 2,927.4 | 7,036.4 |
| Fisheries | 0.0 | 106.7 | 48.0 | 16.2 | 170.9 |
| Forestry | 255.0 | 58.0 | 268.5 | 70.5 | 652.0 |
| Irrigation and drainage | 110.2 | 3,800.7 | 2,645.8 | 1,827.3 | 8,384.0 |
| Livestock | 170.7 | 318.0 | 236.0 | 1,042.0 | 1,766.7 |
| Perennial crops | 528.5 | 1,218.0 | 108.0 | 123.0 | 1,977.5 |
| Research and extension | 64.9 | 448.4 | 127.4 | 538.0 | 1,178.7 |
| Total | 2,958.3 | 9,630.1 | 9,330.2 | 12,198.8 | 34,117.4 |
| **Development Finance Companies** | 1,059.0 | 5,162.8 | 5,721.7 | 5,731.1 | 17,674.6 |
| **Education** | 392.1 | 2,520.0 | 1,926.8 | 1,212.7 | 6,051.6 |
| **Energy** | | | | | |
| Oil, gas, and coal | 167.2 | 4,278.8 | 1,630.8 | 1,122.2 | 7,199.0 |
| Power | 1,612.1 | 12,876.7 | 5,708.2 | 10,342.2 | 30,539.2 |
| Total | 1,779.3 | 17,155.5 | 7,339.0 | 11,464.4 | 37,738.2 |
| **Industry** | | | | | |
| Engineering | 27.7 | 10.0 | 11.0 | 9.5 | 58.2 |
| Fertilizer and other chemicals | 0.0 | 1,701.1 | 776.4 | 848.5 | 3,326.0 |
| Industry sector loan | 0.6 | 1,776.1 | 1,901.0 | 1,359.5 | 5,037.2 |
| Iron and steel | 20.0 | 189.0 | 512.8 | 1,067.0 | 1,788.8 |
| Mining, other extractive | 533.5 | 0.0 | 212.2 | 547.5 | 1,293.2 |
| Paper and pulp | 48.4 | 105.5 | 263.3 | 20.0 | 437.2 |
| Textiles | 63.0 | 157.4 | 307.3 | 0.0 | 527.7 |
| Tourism sector loan | 54.5 | 25.0 | 96.6 | 187.5 | 363.6 |
| Total | 747.7 | 3,964.1 | 4,080.6 | 4,039.5 | 12,831.9 |
| **Nonproject** | 1,943.6 | 3,329.3 | 3,725.9[c] | 4,335.6 | 13,334.4 |
| **Population, Health, and Nutrition** | 104.8 | 434.8 | 232.2 | 478.8 | 1,250.6 |
| **Small-scale Enterprises** | 440.7 | 1,291.5 | 808.0 | 1,935.6 | 4,475.8 |
| **Technical Assistance** | 124.8 | 23.0 | 8.8 | 173.3 | 329.9 |
| **Telecommunications** | 285.2 | 981.0 | 821.8 | 508.3 | 2,596.3 |
| **Transportation** | | | | | |
| Airlines and airports | 59.0 | 14.8 | 7.0 | 218.5 | 299.3 |
| Highways | 1,772.9 | 4,388.5 | 2,816.3 | 4,745.3 | 13,723.0 |
| Pipelines | 0.0 | 0.0 | 94.5 | 23.3 | 117.8 |
| Ports and waterways | 285.9 | 1,722.5 | 1,492.6 | 523.7 | 4,024.7 |
| Railways | 694.9 | 3,013.8 | 1,483.9 | 1,938.5 | 7,131.1 |
| Transportation sector loan | 61.6 | 377.2 | 372.0 | 128.6 | 939.4 |
| Total | 2,874.3 | 9,516.8 | 6,266.3 | 7,577.9 | 26,235.3 |
| **Urban Development** | 805.3 | 2,652.5 | 650.8 | 3,039.1 | 7,147.7 |
| **Water Supply and Sewerage** | 701.9 | 1,226.4 | 2,848.8 | 2,921.2 | 7,698.3 |
| Grand total | 14,217.0 | 57,887.8 | 43,760.9 | 55,616.3 | 171,482.0 |

a. Except for the total amount shown in footnote d, no account is taken of cancellations and refundings subsequent to original commitment. Amounts of cancellations and refundings are shown by country and purpose in the Statement of Loans and Development Credits. IBRD loans of $2,485.0 million 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[a] | | | | | |
|---|---|---|---|---|---|
| Africa | Asia | Europe, Middle East, and North Africa | Latin America and the Caribbean | Total | Total IBRD and IDA |
| 366.6 | 2,154.3 | 304.0 | 23.5 | 2,848.4 | 9,511.8 |
| 237.7 | 327.7 | 40.0 | 1.4 | 606.8 | 4,362.8 |
| 333.4 | 676.9 | 138.0 | 15.0 | 1,163.3 | 3,695.1 |
| 1,562.1 | 1,345.9 | 200.6 | 51.1 | 3,159.7 | 10,196.1 |
| 46.9 | 147.7 | 54.1 | 0.0 | 248.7 | 419.6 |
| 311.7 | 710.0 | 1.7 | 12.8 | 1,036.2 | 1,688.2 |
| 827.1 | 4,922.9 | 1,214.2 | 18.5 | 6,982.7 | 15,366.7 |
| 416.4 | 331.2 | 49.5 | 67.5 | 864.6 | 2,631.3 |
| 425.6 | 471.3 | 15.0 | 3.2 | 915.1 | 2,892.6 |
| 347.9 | 735.1 | 101.9 | 0.0 | 1,184.9 | 2,363.6 |
| 4,875.4 | 11,823.0 | 2,119.0 | 193.0 | 19,010.4 | 53,127.8 |
| 709.8 | 397.1 | 273.7 | 108.5 | 1,489.1 | 19,163.7 |
| 1,428.6 | 1,461.9 | 598.6 | 73.6 | 3,562.7 | 9,614.3 |
| 334.5 | 368.7 | 111.0 | 33.0 | 847.2 | 8,046.2 |
| 915.1 | 3,528.0 | 341.1 | 189.7 | 4,973.9 | 35,513.1 |
| 1,249.6 | 3,896.7 | 452.1 | 222.7 | 5,821.1 | 43,559.3 |
| 16.7 | 0.0 | 0.0 | 0.0 | 16.7 | 74.9 |
| 35.0 | 884.0 | 76.4 | 0.0 | 995.4 | 4,321.4 |
| 212.6 | 36.4 | 29.5 | 0.0 | 278.5 | 5,315.7 |
| 40.0 | 0.0 | 0.0 | 0.0 | 40.0 | 1,828.8 |
| 20.9 | 16.0 | 0.0 | 49.5 | 86.4 | 1,379.6 |
| 50.0 | 0.0 | 0.0 | 0.0 | 50.0 | 487.2 |
| 20.0 | 104.7 | 7.0 | 0.0 | 131.7 | 659.4 |
| 18.0 | 20.2 | 48.5 | 0.0 | 86.7 | 450.3 |
| 413.2 | 1,061.3 | 161.4 | 49.5 | 1,685.4 | 14,517.3 |
| 2,604.7 | 2,969.1 | 395.0 | 204.1 | 6,172.9 | 19,507.3 |
| 361.2 | 821.3 | 80.2 | 0.0 | 1,262.7 | 2,513.3 |
| 98.7 | 236.5 | 88.8 | 0.0 | 424.0 | 4,899.8 |
| 608.9 | 155.2 | 44.6 | 24.2 | 832.9 | 1,162.8 |
| 339.3 | 787.8 | 142.7 | 0.0 | 1,269.8 | 3,866.1 |
| 14.0 | 0.0 | 2.5 | 0.0 | 16.5 | 315.8 |
| 2,269.7 | 1,042.0 | 282.3 | 167.3 | 3,761.3 | 17,484.3 |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 117.8 |
| 376.9 | 327.7 | 44.7 | 16.0 | 765.3 | 4,790.0 |
| 471.6 | 1,124.2 | 138.5 | 45.0 | 1,779.3 | 8,910.4 |
| 222.0 | 334.5 | 0.0 | 0.0 | 556.5 | 1,495.9 |
| 3,354.2 | 2,828.4 | 468.0 | 228.3 | 6,878.9 | 33,114.2 |
| 538.2 | 1,326.3 | 226.3 | 90.0 | 2,180.8 | 9,328.5 |
| 520.2 | 1,125.6 | 424.9 | 38.6 | 2,109.3 | 9,807.6 |
| 17,102.0 | 28,890.2 | 5,475.3 | 1,232.5 | 52,700.0 | 224,182.0[d] |

c. Includes $497 million in European reconstruction loans made before 1952.

d. Cancellations, terminations, and refundings amount to $10,925.6 million for the IBRD and $1,822.6 million for IDA, totaling $12,748.2 million. This amount includes $46.1 million of loans and $175.8 million of credits made to Pakistan in earlier years for development projects in its former eastern wing, now Bangladesh. The loans and credits were reactivated, in revised form, as commitments to Bangladesh.

## *Table 7-6.* IBRD and IDA Cumulative Lending Operations, by Borrower or Guarantor, June 30, 1989

(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 |
| Algeria | 39 | 3,077.0 | — | — | 39 | 3,077.0 |
| Argentina | 40 | 5,120.8 | — | — | 40 | 5,120.8 |
| Australia | 7 | 417.7 | — | — | 7 | 417.7 |
| Austria | 9 | 106.4 | — | — | 9 | 106.4 |
| Bahamas, The | 5 | 42.8 | — | — | 5 | 42.8 |
| Bangladesh[a] | 1 | 46.1 | 121 | 4,708.5 | 122 | 4,754.6 |
| Barbados | 9 | 74.2 | — | — | 9 | 74.2 |
| Belgium | 4 | 76.0 | — | — | 4 | 76.0 |
| Belize | 4 | 26.2 | — | — | 4 | 26.2 |
| Benin | — | — | 28 | 360.6 | 28 | 360.6 |
| Bhutan | — | — | 5 | 22.8 | 5 | 22.8 |
| Bolivia | 14 | 299.3 | 26 | 455.2 | 40 | 754.5 |
| Botswana | 19 | 265.8 | 6 | 15.8 | 25 | 281.6 |
| Brazil | 177 | 16,412.6 | — | — | 177 | 16,412.6 |
| Burkina Faso[b,c] | — | 1.9 | 30 | 375.4 | 30 | 377.3 |
| Burundi | 1 | 4.8 | 36 | 470.9 | 37 | 475.7 |
| Cameroon | 40 | 1,219.9 | 15 | 253.0 | 55 | 1,472.9 |
| Cape Verde | — | — | 4 | 20.1 | 4 | 20.1 |
| Caribbean Region[d] | 2 | 43.0 | 2 | 20.0 | 4 | 63.0 |
| Central African Republic | — | — | 17 | 217.3 | 17 | 217.3 |
| Chad[b] | — | — | 22 | 307.5 | 22 | 307.5 |
| Chile | 42 | 2,314.7 | — | 19.0 | 42 | 2,333.7 |
| China | 50 | 5,280.2 | 28 | 3,337.3 | 78 | 8,617.5 |
| Colombia | 122 | 6,376.4 | — | 19.5 | 122 | 6,395.9 |
| Comoros | — | — | 8 | 40.5 | 8 | 40.5 |
| Congo, People's Republic of the | 9 | 200.9 | 8 | 74.6 | 17 | 275.5 |
| Costa Rica | 32 | 616.9 | — | 5.5 | 32 | 622.4 |
| Côte d'Ivoire[c,e] | 52 | 2,037.8 | 1 | 7.5 | 53 | 2,045.3 |
| Cyprus | 27 | 331.8 | — | — | 27 | 331.8 |
| Denmark | 3 | 85.0 | — | — | 3 | 85.0 |
| Djibouti | — | — | 6 | 34.6 | 6 | 34.6 |
| Dominica | — | — | 3 | 11.0 | 3 | 11.0 |
| Dominican Republic | 19 | 472.9 | 3 | 22.0 | 22 | 494.9 |
| East African Community[f] | 10 | 244.8 | — | — | 10 | 244.8 |
| Eastern and Southern Africa Region[g] | — | — | 1 | 45.0 | 1 | 45.0 |
| Ecuador | 44 | 1,317.9 | 5 | 36.9 | 49 | 1,354.8 |
| Egypt, Arab Republic of | 48 | 3,061.3 | 26 | 981.2 | 74 | 4,042.5 |
| El Salvador | 19 | 281.1 | 2 | 25.6 | 21 | 306.7 |
| Equatorial Guinea | — | — | 6 | 30.8 | 6 | 30.8 |
| Ethiopia | 12 | 108.6 | 45 | 1,189.6 | 57 | 1,298.2 |
| Fiji | 11 | 121.7 | — | — | 11 | 121.7 |
| Finland | 18 | 316.8 | — | — | 18 | 316.8 |
| France | 1 | 250.0 | — | — | 1 | 250.0 |
| Gabon[h] | 8 | 149.3 | — | — | 8 | 149.3 |

| Borrower or guarantor | IBRD loans | | IDA credits | | Total | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| Gambia, The | — | — | 18 | 112.7 | 18 | 112.7 |
| Ghana[e] | 9 | 207.0 | 47 | 1,263.0 | 56 | 1,470.0 |
| Greece | 17 | 490.8 | — | — | 17 | 490.8 |
| Grenada | — | — | 1 | 5.0 | 1 | 5.0 |
| Guatemala | 21 | 585.1 | — | — | 21 | 585.1 |
| Guinea | 3 | 75.2 | 31 | 562.1 | 34 | 637.3 |
| Guinea-Bissau | — | — | 14 | 129.2 | 14 | 129.2 |
| Guyana | 12 | 80.0 | 5 | 54.3 | 17 | 134.3 |
| Haiti | 1 | 2.6 | 26 | 363.4 | 27 | 366.0 |
| Honduras | 32 | 627.3 | 5 | 83.2 | 37 | 710.5 |
| Hungary | 19 | 1,976.9 | — | — | 19 | 1,976.9 |
| Iceland | 10 | 47.1 | — | — | 10 | 47.1 |
| India | 124 | 17,211.2 | 177 | 16,123.3 | 301 | 33,334.5 |
| Indonesia | 138 | 13,196.6 | 46 | 931.8 | 184 | 14,128.4 |
| Iran, Islamic Republic of | 33 | 1,210.7 | — | — | 33 | 1,210.7 |
| 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 | 48 | 881.4 | — | — | 48 | 881.4 |
| Japan | 31 | 862.9 | — | — | 31 | 862.9 |
| Jordan | 29 | 843.4 | 15 | 85.3 | 44 | 928.7 |
| Kenya | 46 | 1,200.0 | 44 | 1,195.8 | 90 | 2,395.8 |
| Korea, Republic of | 89 | 7,043.4 | 6 | 110.8 | 95 | 7,154.2 |
| Lao People's Democratic Republic | — | — | 11 | 150.5 | 11 | 150.5 |
| Lebanon | 4 | 116.6 | — | — | 4 | 116.6 |
| Lesotho | — | — | 18 | 145.1 | 18 | 145.1 |
| Liberia | 21 | 156.0 | 14 | 114.5 | 35 | 270.5 |
| Luxembourg | 1 | 12.0 | — | — | 1 | 12.0 |
| Madagascar[i] | 5 | 32.9 | 45 | 850.5 | 50 | 883.4 |
| Malawi | 9 | 124.1 | 43 | 718.1 | 52 | 842.2 |
| Malaysia | 75 | 2,630.4 | — | — | 75 | 2,630.4 |
| Maldives | — | — | 3 | 16.4 | 3 | 16.4 |
| Mali[b,c] | — | 1.9 | 38 | 569.6 | 38 | 571.5 |
| Malta[j] | 1 | 7.5 | — | — | 1 | 7.5 |
| Mauritania[b] | 3 | 146.0 | 23 | 166.9 | 26 | 312.9 |
| Mauritius | 20 | 253.7 | 4 | 20.2 | 24 | 273.9 |
| Mexico | 116 | 14,756.1 | — | — | 116 | 14,756.1 |
| Morocco | 84 | 4,695.2 | 3 | 50.8 | 87 | 4,746.0 |
| Mozambique | — | — | 8 | 349.9 | 8 | 349.9 |
| Myanmar[k] | 3 | 33.4 | 30 | 804.0 | 33 | 837.4 |
| Nepal | — | — | 55 | 1,011.1 | 55 | 1,011.1 |
| Netherlands | 8 | 244.0 | — | — | 8 | 244.0 |
| New Zealand | 6 | 126.8 | — | — | 6 | 126.8 |
| Nicaragua | 27 | 233.6 | 4 | 60.0 | 31 | 293.6 |

*(continued)*

*Table 7-6 (continued)*

| Borrower or guarantor | IBRD loans | | IDA credits | | Total | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| Niger[b] | — | — | 31 | 430.6 | 31 | 430.6 |
| Nigeria | 73 | 5,061.1 | 3 | 136.4 | 76 | 5,197.5 |
| Norway | 6 | 145.0 | — | — | 6 | 145.0 |
| Oman | 11 | 157.1 | — | — | 11 | 157.1 |
| Pakistan[l] | 67 | 3,557.6 | 80 | 3,028.7 | 147 | 6,586.3 |
| Panama | 31 | 696.3 | — | — | 31 | 696.3 |
| Papua New Guinea | 19 | 344.1 | 9 | 113.2 | 28 | 457.3 |
| Paraguay | 27 | 458.1 | 6 | 45.5 | 33 | 503.6 |
| Peru | 60 | 1,711.9 | — | — | 60 | 1,711.9 |
| Philippines | 107 | 5,809.3 | 3 | 122.2 | 110 | 5,931.5 |
| Portugal | 32 | 1,338.8 | — | — | 32 | 1,338.8 |
| Romania | 33 | 2,184.3 | — | — | 33 | 2,184.3 |
| Rwanda | — | — | 34 | 382.2 | 34 | 382.2 |
| São Tomé and Principe | — | — | 4 | 21.9 | 4 | 21.9 |
| Senegal[b,c] | 19 | 164.9 | 44 | 647.7 | 63 | 812.6 |
| Seychelles | 1 | 6.2 | — | — | 1 | 6.2 |
| Sierra Leone | 4 | 18.7 | 12 | 116.1 | 16 | 134.8 |
| Singapore | 14 | 181.3 | — | — | 14 | 181.3 |
| Solomon Islands | — | — | 5 | 17.0 | 5 | 17.0 |
| Somalia | — | — | 37 | 437.5 | 37 | 437.5 |
| South Africa | 11 | 241.8 | — | — | 11 | 241.8 |
| Spain | 12 | 478.7 | — | — | 12 | 478.7 |
| Sri Lanka | 12 | 210.7 | 48 | 1,180.4 | 60 | 1,391.1 |
| St. Vincent and the Grenadines | 1 | 1.4 | 1 | 6.4 | 2 | 7.8 |
| Sudan | 8 | 166.0 | 46 | 1,254.7 | 54 | 1,420.7 |

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. Includes $46.1 million in IBRD amount and one IBRD loan, as well as $175.8 million in IDA credits, which replace commitments originally made to Pakistan.

b. One IDA project, in fiscal year 1974, for drought relief, is shared by the following countries: Burkina Faso—$2 million; Chad—$2 million; Mali—$2.5 million; Mauritania—$2.5 million; Niger—$2 million; Senegal—$3 million. The amounts are included in each country's total, but the operation is counted only once, against Senegal.

c. One IBRD loan of $7.5 million, in fiscal year 1954, is shared in amounts of $1.875 million each by Burkina Faso, Côte d'Ivoire, Mali, and Senegal, but is counted as one operation, against Côte d'Ivoire. One IBRD loan, of $23 million, in fiscal year 1978, is guaranteed by Burkina Faso and Côte d'Ivoire, but is counted as one operation, against Côte d'Ivoire.

d. One IBRD loan of $20 million in fiscal year 1976 and one IBRD loan of $23 million and one IDA credit of $7 million in fiscal year 1980 were made for the benefit of the following IBRD/IDA members—The Bahamas, Barbados, Grenada, Guyana, and Jamaica—and for the benefit of the territories of the United Kingdom's Associated States and Dependencies in the Caribbean Region. The members are severally liable as guarantors to the extent of subloans made in their territories. One IDA credit of $7 million in fiscal year 1983 was made for the benefit of the following IDA members—Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines—and for the benefit of the United Kingdom's then Associated State, St. Kitts and Nevis, and the United Kingdom Dependency, Montserrat; Antigua and Barbuda would become eligible after admission to IDA membership. The members are severally liable for the credit to the extent of subloans made in their territories, while Montserrat is eligible to borrow as a Dependency of the United Kingdom. One IDA credit of $6 million in fiscal year 1987 to the Caribbean Development Bank, which is relending the proceeds to the beneficiary states of Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, supports a regional vocational and technical-education project.

e. Of the one IBRD project, of $60 million, in fiscal year 1976, $49.5 million has been lent to Ciments de l'Afrique de l'Ouest (CIMAO) and is jointly guaranteed by Côte d'Ivoire, Ghana, and Togo. The remaining amount of $10.5 million has been assigned in equal shares to each of the three countries. The operation is counted only once, against Togo. Two IDA credits in fiscal year 1983—one of $9.3 million to Ghana and one of $5.7 million to Togo—for the restructuring of CIMAO are counted as one operation, against Togo.

f. Jointly guaranteed by Kenya, Tanzania, and Uganda.

g. The credit is shared equally, in amounts of $15 million each, by Burundi, Rwanda, and Zaire.

| Borrower or guarantor | IBRD loans Number | IBRD loans Amount | IDA credits Number | IDA credits Amount | Total Number | Total Amount |
|---|---|---|---|---|---|---|
| Swaziland | 11 | 75.8 | 2 | 7.8 | 13 | 83.6 |
| Syrian Arab Republic | 17 | 613.2 | 3 | 47.3 | 20 | 660.5 |
| Tanzania | 18 | 318.2 | 64 | 1,255.6 | 82 | 1,573.8 |
| Thailand | 91 | 4,042.6 | 6 | 125.1 | 97 | 4,167.7 |
| Togo[e] | 1 | 20.0 | 30 | 415.9 | 31 | 435.9 |
| Tonga | — | — | 1 | 2.0 | 1 | 2.0 |
| Trinidad and Tobago | 13 | 124.8 | — | — | 13 | 124.8 |
| Tunisia | 80 | 2,383.2 | 5 | 74.6 | 85 | 2,457.8 |
| Turkey | 97 | 9,839.0 | 10 | 178.5 | 107 | 10,017.5 |
| Uganda | 1 | 8.4 | 34 | 876.1 | 35 | 884.5 |
| Uruguay | 31 | 920.6 | — | — | 31 | 920.6 |
| Vanuatu | — | — | 3 | 12.0 | 3 | 12.0 |
| Venezuela | 15 | 1,138.3 | — | — | 15 | 1,138.3 |
| Viet Nam | — | — | 1 | 60.0 | 1 | 60.0 |
| Western Africa Region[m] | 1 | 6.1 | 3 | 52.5 | 4 | 58.6 |
| Western Samoa | — | — | 7 | 26.5 | 7 | 26.5 |
| Yemen Arab Republic | — | — | 53 | 558.0 | 53 | 558.0 |
| Yemen, People's Democratic Republic of. | — | — | 32 | 240.8 | 32 | 240.8 |
| Yugoslavia | 87 | 5,122.7 | — | — | 87 | 5,122.7 |
| Zaire | 7 | 330.0 | 53 | 1,055.2 | 60 | 1,385.2 |
| Zambia[n] | 28 | 679.1 | 19 | 317.1 | 47 | 996.2 |
| Zimbabwe[n,o] | 19 | 690.1 | 3 | 53.9 | 22 | 744.0 |
| Other[p] | 14 | 329.4 | 4 | 15.3 | 18 | 344.7 |
| Total | 3,055 | 171,482.0 | 1,904 | 52,700.0 | 4,959 | 224,182.0 |

h. One IBRD loan of $35 million, in fiscal year 1959, is jointly guaranteed by the People's Republic of the Congo, France, and Gabon.

i. The IDA credits include an amount of $45 million for the Sixth Highway Project approved in fiscal year 1983. In fiscal year 1984, $20 million of this amount was transferred to the Special Fund administered by the International Development Association.

j. IBRD loan made to Malta with the guarantee of the United Kingdom before Malta's independence from the United Kingdom. The loan has been repaid.

k. Formerly Burma.

l. Excludes $46.1 million in IBRD amount and one IBRD loan, as well as $175.8 million in IDA amount and nineteen IDA credits, which were replaced by commitments made to Bangladesh.

m. One loan of $6.1 million and one credit of $14 million in fiscal year 1983, counted as one operation, and one credit of $3 million in fiscal year 1980 are to the Banque Ouest Africaine de Développement (BOAD), the regional development bank of the Union Monétaire Ouest Africaine (UMOA), which is a monetary union of six francophone states—Burkina Faso, Benin, Côte d'Ivoire, Niger, Senegal, and Togo. One credit of $30 million in fiscal year 1984 is shared in equal parts by Benin and Togo, and is counted as one operation. One credit of $5.5 million in fiscal year 1986 helped establish an institution to train middle-level and high-level managerial staff of private and parapublic-sector enterprises in the six member states of the West African Economic Community (CEAO) and other neighboring countries, as well. The borrower was Senegal, which passed the proceeds of the credit on to the CEAO.

n. Includes one IBRD loan of $80 million, made in fiscal year 1956 to Northern Rhodesia (now Zambia) and Southern Rhodesia (now Zimbabwe), at the time of the Central African Federation and before independence, and one IBRD loan of $7.7 million, made in 1965 to (Southern) Rhodesia and newly independent Zambia. Both loans were assigned in equal shares to Zambia and (Southern) Rhodesia, but are now counted only once, against Zimbabwe. The loans are guaranteed by the United Kingdom, Zambia, and Zimbabwe.

o. Includes three IBRD loans, made in 1952, 1958, and 1960 and totaling $43.1 million, to (Southern) Rhodesia (now Zimbabwe). The loans were guaranteed by the United Kingdom and have been repaid.

p. 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).

