THE WORLD BANK

1999

ANNUAL REPORT 1999

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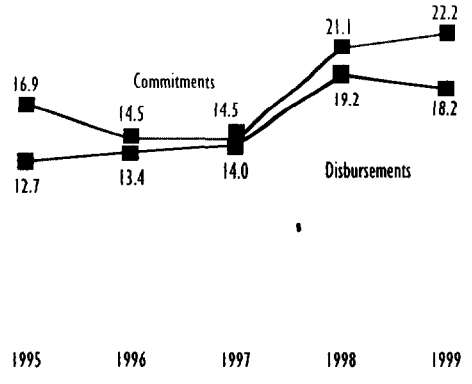
On the cover

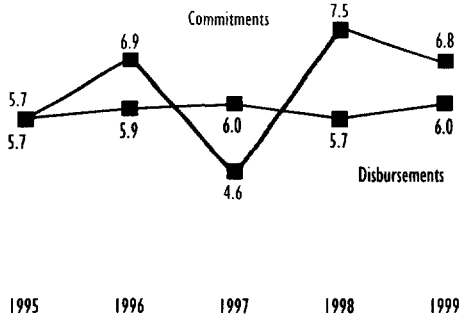
An eager young generation stands poised on the threshold of a new era. Throughout the developing world, the same questions resound: Will these children complete school? Will they be healthy? Will their environment be corruption-free, law-abiding, and peaceful? Will the girls among them enjoy the same opportunities as their brothers? The new millennium offers a unique chance—and challenge—for the world to come together in shaping the destinies of this new generation For the World Bank, it means a renewed commitment to improving the lives of people and the prospects for children everywhere. Partnerships—with governments, civil society, private sector, and other development agencies—will be vital to progress Development is multidimensional, and forging strong partnerships to jointly tackle a holistic development agenda is, more and more, at the heart of all Bank assistance, as seen in the pages of this Annual Report.

Lending Highlights, Fiscal Year 1999

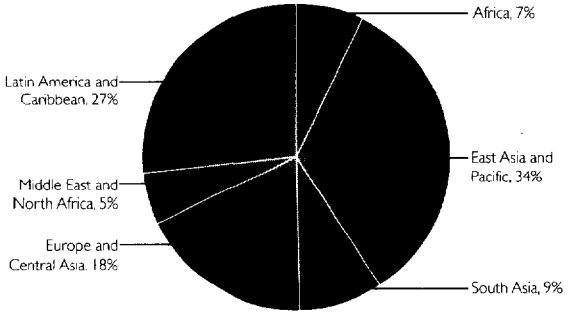
IBRD Lending Commitments and Disbursements, Fiscal Years 1995–99
(billions of U.S. dollars)



IDA Lending Commitments and Disbursements, Fiscal Years 1995–99
(billions of U.S. dollars)



IBRD and IDA Lending by Region
(share of total lending of $29 billion)