***Table 7-7.*** **Trends in Lending, IBRD and IDA, Fiscal Years 1987–89**
(millions of US dollars)

| | 1987 | | | 1988 | | | 1989 | | |
|---|---|---|---|---|---|---|---|---|---|
| Sector | IBRD | IDA | Total | IBRD | IDA | Total | IBRD | IDA | Total |
| Agriculture and Rural Development | 1,946.3 | 984.0 | 2,930.3 | 2,932.1 | 1,561.8 | 4,493.9 | 2,066.1 | 1,423.9 | 3,490.0 |
| Development Finance Companies | 2,204.9 | 93.0 | 2,297.9 | 1,490.0 | 222.5 | 1,712.5 | 2,223.0 | 143.7 | 2,366.7 |
| Education | 173.5 | 266.3 | 439.8 | 654.9 | 209.1 | 864.0 | 441.6 | 449.1 | 890.7 |
| Energy | | | | | | | | | |
| Oil, gas, and coal | 605.4 | 82.0 | 687.4 | 325.1 | 63.0 | 388.1 | 549.5 | 31.2 | 580.7 |
| Power | 2,857.0 | 159.9 | 3,016.9 | 1,908.0 | 98.9 | 2,006.9 | 2,858.5 | 424.4 | 3,282.9 |
| Industry | 411.4 | 7.0 | 418.4 | 2,062.7 | 161.9 | 2,224.6 | 1,858.0 | 124.5 | 1,982.5 |
| Nonproject | 1,790.0 | 647.1 | 2,437.1 | 1,020.0 | 667.0 | 1,687.0 | 2,692.0 | 726.5 | 3,418.5 |
| Population, Health, and Nutrition | 33.3 | 20.8 | 54.1 | 109.0 | 195.9 | 304.9 | 399.5 | 223.5 | 623.0 |
| Small-scale Enterprises | 405.5 | 16.0 | 421.5 | 493.0 | 20.0 | 513.0 | 585.0 | — | 585.0 |
| Technical Assistance | 15.0 | 88.9 | 103.9 | 15.2 | 80.5 | 95.7 | 41.0 | 134.3 | 175.3 |
| Telecommunications | 654.5 | 27.8 | 682.3 | 36.0 | — | 36.0 | 53.1 | 107.9 | 161.0 |
| Transportation | 1,145.8 | 600.1 | 1,745.9 | 2,117.2 | 525.3 | 2,642.5 | 1,137.7 | 693.1 | 1,830.8 |
| Urban Development | 1,234.6 | 234.5 | 1,469.1 | 1,108.5 | 607.8 | 1,716.3 | 959.0 | 229.5 | 1,188.5 |
| Water Supply and Sewerage | 711.0 | 258.4 | 969.4 | 490.3 | 45.0 | 535.3 | 569.2 | 222.0 | 791.2 |
| Total | 14,188.2 | 3,485.8 | 17,674.0 | 14,762.0 | 4,458.7 | 19,220.7 | 16,433.2 | 4,933.6 | 21,366.8 |

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

***Table 7-8.*** **Trends in Lending, IBRD and IDA, Fiscal Years 1987–89**
(percentage)

| | 1987 | | | 1988 | | | 1989 | | |
|---|---|---|---|---|---|---|---|---|---|
| Sector | IBRD | IDA | Total | IBRD | IDA | Total | IBRD | IDA | Total |
| Agriculture and Rural Development | 13.7 | 28.2 | 16.6 | 19.9 | 35.0 | 23.4 | 12.6 | 28.9 | 16.3 |
| Development Finance Companies | 15.5 | 2.7 | 13.0 | 10.1 | 5.0 | 8.9 | 13.5 | 2.9 | 11.1 |
| Education | 1.2 | 7.6 | 2.5 | 4.4 | 4.7 | 4.5 | 2.7 | 9.1 | 4.2 |
| Energy | | | | | | | | | |
| Oil, gas, and coal | 4.3 | 2.4 | 3.9 | 2.2 | 1.4 | 2.0 | 3.3 | 0.6 | 2.7 |
| Power | 20.1 | 4.6 | 17.1 | 12.9 | 2.2 | 10.4 | 17.4 | 8.6 | 15.4 |
| Industry | 2.9 | 0.2 | 2.4 | 14.0 | 3.6 | 11.6 | 11.3 | 2.5 | 9.3 |
| Nonproject | 12.6 | 18.6 | 13.8 | 6.9 | 15.0 | 8.8 | 16.4 | 14.7 | 16.0 |
| Population, Health, and Nutrition | 0.2 | 0.6 | 0.3 | 0.7 | 4.4 | 1.6 | 2.4 | 4.5 | 2.9 |
| Small-scale Enterprises | 2.9 | 0.5 | 2.4 | 3.3 | 0.4 | 2.7 | 3.6 | 0.0 | 2.7 |
| Technical Assistance | 0.1 | 2.6 | 0.6 | 0.1 | 1.8 | 0.5 | 0.2 | 2.7 | 0.8 |
| Telecommunications | 4.6 | 0.8 | 3.9 | 0.2 | 0.0 | 0.2 | 0.3 | 2.2 | 0.8 |
| Transportation | 8.1 | 17.2 | 9.9 | 14.3 | 11.8 | 13.7 | 6.9 | 14.0 | 8.6 |
| Urban Development | 8.7 | 6.7 | 8.3 | 7.5 | 13.6 | 8.9 | 5.8 | 4.7 | 5.6 |
| Water Supply and Sewerage | 5.0 | 7.4 | 5.5 | 3.3 | 1.0 | 2.8 | 3.5 | 4.5 | 3.7 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

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

# Financial Statements of the International Bank for Reconstruction and Development

# Balance Sheets

**June 30, 1989 and June 30, 1988**
Expressed in thousands of US dollars

| | 1989 | 1988 |
|---|---|---|
| **Assets** | | |
| DUE FROM BANKS | | |
| Unrestricted currencies (including interest-bearing demand deposits $104,104—1989, $160,057—1988) | $ 225,156 | $ 284,318 |
| Currencies subject to restrictions—Note A | 565,761 | 381,932 |
| | 790,917 | 666,250 |
| INVESTMENTS—Note B | | |
| Obligations of governments and their instrumentalities | 8,980,834 | 10,423,804 |
| Time deposits and other obligations of banks and financial institutions | 10,403,750 | 7,678,836 |
| | 19,384,584 | 18,102,640 |
| CASH COLLATERAL INVESTED—Note B | 2,753,843 | 2,291,174 |
| NONNEGOTIABLE, NONINTEREST-BEARING DEMAND OBLIGATIONS ON ACCOUNT OF SUBSCRIBED CAPITAL (subject to restrictions—Note A) | 1,476,858 | 1,306,820 |
| AMOUNTS REQUIRED TO MAINTAIN VALUE OF CURRENCY HOLDINGS—Note A | | |
| Amounts due | 659,263 | 810,104 |
| Amounts deferred | 474,650 | 333,645 |
| | 1,133,913 | 1,143,749 |
| RECEIVABLES—OTHER | | |
| Net receivable from currency swaps—Note D | 274,828 | 112,467 |
| Receivable from investment securities sold | 1,090,826 | 2,660,084 |
| Accrued income on loans | 1,925,347 | 2,009,894 |
| Accrued interest on investments | 166,262 | 165,195 |
| | 3,457,263 | 4,947,640 |
| LOANS OUTSTANDING (see Summary Statement of Loans and Note C) | | |
| Total loans | 127,918,200 | 127,963,846 |
| Less loans approved but not yet effective | 14,971,500 | 10,049,900 |
| Less undisbursed balance of effective loans | 35,004,855 | 36,122,575 |
| | 77,941,845 | 81,791,371 |
| OTHER ASSETS | | |
| Land and buildings (less accumulated depreciation $34,907—1989, $32,341—1988) | 273,618 | 270,277 |
| Unamortized issuance costs of borrowings | 553,390 | 570,157 |
| Miscellaneous | 392,352 | 317,135 |
| | 1,219,360 | 1,157,569 |
| | $108,158,583 | $111,407,213 |

| | 1989 | 1988 |
|---|---|---|
| **Liabilities, Capital and Reserves** | | |
| BORROWINGS (see Summary Statements of Borrowings) | | |
| Short-term | $ 5,164,369 | $ 4,663,146 |
| Medium- and long-term | 75,084,639 | 79,750,621 |
| | 80,249,008 | 84,413,767 |
| PAYABLE FOR CASH COLLATERAL RECEIVED | 2,753,843 | 2,291,174 |
| AMOUNTS REQUIRED TO MAINTAIN VALUE OF CURRENCY HOLDINGS—Note A | | |
| Amounts due | 64,541 | 49,161 |
| Amounts deferred | 349,697 | 545,919 |
| | 414,238 | 595,080 |
| OTHER LIABILITIES | | |
| Accrued charges on borrowings | 2,382,285 | 2,512,556 |
| Net payable for currency swaps—Note D | 1,256,811 | 1,920,830 |
| Payable for investment securities purchased | 1,340,989 | 1,530,297 |
| Due to International Development Association and Special Facility for Sub-Saharan Africa—Note G | 716,626 | 923,291 |
| Accounts payable and other liabilities | 630,769 | 463,637 |
| | 6,327,480 | 7,350,611 |
| ACCUMULATED PROVISION FOR LOAN LOSSES—Note C | 800,000 | 500,000 |
| CAPITAL AND RESERVES | | |
| Capital stock (see Statement of Subscriptions to Capital Stock and Voting Power and Note A) | | |
| Authorized capital (1,420,500 shares—1989 and 1988) | | |
| Subscribed capital (958,827 shares—1989, 757,953 shares—1988) | 115,668,095 | 91,435,660 |
| Less uncalled portion of subscriptions | 107,076,245 | 83,726,464 |
| | 8,591,850 | 7,709,196 |
| Payments on account of pending subscriptions (see Statement of Subscriptions to Capital Stock and Voting Power) | 60,097 | 18,274 |
| Special reserve—Note E | 292,538 | 292,538 |
| General reserve (see Statements of Changes in General Reserve) | | |
| Accumulated net income | 8,700,331 | 7,696,101 |
| Cumulative translation adjustments | (1,124,689) | (463,758) |
| | 7,575,642 | 7,232,343 |
| Accumulated net income—unallocated (see Statements of Accumulated Net Income—Unallocated) | 1,093,867 | 1,004,230 |
| | $108,158,563 | $111,407,213 |

**See Notes to Financial Statements.**

# Statements of Income

For the fiscal years ended June 30, 1989 and June 30, 1988
Expressed in thousands of US dollars

| | 1989 | 1988 |
|---|---|---|
| **Income** | | |
| Income from loans: | | |
| Interest | $6,393,924 | $5,534,718 |
| Commitment charges | 271,695 | 262,676 |
| Income from investments—Note B | 1,586,002 | 1,719,677 |
| Other income—Note F | 22,260 | 31,925 |
| Total income | 8,273,881 | 7,548,395 |
| **Expenses** | | |
| Borrowing expenses: | | |
| Interest on borrowings—Note D | 6,139,665 | 6,393,871 |
| Amortization of issuance costs and other borrowing cost. | 155,996 | 191,269 |
| Administrative expenses—Notes F and H | 462,352 | 475,945 |
| Provision for loan losses—Note C | 357,607 | 421,477 |
| Other expenses | 4,117 | 3,667 |
| Total expenses | 7,119,757 | 7,491,149 |
| **Operating Income** | 1,154,124 | 1,056,846 |
| Contributions to special programs—Note F | 60,237 | 52,616 |
| **Net Income** | $1,093,887 | $1,004,230 |

# Statements of Accumulated Net Income—Unallocated

For the fiscal years ended June 30, 1989 and June 30, 1988
Expressed in thousands of US dollars

| | 1989 | 1988 |
|---|---|---|
| Accumulated net income—unallocated at beginning of fiscal year | $1,004,230 | $1,112,930 |
| Allocation to General Reserve—Note E | (1,004,230) | (1,012,930) |
| Transfer to International Development Association—Note G | — | (100,000) |
| Net income for fiscal year | 1,093,887 | 1,004,230 |
| Accumulated net income—unallocated at end of fiscal year | $1,093,887 | $1,004,230 |

# Statements of Changes in General Reserve

For the fiscal years ended June 30, 1989 and June 30, 1988
Expressed in thousands of US dollars

| | 1989 | 1988 |
|---|---|---|
| **Accumulated Net Income** | | |
| Balance at beginning of fiscal year | $7,696,101 | $6,683,171 |
| Allocation from Accumulated net income—unallocated | 1,004,230 | 1,012,930 |
| | 8,700,331 | 7,696,101 |
| **Cumulative Translation Adjustments** | | |
| Balance at beginning of fiscal year | (463,758) | (466,804) |
| Translation adjustments for fiscal year | (660,931) | 3,046 |
| | (1,124,689) | (463,758) |
| **Balance at End of Fiscal Year** | $7,575,642 | $7,232,343 |

**See Notes to Financial Statements.**

# Statements of Cash Flows

*For the fiscal years ended June 30, 1989 and June 30, 1988*
Expressed in thousands of US dollars

| | 1989 | 1988 |
|---|---|---|
| Cash flows from lending and development activities | | |
| Loan disbursements | $(11,461,279) | $(11,691,016) |
| Loan principal repayments | 6,757,527 | 6,952,903 |
| Loan principal prepayments | 2,670,454 | 1,131,912 |
| Sales of loans | 65,275 | 205,262 |
| Transfer to Special Facility for Sub-Saharan Africa—Note G | (150,000) | — |
| Net cash used in lending and development activities | (2,098,923) | (3,300,904) |
| Cash flows from financing activities | | |
| Medium- and long-term borrowings: | | |
| New issues | 11,707,655 | 14,742,340 |
| Retirements | (11,652,333) | (12,065,431) |
| Net cash flow from short-term borrowings | 267,717 | (19,567) |
| Net cash flow from currency swaps | (191,195) | (564,677) |
| Capital | | |
| New subscriptions (200,874 shares—1989; 51,437 shares—1988) | 931,846 | 412,344 |
| Net receipts required to maintain the value of currency holdings | 235,365 | 29,472 |
| Net increase in restricted currencies and receivables | (621,496) | (26,065) |
| Net cash provided by financing activities | 696,579 | 1,590,114 |
| Cash flows from operating activities | | |
| Net income | 1,093,687 | 1,004,220 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 399,357 | 315,167 |
| Provision for loan losses | 357,607 | 421,477 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accrued income on loans and investments | (57,596) | 217,472 |
| (Increase) decrease in miscellaneous assets | (66,234) | 153,259 |
| Increase in accrued charges on borrowings | 12,609 | 57,632 |
| Increase (decrease) in accounts payable and other liabilities | 177,359 | (156,610) |
| Net cash provided by operating activities | 1,916,899 | 2,191,567 |
| Effect of exchange rate changes on cash and liquid investments | (681,724) | 351,964 |
| Net (decrease) increase in cash and liquid investments | (157,168) | 632,741 |
| Cash and liquid investments at beginning of fiscal year | 19,516,745 | 18,884,004 |
| Cash and liquid investments at end of fiscal year | $19,359,577 | $19,516,745 |
| Comprised of: | | |
| Investments | $19,384,584 | $18,102,640 |
| Unrestricted currencies | 225,156 | 284,112 |
| Net (payable) receivable for investment securities purchased | (250,163) | 1,129,993 |
| | $19,359,577 | $19,516,745 |
| Supplemental disclosure | | |
| (Decrease) increase resulting from exchange rate fluctuations on: | | |
| Loans outstanding | $(5,789,446) | $2,696,018 |
| Borrowings | (4,909,609) | 2,750,444 |
| Currency swaps | (635,185) | 111,552 |

**See Notes to Financial Statements.**

# Summary Statement of Loans

**June 30, 1989 and June 30, 1988**
Expressed in thousands of US dollars

| | June 30, 1989 | | | | |
|---|---|---|---|---|---|
| Borrower or guarantor[a] | Total loans | Loans approved but not yet effective[b] | Undisbursed loans[c] | Loans outstanding | Percentage of total loans outstanding |
| Algeria | $ 2,209,156 | $ 640,000 | $ 732,012 | $ 837,144 | 1.07 |
| Argentina[d] | 4,014,122 | 406,500 | 1,413,937 | 2,193,685 | 2.81 |
| Australia[a] | 8,735 | — | — | 8,735 | 0.01 |
| Bahamas, The | 33,845 | — | 19,127 | 14,718 | 0.02 |
| Bahamas, Barbados, Grenada, Guyana, Jamaica, Trinidad and Tobago, and United Kingdom[e] | 32,418 | — | — | 32,418 | 0.04 |
| Bangladesh | 59,780 | — | — | 59,780 | 0.08 |
| Barbados | 52,150 | — | 16,619 | 35,531 | 0.05 |
| Belize | 26,916 | — | 15,301 | 11,615 | 0.01 |
| Bolivia[d] | 195,567 | — | 118 | 195,449 | 0.25 |
| Botswana | 187,428 | — | 40,288 | 147,140 | 0.19 |
| Brazil | 12,462,077 | 1,244,000 | 3,541,672 | 7,676,405 | 9.85 |
| Cameroon | 1,075,290 | 150,000 | 449,425 | 475,865 | 0.61 |
| Chile | 1,984,347 | 150,000 | 361,706 | 1,472,641 | 1.89 |
| China | 5,231,832 | 757,000 | 2,531,244 | 1,943,588 | 2.49 |
| Colombia | 4,835,617 | 230,000 | 1,079,921 | 3,525,696 | 4.52 |
| Congo, People's Republic of the | 156,259 | — | 10,144 | 146,115 | 0.19 |
| Costa Rica | 489,344 | 100,000 | 25,804 | 363,540 | 0.47 |
| Côte d'Ivoire[f] | 1,722,949 | — | 203,745 | 1,519,204 | 1.95 |
| Côte d'Ivoire, Ghana, and Togo[g] | 12,304 | — | — | 12,304 | 0.02 |
| Côte d'Ivoire and Senegal[h] | 5,083 | — | 982 | 4,101 | 0.01 |
| Cyprus | 124,904 | — | 95,929 | 28,975 | 0.04 |
| Dominican Republic | 353,291 | 30,000 | 141,958 | 181,333 | 0.23 |
| Ecuador | 964,276 | 45,000 | 248,989 | 670,287 | 0.86 |
| Egypt, Arab Republic of | 2,311,604 | 241,000 | 699,542 | 1,371,062 | 1.76 |
| El Salvador | 195,119 | — | 56,903 | 138,216 | 0.18 |
| Ethiopia | 31,484 | — | — | 31,484 | 0.04 |
| Fiji | 84,161 | 8,100 | 14,230 | 61,831 | 0.08 |
| Finland | 198 | — | — | 198 | * |
| Gabon | 87,786 | 30,000 | 30,000 | 27,786 | 0.04 |
| Ghana | 111,083 | — | — | 111,083 | 0.14 |
| Greece | 48,125 | — | — | 48,125 | 0.06 |
| Guatemala | 467,085 | 160,500 | 60,703 | 245,882 | 0.32 |
| Guinea | 37,136 | — | — | 37,136 | 0.05 |
| Guyana | 79,625 | — | — | 79,625 | 0.10 |
| Honduras | 561,662 | 25,000 | 49,556 | 487,106 | 0.62 |
| Hungary | 1,953,772 | 205,000 | 583,182 | 1,165,590 | 1.50 |
| Iceland | 10,698 | — | — | 10,698 | 0.01 |
| India | 14,514,843 | 1,966,300 | 6,845,374 | 5,703,169 | 7.32 |
| Indonesia | 11,704,544 | 1,503,800 | 2,592,350 | 7,608,394 | 9.76 |
| Iran, Islamic Republic of | 167,124 | — | — | 167,124 | 0.21 |
| Iraq | 46,008 | — | — | 46,008 | 0.06 |
| Ireland | 14,059 | — | — | 14,059 | 0.02 |
| Jamaica | 717,887 | 15,000 | 76,276 | 626,611 | 0.80 |
| Japan | 30,614 | — | — | 30,614 | 0.04 |
| Jordan | 691,114 | 109,000 | 204,985 | 377,129 | 0.48 |
| Kenya[i] | 898,469 | — | 44,554 | 853,915 | 1.10 |
| Kenya, Tanzania, and Uganda[g] | 3,338 | — | — | 3,338 | * |
| Korea, Republic of | 3,779,273 | 216,400 | 342,240 | 3,220,633 | 4.13 |
| Lebanon | 34,604 | — | — | 34,604 | 0.04 |
| Liberia | 123,745 | — | 1,801 | 121,944 | 0.16 |

| Borrower or guarantor[a] | Total loans | Loans approved but not yet effective[b] | Undisbursed loans[c] | Loans outstanding | Percentage of total loans outstanding |
|---|---|---|---|---|---|
| | June 30, 1989 | | | | |
| Madagascar | $ 26,786 | $ — | $ — | $ 26,786 | $ 0.03 |
| Malawi | 96,859 | — | 8,357 | 88,502 | 0.11 |
| Malaysia | 1,600,045 | 71,500 | 707,906 | 820,639 | 1.05 |
| Mauritania | 61,721 | — | — | 61,721 | 0.08 |
| Mauritius | 201,269 | — | 32,563 | 168,706 | 0.22 |
| Mexico | 11,286,855 | 1,945,000 | 2,512,806 | 6,829,049 | 8.76 |
| Morocco | 3,692,908 | 414,000 | 823,352 | 2,455,556 | 3.15 |
| Nicaragua | 205,388 | — | — | 205,388 | 0.26 |
| Nigeria | 4,531,834 | 903,200 | 1,032,190 | 2,596,444 | 3.33 |
| Oman | 114,071 | — | 62,491 | 51,580 | 0.07 |
| Pakistan | 2,778,587 | 400,000 | 1,215,970 | 1,162,617 | 1.49 |
| Panama | 527,206 | — | 94,091 | 433,115 | 0.56 |
| Papua New Guinea[a] | 266,424 | 19,600 | 112,564 | 134,260 | 0.17 |
| Paraguay | 332,899 | — | 56,955 | 275,944 | 0.35 |
| Peru | 1,360,930 | — | 360,604 | 1,000,326 | 1.28 |
| Philippines | 4,407,333 | 495,600 | 787,999 | 3,123,734 | 4.01 |
| Portugal | 626,790 | 150,000 | 84,219 | 392,571 | 0.50 |
| St. Vincent and the Grenadines | 1,400 | 1,400 | — | — | * |
| Senegal | 93,046 | — | 9 | 93,037 | 0.12 |
| Seychelles | 6,378 | — | 2,237 | 4,141 | 0.01 |
| Sierra Leone | 8,926 | — | — | 8,926 | 0.01 |
| Singapore | 13,696 | — | — | 13,696 | 0.02 |
| Spain | 17,702 | — | — | 17,702 | 0.02 |
| Sri Lanka | 93,094 | — | 17,232 | 75,862 | 0.10 |
| Sudan | 30,245 | — | — | 30,245 | 0.04 |
| Swaziland | 53,488 | — | 1,217 | 52,271 | 0.07 |
| Syrian Arab Republic | 424,376 | — | 29,925 | 394,451 | 0.51 |
| Tanzania[i] | 244,590 | — | — | 244,590 | 0.31 |
| Thailand | 2,716,509 | — | 469,927 | 2,246,582 | 2.88 |
| Togo | 1,029 | — | — | 1,029 | * |
| Trinidad and Tobago | 23,146 | — | — | 23,146 | 0.03 |
| Tunisia | 1,754,051 | 242,500 | 496,661 | 1,014,890 | 1.30 |
| Turkey | 8,553,861 | 679,500 | 2,331,085 | 5,543,276 | 7.11 |
| Uganda[j] | 37,217 | — | — | 37,217 | 0.05 |
| United Kingdom[a] | 22 | — | — | 22 | * |
| Uruguay | 614,957 | 227,300 | 117,477 | 270,180 | 0.35 |
| Venezuela | 755,000 | 755,000 | — | — | * |
| Yugoslavia | 3,117,256 | 318,000 | 450,818 | 2,348,438 | 3.01 |
| Zaire | 125,057 | — | 87,808 | 37,249 | 0.05 |
| Zambia[a] | 466,929 | — | 4,418 | 462,511 | 0.59 |
| Zimbabwe[a] | 623,338 | 116,300 | 191,075 | 315,963 | 0.41 |
| Subtotal members** | 126,836,071 | 14,971,500 | 34,622,573 | 77,241,998 | |
| International Finance Corporation | 1,076,786 | — | 382,282 | 694,504 | 0.89 |
| Other[k] | 5,343 | — | — | 5,343 | * |
| Total—June 30, 1989** | $127,918,200 | $14,971,500 | $35,004,855 | $77,941,845 | 100.00 |
| Total—June 30, 1988 | $127,963,846 | $10,049,900 | $36,122,575 | $81,791,371 | |

* Less than 0.005 percent.

** May differ from the sum of individual figures shown because of rounding.

*(continued)*

# Summary Statement of Loans *(continued)*

June 30, 1989 and June 30, 1988

NOTES

a. In some instances loans were made, with the guarantee of a member, in territories which at the time were included in that member's membership but which subsequently became independent and members of the IBRD. In order to avoid double counting, liabilities for these loans are shown under the name of the original member (whose guarantee continues unaffected). These loans are shown below together with an indication of the member under whose name they are listed.

| GUARANTORS<br>Borrowers | US$ thousands<br>1989 | <br>1988 |
|---|---|---|
| AUSTRALIA | | |
| Papua New Guinea | [illegible] | [illegible] |
| UNITED KINGDOM | | |
| Zambia and Zimbabwe* | [illegible] | [illegible] |

* Loans made for joint benefit of territories listed

b. Loan agreements totaling $6,279,900,000 ($3,760,500,000—1988) 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. Loans totaling $8,691,600,000 ($6,269,400,000—1988) have been approved by the IBRD but the related agreements have not been signed.

c. In 1988, these amounts included grant participations of $1,158,000. The grant participations represented participations on a grant basis taken in a number of loans under the terms of an aid cooperation agreement between a member country and the IBRD. There were no such undisbursed grant participations at June 30, 1989. Of the undisbursed balance, the IBRD has entered into irrevocable commitments to disburse $1,105,377,000 ($1,220,014,000—1988).

d. One loan with an outstanding balance equivalent to $2,879,000 ($4,491,000—1988) is shown under Bolivia (Guarantor) but is also guaranteed by Argentina.

e. Loans made to the Caribbean Development Bank for the benefit of the territories of the members listed (in the case of the United Kingdom, the territories are those of its Associated States and Dependencies in the Caribbean region). The members will be severally liable as guarantors to the extent of subloans made in their territories.

f. One loan with an outstanding balance equivalent to $10,346,000 ($13,228,000—1988) is shown under Côte d'Ivoire (Guarantor) but is also partially guaranteed by Burkina Faso.

g. Members are jointly and severally liable.

h. Loan made to the West African Development Bank for the benefit of the territories of the members listed. The members will be severally liable as guarantors to the extent of subloans made in their territories.

i. Includes portions of loans made to corporations of the East African Community.

j. Represents portions of loans made to corporations of the East African Community.

k. Represents loans made at a time when the authorities on Taiwan represented China in the IBRD (prior to May 15, 1980).

## Summary of Currencies Repayable on Loans Outstanding

| Currency | 1989 | 1988 | Currency | 1989 | 1988 |
|---|---|---|---|---|---|
| Australian dollars | $ 99 335 | $ 91 [illegible] | Mexican pesos | $ 342 | $ [illegible] |
| Austrian schillings | 366 255 | 521 [illegible] | Netherlands guilders | 5 140 538 | 5 400 [illegible] |
| Belgian francs | 375 659 | [illegible] | New Zealand dollars | — | — |
| Brazilian new cruzados | 467 | [illegible] | Norwegian kroner | 54 584 | [illegible] |
| Burmese kyats | 1 365 | [illegible] | Portuguese escudos | 15 140 | [illegible] |
| Canadian dollars | 185 174 | [illegible] | Pounds sterling | 280 319 | [illegible] 101 |
| Danish kroner | 49 265 | 50 946 | Rial Omani | 633 | [illegible] |
| Deutsche mark | 14 667 055 | [illegible] | Saudi Arabian riyals | 129 737 | [illegible] |
| European currency units | 479 904 | [illegible] | Singapore dollars | 5 297 | [illegible] |
| Finnish markkaa | 48 206 | [illegible] | South African rand | 49 181 | [illegible] |
| French francs | 263 155 | [illegible] | Spanish pesetas | 88 619 | [illegible] |
| Ghanaian cedi | 5 | 9 | Sri Lanka rupees | — | 25 |
| Greek drachmas | 572 | [illegible] | Swedish kronor | 10[illegible] | 1[illegible] |
| Icelandic kronur | 1 019 | [illegible] | Swiss francs | 72 174 | [illegible] |
| Indian rupees | 34 644 | [illegible] | [illegible] | 15 651 885 | [illegible] |
| Iranian rials | 29 505 | [illegible] | Thai baht | — | [illegible] |
| Iraqi dinars | 3 034 | [illegible] | Tunisian dinars | 415 | [illegible] |
| Irish pounds | 19 252 | 20 464 | United Arab Emirates dirhams | 13 963 | [illegible] |
| Italian lire | 205 306 | 116 591 | United States dollars | 15 546 997 | [illegible] |
| Japanese yen | 23 591 776 | [illegible] | | | |
| Kuwaiti dinars | 261 027 | [illegible] | United States dollars [illegible] | | |
| Lebanese pounds | 28 | [illegible] | [illegible] fixed | — | [illegible] |
| Libyan dinars | 96 033 | [illegible] | Venezuelan bolivares | 9 151 | [illegible] |
| Luxembourg francs | 59 743 | [illegible] | | | |
| Malaysian ringgit | 57 792 | [illegible] | Loans outstanding | $77 941 645 | [illegible] |

## Maturity Structure of Loans*

| Periods | June 30, 1989 |
|---|---|
| July 1, 1989 to June 30, 1990 | $ 7 749 436 |
| July 1, 1990 to June 30, 1991 | 7 783 754 |
| July 1, 1991 to June 30, 1992 | 8 449 648 |
| July 1, 1992 to June 30, 1993 | 8 927 521 |
| July 1, 1993 to June 30, 1994 | 9 443 012 |
| July 1, 1994 to June 30, 1999 | 41 736 066 |
| July 1, 1999 to June 30, 2004 | 33 735 222 |
| July 1, 2004 to June 30, 2009 | 6 222 436 |
| Undetermined** . . . . . | (156 680) |
| Total . . . . . . . . . . . . | $112 946 750 |

* Includes undisbursed balance of effective loans

** Represents cancellations and other adjustments which have not been allocated to specific maturities

**See Notes to Financial Statements.**

# Summary Statements of Borrowings

June 30, 1989 and June 30, 1988
Expressed in thousands of US dollars

## Medium- and Long-term Borrowings and Currency Swaps

| | Medium- and long-term borrowings | | | Currency swap agreements[a] | | | | |
|---|---|---|---|---|---|---|---|---|
| | Principal outstanding[b] | | Weighted average cost (%) | Payable (receivable) | | Weighted average cost (return)% | Net currency obligations | |
| | June 30, 1989 | June 30, 1988 | June 30, 1989 | June 30, 1989 | June 30, 1988 | June 30, 1989 | June 30, 1989 | June 30, 1988 |
| Australian dollars | [illegible] | $ 407,029 | 13.05 | [illegible] | [illegible] | (13 10) | [illegible] | $ 2,547 |
| Austrian schillings | [illegible] | 476,387 | 7 84 | — | [illegible] | — | [illegible] | 363,717 |
| | | | | [illegible] | [illegible] | (8 06) | | |
| Belgian francs | [illegible] | 600,065 | 8.66 | [illegible] | [illegible] | (8.87) | [illegible] | 62,092 |
| Canadian dollars | [illegible] | 1,334,219[c] | 10.77 | [illegible] | [illegible] | (10 65) | [illegible] | 409,173 |
| Danish kroner | [illegible] | 220,743 | 10 17 | [illegible] | [illegible] | (10 16) | [illegible] | 2,185 |
| Deutsche mark | [illegible] | 14,691,695 | 7 33 | [illegible] | [illegible] | 6 55 | [illegible] | 16,844,979 |
| | | | | [illegible] | — | (5 90) | | |
| European currency units | [illegible] | 1,431,930 | 8 60 | [illegible] | [illegible] | (8 07) | [illegible] | 578,711 |
| Finnish markkaa | [illegible] | 208,044 | 9 82 | [illegible] | [illegible] | (9 82) | [illegible] | 2,311 |
| French francs | [illegible] | 358,190 | 9 87 | [illegible] | [illegible] | (11 05) | [illegible] | 165,579 |
| Hong Kong dollars | [illegible] | — | 10 16 | [illegible] | — | (10 17) | [illegible] | — |
| Italian lire | [illegible] | 334,210 | 11 01 | [illegible] | [illegible] | (11 30) | [illegible] | 42,373 |
| Japanese yen | [illegible] | 23 605,740 | 6 26 | [illegible] | [illegible] | 5 80 | [illegible] | 24,500,637 |
| | | | | [illegible] | — | (6 44) | | |
| Kuwaiti dinars | [illegible] | 177,968 | 7 59 | — | — | — | [illegible] | 177,968 |
| Libyan dinars | [illegible] | 102,410 | 12 00 | — | — | — | [illegible] | 102,410 |
| Luxembourg francs | [illegible] | 110,056 | 7 67 | [illegible] | [illegible] | (8 19) | [illegible] | 58,637 |
| Netherlands guilders | [illegible] | 4,954,344 | 7 98 | [illegible] | [illegible] | 6 88 | [illegible] | 5,844,598 |
| | | | | [illegible] | | (6.73) | | |
| New Zealand dollars | [illegible] | — | 13 54 | [illegible] | — | (13 54) | [illegible] | — |
| Norwegian kroner | [illegible] | 75 552 | 10 33 | — | — | — | [illegible] | 75,552 |
| Pounds sterling | [illegible] | 2,093 892 | 10.61 | [illegible] | [illegible] | (10 00) | [illegible] | 1,938,554 |
| Spanish pesetas | [illegible] | 82,296 | 11 36 | [illegible] | [illegible] | (11 36) | [illegible] | 1,786 |
| Swedish kronor | [illegible] | 56,768 | 10.03 | [illegible] | [illegible] | (10.16)[e] | [illegible] | 8,915 |
| Swiss francs | [illegible] | 11,589,836 | 5 73 | [illegible] | [illegible] | 5.44 | [illegible] | 18,076,821 |
| United Arab Emirates dirhams | — | 8,177 | — | — | — | — | — | 8,177 |
| United States dollars | [illegible] | 16,750,994[d] | 9 61 | [illegible] | [illegible] | 9.20 | [illegible] | 12,211,186 |
| | | | | [illegible] | — | (10.24)[e] | | |
| United States dollars/ Swiss franc linked | — | 130,506 | — | — | — | — | — | 130,506 |
| Principal at face value | [illegible] | 79,801,051 | 7 72[f] | | | | | |
| Less net unamortized discounts and premiums | [illegible] | 50,430 | | | | | | |
| Total | [illegible] | $79,750,621 | | | | | | |

a See Notes to Financial Statements—Note D.

b. Includes zero coupon borrowings which have been recorded at their discounted values. The aggregate face amounts and discounted values of these borrowings (in US dollar equivalents) are:

| | Aggregate face amount | | Discounted value | |
|---|---|---|---|---|
| Currency | June 30, 1989 | June 30, 1988 | June 30, 1989 | June 30, 1988 |
| Australian dollars | [illegible] | $ 119,100,000 | [illegible] | $ [illegible],549,000 |
| Canadian dollars | [illegible] | — | [illegible] | — |
| Deutsche mark | [illegible] | 1,098,237,000 | [illegible] | [illegible],561,000 |
| Swiss francs | [illegible] | 861,212,000 | [illegible] | [illegible]1,847,000 |
| United States dollars | [illegible] | 2,081,009,000 | [illegible] | [illegible],871,000 |

c. Includes Canadian dollars 200,000,000 (US equivalent $167,518,000—1989, $164,325,000—1988) of variable interest rate borrowings

d. Includes $853,550,000 ($1,200,000,000—1988) of variable rate borrowings and $177,408,000 ($180,993,000—1988) 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 made to poorer developing countries

e Includes income and expense from interest rate swaps The IBRD has entered into interest rate swap agreements with respect to notional principal amounts aggregating $2,076,400,000 ($138,500,000—1988) and Swedish kronor 300,000,000 (US equivalent $45,059,000—1989, $47,973,000—1988).

f The weighted average cost of medium- and long-term borrowings outstanding at June 30, 1989, after adjustment for swap activities, was 7 24%

## Maturity Structure of Medium- and Long-term Borrowings Outstanding

| Periods | June 30, 1989 |
|---|---|
| July 1, 1989 to June 30, 1990 | $ 8,714,759 |
| July 1, 1990 to June 30, 1991 | 5,958,912 |
| July 1, 1991 to June 30, 1992 | 6,915,566 |
| July 1, 1992 to June 30, 1993 | 7,298,649 |
| July 1, 1993 to June 30, 1994 | 6,946,962 |
| July 1, 1994 to June 30, 1999 | 25,596,280 |
| July 1, 1999 to June 30, 2004 | 6,006,212 |
| July 1, 2004 to June 30, 2009 | 2,924,218 |
| July 1, 2009 to June 30, 2014 | 891,757 |
| Thereafter | 3,812,662 |
| Total | $75,055,976 |

## Short-term Borrowings

| | [illegible] | | Weighted average cost June 30, 1989 (%) |
|---|---|---|---|
| | June 30, 1989 | June 30, 1988 | |
| **Short-term Notes (US dollars)** | | | |
| Principal outstanding at face value | 12,568,160 | 12,5[illegible] | |
| Less net unamortized discount and premium | 40,304 | 19,[illegible] | |
| Subtotal | 12,527,856 | 12,5[illegible] | 9.19 |
| **Central Bank Facility (US dollars)** | 2,599,820 | 2,0[illegible] | 9.16 |
| **Continuously Offered Payment-Rights (Swiss francs)** | 36,693 | — | 5.62 |
| Total | 15,164,369 | 14,[illegible],146 | 9.15 |

**See Notes to Financial Statements.**

# Statement of Subscriptions to Capital Stock and Voting Power

**June 30, 1989 and June 30, 1988**
Expressed in thousands of US dollars

| | June 30, 1989 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Subscriptions | | | | | Voting power | |
| Members | 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 | 0.03 | $ 36,191 | $ 3,619 | $ 32,572 | 550 | 0.06 |
| Algeria | 5,192 | 0.54 | 626,337 | 52,390 | 573,947 | 5,442 | 0.55 |
| Antigua and Barbuda[a] | 292 | 0.03 | 35,225 | 445 | 34,780 | 542 | 0.05 |
| Argentina | 10,052 | 1.05 | 1,212,623 | 103,803 | 1,108,820 | 10,302 | 1.03 |
| Australia | 21,610 | 2.25 | 2,606,922 | 171,430 | 2,435,492 | 21,860 | 2.19 |
| Austria | 11,063 | 1.15 | 1,334,585 | 80,728 | 1,253,857 | 11,313 | 1.14 |
| Bahamas, The | 601 | 0.06 | 72,502 | 3,731 | 68,771 | 851 | 0.09 |
| Bahrain | 619 | 0.06 | 74,673 | 3,910 | 70,763 | 869 | 0.09 |
| Bangladesh | 2,724 | 0.28 | 328,610 | 26,234 | 302,376 | 2,974 | 0.30 |
| Barbados | 948 | 0.10 | 114,362 | 4,496 | 109,866 | 1,198 | 0.12 |
| Belgium | 20,986 | 2.19 | 2,531,646 | 186,841 | 2,344,805 | 21,236 | 2.13 |
| Belize | 329 | 0.03 | 39,689 | 837 | 38,852 | 579 | 0.06 |
| Benin | 487 | 0.05 | 58,749 | 2,514 | 56,235 | 737 | 0.07 |
| Bhutan | 269 | 0.03 | 32,451 | 202 | 32,249 | 519 | 0.05 |
| Bolivia | 1,002 | 0.10 | 120,876 | 7,968 | 112,908 | 1,252 | 0.13 |
| Botswana | 615 | 0.06 | 74,191 | 1,987 | 72,204 | 865 | 0.09 |
| Brazil | 12,083 | 1.26 | 1,457,633 | 125,293 | 1,332,340 | 12,333 | 1.24 |
| Burkina Faso | 487 | 0.05 | 58,749 | 2,514 | 56,235 | 737 | 0.07 |
| Burundi | 402 | 0.04 | 48,495 | 1,831 | 46,664 | 652 | 0.07 |
| Cameroon[a] | 857 | 0.09 | 103,384 | 6,575 | 96,809 | 1,107 | 0.11 |
| Canada | 27,454 | 2.86 | 3,311,913 | 272,176 | 3,039,737 | 27,704 | 2.78 |
| Cape Verde | 285 | 0.03 | 34,381 | 371 | 34,010 | 535 | 0.05 |
| Central African Republic[a] | 484 | 0.05 | 58,387 | 2,482 | 55,905 | 734 | 0.07 |
| Chad | 484 | 0.05 | 58,387 | 2,482 | 55,905 | 734 | 0.07 |
| Chile | 6,931 | 0.72 | 836,121 | 49,568 | 786,553 | 7,181 | 0.72 |
| China | 25,142 | 2.62 | 3,033,005 | 263,907 | 2,769,098 | 25,392 | 2.55 |
| Colombia | 3,565 | 0.37 | 430,064 | 35,115 | 394,949 | 3,815 | 0.38 |
| Comoros | 282 | 0.03 | 34,019 | 339 | 33,680 | 532 | 0.05 |
| Congo, People's Republic of the | 520 | 0.05 | 62,730 | 2,868 | 59,862 | 770 | 0.08 |
| Costa Rica[a] | 131 | 0.01 | 15,803 | 1,580 | 14,223 | 381 | 0.04 |
| Côte d'Ivoire | 1,412 | 0.15 | 170,337 | 12,425 | 157,912 | 1,662 | 0.17 |
| Cyprus | 820 | 0.09 | 98,921 | 6,044 | 92,877 | 1,070 | 0.11 |
| Denmark | 10,251 | 1.07 | 1,236,629 | 74,610 | 1,162,019 | 10,501 | 1.05 |
| Djibouti | 314 | 0.03 | 37,879 | 679 | 37,200 | 564 | 0.06 |
| Dominica | 283 | 0.03 | 34,140 | 350 | 33,790 | 533 | 0.05 |
| Dominican Republic | 1,174 | 0.12 | 141,625 | 9,793 | 131,832 | 1,424 | 0.14 |
| Ecuador | 1,555 | 0.16 | 187,587 | 13,822 | 173,765 | 1,805 | 0.18 |
| Egypt, Arab Republic of[a] | 3,989 | 0.42 | 481,213 | 39,627 | 441,586 | 4,239 | 0.43 |
| El Salvador | 141 | 0.01 | 17,010 | 1,701 | 15,309 | 391 | 0.04 |
| Equatorial Guinea | 401 | 0.04 | 48,375 | 1,601 | 46,774 | 651 | 0.07 |

| | June 30, 1989 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Subscriptions | | | | | Voting power | |
| Members | Shares | Percentage of total | Total amounts | Amounts paid in (Note A) | Amounts subject to call (Note A) | Number of votes | Percentage of total |
| Ethiopia | 549 | 0.06 | $ 66.229 | $ 3,170 | $ 63,059 | 799 | 0.08 |
| Fiji | 554 | 0.06 | 66,832 | 3,222 | 63,610 | 804 | 0.08 |
| Finland | 5,555 | 0.58 | 670,127 | 50,995 | 619,132 | 5,805 | 0.58 |
| France | 47,227 | 4.93 | 5,697,229 | 440,129 | 5,257,100 | 47,477 | 4.76 |
| Gabon | 554 | 0.06 | 66,832 | 3,556 | 63,276 | 804 | 0.08 |
| Gambia, The | 305 | 0.03 | 36,794 | 660 | 36,134 | 555 | 0.06 |
| Germany, Federal Republic of | 72,399 | 7.55 | 8.733,853 | 542,921 | 8,190,932 | 72,649 | 7.29 |
| Ghana[a] | 856 | 0.09 | 103,264 | 10,326 | 92,938 | 1,106 | 0.11 |
| Greece | 945 | 0.10 | 114,000 | 11,400 | 102,600 | 1,195 | 0.12 |
| Grenada[a] | 298 | 0.03 | 35,949 | 510 | 35,439 | 548 | 0.05 |
| Guatemala | 1,123 | 0.12 | 135,473 | 9,251 | 126,222 | 1,373 | 0.14 |
| Guinea | 725 | 0.08 | 87,460 | 5,037 | 82,423 | 975 | 0.10 |
| Guinea-Bissau | 303 | 0.03 | 36.552 | 562 | 35,990 | 553 | 0.06 |
| Guyana[a] | 594 | 0.06 | 71,657 | 3,651 | 68,006 | 844 | 0.08 |
| Haiti | 599 | 0.06 | 72,260 | 3,697 | 68,563 | 849 | 0.09 |
| Honduras | 360 | 0.04 | 43,429 | 1,324 | 42,105 | 610 | 0.06 |
| Hungary | 8.050 | 0.84 | 971,112 | 58,031 | 913,081 | 8,300 | 0.83 |
| Iceland | 1,258 | 0.13 | 151,759 | 6,832 | 144,927 | 1,508 | 0.15 |
| India | 25,140 | 2.62 | 3,032,764 | 262,598 | 2,770,166 | 25,390 | 2.55 |
| Indonesia[a] | 9,722 | 1.01 | 1,172,813 | 91,243 | 1,081,570 | 9,972 | 1.00 |
| Iran, Islamic Republic of | 13,293 | 1.39 | 1,603,601 | 138,221 | 1,465,380 | 13,543 | 1.36 |
| Iraq | 2,808 | 0.29 | 338,743 | 27,093 | 311,650 | 3,058 | 0.31 |
| Ireland | 5,271 | 0.55 | 635,867 | 37,077 | 598,790 | 5.521 | 0.55 |
| Israel | 2.666 | 0.28 | 321,613 | 25,664 | 295.949 | 2.916 | 0.29 |
| Italy | 25,140 | 2.62 | 3,032,764 | 263,705 | 2,769,059 | 25,390 | 2.55 |
| Jamaica | 1,447 | 0.15 | 174,559 | 12,692 | 161,867 | 1,697 | 0.17 |
| Japan | 93,770 | 9.78 | 11,311,944 | 703,452 | 10,608,492 | 94,020 | 9.43 |
| Jordan | 779 | 0.08 | 93,975 | 5,607 | 88,368 | 1,029 | 0.10 |
| Kampuchea, Democratic | 214 | 0.02 | 25,816 | 2,582 | 23,234 | 464 | 0.05 |
| Kenya | 2.461 | 0.26 | 296,883 | 15,900 | 280,983 | 2.711 | 0.27 |
| Kiribati | 261 | 0.03 | 31,486 | 133 | 31.353 | 511 | 0.05 |
| Korea, Republic of | 5,260 | 0.55 | 634,540 | 53,018 | 581,522 | 5,510 | 0.55 |
| Kuwait | 7,453 | 0.78 | 899.093 | 76.341 | 822,752 | 7,703 | 0.77 |
| Lao People's Democratic Republic | 100 | 0.01 | 12,064 | 1.206 | 10,858 | 350 | 0.04 |
| Lebanon | 340 | 0.04 | 41,016 | 1,086 | 39,930 | 590 | 0.06 |
| Lesotho | 372 | 0.04 | 44,876 | 1,294 | 43,582 | 622 | 0.06 |
| Liberia | 463 | 0.05 | 55,854 | 2,570 | 53,284 | 713 | 0.07 |
| Libya | 4,400 | 0.46 | 530,794 | 44,508 | 486,286 | 4,650 | 0.47 |
| Luxembourg | 1,072 | 0.11 | 129,321 | 7,700 | 121,621 | 1,322 | 0.13 |
| Madagascar | 798 | 0.08 | 96,267 | 5.812 | 90,455 | 1,048 | 0.11 |

*(continued)*

# Statement of Subscriptions to Capital Stock and Voting Power *(continued)*

June 30, 1989 and June 30, 1988
Expressed in thousands of US dollars

| | June 30, 1989 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Subscriptions | | | | | Voting power | |
| Members | Shares | Percentage of total | Total amounts | Amounts paid in (Note A) | Amounts subject to call (Note A) | Number of votes | Percentage of total |
| Malawi | 614 | 0.06 | $ 74,070 | $ 3,860 | $ 70,210 | 864 | 0.09 |
| Malaysia[a] | 4,627 | 0.48 | 558,178 | 46,401 | 511,777 | 4,877 | 0.49 |
| Maldives | 263 | 0.03 | 31,727 | 137 | 31,590 | 513 | 0.05 |
| Mali[a] | 652 | 0.07 | 78,654 | 4,263 | 74,391 | 902 | 0.09 |
| Malta | 603 | 0.06 | 72,743 | 3,741 | 69,002 | 853 | 0.09 |
| Mauritania[a] | 505 | 0.05 | 60,921 | 2,704 | 58,217 | 755 | 0.08 |
| Mauritius | 697 | 0.07 | 84,083 | 4,739 | 79,344 | 947 | 0.10 |
| Mexico | 10,553 | 1.10 | 1,273,061 | 109,120 | 1,163,941 | 10,803 | 1.08 |
| Morocco | 2,791 | 0.29 | 336,692 | 26,939 | 309,753 | 3,041 | 0.31 |
| Mozambique | 522 | 0.05 | 62,971 | 3,281 | 59,690 | 772 | 0.08 |
| Myanmar[a] | 1,575 | 0.16 | 190,000 | 12,788 | 177,212 | 1,825 | 0.18 |
| Nepal | 543 | 0.06 | 65,505 | 3,106 | 62,399 | 793 | 0.08 |
| Netherlands | 19,925 | 2.08 | 2,403,652 | 208,421 | 2,195,231 | 20,175 | 2.02 |
| New Zealand | 4,696 | 0.49 | 566,502 | 42,708 | 523,794 | 4,946 | 0.50 |
| Nicaragua | 341 | 0.04 | 41,137 | 1,098 | 40,039 | 591 | 0.06 |
| Niger[a] | 478 | 0.05 | 57,664 | 2,419 | 55,245 | 728 | 0.07 |
| Nigeria | 7,102 | 0.74 | 856,750 | 72,610 | 784,140 | 7,352 | 0.74 |
| Norway[a] | 6,737 | 0.70 | 812,718 | 60,833 | 751,885 | 6,987 | 0.70 |
| Oman | 876 | 0.09 | 105,676 | 6,626 | 99,050 | 1,126 | 0.11 |
| Pakistan[a] | 5,241 | 0.55 | 632,248 | 52,926 | 579,322 | 5,491 | 0.55 |
| Panama | 216 | 0.02 | 26,057 | 2,606 | 23,451 | 466 | 0.05 |
| Papua New Guinea | 726 | 0.08 | 87,581 | 5,049 | 82,532 | 976 | 0.10 |
| Paraguay | 690 | 0.07 | 83,238 | 4,661 | 78,577 | 940 | 0.09 |
| Peru | 2,992 | 0.31 | 360,940 | 29,050 | 331,890 | 3,242 | 0.33 |
| Philippines | 3,841 | 0.40 | 463,359 | 38,029 | 425,330 | 4,091 | 0.41 |
| Poland | 6,122 | 0.64 | 738,527 | 62,275 | 676,252 | 6,372 | 0.64 |
| Portugal | 5,460 | 0.57 | 658,667 | 38,503 | 620,164 | 5,710 | 0.57 |
| Qatar | 1,096 | 0.11 | 132,216 | 8,965 | 123,251 | 1,346 | 0.14 |
| Romania | 2,251 | 0.23 | 271,549 | 24,139 | 247,410 | 2,501 | 0.25 |
| Rwanda | 587 | 0.06 | 70,813 | 3,574 | 67,239 | 837 | 0.08 |
| St. Kitts and Nevis | 275 | 0.03 | 33,175 | 302 | 32,873 | 525 | 0.05 |
| St. Lucia | 552 | 0.06 | 66,591 | 1,512 | 65,079 | 802 | 0.08 |
| St. Vincent and the Grenadines | 278 | 0.03 | 33,537 | 297 | 33,240 | 528 | 0.05 |
| São Tomé and Principe | 278 | 0.03 | 33,537 | 297 | 33,240 | 528 | 0.05 |
| Saudi Arabia | 25,140 | 2.62 | 3,032,764 | 263,830 | 2,768,934 | 25,390 | 2.55 |
| Senegal[a] | 1,163 | 0.12 | 140,299 | 9,681 | 130,618 | 1,413 | 0.14 |
| Seychelles | 263 | 0.03 | 31,727 | 154 | 31,573 | 513 | 0.05 |
| Sierra Leone | 403 | 0.04 | 48,616 | 1,841 | 46,775 | 653 | 0.07 |
| Singapore | 320 | 0.03 | 38,603 | 3,860 | 34,743 | 570 | 0.06 |
| Solomon Islands | 288 | 0.03 | 34,743 | 403 | 34,340 | 538 | 0.05 |

| | June 30, 1989 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Subscriptions | | | | | Voting power | |
| Members | Shares | Percentage of total | Total amounts | Amounts paid in (Note A) | Amounts subject to call (Note A) | Number of votes | Percentage of total |
| Somalia | 552 | 0.06 | $ 66,591 | $ 3,322 | $ 63,269 | 802 | 0.08 |
| South Africa | 7,555 | 0.79 | 911,397 | 77,443 | 833,954 | 7,805 | 0.78 |
| Spain[a] | 10,529 | 1.10 | 1,270,166 | 108,828 | 1,161,338 | 10,779 | 1.08 |
| Sri Lanka | 2,142 | 0.22 | 258,400 | 20,065 | 238,335 | 2,392 | 0.24 |
| Sudan | 850 | 0.09 | 102,540 | 7,238 | 95,302 | 1,100 | 0.11 |
| Suriname | 412 | 0.04 | 49,702 | 1,954 | 47,748 | 662 | 0.07 |
| Swaziland | 440 | 0.05 | 53,079 | 2,015 | 51,064 | 690 | 0.07 |
| Sweden | 14,974 | 1.56 | 1,806,388 | 110,202 | 1,696,186 | 15,224 | 1.53 |
| Syrian Arab Republic | 1,236 | 0.13 | 149,105 | 10,458 | 138,647 | 1,486 | 0.15 |
| Tanzania[a] | 727 | 0.08 | 87,702 | 7,942 | 79,760 | 977 | 0.10 |
| Thailand | 3,563 | 0.37 | 429,823 | 35,114 | 394,709 | 3,813 | 0.38 |
| Togo | 620 | 0.06 | 74,794 | 3,924 | 70,870 | 870 | 0.09 |
| Tonga | 277 | 0.03 | 33,416 | 287 | 33,129 | 527 | 0.05 |
| Trinidad and Tobago | 1,495 | 0.16 | 180,349 | 13,406 | 166,943 | 1,745 | 0.18 |
| Tunisia | 719 | 0.07 | 86,737 | 5,658 | 81,079 | 969 | 0.10 |
| Turkey | 7,379 | 0.77 | 890,166 | 52,947 | 837,219 | 7,629 | 0.77 |
| Uganda | 617 | 0.06 | 74,432 | 4,376 | 70,056 | 867 | 0.09 |
| United Arab Emirates | 2,385 | 0.25 | 287,714 | 22,643 | 265,071 | 2,635 | 0.26 |
| United Kingdom | 69,397 | 7.24 | 8,371,707 | 539,526 | 7,832,181 | 69,647 | 6.99 |
| United States | 162,523 | 16.95 | 19,605,962 | 1,627,623 | 17,978,339 | 162,773 | 16.33 |
| Uruguay | 1,578 | 0.16 | 190,362 | 14,084 | 176,278 | 1,828 | 0.18 |
| Vanuatu[a] | 329 | 0.03 | 39,689 | 838 | 38,851 | 579 | 0.06 |
| Venezuela | 11,427 | 1.19 | 1,378,496 | 118,452 | 1,260,044 | 11,677 | 1.17 |
| Viet Nam | 543 | 0.06 | 65,505 | 6,550 | 58,955 | 793 | 0.08 |
| Western Samoa | 298 | 0.03 | 35,949 | 510 | 35,439 | 548 | 0.05 |
| Yemen Arab Republic | 573 | 0.06 | 69,124 | 3,420 | 65,704 | 823 | 0.08 |
| Yemen, People's Democratic Republic of | 918 | 0.10 | 110,743 | 7,084 | 103,659 | 1,168 | 0.12 |
| Yugoslavia | 4,381 | 0.46 | 528,502 | 46,463 | 482,039 | 4,631 | 0.46 |
| Zaire[a] | 2,643 | 0.28 | 318,838 | 25,379 | 293,459 | 2,893 | 0.29 |
| Zambia[a] | 1,577 | 0.16 | 190,241 | 15,556 | 174,685 | 1,827 | 0.18 |
| Zimbabwe | 1,866 | 0.19 | 225,105 | 17,136 | 207,969 | 2,116 | 0.21 |
| Total—June 30, 1989* | 958,527 | 100.00 | $115,668,095 | $8,591,850 | $107,076,245 | 996,577 | 100.00 |
| Total—June 30, 1988 | 757,953 | | $ 91,435,660 | $7,709,196 | $ 83,726,464 | 795,703 | |

a. Amounts aggregating the equivalent of $60,097,400 have been received from members on account of increases in subscriptions which are in process of completion: Antigua and Barbuda $57,000, Cameroon $2,000, Central African Republic $1,131,000, Costa Rica $532,000, Egypt, Arab Republic of $9,550,000, Ghana $47,000, Grenada $759,000, Guyana $56,000, Indonesia $2,000, Malaysia $10,883,000, Mali $400, Mauritania $32,000, Myanmar $2,000, Niger $167,000, Norway $1,176,000, Pakistan $11,232,000, Senegal $104,000, Spain $24,131,000, Tanzania $107,000, Vanuatu $93,000, Zaire $15,000, Zambia $19,000.

* May differ from sum of individual figures shown because of rounding.

**See Notes to Financial Statements.**

# Notes to Financial Statements

June 30, 1989 and June 30, 1988

## Summary of Significant Accounting and Related Policies

### Translation of Currencies

The IBRD's principal 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 and Switzerland. 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 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. The currencies of borrowed funds include funds which have been swapped into other currencies In addition, the IBRD periodically undertakes currency conversions to 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 rates of exchange at the end of the period. Income and expenses are translated at the market rate at the dates on which they are recognized or an average of the market rates of exchange 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 the General Reserve.

### 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 On October 14, 1986, the Executive Directors of the IBRD decided, with effect starting on June 30, 1987 and until such time as the relevant provisions of the Articles of Agreement are amended, to interpret 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 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 equal to $1 20635 for one SDR (the 1974 SDR).

### Loans

All of the IBRD's loans are made to, or guaranteed by, members with the exception of loans to the International Finance Corporation. The principal amounts of loans are repayable in the currencies lent. For loans negotiated since July 1980 (and for portions of certain earlier loans), the repayment obligations of borrowers in various currencies are determined on the basis of a currency pooling system, which is designed to equalize exchange-rate risks among borrowers Interest on loans is accrued in the currencies lent

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 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 Interest and other charges on nonaccruing loans are included in income only to the extent that payments have actually been received by the IBRD. The IBRD begins to make provisions for losses on loans made to or guaranteed by a member of the IBRD when the loans are placed in nonaccrual status. The Accumulated Provision for Loan Losses is periodically adjusted based on a review of the prevailing circumstances. Any such provisions are recorded as a reduction of income and will be used to meet actual losses on such loans. Should such losses occur in amounts in excess of accumulated provisions (and of the amount of the Special Reserve), the excess would be included in the determination of net income.

### Investments

Investment securities are recorded at cost or amortized cost. Gains or losses on sales of investments, measured by the difference between proceeds of sales and cost (on a last-in, first-out basis), are recorded as an element of 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 settlement. Financial futures and options are valued at market, with both realized and unrealized gains and losses included in income from investments

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 Statements of Cash Flows.

### Disposition of Income and General Reserve

The IBRD has not declared or paid any dividends to its members. Commencing in 1950, a portion or all of the accumulated net income has been allocated to the General Reserve.

From net income of fiscal years 1964 to 1987, the IBRD transferred to the International Development Association the portion of each year's income that was not needed for allocation to reserves or otherwise required to be retained in the IBRD's business and accordingly could have been prudently distributed as dividends. In October 1985, the IBRD made a similar transfer to the Special Facility for Sub-Saharan Africa which is administered by the International Development Association. These transfers were recorded as a charge to Accumulated Net Income—Unallocated. No such transfer was made from net income for the fiscal year ended June 30, 1988.

### Reclassifications

Certain reclassifications of prior year information have been made to conform with the current year's presentation.

## Note A—Capital Stock, Restricted Currencies, and Maintenance of Value

**Capital Stock:** At June 30, 1989, the IBRD's capital comprised 1,420,500 (1,420,500—1988) authorized shares, of which 958,827 (757,953—1988) shares had been subscribed. Each share has a par value of 100,000 1974 SDRs, valued at the rate of $1.20635 per 1974 SDR Of the subscribed capital, $8,591,850,000 ($7,709,196,000—1988) has been paid in, and the remaining $107,076,245,000 ($83,726,464,000—1988) is subject to call only when required to meet the obligations of the IBRD created by borrowing or guaranteeing loans. As to $92,534,476,000 ($73,148,528,000—1988) the restriction on calls is imposed by the Articles of Agreement and as to $14,541,769,000 ($10,577,936,000—1988) 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) $859,185,000 ($770,920,000—1988) initially paid in gold or US dollars and (2) $7,732,665,000 ($6,938,276,000—1988) paid in cash or non-interest-bearing demand obligations denominated either in the currencies of the respective members or in US dollars. Of this second portion, an amount of $513,570,000 ($152,989,000—1988) was subsequently repurchased by members with US dollars. The amounts mentioned in (1) above which are paid in gold or US dollars and the amounts subsequently repurchased with US dollars are freely usable by the IBRD in any of its operations. The remaining amounts paid in the currencies of the members or in US dollar denominated notes, referred to as restricted currencies, are usable by the IBRD in its lending operations only with the consent of the respective members. The equivalent of $4,362,213,000 ($4,456,793,000—1988) 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.

## Note B—Investments and Cash Collateral Invested

The market value of investment securities and invested cash collateral received on loaned securities, including investments not traded in the market which were valued at their cost of $11,899,823,000 ($9,698,707,000—1988), was $22,175,789,000 ($21,223,549,000—1988), compared with a cost or amortized cost of $22,138,427,000 ($21,175,264,000—1988). Obligations of the United States Government and its instrumentalities having a cost or amortized cost of $292,538,000 ($292,538,000—1988) and a market value of $302,211,000 ($292,891,000—1988), set aside in respect of the Special Reserve, as described in Note E, are included under this heading.

Income from investments includes a net loss of $95,781,000 (net gain of $135,272,000—1988) resulting from sales of investments. The annualized rate of return on the average investments held during the fiscal year ended June 30, 1989, including net gains/losses from sales of investments was 8.20% (8.51%—1988).

## Note C—Loans, Cofinancing, and Guarantees

**Loans:** At June 30, 1989, principal installments of $3,340,000 and interest and other charges of $3,745,000 payable to the IBRD on loans other than those referred to in the following paragraph were overdue by more than three months. The aggregate principal amount outstanding on these loans was $80,319,000. The aggregate principal amount outstanding on all loans to any borrowers, other than those referred to in the following paragraph, with any one loan overdue by more than three months was $172,820,000.

At June 30, 1989, the loans made to or guaranteed by certain member countries with an aggregate principal balance outstanding of $3,193,392,000 ($2,924,190,000—1988), of which $626,092,000 ($378,851,000—1988) was overdue, were in nonaccrual status. If these loans had not been in nonaccrual status, income from loans for the fiscal year ended June 30, 1989 would have been $262,670,000 ($320,744,000—1988) higher. A summary of borrowers in nonaccrual status follows:

| | US$ thousands | | | |
|---|---|---|---|---|
| | June 30, 1989 | | | |
| Borrower | Principal outstanding | Principal overdue | Income not accrued | Nonaccrual since |
| Guyana | $ 79,625 | $ 18,342 | $ 5,938 | December 1986 |
| Honduras | 487,106 | 26,641 | 42,215 | April 1989 |
| Liberia | 121,944 | 30,440 | 10,447 | June 1987 |
| Nicaragua | 205,388 | 65,528 | 17,522 | December 1984 |
| Panama | 433,115 | 73,598 | 34,958 | May 1988 |
| Peru | 1,000,326 | 258,898 | 82,715 | August 1987 |
| Sierra Leone | 8,926 | 2,335 | 453 | August 1987 |
| Syrian Arab Republic | 394,451 | 79,893 | 31,193 | February 1987 |
| Zambia | 462,511 | 70,417 | 37,229 | August 1987 |
| | $3,193,392 | $626,092 | $262,670 | |

An analysis of the changes to the accumulated provision for losses on loans made to or guaranteed by all member countries in nonaccrual status appears below:

| | US$ thousands | |
|---|---|---|
| | June 30 | |
| | 1989 | [illegible] |
| Balance, beginning [illegible] | [illegible] | [illegible] |
| Provision for loan [illegible] | [illegible] | [illegible] |
| Translation adjustr[illegible] | [illegible] | [illegible] |
| Balance, end of fis[illegible] | [illegible] | [illegible] |

**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. The IBRD's direct participations in syndicated loans are included in reported loan balances. Guarantees of $932,863,000 as of June 30, 1989 ($933,682,000—1988) are not included in reported loan balances. None of these guarantees were subject to call at June 30, 1989.

The IBRD has partially guaranteed the timely payment of interest amounts on certain loans that have been sold. At June 30, 1989 these guarantees, approximating $15,241,000 ($17,958,000—1988), were subject to call.

**Statutory Lending Limit:** Under the Articles, 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% of the sum of subscribed capital, reserves, and surplus. On February 17, 1987, the IBRD's Executive Directors 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. As of June 30, 1989, the total amount of callable guarantees and disbursed and outstanding participations in loans and direct loans was approximately $77,957,086,000 or 62% (81%—1988) of the sum of subscribed capital, reserves, and surplus.

*(continued)*

# Notes to Financial Statements *(continued)*

June 30, 1989 and June 30, 1988

## 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 effect of a currency swap is to transform the cost of the original borrowing to a cost which reflects the market rate of the currency obtained in the conversion. 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, 1989 was 7.38% (7.47%—1988), reflecting a reduction of cost of $305,462,000 ($250,991,000—1988) as a result of swaps. Net receivable from currency swaps of $274,828,000 ($112,467,000—1988) and net payable from currency swaps of $1,256,811,000 ($1,920,830,000—1988), resulting primarily from exchange rate movements occurring subsequent to the dates of the swaps, are shown under the headings Receivables—Other and Other Liabilities, respectively.

## Note E—Reserves and Net Income

In August 1988, the IBRD allocated the entire $1,004,230,000 net income earned in the fiscal year ended June 30, 1988 to the General Reserve. In June 1989, the Executive Directors approved the allocation of all but $100,000,000 of the net income earned in the fiscal year ended June 30, 1989 to the General Reserve, effective July 1989. The resulting allocation to the General Reserve amounted to $993,887,000.

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 comprise obligations of the United States Government and its instrumentalities and are included under the heading Investments. 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.

## Note F—Income and Expenses

Other income includes gains of $7,353,000 ($5,128,000—1988), resulting from repurchases of obligations of the IBRD prior to maturity, and net gains from loan sales of $6,494,000 ($16,659,000—1988).

Administrative expenses are net of the management fee of $259,000,000 ($263,400,000—1988) charged to the International Development Association and of the service and support fees of $3,501,000 ($3,390,000—1988) charged to the International Finance Corporation and $415,000 to the Multilateral Investment Guarantee Agency. Contributions to special programs represent grants for agricultural research, the control of onchocerciasis, and other developmental activities.

In May 1987, the IBRD announced a reorganization to improve its efficiency and effectiveness. The direct costs of the reorganization consisted of the costs of staff separation, training of staff for improving their skills, office moves, and certain modifications to the IBRD's computer-based information and data systems. The original cost estimate was included in Administrative Expenses in the Statement of Income for the fiscal year ended June 30, 1987. In September 1987 the cost estimate was revised and increased by $48,300,000. The portion of the increase which relates to the IBRD, $35,900,000, is included in Administrative Expenses in the accompanying Statement of Income for the fiscal year ended June 30, 1988. The balance has been charged to the International Development Association.

## Note G—Transfers to the International Development Association and to the Special Facility for Sub-Saharan Africa

The IBRD has authorized transfers by way of grants to the International Development Association totaling $2,510,706,000 ($2,567,371,000—1988) from net income for the fiscal years ended June 30, 1964 through June 30, 1987. Of these transfers, $716,626,000 remained payable at June 30, 1989 ($773,291,000—1988).

During the fiscal year ended June 30, 1986 the IBRD authorized a transfer by way of a grant to the Special Facility for Sub-Saharan Africa of $150,000,000 from net income for the fiscal year ended June 30, 1985. These funds were paid to the Special Facility for Sub-Saharan Africa in the fiscal year ended June 30, 1989.

## Note H—Staff Retirement Plan

The IBRD has a defined benefit retirement plan covering substantially all of its staff. The Plan also covers the staff of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). Under the Plan, benefits are based on years of service and average compensation, 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, 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 the fiscal year ended June 30, 1989 consisted of the following components:

| | |
|---|---|
| Service cost—benefits earned during the period | $ 97,278,000 |
| Interest cost on projected benefit obligation | 185,089,000 |
| Actual return on plan assets | (424,684,000) |
| Net amortization and deferral | 175,854,000 |
| Net periodic pension cost | $ 33,537,000 |

The portion of this cost that relates to the IBRD, $21,496,000, is included in Administrative Expenses for the fiscal year ended June 30, 1989. The balance has been charged to the International Development Association.

The following table sets forth the Plan's funded status at June 30, 1989:

| | |
|---|---|
| Actuarial present value of benefit obligations | |
| Accumulated benefit obligation | |
| Vested | $(2,218,260,000) |
| Nonvested | (114,127,000) |
| Subtotal | (2,332,387,000) |
| Effect of projected compensation levels | (769,631,000) |
| Projected benefit obligation | (3,102,018,000) |
| Plan assets at fair value | 3,135,976,000 |
| Plan assets in excess of projected benefit obligation | 33,958,000 |
| Remaining unrecognized net asset existing at date of initial application | (181,842,000) |
| Unrecognized net gain | 147,884,000 |
| Prepaid pension cost | $ 0 |

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 7.562%. 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% at age 20 and decreasing to 7.6% at age 64. The expected long-term rate of return on assets was 10%

# Report of Independent Accountants

1801 K Street, N.W.
Washington, DC 20006

Telephone 202 833 7932

**Price Waterhouse**

July 26, 1989

President and Board of Governors,
International Bank for Reconstruction
and Development

In our opinion, the financial statements appearing on pages 184 through 201 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, 1989 and 1988, 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 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 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

# Financial Statements of the International Development Association, the Special Fund Administered by IDA, and the Special Facility for Sub-Saharan Africa Administered by IDA

# Statements of Commitment Resources

For the fiscal years ended June 30, 1989 and June 30, 1988
Expressed in thousands of US dollars

| **Changes in Commitment Resources** | IDA | | Special Fund | | African Facility | |
|---|---|---|---|---|---|---|
| | 1989 | 1988 | 1989 | 1988 | 1989 | 1988 |
| COMMITMENT AUTHORITY[a] | | | | | | |
| Current period transactions: | | | | | | |
| Subscriptions and contributions | $5,002,403 | $4,521,511 | | | | $ 17,754 |
| Reflows available for advance commitments and annual allocations | 751,772 | — | | | | |
| Transfers from IBRD—Note F | — | 100,000 | | | | |
| Income from investments | | | | | | 11,585 |
| | 5,754,175 | 4,621,511 | | | | 29,339 |
| Less development credits approved | 4,932,590 | 4,458,710 | | | $27,900 | 112,600 |
| Effect of current period transactions on resources available for commitment | 821,585 | 162,801 | | | (27,900) | (83,261) |
| Translation adjustments affecting commitment authority | 107,468 | (44,519) | | | (9,516) | (20,478) |
| Increase (decrease) in commitment authority | 929,053 | 118,282 | | | (37,416) | (103,739) |
| Commitment authority, beginning of fiscal year | (178,326) | (296,608) | | | 37,416 | 141,155 |
| **Commitment authority, end of fiscal year** | $ 750,727 | $ (178,326) | | | $ — | $ 37,416 |
| CHANGES TO FULLY COMMITTED REPLENISHMENTS | | | | | | |
| Current period allocations: | | | | | | |
| Cancellations of development credits | $ 207,063 | $ 153,479 | $148,492 | | $ 192 | |
| Repayments of development credits not available for commitment | — | 159,447 | | | | |
| Grant participation in development credits | 2,973 | (4,376) | | | | |
| Income from investments | 135,283 | 106,785 | 6,793 | $ 5,932 | 14,352 | |
| Income from operations | 12,492 | 48,039 | | | | |
| Total current period allocations | 357,811 | 463,374 | 155,285 | 5,932 | 14,544 | |
| Translation adjustments on resources under fully committed replenishments | (139,559) | (140,670) | (14,893) | (2,076) | 14,958 | |
| Increase in resources under fully committed replenishments | 218,252 | 322,704 | 140,392 | 3,856 | 29,502 | |
| Surplus in resources under fully committed replenishments, beginning of fiscal year | 382,769 | 60,065 | 31,943 | 28,087 | — | |
| **Surplus in resources under fully committed replenishments, end of fiscal year** | $ 601,021 | $ 382,769 | $172,335 | $31,943 | $29,502 | |
| COMMITMENT RESOURCES | | | | | | |
| Commitment authority, end of fiscal year | $ 750,727 | $ (178,326) | | | — | $ 37,416 |
| Surplus in resources under fully committed replenishments, end of fiscal year | 601,021 | 382,769 | $172,335 | $31,943 | $29,502 | — |
| **Total commitment resources** | $1,351,748 | $ 204,443 | $172,335 | $31,943 | $29,502 | $ 37,416 |

a IDA reviews periodically the resource position under fully committed replenishments and, if necessary, allocates portions of the resources that become available for commitment during the period to those replenishments For IDA, these allocations will include income from operations until it equals the cumulative losses from operations for the period July 1, 1979 to December 31, 1984, totaling $353,815,000. Losses incurred during that period were not reduced from commitment authority in accordance with the decision of the Executive Directors that IDA's commitment authority not be reduced by the amount of deficits during the sixth replenishment period The decision reflected the expectation that future income would be available to reduce these losses All income earned subsequent to that period, amounting to $352,142,000 at June 30, 1989, has been allocated for this purpose.

The Executive Directors have reviewed IDA's resource position under fully committed replenishments and, on September 23, 1988, approved a scheme to increase commitment authority by permitting IDA to make advance commitments against the reflows that IDA is projected to receive in future years.

## Composition of Commitment Resources

| | IDA | | Special Fund | | African Facility | |
|---|---|---|---|---|---|---|
| | 1989 | 1988 | 1989 | 1988 | 1989 | 1988 |
| Liquid funds | $ 1,444,458 | $ 1,233,202 | $ 59,850 | $ 64,748 | $172,170 | $107,831 |
| Cash not immediately available for disbursement—Note A | 10,484 | 184,817 | | | | |
| Receivables on account of subscriptions and contributions | 19,446,967 | 22,330,292 | 283,689 | 327,893 | 9 | 115,247 |
| Subscriptions and contributions not yet available for commitment | (4,321,215) | (8,103,696) | | | | |
| Receivables from International Bank for Reconstruction and Development—Note F | 716,626 | 773,291 | | | — | 150,000 |
| Other assets | 146,508 | 156,974 | 268 | 274 | 814 | 242 |
| Reflows available for advance commitments and annual allocations | 751,772 | — | | | | |
| Of which amounts received during period | (184,636) | — | | | | |
| | 567,136 | — | | | | |
| Less undisbursed credits, accounts payable and other liabilities | 16,659,216 | 16,370,437 | 171,472 | 360,972 | 143,491 | 335,904 |
| **Total commitment resources** | $ 1,351,748 | $ 204,443 | $172,335 | $ 31,943 | $ 29,502 | $ 37,416 |

**See Notes to Financial Statements.**

# Statements of Changes in Liquid Funds

For the fiscal years ended June 30, 1989 and June 30, 1988
Expressed in thousands of US dollars

| | IDA | | Special Fund | | African Facility | |
|---|---|---|---|---|---|---|
| | 1989 | 1988 | 1989 | 1988 | 1989 | 1988 |
| SOURCES OF LIQUID FUNDS | | | | | | |
| Operations: | | | | | | |
| Income from development credits—Notes C and G: | | | | | | |
| Service charges | $ 271,492 | $ 246,480 | | | | |
| Commitment fees | — | 64,959 | | | | |
| Less management fee to IBRD—Note G | 259,000 | 263,400 | | | | |
| Income from development credits less management fee | 12,492 | 48,039 | | | | |
| Income from investments—Note G | 140,242 | 109,354 | $ 6,793 | $ 5,932 | $ 14,352 | $ 11,585 |
| Less amortization of subscription advances | 4,959 | 2,569 | | | | |
| Non-cash items | 25,675 | (39,902) | 28 | 125 | (572) | 21 |
| Liquid funds from operations | 173,450 | 114,922 | 6,821 | 6,057 | 13,780 | 11,606 |
| Drawdown of subscriptions and contributions | 3,467,970 | 3,337,566 | 28,293 | 51,635 | 262,504 | 386,156 |
| Grant participations in development credits | 2,973 | (4,376) | | | | |
| Repayments of development credits | 184,636 | 159,447 | | | | |
| **Total sources of liquid funds** | 3,829,029 | 3,607,559 | 35,114 | 57,692 | 276,284 | 397,762 |
| USES OF LIQUID FUNDS | | | | | | |
| Development credit disbursements | 3,559,206 | 3,339,203 | 37,670 | 57,585 | 209,612 | 350,984 |
| **Effect of current period transactions on liquid funds** | 269,823 | 268,356 | (2,556) | 107 | 66,672 | 46,778 |
| TRANSLATION ADJUSTMENTS | (58,567) | (12,579) | (2,342) | 158 | (2,333) | (353) |
| **Increase (decrease) in liquid funds** | 211,256 | 255,777 | (4,898) | 265 | 64,339 | 46,425 |
| **Liquid funds, beginning of fiscal year** | 1,233,202 | 977,425 | 64,748 | 64,483 | 107,831 | 61,406 |
| **Liquid funds, end of fiscal year** | $1,444,458 | $1,233,202 | $59,850 | $64,748 | $172,170 | $107,831 |

**See Notes to Financial Statements.**

# Statements of Condition

June 30, 1989 and June 30, 1988
Expressed in thousands of US dollars

| | IDA | | Special Fund | | African Facility | |
|---|---|---|---|---|---|---|
| **Assets** | 1989 | 1988 | 1989 | 1988 | 1989 | 1988 |
| **Unrestricted assets** | | | | | | |
| LIQUID FUNDS | | | | | | |
| Cash available for disbursements: | | | | | | |
| Noninterest-bearing demand deposits | $ 80,949 | $ 14,416 | $ 715 | $ 275 | $ 3,074 | $ 9,854 |
| Interest-bearing demand deposits | 48,246 | 17,861 | 4,384 | 3,517 | 432 | 2,356 |
| Investments: | | | | | | |
| Obligations of governments and their instrumentalities | 683,134 | 533,397 | — | 2,533 | 17,092 | 22,444 |
| Obligations of banks and financial institutions | 631,523 | 798,145 | 54,751 | 58,423 | 151,572 | 73,177 |
| Receivable for investment securities sold | 12,490 | 41,380 | — | — | — | — |
| Payable for investment securities purchased | (11,884) | (171,997) | — | — | — | — |
| | 1,444,458 | 1,233,202 | 59,850 | 64,748 | 172,170 | 107,831 |
| CASH NOT IMMEDIATELY AVAILABLE FOR DISBURSEMENT—Note A | 10,484 | 184,817 | | | | |
| CASH COLLATERAL INVESTED | 118,337 | 37,354 | | | | |
| RECEIVABLES ON ACCOUNT OF SUBSCRIPTIONS AND CONTRIBUTIONS | | | | | | |
| Nonnegotiable, noninterest-bearing demand obligations | 14,724,701 | 14,612,984 | 283,689 | 327,893 | 9 | 115,247 |
| Subscriptions and contributions—Note E: | | | | | | |
| Amounts due | 131,287 | 133,431 | | | | |
| Amounts not yet due | 4,590,979 | 7,583,877 | | | | |
| | 19,446,967 | 22,330,292 | 283,689 | 327,893 | 9 | 115,247 |
| RECEIVABLES FROM INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT—Note F | 716,626 | 773,291 | | | — | 150,000 |
| DEVELOPMENT CREDITS OUTSTANDING (see Summary Statement of Development Credits and Note C) | | | | | | |
| Total development credits | 51,900,844 | 49,082,916 | | | | |
| Less undisbursed balance | 16,556,580 | 16,274,159 | | | | |
| | 35,344,264 | 32,808,757 | | | | |
| SPECIAL FUND CREDITS OUTSTANDING (see Summary Statement of Development Credits and Note C) | | | | | | |
| Total development credits | 442,848 | 608,398 | | | | |
| Less undisbursed balance | 171,472 | 360,972 | | | | |
| | 271,376 | 247,426 | | | | |
| AFRICAN FACILITY CREDITS OUTSTANDING (see Summary Statement of Development Credits and Note C) | | | | | | |
| Total development credits | 1,167,496 | 1,200,650 | | | | |
| Less undisbursed balance | 143,446 | 335,874 | | | | |
| | 1,024,050 | 864,776 | | | | |
| OTHER ASSETS | | | | | | |
| Accrued charges on development credits | 82,255 | 95,726 | | | | |
| Accrued interest on investments | 19,682 | 18,433 | 245 | 274 | 814 | 242 |
| Miscellaneous—primarily advances for project preparation facilities | 44,571 | 42,815 | 23 | | | |
| | 146,508 | 156,974 | 268 | 274 | 814 | 242 |
| **Total unrestricted assets** | 58,523,070 | 58,636,889 | 343,807 | 392,915 | 172,993 | 373,320 |
| **Restricted assets on account of subscriptions—Note B** | 265,713 | 262,694 | | | | |
| **Total assets** | $58,788,783 | $58,899,583 | $343,807 | $392,915 | $172,993 | $373,320 |

| Sources of Assets | IDA 1989 | IDA 1988 | Special Fund 1989 | Special Fund 1988 | African Facility 1989 | African Facility 1988 |
|---|---|---|---|---|---|---|
| **Unrestricted sources** | | | | | | |
| ACCOUNTS PAYABLE AND OTHER LIABILITIES (for IDA this includes payable to IBRD for management fee of $96,765—1989, $87,765—1988) | $ 102.636 | $ 96,278 | $ — | $ — | $ 45 | $ 30 |
| PAYABLE FOR CASH COLLATERAL RECEIVED | 118.337 | 37,354 | | | | |
| SUBSCRIPTIONS AND CONTRIBUTIONS (see Statement of Voting Power, and Subscriptions and Contributions and Note E) | 53.795 836 | 53,367,708 | | | | |
| CONTRIBUTIONS TO SPECIAL FUND (see Statement of Voting Power, and Subscriptions and Contributions) | | | | | | |
| Total | | | 565.372 | 581,260 | | |
| Disbursed | 254.507 | 216.836 | (254.507) | (216,836) | | |
| Undisbursed | | | 310.865 | 364,424 | | |
| CONTRIBUTIONS TO AFRICAN FACILITY (see Statement of Voting Power, and Subscriptions and Contributions) | | | | | | |
| Total | | | | | 1,021,733 | 1,024,482 |
| Disbursed | 1,040,791 | 831,179 | | | (1,040,791) | (831,179) |
| Undisbursed | | | | | (19,058) | 193,303 |
| CONTRIBUTION BY SWITZERLAND—Note D | 51.173 | 51,173 | | | | |
| TRANSFERS FROM INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT—Note F | 2,430.801 | 2,487,466 | | | 150,000 | 150,000 |
| ACCUMULATED (DEFICIT) SURPLUS | (3,254) | (92,460) | 32,942 | 28,491 | 42,006 | 29,987 |
| CUMULATIVE TRANSLATION ADJUSTMENTS ON DISBURSED AND OUTSTANDING DEVELOPMENT CREDITS: | | | | | | |
| IDA | 732,115 | 1,577,168 | | | | |
| Special Fund | 16,869 | 30,590 | | | | |
| African Facility | (16,741) | 33,597 | | | | |
| | 732,243 | 1,641,355 | | | | |
| **Total unrestricted sources** | 58.523,070 | 58,636,889 | 343,807 | 392,915 | 172,993 | 373,320 |
| **Restricted Subscriptions—Note B** | 265,713 | 262,694 | | | | |
| **Total sources of assets** | $58,788,783 | $58,899,583 | $343,807 | $392,915 | $ 172,993 | $ 373,320 |

**See Notes to Financial Statements**

# Summary Statement of Development Credits

**June 30, 1989 and June 30, 1988**
Expressed in thousands of US dollars

| | June 30, 1989 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | IDA | | Special Fund | | African Facility | | Total | | |
| Borrower or guarantor | Total credits[a] | Credits outstanding | Total credits | Credits outstanding | Total credits | Credits outstanding | Total credits | Credits outstanding | Percentage of credits outstanding |
| Afghanistan | $ 79,207 | $ 79,207 | $ — | $ — | $ — | $ — | $ 79,207 | $ 79,207 | 0.22 |
| Bangladesh | 4,664,868 | 3,182,269 | 25,807 | 2,703 | — | — | 4,690,675 | 3,184,972 | 8.69 |
| Benin | 360,665 | 202,196 | 10,344 | 9,762 | — | — | 371,009 | 211,958 | 0.58 |
| Bhutan | 26,804 | 11,117 | — | — | — | — | 26,804 | 11,117 | 0.03 |
| Bolivia | 435,684 | 286,414 | — | — | — | — | 435,684 | 286,414 | 0.78 |
| Botswana | 14,031 | 14,031 | — | — | — | — | 14,031 | 14,031 | 0.04 |
| Burkina Faso | 365,286 | 234,166 | — | — | — | — | 365,286 | 234,166 | 0.64 |
| Burundi | 484,030 | 286,537 | — | — | 17,828 | 17,828 | 501,858 | 304,365 | 0.83 |
| Cameroon | 238,699 | 238,678 | — | — | — | — | 238,699 | 238,678 | 0.65 |
| Cape Verde | 19,449 | 8,397 | — | — | — | — | 19,449 | 8,397 | 0.02 |
| Central African Republic | 220,338 | 145,321 | — | — | 17,454 | 17,454 | 237,792 | 162,775 | 0.44 |
| Chad | 269,693 | 107,611 | — | — | 25,558 | 9,705 | 295,251 | 117,316 | 0.32 |
| Chile | 15,256 | 15,256 | — | — | — | — | 15,256 | 15,256 | 0.04 |
| China | 3,445,610 | 1,824,772 | 70,814 | 61,868 | — | — | 3,516,424 | 1,886,640 | 5.15 |
| Colombia | 15,540 | 15,540 | — | — | — | — | 15,540 | 15,540 | 0.04 |
| Comoros | 43,379 | 32,549 | — | — | — | — | 43,379 | 32,549 | 0.09 |
| Congo, People's Republic of the | 73,305 | 72,806 | — | — | — | — | 73,305 | 72,806 | 0.20 |
| Costa Rica | 3,626 | 3,626 | — | — | — | — | 3,626 | 3,626 | 0.01 |
| Côte d'Ivoire | 7,050 | 7,050 | — | — | — | — | 7,050 | 7,050 | 0.02 |
| Djibouti | 38,708 | 24,252 | — | — | — | — | 38,708 | 24,252 | 0.07 |
| Dominica | 11,320 | 7,860 | — | — | — | — | 11,320 | 7,860 | 0.02 |
| Dominican Republic | 20,490 | 20,490 | — | — | — | — | 20,490 | 20,490 | 0.06 |
| Ecuador | 32,774 | 32,774 | — | — | — | — | 32,774 | 32,774 | 0.09 |
| Egypt, Arab Republic of | 930,926 | 892,696 | — | — | — | — | 930,926 | 892,696 | 2.44 |
| El Salvador | 24,284 | 24,284 | — | — | — | — | 24,284 | 24,284 | 0.07 |
| Equatorial Guinea | 33,163 | 24,762 | — | — | 4,488 | 4,400 | 37,651 | 29,162 | 0.08 |
| Ethiopia | 1,198,139 | 664,034 | — | — | — | — | 1,198,139 | 664,034 | 1.81 |
| Gambia, The | 117,508 | 60,063 | — | — | 12,218 | 12,217 | 129,726 | 72,280 | 0.20 |
| Ghana | 1,261,423 | 705,961 | 42,264 | 41,189 | 167,434 | 145,603 | 1,471,121 | 892,753 | 2.43 |
| Grenada | 6,234 | 3,547 | — | — | — | — | 6,234 | 3,547 | 0.01 |
| Guinea | 551,729 | 261,346 | — | — | 19,449 | 19,449 | 571,178 | 280,795 | 0.77 |
| Guinea-Bissau | 132,069 | 85,839 | 4,862 | 4,859 | 10,597 | 9,779 | 147,528 | 100,477 | 0.27 |
| Guyana | 47,002 | 34,138 | — | — | — | — | 47,002 | 34,138 | 0.09 |
| Haiti | 344,791 | 282,189 | 14,961 | 4,626 | — | — | 359,752 | 286,815 | 0.78 |
| Honduras | 79,169 | 79,169 | — | — | — | — | 79,169 | 79,169 | 0.22 |
| India | 16,095,801 | 11,943,832 | 80,926 | 7,541 | — | — | 16,176,727 | 11,951,373 | 32.62 |
| Indonesia | 859,052 | 857,151 | — | — | — | — | 859,052 | 857,151 | 2.34 |
| Jordan | 78,920 | 78,920 | — | — | — | — | 78,920 | 78,920 | 0.22 |
| Kenya | 1,054,099 | 656,063 | 47,126 | 8,437 | 52,861 | 52,861 | 1,154,086 | 717,361 | 1.96 |
| Korea, Republic of | 101,337 | 101,337 | — | — | — | — | 101,337 | 101,337 | 0.28 |
| Lao People's Democratic Republic | 149,162 | 66,366 | — | — | — | — | 149,162 | 66,366 | 0.18 |
| Lesotho | 140,613 | 90,562 | — | — | — | — | 140,613 | 90,562 | 0.25 |
| Liberia | 113,879 | 97,597 | — | — | — | — | 113,879 | 97,597 | 0.27 |
| Madagascar | 802,014 | 516,812 | 34,783 | 33,997 | 127,290 | 79,607 | 964,087 | 630,416 | 1.72 |
| Malawi | 707,605 | 485,255 | 16,332 | 12,060 | 56,975 | 56,975 | 780,912 | 554,290 | 1.51 |
| Maldives | 15,946 | 7,375 | — | — | — | — | 15,946 | 7,375 | 0.02 |
| Mali | 582,348 | 384,112 | 13,290 | 10,998 | 8,852 | — | 604,490 | 395,110 | 1.08 |
| Mauritania | 172,842 | 122,177 | — | — | 26,680 | 26,680 | 199,522 | 148,857 | 0.41 |
| Mauritius | 19,086 | 19,086 | — | — | — | — | 19,086 | 19,086 | 0.05 |
| Morocco | 40,298 | 40,298 | — | — | — | — | 40,298 | 40,298 | 0.11 |

| | June 30, 1989 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | IDA | | Special Fund | | African Facility | | Total | | |
| Borrower or guarantor | Total credits[a] | Credits outstanding | Total credits | Credits outstanding | Total credits | Credits outstanding | Total credits | Credits outstanding | [illegible] outstanding |
| Mozambique | $ 346,089 | $ 126,998 | $ — | $ — | $ 18,078 | $ 11 205 | $ 364,167 | $ 138,203 | 0 38 |
| Myanmar | 824,507 | 600,383 | — | — | — | — | 824,507 | 600,383 | 1 64 |
| Nepal | 1,025,900 | 497,724 | — | — | — | — | 1,025,900 | 497,724 | 1.36 |
| Nicaragua | 59,699 | 59,697 | — | — | — | — | 59,699 | 59,697 | 0 16 |
| Niger | 425,641 | 281,500 | — | — | 81,037 | 74,354 | 506,678 | 355,854 | 0 97 |
| Nigeria | 123,990 | 30,486 | — | — | — | — | 123,990 | 30,486 | 0 08 |
| Pakistan | 2,980,856 | 1,825,313 | — | — | — | — | 2,980,856 | 1,825,313 | 4 98 |
| Papua New Guinea | 111,348 | 111,348 | — | — | — | — | 111,348 | 111,348 | 0 30 |
| Paraguay | 42,750 | 42,750 | — | — | — | — | 42,750 | 42,750 | 0 12 |
| Philippines | 102,850 | 102 850 | — | — | — | — | 102,850 | 102,850 | 0 28 |
| Rwanda | 410,665 | 262,042 | — | — | 28,051 | 15,251 | 438,716 | 277,293 | 0.76 |
| St Vincent and the Grenadines | 2,244 | 215 | 4,987 | 3,916 | — | — | 7,231 | 4,131 | 0 01 |
| São Tomé and Principe | 22,940 | 11,042 | — | — | 2,867 | 930 | 25,807 | 11,972 | 0 03 |
| Senegal | 634,359 | 444,379 | 22,067 | 21,660 | 89,016 | 89,012 | 745,442 | 555,051 | 1.52 |
| Sierra Leone | 122,219 | 75,228 | — | — | — | — | 122,219 | 75,228 | 0 21 |
| Solomon Islands | 18,448 | 10,946 | — | — | — | — | 18,448 | 10,946 | 0 03 |
| Somalia | 440,815 | 289,560 | — | — | 35,781 | 35,265 | 476,596 | 324,825 | 0 89 |
| Sri Lanka | 1,144,880 | 661,056 | — | — | — | — | 1,144,880 | 661,056 | 1 80 |
| Sudan | 1,188,439 | 800,359 | 11,958 | 11,958 | — | — | 1 200,397 | 812,317 | 2 22 |
| Swaziland | 7,024 | 7,024 | — | — | — | — | 7,024 | 7,024 | 0.02 |
| Syrian Arab Republic | 45,466 | 45,466 | — | — | — | — | 45,466 | 45,466 | 0 12 |
| Tanzania | 1,202,562 | 882,119 | — | — | 71,936 | 71,936 | 1,274,498 | 954,055 | 2.60 |
| Thailand | 110 357 | 110,357 | — | — | — | — | 110,357 | 110,357 | 0 30 |
| Togo | 424,651 | 261,770 | 23,002 | 23,002 | 12,592 | 12,592 | 460,245 | 297,364 | 0.81 |
| Tonga | 1,995 | 1,394 | — | — | — | — | 1,995 | 1,394 | * |
| Tunisia | 61,516 | 61,516 | — | — | — | — | 61,516 | 61,516 | 0.17 |
| Turkey | 163,667 | 163,667 | — | — | — | — | 163,667 | 163,667 | 0 45 |
| Uganda | 910,213 | 582,010 | — | — | 23,439 | 23,409 | 933,652 | 605,419 | 1 65 |
| Vanuatu | 11,777 | 2 187 | — | — | — | — | 11,777 | 2,187 | * |
| Viet Nam | 59,399 | 59,399 | — | — | — | — | 59,399 | 59,399 | 0 16 |
| Western Samoa | 24,778 | 13,668 | — | — | — | — | 24,778 | 13,668 | 0 04 |
| Yemen Arab Republic | 537,655 | 331,814 | — | — | — | — | 537,655 | 331,814 | 0 91 |
| Yemen People's Dem Rep of | 238,275 | 172,161 | 12,343 | 8,924 | — | — | 250,618 | 181,085 | 0 49 |
| Zaire | 1,092,977 | 711,368 | — | — | 192,618 | 173,141 | 1,285,595 | 884,509 | 2 41 |
| Zambia | 324,926 | 171,953 | 6,982 | 3,876 | 64,397 | 64,397 | 396,305 | 240,226 | 0 66 |
| Zimbabwe | 59,459 | 58,365 | — | — | — | — | 59,459 | 58,365 | 0 16 |
| Subtotal members | 51,850,587 | 35,308,004 | 442,848 | 271,376 | 1,167,496 | 1,024,050 | 53,460,931 | 36,603,430 | |

*(continued)*

# Summary Statement of Development Credits *(continued)*

**June 30, 1989 and June 30, 1988**
Expressed in thousands of US dollars

| | June 30, 1989 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | IDA | | Special Fund | | African Facility | | Total | | |
| Borrower or guarantor | Total credits[a] | Credits outstanding | Total credits | Credits outstanding | Total credits | Credits outstanding | Total credits | Credits outstanding | [illegible] outstanding |
| Regional development banks: | | | | | | | | | |
| West African Development Bank[b] | $ 19,010 | $ 12,559 | $ — | $ — | $ — | $ — | $ 19,010 | $ 12,559 | 0.03 |
| Caribbean Development Bank[c] | 20,568 | 13,022 | — | — | — | — | 20,568 | 13,022 | 0.04 |
| Subtotal regional development banks | 39,578 | 25,581 | — | — | — | — | 39,578 | 25,581 | |
| Other[d] | 10,679 | 10,679 | — | — | — | — | 10,679 | 10,679 | 0.02 |
| Total—June 30, 1989 | $51,900,844 | $35,344,264 | $442,848 | $271,376 | $1,167,496 | $1,024,050 | $53,511,188 | $36,639,690 | 100.00 |
| Total—June 30, 1988 | $49,082,916 | $32,808,757 | $608,398 | $247,426 | $1,200,650 | $ 864,776 | $50,891,964 | $33,920,959 | |

* Less than 0.005 percent

a. Of the undisbursed balance at June 30, 1989, IDA has entered into irrevocable commitments to disburse $162,913,000 ($283,807,000—1988)

b. These development credits are for the benefit of Benin, Burkina Faso, Côte d'Ivoire, Niger, Senegal, and Togo.

c. These development credits are for the benefit of Grenada and territories of the United Kingdom (Associated States and Dependencies) in the Caribbean Region

d. Represents development credits made at a time when the authorities on Taiwan represented China in IDA (prior to May 15, 1980)

## Maturity Structure of Development Credits*

| | June 30, 1989 | | | |
|---|---|---|---|---|
| Periods | IDA | Special Fund | African Facility | Total |
| July 1, 1989 to June 30, 1990 | $ 224,978 | $ — | $ — | $ 224,978 |
| July 1, 1990 to June 30, 1991 | 274,923 | — | — | 274,923 |
| July 1, 1991 to June 30, 1992 | 321,557 | — | — | 321,557 |
| July 1, 1992 to June 30, 1993 | 370,469 | 75 | — | 370,544 |
| July 1, 1993 to June 30, 1994 | 435,206 | 1,641 | — | 436,847 |
| July 1, 1994 to June 30, 1999 | 3,260,595 | 22,823 | 31,828 | 3,315,246 |
| July 1, 1999 to June 30, 2004 | 5,576,468 | 26,028 | 58,375 | 5,660,871 |
| July 1, 2004 to June 30, 2009 | 7,359,998 | 66,221 | 122,031 | 7,548,250 |
| July 1, 2009 to June 30, 2014 | 8,512,713 | 66,221 | 175,124 | 8,754,058 |
| July 1, 2014 to June 30, 2019 | 8,311,382 | 66,221 | 175,124 | 8,552,727 |
| July 1, 2019 to June 30, 2024 | 7,779,961 | 66,221 | 175,124 | 8,021,306 |
| July 1, 2024 to June 30, 2029 | 5,901,121 | 66,221 | 175,124 | 6,142,466 |
| July 1, 2029 to June 30, 2034 | 3,015,239 | 61,176 | 175,124 | 3,251,539 |
| July 1, 2034 to June 30, 2038 | 556,234 | — | 79,642 | 635,876 |
| Total | $51,900,844 | $442,848 | $1,167,496 | $53,511,188 |

* Includes undisbursed balance

**See Notes to Financial Statements.**

# Statement of Voting Power, and Subscriptions and Contributions

June 30, 1989 and June 30, 1988
Expressed in thousands of US dollars

| | June 30, 1989 | | | | |
|---|---|---|---|---|---|
| | IDA | | | | |
| Members[a] | Number of votes | Percentage of total[b] | Subscriptions and contributions | Special Fund contributions | African Facility contributions |
| **Part I Members** | | | | | |
| Australia | 89,809 | 1.39 | $ 1,003,529 | $ — | $ — |
| Austria | 41,288 | 0.64 | 396,201 | — | 16,577 |
| Belgium | 76,534 | 1.18 | 820,199 | 44,597 | 8,028 |
| Canada | 206,627 | 3.20 | 2,542,023 | 160,687 | 78,252 |
| Denmark | 60,648 | 0.94 | 590,821 | 30,762 | 23,000 |
| Finland | 37,375 | 0.58 | 342,820 | — | 17,368 |
| France | 247,446 | 3.83 | 2,971,726 | 130,459 | 227,382 |
| Germany, Federal Republic of | 446,547 | 6.91 | 6,213,862 | — | — |
| Iceland | 15,130 | 0.23 | 6,808 | — | — |
| Ireland | 18,744 | 0.29 | 58,562 | — | 2,143 |
| Italy | 176,890 | 2.74 | 1,981,420 | 85,020 | 227,954 |
| Japan | 601,204 | 9.30 | 10,767,589 | — | — |
| Kuwait | 62,222 | 0.96 | 598,398 | — | — |
| Luxembourg | 16,011 | 0.25 | 26,329 | — | — |
| Netherlands | 134,224 | 2.08 | 1,842,573 | — | 164,522 |
| New Zealand | 18,512 | 0.29 | 55,478 | — | — |
| Norway | 59,257 | 0.92 | 568,806 | 40,175 | 37,838 |
| South Africa | 19,940 | 0.31 | 56,799 | — | — |
| Sweden | 135,445 | 2.10 | 1,430,712 | 73,672 | 68,758 |
| United Arab Emirates | 15,942 | 0.25 | 136,536 | — | — |
| United Kingdom | 375,488 | 5.81 | 4,515,798 | — | — |
| United States | 1,124,213 | 17.40 | 14,764,907 | — | 136,580 |
| Subtotal | 3,979,496 | 61.59 | 51,691,896 | 565,372 | 1,008,402 |
| **Part II Members** | | | | | |
| Afghanistan | 13,557 | 0.21 | 1,341 | — | — |
| Algeria | 18,481 | 0.29 | 5,163 | — | — |
| Argentina | 81,053 | 1.25 | 49,092 | — | — |
| Bangladesh | 39,239 | 0.61 | 7,051 | — | — |
| Belize | 1,788 | 0.03 | 243 | — | — |
| Benin | 4,800 | 0.07 | 622 | — | — |
| Bhutan | 3,543 | 0.05 | 61 | — | — |
| Bolivia | 13,748 | 0.21 | 1,328 | — | — |
| Botswana | 11,745 | 0.18 | 205 | — | — |
| Brazil | 110,398 | 1.71 | 63,472 | — | — |
| Burkina Faso | 9,720 | 0.15 | 645 | — | — |
| Burundi | 12,667 | 0.20 | 983 | — | — |
| Cameroon | 13,854 | 0.21 | 1,309 | — | — |
| Cape Verde | 516 | 0.01 | 96 | — | — |
| Central African Republic | 10,920 | 0.17 | 651 | — | — |
| Chad | 6,624 | 0.10 | 645 | — | — |
| Chile | 30,612 | 0.47 | 4,514 | — | — |
| China | 128,133 | 1.98 | 39,503 | — | — |
| Colombia | 32,781 | 0.51 | 22,453 | — | — |
| Comoros | 8,827 | 0.14 | 104 | — | — |
| Congo, People's Republic of the | 6,685 | 0.10 | 638 | — | — |
| Costa Rica | 7,844 | 0.12 | 254 | — | — |
| Côte d'Ivoire | 7,771 | 0.12 | 1,289 | — | — |
| Cyprus | 17,646 | 0.27 | 1,018 | — | — |
| Djibouti | 532 | 0.01 | 193 | — | — |

*(continued)*

# Statement of Voting Power, and Subscriptions and Contributions *(continued)*

**June 30, 1989 and June 30, 1988**
Expressed in thousands of US dollars

| | June 30, 1989 | | | | |
|---|---|---|---|---|---|
| | IDA | | | | |
| Members[a] | Number of votes | Percentage of total[b] | Subscriptions and contributions | Special Fund contributions | African Facility contributions |
| **Part II Members (continued)** | | | | | |
| Dominica | 6,213 | 0.10 | $ 100 | $ — | $ — |
| Dominican Republic | 15,726 | 0.24 | 581 | — | — |
| Ecuador | 13,709 | 0.21 | 818 | — | — |
| Egypt, Arab Republic of | 28,424 | 0.44 | 6,434 | — | — |
| El Salvador | 6,244 | 0.10 | 381 | — | — |
| Equatorial Guinea | 1,967 | 0.03 | 401 | — | — |
| Ethiopia | 13,109 | 0.20 | 669 | — | — |
| Fiji | 2,130 | 0.03 | 701 | — | — |
| Gabon | 2,093 | 0.03 | 627 | — | — |
| Gambia, The | 10,644 | 0.16 | 339 | — | — |
| Ghana | 15,362 | 0.24 | 2,962 | — | — |
| Greece | 27,429 | 0.42 | 12,590 | — | — |
| Grenada | 14,468 | 0.22 | 121 | — | — |
| Guatemala | 12,713 | 0.20 | 513 | — | — |
| Guinea | 17,221 | 0.27 | 1,314 | — | — |
| Guinea-Bissau | 528 | 0.01 | 169 | — | — |
| Guyana | 17,891 | 0.28 | 1,023 | — | — |
| Haiti | 14,143 | 0.22 | 1,016 | — | — |
| Honduras | 12,290 | 0.19 | 402 | — | — |
| Hungary | 49,609 | 0.77 | 17,687 | — | — |
| India | 204,834 | 3.17 | 53,637 | — | — |
| Indonesia | 65,975 | 1.02 | 14,365 | — | — |
| Iran, Islamic Republic of | 15,455 | 0.24 | 5,845 | — | — |
| Iraq | 9,407 | 0.15 | 992 | — | — |
| Israel | 9,386 | 0.15 | 2,401 | — | — |
| Jordan | 15,388 | 0.24 | 394 | — | — |
| Kampuchea, Democratic | 7,826 | 0.12 | 1,284 | — | — |
| Kenya | 16,021 | 0.25 | 2,149 | — | — |
| Kiribati | 512 | 0.01 | 72 | — | — |
| Korea, Republic of | 22,420 | 0.35 | 37,619 | — | — |
| Lao People's Democratic Republic | 11,723 | 0.18 | 627 | — | — |
| Lebanon | 8,562 | 0.13 | 564 | — | — |
| Lesotho | 10,487 | 0.16 | 204 | — | — |
| Liberia | 13,867 | 0.21 | 1,016 | — | — |
| Libya | 7,771 | 0.12 | 1,301 | — | — |
| Madagascar | 702 | 0.01 | 1,218 | — | — |
| Malawi | 14,143 | 0.22 | 972 | — | — |
| Malaysia | 25,860 | 0.40 | 3,397 | — | — |
| Maldives | 14,238 | 0.22 | 39 | — | — |
| Mali | 13,507 | 0.21 | 1,153 | — | — |
| Mauritania | 6,685 | 0.10 | 636 | — | — |
| Mauritius | 18,142 | 0.28 | 1,163 | — | — |
| Mexico | 37,696 | 0.58 | 46,673 | — | — |
| Morocco | 30,612 | 0.47 | 4,668 | — | — |
| Mozambique | 774 | 0.01 | 1,653 | — | — |
| Myanmar | 23,560 | 0.36 | 2,735 | — | — |
| Nepal | 16,254 | 0.25 | 654 | — | — |
| Nicaragua | 10,896 | 0.17 | 386 | — | — |
| Niger | 16,044 | 0.25 | 657 | — | — |
| Nigeria | 4,057 | 0.06 | 4,211 | — | — |

| Members[a] | June 30, 1989 IDA Number of votes | Percentage of total[b] | Subscriptions and contributions | Special Fund contributions | African Facility contributions |
|---|---|---|---|---|---|
| Oman | 15,490 | 0.24 | $ 430 | $ — | $ — |
| Pakistan | 60,087 | 0.93 | 13,257 | — | — |
| Panama | 5,657 | 0.09 | 25 | — | — |
| Papua New Guinea | 13,050 | 0.20 | 1,130 | — | — |
| Paraguay | 11,124 | 0.17 | 382 | — | — |
| Peru | 854 | 0.01 | 2,135 | — | — |
| Philippines | 16,583 | 0.26 | 6,481 | — | — |
| Poland | 157,729 | 2.44 | 46,515 | | |
| Rwanda | 12,667 | 0.20 | 1,012 | — | — |
| St Kitts and Nevis | 526 | 0.01 | 158 | — | — |
| St Lucia | 13,544 | 0.21 | 203 | — | — |
| St Vincent and the Grenadines | 514 | 0.01 | 84 | — | — |
| São Tomé and Principe | 514 | 0.01 | 84 | — | — |
| Saudi Arabia | 203,813 | 3.15 | 1,593,213 | — | — |
| Senegal | 17,830 | 0.28 | 2,206 | — | — |
| Sierra Leone | 12,667 | 0.20 | 953 | — | — |
| Solomon Islands | 518 | 0.01 | 109 | — | — |
| Somalia | 10,506 | 0.16 | 953 | — | — |
| Spain | 83,604 | 1.29 | 182,455 | — | 13,331 |
| Sri Lanka | 28,244 | 0.44 | 3,939 | — | — |
| Sudan | 13,884 | 0.21 | 1,289 | — | — |
| Swaziland | 11,073 | 0.17 | 407 | — | — |
| Syrian Arab Republic | 7,651 | 0.12 | 1,202 | — | — |
| Tanzania | 16,021 | 0.25 | 2,112 | — | — |
| Thailand | 28,244 | 0.44 | 4,072 | — | — |
| Togo | 14,143 | 0.22 | 998 | — | — |
| Tonga | 11,380 | 0.18 | 94 | — | — |
| Trinidad and Tobago | 770 | 0.01 | 1,629 | — | — |
| Tunisia | 2,793 | 0.04 | 1,893 | — | — |
| Turkey | 41,842 | 0.65 | 18,093 | — | — |
| Uganda | 16,021 | 0.25 | 2,106 | — | — |
| Vanuatu | 4,932 | 0.08 | 235 | — | — |
| Viet Nam | 8,889 | 0.14 | 1,893 | — | — |
| Western Samoa | 8,768 | 0.14 | 115 | — | — |
| Yemen Arab Republic | 11,468 | 0.18 | 554 | — | — |
| Yemen People's Dem. Rep of | 15,576 | 0.24 | 1,582 | — | — |
| Yugoslavia | 41,855 | 0.65 | 19,110 | — | — |
| Zaire | 12,164 | 0.19 | 3,785 | — | — |
| Zambia | 19,730 | 0.31 | 3,384 | — | — |
| Zimbabwe | 1,324 | 0.02 | 4,970 | — | — |
| Subtotal | 2,482,250 | 38.41 | 2,369,653 | — | 13,331 |
| Total—June 30, 1989 | 6,461,746 | 100.00 | $54,061,549 | $565,372 | $1,021,733 |
| Total—June 30, 1988 | 5,835,575 | | $53,630,402 | $581,260 | $1,024,482 |

a See Notes to Financial Statements—Note B, for an explanation of the two categories of membership

b Total may differ from the sum of individual percentages shown because of rounding

**See Notes to Financial Statements.**

# Notes to Financial Statements

June 30, 1989 and June 30, 1988

## Summary of Significant Accounting and Related Policies

### 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.

African Facility: On May 21, 1985, IDA established the Special Facility for Sub-Saharan Africa (the African Facility) constituted by funds to be contributed by the International Bank for Reconstruction and Development (IBRD) and other donors to provide financing for countries of the Sub-Saharan region The African Facility is administered by IDA. The resources of the African Facility are kept separate from the resources of IDA

### Translation of Currencies

IDA: IDA is an international organization which conducts its operations in the currencies of all of its members and Switzerland Assets and liabilities are translated at market rates of exchange at the end of the accounting period Income is generally translated at an average of the market rates of exchange in effect during each month Subscriptions and contributions are translated in the manner described below Translation adjustments relating to the revaluation of development credits denominated in Special Drawing Rights (SDRs) are charged or credited to Cumulative Translation Adjustments on Disbursed and Outstanding Development Credits. Other translation adjustments are charged or credited to the Accumulated (Deficit) Surplus

Special Fund and African Facility: Assets of the Special Fund and the African Facility are translated at market rates of exchange at the end of the period Contributions are translated in the manner described below

### 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 United States law defining the par value of the US dollar in terms of gold, the preexisting basis for translating 1960 dollars into current dollars or any other currency disappeared On June 30, 1987, the Executive Directors of IDA decided, with effect on that date and until such time as the relevant provisions of the Articles of Agreement are amended, to interpret the words "United States 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 to mean the Special Drawing Right (SDR) introduced by the International Monetary Fund, as the SDR was valued in terms of United States 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 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 Prior to July 1, 1986, amounts receivable and amounts received but not yet disbursed were translated at market rates of exchange at the end of the accounting period Amounts which had been disbursed or converted into other currencies were translated at market rates of exchange on dates of disbursement or conversion. Beginning July 1, 1986, amounts received but not yet disbursed, as well as amounts 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 IDA.

Special Fund and African Facility: Undisbursed contributions are translated at market rates of exchange at the end of the period. Disbursed contributions are translated at market rates of exchange effective on the dates of disbursement.

### 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 IDA's policy 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 credit are overdue by more than six months, unless IDA management determines that the overdue amount will be collected in the immediate future. Charges on nonaccruing credits are included in income only to the extent that payments have actually been received by IDA. IDA has not suffered any losses on 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 Pending resolution of the valuation issue, as an interim measure, payments were accepted at the rate of $1 20635 per 1960 dollar. On June 30, 1987, the Executive Directors decided to value such credits at that rate 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 credits are to be repaid in amounts equivalent to the value in terms of SDRs of currencies disbursed

Special Fund: Special Fund credits are denominated in SDRs The principal amounts disbursed under such credits are to be repaid in amounts equivalent to the value in terms of SDRs of currencies disbursed

Special Fund credits are made on the same terms as regular IDA credits except that the proceeds of Special Fund 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

African Facility: African Facility credits are denominated in SDRs The principal amounts disbursed under such credits are to be repaid in amounts equivalent to the value in terms of SDRs of currencies disbursed

African Facility credits are made to member countries of IDA in Sub-Saharan Africa which are eligible for development credits of IDA and have undertaken or are committed to undertake medium-term programs of policy reform and stabilization measures acceptable to IDA Proceeds of African Facility credits equivalent to the amount contributed by the IBRD are used in the same manner as the regular resources of IDA The remaining proceeds are used only to finance expenditures for goods produced or services supplied from (a) Part II members of IDA, (b) Part I members contributing to the African Facility; and (c) countries which maintain special joint financing arrangements with IDA

## Investments

Investment securities are recorded at cost or amortized cost which approximates market. Gains or losses on sales of investments, measured by the difference between proceeds of sales and cost (on a last-in, first-out basis), are recorded as an element of income from investments

## Reclassifications

Certain reclassifications of prior year information have been made to conform with the current year's presentation.

## Note A—Cash 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 cash substantially ahead of their pro rata share. Unless otherwise agreed, IDA does not disburse these funds ahead of donors' pro rata shares Cash Not Immediately Available for Disbursement represents the difference between the cash contributed and the amount available for disbursements on a pro rata basis

## Note B—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; (2) Part II members, which make payments of 10% of their initial subscriptions in freely convertible currencies and the remaining 90% of their initial subscriptions, and all additional subscriptions and contributions in their own currencies or in freely convertible currencies 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

## Note C—Development Credits

Special Fund and African Facility Development Credits Outstanding are included in the Statements of Condition of IDA since principal repayments on these credits shall 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 and/or African Facility by IDA

At June 30, 1989, no development credits, other than those referred to below, were overdue by more than three months

At June 30, 1989, the development credits made to or guaranteed by certain member countries with an aggregate principal balance outstanding of $676,590,000 ($528,859,000—1988) of which $5,791,000 ($3,414,000—1988) was overdue, were in nonaccrual status If these credits had not been in nonaccrual status, income from credits for the fiscal year would have been $3,952,000 ($8,981,000—1988) higher This nonaccrual policy went into effect in April 1988 A summary of borrowers in nonaccrual status follows:

| | June 30, 1989 | | | |
|---|---|---|---|---|
| | US$ thousands | | | |
| Borrower | Principal outstanding | Principal overdue | Income effect | Nonaccrual since |
| Afghanistan | $ 79,207 | $ 26 | $ 346 | June 1989 |
| Honduras | 79,169 | 569 | 539 | April 1989 |
| Liberia | 97,597 | 588 | 616 | April 1988 |
| Nicaragua | 59,697 | 1,643 | 443 | April 1988 |
| Sierra Leone | 75,228 | 743 | 521 | April 1988 |
| Syrian Arab Republic | 45,466 | 2,055 | 341 | April 1988 |
| Zambia | 240,226 | 167 | 1,146 | April 1988 |
| | $676,590 | $5,791 | $3,952 | |

## Note D—Contribution by Switzerland

IDA has received grant contributions in the amount of Swiss francs 181,480,000 from the Swiss Confederation which is not a member of IDA. The agreements between the Confederation and IDA provide for converting these grant contributions into subscriptions or contributions if Switzerland should become a member of IDA

## Note E—Subscriptions and Contributions

**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 settlement 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

**Eighth Replenishment.** On June 26, 1987, the Board of Governors of IDA adopted a resolution authorizing the eighth replenishment of IDA's resources. The amount of replenishment, including supplementary contributions provided by certain members and a grant from Switzerland, is equivalent to approximately $12 4 billion (at the exchange rates determined pursuant to a formula agreed among the contributing members) The eighth replenishment, which became effective on March 4, 1988 is providing IDA with resources to fund credits committed during the period July 1, 1987 to June 30, 1990 As of June 30, 1989, 32 contributing members (including 21 Part I members) have notified IDA that they will contribute the equivalent of approximately $12.9 billion, at current rates of exchange, to the eighth replenishment. Payment of eighth replenishment subscriptions and contributions is due in three equal annual installments, unless IDA agrees to a different schedule

*(continued)*

# Notes to Financial Statements *(continued)*

June 30, 1989 and June 30, 1988

For purposes of credit commitments by IDA, all contributions to the eighth replenishment are divided into three equal annual tranches. The first and second tranches became available for commitment as of the effective date of the replenishment (except to the extent already available in the form of advance contributions) and as of November 30, 1988, respectively. The third tranche will become available for commitment by IDA for credits as of November 1, 1989, unless a contributing member authorizes IDA to use such amounts earlier. Contributions may not be released in their entirety by other contributing members if any contributing member with a share in the replenishment of more than 20% which has deposited with IDA a Qualified Instrument of Commitment has not deposited notifications of unqualified commitments for the third tranche of its contribution by October 31, 1989. In this situation, other contributing members have the right to reduce their third tranche on a pro rata basis.

**Ninth Replenishment**: Currently, negotiations are under way among IDA's donor members for the ninth replenishment of IDA's resources, which will provide resources to IDA for the period from July 1, 1990 through June 30, 1993.

**Subscriptions and Contributions Not Yet Due**: At June 30, 1989 and 1988, the composition of unrestricted subscriptions and contributions (expressed in thousands of US dollars) not yet due will become due as follows.

| Fiscal years | 1989 | 1988 |
|---|---|---|
| *IDA* | | |
| 1989 | $ — | $2,785,778 |
| 1990 | 2,833,802 | 2,786,984 |
| 1991 | 646,457 | — |
| 1992 | 93,438 | — |
| Undetermined | 1,017,282 | 2,011,115 |
| Total | $4,590,979 | $7,583,877 |

## Note F—Transfers from The International Bank for Reconstruction and Development (IBRD)

**IDA**: The IBRD has authorized transfers by way of grants to IDA totaling $2,510,706,000 ($2,567,371,000—1988) from net income of the IBRD for the fiscal years ended June 30, 1964 through June 30, 1987. Of the total amount, $79,905,000 ($79,905,000—1988) has been disbursed for grants for agricultural research, the control of onchocerciasis, and other developmental activities. Of the balance of $2,430,801,000 ($2,487,466,000—1988) available for general purposes of IDA, $1,714,175,000 ($1,714,175,000—1988) has been received and $716,626,000 ($773,291,000—1988) is reflected as a receivable from the IBRD.

**African Facility**: The IBRD authorized a transfer to the African Facility of $150,000,000 from net income of the IBRD for the fiscal year ended June 30, 1985. These funds were paid to the African Facility in the fiscal year ended June 30, 1989.

## 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. During fiscal year 1987 the IBRD announced a reorganization to improve its efficiency and effectiveness. IDA's original share of accrued reorganization costs was included in its management fee to IBRD in fiscal year 1987. In September 1987 the cost estimate of the reorganization was revised, and IDA's share was increased. The portion of the increase which related to IDA of $12,400,000 is included in Management Fee in the accompanying Statements of Changes in Liquid Funds for the period ended June 30, 1988.

**Special Fund and African Facility**: The service and commitment charges payable by borrowers under Special Fund and African Facility credits are paid directly to IDA to compensate it for services as administrator of the Special Fund and the African Facility. Income from investments of the Special Fund and the African Facility becomes part of the resources of the Special Fund and the African Facility, respectively.

# Report of Independent Accountants

1801 K Street, N.W.
Washington, DC 20006

Telephone 202 833 7932

***Price Waterhouse***

July 26, 1989

President and Board of Governors,
International Development Association,
Special Fund Administered by the International
Development Association, and the Special Facility
for Sub-Saharan Africa Administered by the
International Development Association

In our opinion, the financial statements appearing on pages 204 through 218 of this Report present fairly, in all material respects, in terms of United States dollars, the financial position of the International Development Association, Special Fund Administered by the International Development Association, and the Special Facility for Sub-Saharan Africa Administered by the International Development Association at June 30, 1989 and 1988, and the changes in their commitment resources and their liquid funds for the years then ended in conformity with generally accepted accounting principles in the United States and 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 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

# IBRD/IDA Appendices

# Governors and Alternates of the World Bank

## Appendix 1

June 30, 1989

| Member | Governor | Alternate |
|---|---|---|
| Afghanistan | Hamidullah Tarzi | Zalmai Ahmadi |
| Algeria | Sid Ahmed Ghozali | Mokdad Sifi |
| Antigua and Barbuda[a] | John E. St. Luce | Ludolph Brown |
| Argentina | Jesus Rodriguez | Enrique Garcia Vázquez |
| Australia | P. J. Keating | Bob Dun |
| Austria | Ferdinand Lacina | Othmar Haushofer |
| Bahamas, The[a] | Sir Lynden O. Pindling | Ethelyn C. Isaacs |
| Bahrain[a] | Ibrahim Abdul Karim | Isa Abdulla Borshaid |
| Bangladesh | A. K. Khandker | Enam Ahmed Chaudhury |
| Barbados[a] | L. Erskine Sandiford | Winston A. Cox |
| Belgium | Philippe Maystadt | Jean Godeaux |
| Belize | Dean Barrow | Yvonne S. Hyde |
| Benin | Simon Ifede Ogouma | Saliou Aboudou |
| Bhutan | Dawa Tsering | Karma Dorjee |
| Bolivia | Fernando Romero | Jacques Trigo |
| Botswana | P. S. Mmusi | Baledzi Gaolathe |
| Brazil | Mailson Ferreira da Nobrega | Elmo de Araujo Camoes |
| Burkina Faso | Pascal Zagre | Henri Bruno Bessin |
| Burundi | Gérard Niyibigira | Salvator Nkeshimana |
| Cameroon | Elizabeth Tankeu | Simon Ngann Yonn |
| Canada | Michael H. Wilson | Margaret Catley-Carlson |
| Cape Verde | Arnaldo C. de Vasconcelos Franca | Antonio Hilario Cruz |
| Central African Republic | Thierry Bingaba | Robert Amédi |
| Chad | Mahamat Soumaila | Ahmed Kerim Togoi |
| Chile | Enrique Seguel Morel | Pablo Ihnen de la Fuente |
| China | Wang Bingqian | Chi Haibin |
| Colombia | Luis F. Alarcón-Mantilla | Francisco J. Ortega |
| Comoros | Mikidache Abdou'rahim | Tadjiddine Ben Said Massond |
| Congo, People's Republic of the | Dieudonné Diabatantou | André Batanga |
| Costa Rica | Fernando E. Naranjo | Eduardo Lizano Fait |
| Côte d'Ivoire | Abdoulaye Koné | Léon Naka |
| Cyprus | George Syrimis | Michael Erotokritos |
| Denmark | Uffe Ellemann-Jensen | Ole Loensmann Poulsen |
| Djibouti | Mohamed Djama Elabe | Ahmed Samireh Omar |
| Dominica | Mary Eugenia Charles | Alick B. Lazare |
| Dominican Republic | Roberto B. Saladin Selin | Manuel E. Gómez Pieterz |
| Ecuador | Jorge Gallardo Zavala | Edison Ortiz Durán |
| Egypt, Arab Republic of | Kamal El-Ganzoury | Maurice Makram-Allah |
| El Salvador | Remo Bardi Cevallos | Mauricio Antonio Gallardo |
| Equatorial Guinea | Antonio Fernando Nve Ngu | Juan Efua Efua Asangono |
| Ethiopia | Wollie Chekol | Seyoum Alemayehu |
| Fiji | J. N. Kamikamica | Rigamoto Taito |
| Finland | Erkki Liikanen | Osmo Sarmavuori |
| France | Jacques de Larosière | Jean-Claude Trichet |
| Gabon | Pascal Nze | Jean-Félix Mamalepot |
| Gambia, The | Saihou S. Sabally | Mamour M. Jagne |
| Germany, Federal Republic of | Juergen Warnke | Hans Tietmeyer |
| Ghana | Kwesi Botchwey | Kwesi Bekoe Amissah-Arthur |
| Greece | Panagiotis Roumeliotis | Yannis Papantoniou |
| Grenada | Herbert Augustus Blaize | Lauriston F. Wilson, Jr. |
| Guatemala | Rodolfo Paíz Andrade | Oscar Pineda Robles |
| Guinea | Edouard Benjamin | Kerfalla Yansane |

| Member | Governor | Alternate |
|---|---|---|
| Guinea-Bissau | Pedro A. Godinho Gómes | José Lima Barber |
| Guyana | Carl Greenidge | Winston Murray |
| Haiti | Léonce F. Thelusma | Jacques Vilgrain |
| Honduras | Carlos Falck Contreras | Gonzalo Cariás Pineda |
| Hungary | Imre Tarafas | Tibor Melega |
| Iceland | Jon Sigurdsson | Olafur R. Grimsson |
| India | S. B. Chavan | G. K. Arora |
| Indonesia | J. B. Sumarlin | Hasudungan Tampubolon |
| Iran, Islamic Republic of | Mohammad Javad Iravani | Ali Majedi |
| Iraq | Hikmat Omar Al-Hadithi | Subhi Frankool |
| Ireland | Albert Reynolds | Sean P. Cromien |
| Israel | Michael Bruno | Yaacov Lifshitz |
| Italy | Carlo Azeglio Ciampi | Mario Sarcinelli |
| Jamaica[a] | Seymour Mullings | Harold W. Milner |
| Japan | Tatsuo Murayama | Satoshi Sumita |
| Jordan | Taher H. Kanaan | Mohammad H. Al-Saqqaf |
| Kampuchea, Democratic | (vacant) | (vacant) |
| *Kenya* | *George Saitoti* | *Charles S. Mbindyo* |
| Kiribati | Teatao Teannaki | Baraniko Baaro |
| Korea, Republic of | Kyu Sung Lee | Kun Kim |
| Kuwait | Jassim Mohamed Al-Kharafi | Bader Meshari Al-Humaidhi |
| Lao People's Democratic Republic | Sisavath Sisane | Soulingong Nhouyvanisvong |
| Lebanon | Habib Abou-Sakr | Raja Himadeh |
| Lesotho | Michael M. Sefali | Tom Liphapang Tuoane |
| Liberia | Elijah E. Taylor | G. Pewu Subah |
| Libya | Mohamed El Madni Al-Bukhari | Bashir Ali Khallat |
| Luxembourg | Jacques Santer | Raymond Kirsch |
| Madagascar | Pascal Rakotomavo | Jean Robiarivony |
| Malawi | L. Chimango | C. D. Nthenda |
| Malaysia | Daim Zainuddin | Zain Azraai |
| Maldives | Fathulla Jameel | Khadeeja Hassan |
| Mali | Anthioumane N'Diaye | Oumar Kassongue |
| Malta[a] | George Bonello Du Puis | Edgar Wadge |
| Mauritania | Mohamed Ould Nany | Mohamedou Ould Michel |
| Mauritius | Beergoonath Ghurburrun | Madhukarlall Baguant |
| Mexico | Pedro Aspe | Jose Angel Gurria |
| Morocco | Mohamed Berrada | Mustapha Faris |
| Mozambique | Abdul Magid Osman | Eneas da Conceiçao Comiche |
| Myanmar[b] | D. O. Abel | Min Aung |
| Nepal | Bharat Bahadur Pradhan | Lok Bahadur Shrestha |
| Netherlands | H. O. Ruding | P. Bukman |
| New Zealand | Graham C. Scott | Chris N. Pinfield |
| Nicaragua | Joaquín Cuadra Chamorro | Pedro Antonio Blandón Lanzas |
| Niger | Yahaya Tounkara | Ali Sabo |
| Nigeria | Chu S. P. Okongwu | Aliyu Mohammed |
| Norway | Gunnar Berge | Arne Arnesen |
| Oman | Qais Abdul-Munim Al-Zawawi | Mohammed Bin Musa Al-Yousef |
| Pakistan | V. A. Jafarey | Izharul Haque |
| Panama | Gustavo R. González J | Orville K. Goodin |
| Papua New Guinea | Paul Pora | Morea Vele |

*(continued)*

# Governors and Alternates of the World Bank *(continued)*

Appendix 1

June 30, 1989

| Member | Governor | Alternate |
|---|---|---|
| Paraguay | Enzo Debernardi | Oscar Jacinto Obelar |
| Peru | César Vásquez Bazán | Pedro Coronado Labo |
| Philippines | Vicente R. Jayme | Solita C. Monsod |
| Poland | Zdzislaw Pakula | Grzegorz Wojtowicz |
| Portugal[a] | Miguel Cadilhe | (vacant) |
| Qatar[a] | Abdul Aziz Khalifa Al-Thani | Madhat Abdul Latif Masoud |
| Romania[a] | Ion Patan | Gheorghe Popescu |
| Rwanda | Benoit Ntigulirwa | Emmanuel Ndahimana |
| St. Kitts and Nevis | Kennedy A. Simmonds | William V. Herbert |
| St. Lucia | John G. M. Compton | Dwight Venner |
| St. Vincent and the Grenadines | James F. Mitchell | Henry A. Gaynes |
| São Tomé and Principe | Agapito Mendes Dias | Manuel de Nazareh Mendes |
| Saudi Arabia | Mohammad Abalkhail | Hamad Al-Sayari |
| Senegal | Djibo Laity Ka | Youssouf Diop |
| Seychelles[a] | Danielle de St. Jorre | Bertrand Rassool |
| Sierra Leone | Hassan G. Kanu | A. M. Doherty |
| Singapore[a] | Richard Hu Tsu Tau | Lee Ek Tieng |
| Solomon Islands | Christopher C Abe | Leonard Palmer Maenu'u |
| Somalia | Mohamed Sheikh Osman | Abdulkadir Aden Mohamud |
| South Africa | G. P. C. de Kock | J. A. Lombard |
| Spain | Carlos Solchaga | Mariano Rubio Jiménez |
| Sri Lanka | D. B. Wijetunge | R. Paskaralingam |
| Sudan | Omer Nour Eldaim | El Sayid Ali Zaki |
| Suriname[a] | Subhas Ch. Mungra | R. W. Braam |
| Swaziland | Andreas Fakudze | Noreen N. Maphalala |
| Sweden | Kjell-Olof Feldt | Lena Hjelm-Wallen |
| Syrian Arab Republic | Mohammed Khaled Mahayni | Marwan Kodsi |
| Tanzania | Cleopa D. Msuya | Simon Mbilinyi |
| Thailand | Pramual Sabhavasu | Panas Simasathien |
| Togo | Barry Moussa Barque | Kwassi Klutse |
| Tonga | James Cecil Cocker | Selwyn Percy Jones |
| Trinidad and Tobago | Selby Wilson | William Demas |
| Tunisia | Mohamed Ghannouchi | Zein Mestiri |
| Turkey | Namik Kemal Kilic | Mahfi Egilmez |
| Uganda | Joshua Mayanja Nkangi | Suleiman Kiggundu |
| United Arab Emirates | Hamdan bin Rashid Al Maktoum | Ahmed Humaid Al-Tayer |
| United Kingdom | Robin Leigh-Pemberton | John Caines[c] |
| United States | Nicholas F. Brady | Richard T. McCormack |
| Uruguay[a] | Ricardo Zerbino Cavajani | Ariel Davrieux |
| Vanuatu | Sela Molisa | George Pakoa |
| Venezuela[a] | Miguel Rodriguez | Eduardo Quintero |
| Viet Nam | Cao Si Kiem | (vacant) |
| Western Samoa | Tuilaepa S. Malielegaoi | Kolone Va'ai |
| Yemen Arab Republic | Mohammed Saeed Al-Attar | Kaid Mohammed Al-Hirwi |
| Yemen, People's Democratic Republic of | Farag Bin Ghanem | Abdulla Saeed Abaddan |
| Yugoslavia | Branimir Zekan | Boris Skapin |
| Zaire | Katanga Mukumadi ya Mutumba | Mbonga Magalu Engwanda |
| Zambia | Gibson G. Chigaga | Leonard Nkhata |
| Zimbabwe | B. T. G. Chidzero | K. J. Moyana |

a. Member of the IBRD only
b. Formerly Burma
c. Succeeded by Timothy Lankester July 1, 1989

# Executive Directors and Alternates of the World Bank and Their Voting Power

Appendix 2

June 30, 1989

| Executive director | Alternate | Casting votes of | IBRD Total votes | IBRD % of total | IDA Total votes | IDA % of total |
|---|---|---|---|---|---|---|
| *Appointed* | | | | | | |
| E. Patrick Coady | Mark T. Cox, IV. | United States | 162,773 | 16.47 | 1,124,213 | 17.47 |
| Masaki Shiratori | Yukio Yoshimura | Japan | 94,020 | 9.51 | 601,204 | 9.34 |
| Gerhard Boehmer | Michael von Harpe | Federal Republic of Germany | 72,649 | 7.35 | 446,547 | 6.94 |
| Frank Cassell | J. A. L. Faint | United Kingdom | 69,647 | 7.05 | 375,488 | 5.84 |
| Hélène Ploix | Stephane Pallez | France | 47,477 | 4.80 | 247,446 | 3.85 |
| *Elected* | | | | | | |
| Jacques de Groote (Belgium) | Bahar Sahin (Turkey) | Austria, Belgium, Hungary, Luxembourg, Turkey | 49,800 | 5.04 | 225,284 | 3.50 |
| Frank Potter (Canada) | Clarence Ellis (Guyana) | 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 | 41,872 | 4.24 | 280,315 | 4.36 |
| Jonas H. Haralz (Iceland) | Veikko Kantola (Finland) | Denmark, Finland, Iceland, Norway, Sweden | 40,025 | 4.05 | 307,855 | 4.78 |
| Mario Draghi (Italy) | Rodrigo M. Guimarães (Portugal) | Greece, Italy, Malta[a], Poland, Portugal[a] | 39,520 | 4.00 | 362,048 | 5.63 |
| Jorge Pinto (Mexico) | Francisco Vannini[b] (Nicaragua) | Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Spain, Venezuela[a] | 37,071 | 3.75 | 176,944 | 2.75 |
| Chang-Yuel Lim (Republic of Korea) | Robert G. Carling (Australia) | Australia, Kiribati, Korea (Republic of), New Zealand, Papua New Guinea, Solomon Islands, Vanuatu, Western Samoa | 35,468 | 3.59 | 158,521 | 2.46 |
| Paul Arlman (Netherlands) | Cvitan Dujmović (Yugoslavia) | Cyprus, Israel, Netherlands, Romania[a], Yugoslavia | 31,293 | 3.17 | 203,111 | 3.16 |
| C. R. Krishnaswamy Rao Sahib (India) | M. Mustafizur Rahman (Bangladesh) | Bangladesh, Bhutan, India, Sri Lanka | 31,275 | 3.16 | 275,860 | 4.29 |
| Fawzi Hamad Al-Sultan (Kuwait) | Mohamed W. Hosny (Arab Republic of Egypt) | Bahrain[a], Egypt (Arab Republic of), Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Pakistan, Qatar[a], Syrian Arab Republic, United Arab Emirates, Yemen Arab Republic | 30,908 | 3.13 | 248,879 | 3.87 |
| Mourad Benachenhou (Algeria) | Salem Mohamed Omeish (Libya) | Afghanistan, Algeria, Ghana, Iran (Islamic Republic of), Libya, Morocco, Tunisia, Yemen (People's Democratic Republic of) | 30,469 | 3.08 | 119,607 | 1.86 |

*(continued)*

# Executive Directors and Alternates of the World Bank and Their Voting Power *(continued)*

Appendix 2

June 30, 1989

| Executive director | Alternate | Casting votes of | IBRD Total votes | IBRD % of total | IDA Total votes | IDA % of total |
|---|---|---|---|---|---|---|
| Eduardo Wiesner (Colombia) | Pedro Sampaio Malan (Brazil) | Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Philippines, Suriname[a], Trinidad and Tobago | 26,724 | 2.70 | 204,110 | 3.17 |
| J. S. A. Funna (Sierra Leone) | Jabez A. Langley (The Gambia) | Botswana, Burundi, Ethiopia, The Gambia, Guinea, Kenya, Lesotho, Liberia, Malawi, Mozambique, Nigeria, Seychelles[a], Sierra Leone, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe | 25,623 | 2.59 | 215,455 | 3.35 |
| Zhang Junyi (China) | Jin Liqun (China) | China | 25,392 | 2.57 | 128,133 | 1.99 |
| Jobarah E. Suraisry (Saudi Arabia) | Abdulaziz Al-Sehail (Saudi Arabia) | Saudi Arabia | 25,390 | 2.57 | 203,813 | 3.17 |
| Raymundo Morales (Peru) | Félix Alberto Camarasa (Argentina) | Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay[a] | 24,745 | 2.50 | 137,391 | 2.14 |
| Mohd. Ramli Wajib (Malaysia) | Le Van Chau (Viet Nam) | Fiji, Indonesia, Lao People's Democractic Republic, Malaysia, Myanmar[c], Nepal, Singapore[a], Thailand, Tonga, Viet Nam | 24,324 | 2.46 | 194,015 | 3.02 |
| André Milongo (People's Republic of the Congo) | Jean-Pierre Le Bouder (Central African Republic) | Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (People's Republic of the), Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Principe, Senegal, Somalia, Togo, Zaire | 21,843 | 2.21 | 197,741 | 3.07 |

In addition to the executive directors shown in the foregoing list, the following also served after October 31, 1988

| Executive director | End of period of service | Executive director | End of period of service |
|---|---|---|---|
| Mitsukazu Ishikawa (Japan) | June 7, 1989 | Murray A. Sherwin (New Zealand) | May 31, 1989 |
| Robert B. Keating (United States) | May 18, 1989 | | |

NOTE: Democratic Kampuchea (464 votes in IBRD and 7,826 votes in IDA) and South Africa (7,805 votes in IBRD and 19,940 votes in IDA) did not participate in the 1988 regular election of executive directors

a. Member of the IBRD only.

b. Succeeded by Edgar Ayales (Costa Rica), July 1, 1989.

c Formerly Burma.

# Officers and Department Directors of the World Bank

Appendix 3

June 30, 1989

| | |
|---|---|
| President | Barber B. Conable* |
| Senior Vice President, Policy, Planning, and Research | W. David Hopper** |
| Senior Vice President, Operations | Moeen A. Qureshi** |
| Senior Vice President, Finance | Ernest Stern** |
| Senior Vice President, External Affairs and Administration | Willi A. Wapenhans** |
| **Finance** | |
| Vice President and Controller | Sune B. Carlsson |
| Vice President and Treasurer | Donald Roth |
| Vice President, Financial Policy and Risk Management | D. Joseph Wood |
| **Operations** | |
| Vice President, Latin America and the Caribbean Regional Office | S. Shahid Husain |
| Vice President, Cofinancing and Financial Advisory Services | Kunihiko Inakage[a] |
| Vice President, Africa Regional Office | Edward V. K. Jaycox |
| Vice President, Asia Regional Office | Attila Karaosmanoglu |
| Vice President, Europe, Middle East, and North Africa Regional Office | Wilfried P. Thalwitz |
| **Policy, Planning, and Research** | |
| Vice President, Development Economics and Chief Economist | Stanley Fischer |
| Vice President, Sector Policy and Research | Visvanathan Rajagopalan |
| **Operations Evaluation** | |
| Director-General, Operations Evaluation | Yves Rovani |
| **Legal** | |
| Vice President and General Counsel | Ibrahim F. I. Shihata** |
| **Secretary's** | |
| Vice President and Secretary | Timothy T. Thahane** |
| **External Affairs and Administration** | |
| Vice President, Personnel | William J. Cosgrove |
| **Finance** | |
| Director, Cashier's Department | Hywel M. Davies |
| Deputy Treasurer and Director, Treasury Operations | Stephen D. Eccles |
| Director, Financial Operations Department | Jessica P. Einhorn |
| Director, Investment Department | Bernard J. Holland |
| Director, Tokyo Office | Akira Iida[b] |
| Director, Loan and Trust Fund Department | James H. Jennings |
| Director, Resource Mobilization Department | Basil G. Kavalsky |
| Director, Risk Management and Financial Policy Department | D. C. Rao |
| **Operations** | |
| Director, Cofinancing and Financial Advisory Services | David R. Bock |
| Director, Economic Advisory Staff | Vinod Dubey |
| Director, Central Operations Department | Ducksoo Lee |
| Director, Operations Staff | Heinz Vergin |
| *Africa Regional Office* | |
| Director, Country Department | Michael J. Gillette |
| Director, Country Department | Paul Isenman |
| Director, Country Department | Caio K. Koch-Weser |
| Director, Country Department | Callisto E. Madavo |
| Director, Country Department | Sven Sandstrom |
| Director, Country Department | M. Ismail Serageldin |
| Director, Technical Department | Hans Wyss |
| *Asia Regional Office* | |
| Director, Country Department | Bilsel Alisbah |
| Director, Country Department | Shinji Asanuma |
| Director, Country Department | Shahid Javed Burki |

*(continued)*

# Officers and Department Directors of the World Bank *(continued)*

Appendix 3

June 30, 1989

| | |
|---|---|
| Director, Country Department | Russell J. Cheetham |
| Director, Country Department | Gautam S. Kaji |
| Director, Technical Department | Amnon Golan |
| ***Europe, Middle East, and North Africa Regional Office*** | |
| Director, Country Department | Kemal Dervis |
| Director, Country Department | Hans-Eberhard Köpp |
| Director, Country Department | Eugenio F. Lari |
| Director, Country Department | Everardus J. Stoutjesdijk |
| Director, Technical Department | Abderraouf Bouhaouala |
| ***Latin America and the Caribbean Regional Office*** | |
| Director, Country Department | Pieter P. Bottelier |
| Director, Country Department | Armeane M. Choksi |
| Director, Country Department | Ping-Cheung Loh |
| Director, Country Department | Rainer B. Steckhan |
| Director, Technical Department | Everardo C. Wessels |
| **Policy, Planning, and Research** | |
| Director, International Economics Department | Jean Baneth |
| Director, Industry and Energy Department | Anthony A. Churchill |
| Executive Secretary, Consultative Group on International Agricultural Research | Curtis Farrar[c] |
| Director, Population and Human Resources Department | Ann O. Hamilton |
| Director, Country Economics Department | John A. Holsen |
| Director, Agriculture and Rural Development | Michel J. Petit |
| Director, Planning and Budgeting Department | Robert Picciotto |
| Director, Environment Department | Kenneth Piddington |
| Director, Infrastructure and Urban Development Department | Louis Y. Pouliquen |
| Director, Strategic Planning and Review Department | Alexander Shakow |
| Director, Economic Development Institute | Christopher R. Willoughby |
| **Operations Evaluation** | |
| Director, Operations Evaluation Department | Ram Kumar Chopra |
| **Legal** | |
| Associate General Counsel | Hugh N. Scott |
| **External Affairs and Administration** | |
| Director, External Affairs Department | Francisco J. Aguirre-Sacasa |
| Director, Personnel Operations Department | Alberto de Capitani |
| Director, Publications | James K. Feather |
| Director, Personnel Policy Department | Ian M. Hume |
| Director, Health Services Department | Dr. Michael H. K. Irwin |
| Director, Information, Technology, and Facilities Department | Harinder S. Kohli |
| Director, European Office | Olivier Lafourcade |
| Auditor General, Internal Auditing Department | Alan Douglas Legg |
| Director, General Services Department | Richard B. Lynn |
| Director of Information; and Chief, Media and Communications Division | Frank R. Vogl |

* Chairman, President's Council.

** Member, President's Council

a. Succeeded by Koji Kashiwaya as of June 30, 1989.

b Succeeded by Nobuaki Kemmochi as of June 30, 1989

c. Succeeded by Alexander von der Oster as of June 6, 1989

# Offices of the World Bank

## Appendix 4

June 30, 1989

Headquarters: 1818 H Street, N.W. Washington D.C. 20433, U.S.A.

| | | |
|---|---|---|
| New York Office | G. David Loos<br>Special Representative to the United Nations | The World Bank Mission to the United Nations/New York Office<br>747 Third Avenue (26th floor)<br>New York, N.Y. 10017, U.S.A. |
| European Office | Olivier Lafourcade<br>Director | The World Bank<br>66, avenue d'Iéna<br>75116 Paris, France |
| Geneva Office | Wolfgang E. Siebeck<br>World Bank Representative to United Nations Organizations—Geneva | The World Bank<br>ITC Building<br>54, rue de Montbrillant<br>Geneva, Switzerland<br>(mailing address: P.O.Box 104<br>1211 Geneva 20 CIC, Switzerland) |
| Tokyo Office | Akira Iida[a]<br>Director | The World Bank<br>Kokusai Building (Room 916)<br>1-1 Marunouchi 3-chome<br>Chiyoda-ku, Tokyo 100, Japan |
| Regional Mission in Eastern Africa | Peter Eigen<br>Director | The World Bank<br>Reinsurance Plaza (5th and 6th floors)<br>Taifa Road<br>Nairobi, Kenya<br>(mailing address: P.O. Box 30577) |
| Regional Mission in Western Africa | Elkyn Chaparro<br>Chief | The World Bank<br>Corner of Booker Washington & Jacques AKA Streets<br>Cocody, Abidjan 01, Côte d'Ivoire<br>(mailing address: B.P. 1850) |
| Regional Mission in Thailand | Philippe E. Annez<br>Chief | The World Bank<br>Udom Vidhya Building (5th floor)<br>956 Rama IV Road, Sala Daeng<br>Bangkok 10500, Thailand |
| Bangladesh | Francis S. B. L. van Gigch<br>Chief | Resident Mission<br>The World Bank<br>3A Paribagh<br>Dhaka 1000, Bangladesh<br>(mailing address: G.P.O. Box 97) |
| Benin | Shigeo Katsu<br>Resident Representative | The World Bank<br>Zone Résidentielle de la Radio<br>Cotonou, Benin<br>(mailing address: B.P. 03-2112) |
| Bolivia | Fernando Mendoza<br>Resident Representative | Banco Mundial<br>Edificio BISA, Piso 9<br>16 de Julio 1628<br>La Paz, Bolivia<br>(mailing address: Casilla 8692) |

(continued)

# Offices of the World Bank *(continued)* Appendix 4

June 30, 1989

| | | |
|---|---|---|
| Brazil | George Papadopoulos<br>Resident Representative | Banco Mundial<br>Setor Comercial Sul, Quadra 02<br>Edificio OK. No. 78<br>Quarto Andar<br>Brasilia 70.300, Brazil |
| Brazil | George Papadopoulos<br>Resident Representative | Banco Mundial<br>c/o Furnas Centrais Eletricas S.A.<br>Rua Real Grandeza, 219<br>Bloco C, Nono Andar<br>Rio de Janeiro, RJ 24000 Brazil |
| Brazil | Edward B. Rice<br>Resident Representative | Banco Mundial, S/127<br>Edificio SUDENE<br>Cidade Universitaria<br>50,000 Recife PE. Brazil |
| Burkina Faso | Claude R. Delapierre<br>Resident Representative | The World Bank<br>Immeuble BICIA (3ème étage)<br>Ouagadougou, Burkina Faso<br>(mailing address: B.P. 622) |
| Burundi | Maurice Gervais<br>Resident Representative | The World Bank<br>45, avenue de la Poste<br>Bujumbura, Burundi<br>(mailing address: B.P. 2637) |
| Cameroon | Raymond Rabeharisoa<br>Resident Representative | The World Bank<br>Bastos<br>Yaoundé, Cameroon<br>(mailing address: B.P. 1128) |
| Central African Republic | Jean-Paul Dailly<br>Resident Representative | The World Bank<br>Rue des Missions<br>Bangui, C.A.R.<br>(mailing address: B.P. 819) |
| Chad | Horst Scheffold<br>Resident Representative | The World Bank<br>P.O. Box 146<br>N'djamena, Chad |
| China | Edwin R. Lim<br>Chief | The World Bank<br>Xiyuan Hotel Compound<br>Building No. 3 (3rd floor)<br>Erligou Xi Jiao<br>Beijing, China<br>(mailing address: P.O. Box 9509) |
| Colombia | P. Hari Prasad<br>Resident Representative | Banco Mundial<br>Carrera 10, No. 86-21, Piso 3<br>Bogota D.E., Colombia<br>(mailing address: Apartado Aereo 10229) |
| Congo, People's Republic of the | Mamadou Dia<br>Resident Representative | The World Bank<br>Avenue Amilcar Cabral<br>Immeuble ARC (5ème étage)<br>Brazzaville, Congo<br>(mailing address: B.P. 14536) |

| | | |
|---|---|---|
| Ethiopia | Michael Payson[b]<br>Resident Representative | The World Bank<br>I.B.T.E. New Telecommunications<br>Building (1st floor)<br>Churchill Road<br>Addis Ababa, Ethiopia<br>(mailing address: P.O. Box 5515) |
| Ghana | Seung Hong Choi<br>Resident Representative | The World Bank<br>69 Eighth Avenue Extension<br>Northridge Residential Area<br>Accra, Ghana<br>(mailing address: P.O. Box M27) |
| Guinea | Vacant | Banque mondiale<br>Cité des Nations, Villa 39<br>Conakry, Guinea<br>(mailing address: B.P. 1420) |
| Guinea-Bissau | Yves J. Tencalla<br>Resident Representative | Banque mondiale<br>Rue 7, Apt. 4<br>Bissau, Guinea-Bissau<br>(mailing address: P.O. Box 78) |
| India | Jochen Kraske<br>Chief | Resident Mission<br>The World Bank<br>55 Lodi Estate<br>New Delhi 3, India<br>(mailing address: P.O. Box 416) |
| Indonesia | Attila Sönmez<br>Director | The World Bank<br>Jalan Rasuna Said, Kav. B-10 (Suite 301)<br>Kuningan, Jakarta 12940, Indonesia<br>(mailing address: P.O. Box 324/JKT) |
| Madagascar | Jose A. Bronfman<br>Resident Representative | Banque mondiale<br>1, rue Patrice Lumumba<br>Antananarivo 101, Madagascar<br>(mailing address: Banque mondiale B P 4140) |
| Malawi | John M. Malone<br>Resident Representative | The World Bank<br>Development House<br>Lilongwe 3, Malawi<br>(mailing address: P.O. Box 30557) |
| Mali | Monique P. Garrity<br>Resident Representative | The World Bank<br>Immeuble CNAR<br>Rue Square Lumumba<br>Bamako, Mali<br>(mailing address: B.P. 1864) |
| Mauritania | Sunil Mathrani<br>Resident Representative | The World Bank<br>Villa No. 30, ILOT A<br>Quartier Socofim<br>Nouakchott, Mauritania<br>(mailing address: B.P. 667) |

*(continued)*

# Offices of the World Bank *(continued)* Appendix 4

June 30, 1989

| | | |
|---|---|---|
| Mexico | Marko Voljc<br>Resident Representative | Banco Mundial<br>Nacional Financiera, S.N.C.<br>Isabel La Catolica No. 51<br>Primer Piso<br>Colonia Centro<br>06006 Mexico City, D.F. Mexico |
| Nepal | Nigel Roberts<br>Resident Representative | The World Bank<br>Jyoti Bhawan, Kantipath<br>Kathmandu, Nepal<br>(mailing address: P.O. Box 798) |
| Niger | Helmut Sanger<br>Resident Representative | The World Bank<br>Immeuble BDRN<br>Niamey, Niger<br>(mailing address: Banque mondiale B.P. 12402) |
| Nigeria | Tariq Husain<br>Resident Representative | The World Bank<br>Plot 1309A<br>Karimu Kotun Street<br>Victoria Island<br>Lagos, Nigeria<br>(mailing address: P.O. Box 127) |
| Pakistan | Luis de Azcárate<br>Chief | The World Bank<br>House #36<br>Street 1, F6/3<br>Islamabad, Pakistan<br>(mailing address: P.O. Box 1025) |
| Philippines | Rolando R. Arrivillaga<br>Resident Representative | The World Bank<br>Central Bank of the Philippines<br>Multi-storey Building, Room 200<br>Roxas Boulevard<br>Manila, Philippines |
| Rwanda | Melvin J. Loewen<br>Resident Representative | The World Bank<br>Blvd. de la Révolution<br>BRD Building<br>Kigali, Rwanda<br>(mailing address: P.O. Box 609) |
| Saudi Arabia | Roger E. Rowe[c]<br>Director | Resident Mission<br>The World Bank<br>Riyadh, Saudi Arabia<br>(mailing address: P.O. Box 5900) |
| Senegal | François-Marie Patorni<br>Resident Representative | The World Bank<br>Immeuble S.D.I.H.<br>3 Place de l'Indépendance<br>Dakar, Senegal |
| Somalia | Brian H. Falconer[d]<br>Resident Representative | The World Bank<br>Savoy Centre (2nd floor)<br>Mogadishu, Somalia<br>(mailing address: P.O. Box 1825) |

| | | |
|---|---|---|
| Sri Lanka | Hari C. Aggarwal<br>Resident Representative | The World Bank<br>Development Finance<br>Corporation of Ceylon<br>(DFCC) Building<br>1st Floor<br>73/5 Galle Road<br>Colombo 3, Sri Lanka<br>(mailing address: P.O. Box 1761) |
| Sudan | Abhay Deshpande<br>Resident Representative | The World Bank<br>AAAID Building<br>Block 9<br>East Khartoum, Sucan<br>(mailing address: P.O. Box 2211) |
| Tanzania | Ian C. Porter<br>Resident Representative | The World Bank<br>N.I C. Building (7th floor, B)<br>Dar es Salaam, Tanzania<br>(mailing address: P.O. Box 2054) |
| Togo | Emmanuel Mbi<br>Resident Representative | The World Bank<br>169, rue du 13 janvier<br>*Immeuble BTCI (8ème étage)*<br>Lomé, Togo<br>(mailing address: B.P. 3915) |
| Turkey | James Chaffey<br>Resident Representative | The World Bank<br>Ataturk Bulvari 211<br>Gama-Guris<br>Building Kat 6<br>06683 Kalvaklidere.<br>Ankara, Turkey |
| Uganda | Grant Slade<br>Resident Representative | The World Bank<br>P.O. Box 4463<br>Kampala, Uganda |
| Zaire | Jérôme Chevallier<br>Resident Representative | The World Bank<br>Building UZB<br>Avenue des Aviateurs<br>Kinshasa 1, Republic of Zaire<br>(mailing address: P O. Box 14816) |
| Zambia | Uche G. Mbanefo<br>Resident Representative | The World Bank<br>CMAZ Building<br>Ben Bella Road<br>Lusaka, Zambia<br>(mailing address: P.O. Box 35410) |
| Zimbabwe | Mahmud A. Burney<br>Resident Representative | The World Bank<br>CABS Centre (12th floor)<br>Stanley Avenue<br>Harare, Zimbabwe<br>(mailing address: P.O. Box 2960) |

a. Succeeded by Nobuaki Kemmochi as of June 30, 1989.

b. Succeeded by T. James Goering as of July 1, 1989.

c. Position vacant as of July 7, 1989.

d. Succeeded by Luciano Borin as of July 1, 1989

The World Bank

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