- New lending commitments from the World Bank to client countries reached a record $29 billion in Fiscal Year 1999, with disbursements at $24.2 billion. Overall lending quality also improved: the share of projects at risk of being unsuccessful declined significantly, and the quality of new projects entering the portfolio improved.
- IBRD commitments in FY99 rose slightly above last year's record, to $22.2 billion. The increase reflected a second year of continued strong demand from countries emerging from—or seeking to prevent—financial crisis. Developing countries relied more on Bank assistance in the face of weakened investor confidence and reduced access to private capital. IBRD also extended a $300 million partial credit guarantee to Thailand in support of the power authority's investment program.
- IDA—the Bank's concessional lending arm—provided an extraordinary level of support to countries in Eastern Europe and Central Asia that suffered the effects of the Russia and Kosovo crises. As part of an effort to be extended through FY02, it also began to provide exceptional levels of support to Honduras and Nicaragua, severely affected by Hurricane Mitch. Apart from its lending commitments, IDA extended a Heavily Indebted Poor Countries grant for $150 million in support of an economic management project in Mozambique as well as a $30 million partial risk guarantee for a power project in Côte d'Ivoire as part of a pilot program.
- Disbursements for IBRD remained well above recent averages, though slightly below the FY98 level. IDA disbursements were 7 percent above last year's level. Reflecting higher lending levels, total IBRD and IDA disbursements were above the average level of recent years.
- East Asia received a third of total lending in FY99, reflecting the large needs of countries recovering from financial crisis. The Bank also responded quickly to new crises—and risks of contagion—in the Latin America and Caribbean and the Eastern Europe and Central Asia Regions.
- Nearly all lending to the Africa Region ($2.1 billion) was from IDA. South Asia, too, relied heavily (71 percent) on IDA. These two regions alone accounted for close to 60 percent of total IDA lending. In East Asia, Indonesia became IDA-eligible again after graduating from IDA in FY81, following a drop in its GNP and weakened near-term prospects.
- Compared with FY98, lending to the Latin America and Caribbean Region was considerably higher (28 percent). In another major change, South Asia's total was a third below last year's, reflecting mainly lower lending to India.
- The year's 5 largest borrowers were Argentina ($3.2 billion), Indonesia ($2.7 billion), China ($2.1 billion), Korea ($2.0 billion), and Russia ($1.9 billion). The top 10 borrowers—including Brazil, Thailand, India, Bangladesh, and Mexico—accounted for 62 percent of total lending.

World Bank Highlights
Fiscal Year 1999

(millions of U.S. dollars)

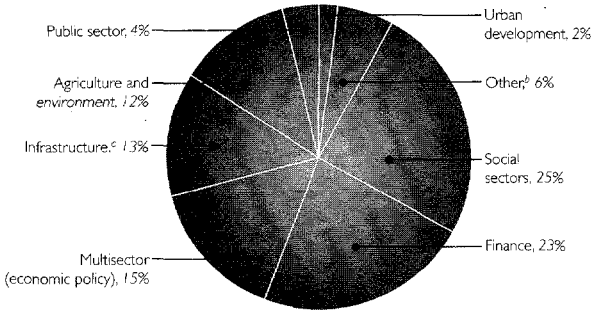
	FY99	FY98
Lending		
New Commitments		
IBRD	22,182	21,086
IDA[a]	6,812	7,508
Total[a]	28,994	28,594
IBRD Loans outstanding	117,228	106,576
IDA Credits outstanding	83,666	78,347
Disbursements		
IBRD	18,205	19,232
IDA[a]	6,023	5,630
Total[a]	24,228	24,862
IBRD Finances		
Net income	1,518	1,243
Borrowings outstanding[b]	115,739	103,477
Subscribed capital	188,220	186,436
Equity capital-to-loans ratio	20.65%	21.44%
Cofinancing and Trust Funds		
Cofinancing	11,350	9,705
Cofinancing/World Bank Lending ratio	39.1%	33.9%
Trust Fund Contributions[c]	1,568	1,544
Trust Fund Disbursements[c]	1,333	1,136

a. Excludes IDA HIPC grants
b. Before swaps, net of premium/discount
c. Includes all World Bank Group trust funds

IN THE YEAR UNDER REVIEW:

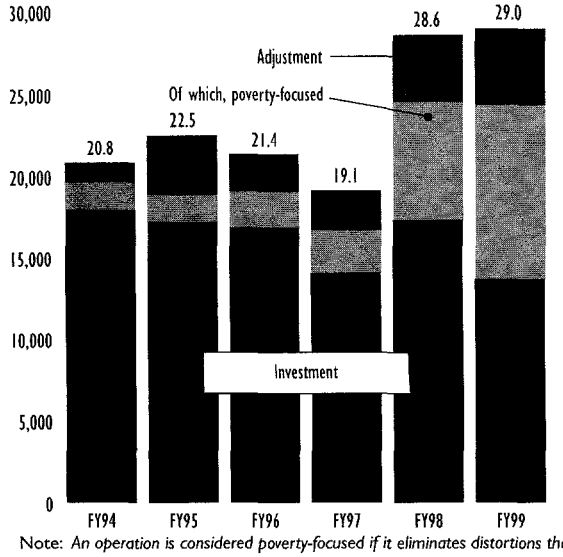
- New lending rose slightly above last year's record, as the Bank helped countries in crisis undertake vital economic and financial reforms while dealing with the harsh social consequences of the global crisis.
- About 83 percent of total IDA commitments went to countries with a 1998 GNP per capita of less than $761.
- The Twelfth Replenishment of IDA was agreed in November 1998, providing for SDR 8.6 billion in new donor funding for FY00–02.
- About a dozen countries began to pilot the Comprehensive Development Framework, a country-owned, holistic approach to development based on partnerships and focused on results.
- The Economic Development Institute was expanded to become the World Bank Institute, in a move to maximize synergies between internal and external knowledge-sharing.

IBRD and IDA Lending by Sector
(share of total lending of $29 billion)



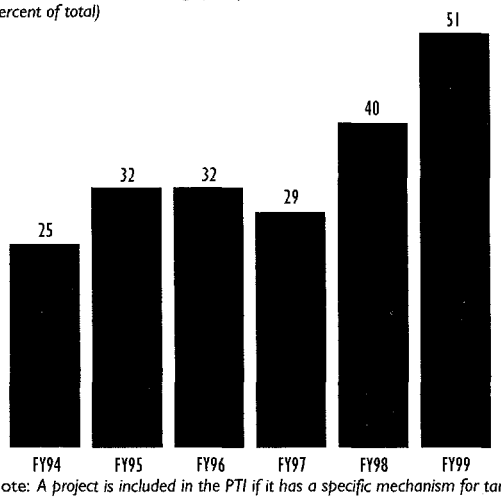
Note: *Data reflect reclassification of sector data, explained in Table 1, page 10.*
a. Includes transport, telecommunications, and water supply and sanitation.
b. Includes industry, mining, power, and other energy.

Adjustment and Investment Lending, Fiscal Years 1994–99
(billions of U.S. dollars)



Note: *An operation is considered poverty-focused if it eliminates distortions that disadvantage the poor, reorients public expenditures toward them, and/or supports programs that provide safety nets or target specfic groups of the poor.*

Investment Lending for the Poor: Program of Targeted Interventions Lending (PTI), Fiscal Years 1994–99
(percent of total)



Note: *A project is included in the PTI if it has a specific mechanism for targeting the poor and/or if the proportion of poor people among its beneficiaries is significantly larger than the proportion of poor in the total population.*

- Lending for human development—education, health, nutrition, and social protection—accounted for the largest share of FY99 lending ($7.3 billion). Nearly half this total was for social protection, to address reemerging poverty, widening inequality, and welfare losses especially in crisis countries. Such assistance was nearly 42 percent above last year's level.

- Strong support for financial sector—financial systems, corporate governance, bankruptcy laws, and disclosure—and economic policy reform was the other side of the Bank's response to crisis, much of it through adjustment lending.

- Lending for rural and urban services, at about 30 percent of the total, remained a priority, reflected in support for infrastructure, agriculture and environmental management, urban development, and energy (2 percent, included in "Other").

- Adjustment lending of $15.3 billion exceeded investment lending for the first time in FY99, as the Bank supported a wide range of reforms found vital in the aftermath of crisis. Institution building, governance, and social protection were the dominant themes. East Asia and Latin America together accounted for $10.2 billion, with the Europe and Central Asia Region at $3.4 billion.

- More than half of adjustment lending in FY99 was poverty-focused, with strong support to social sectors. This assistance helped protect social spending for basic services, strengthen safety nets, and put in place reforms ensuring a pro-poor, job-creating economic recovery.

- Investment lending supported diverse needs, ranging from girls' education and disease control to urban congestion and—unique to this year—the Year 2000 computer problem. Lending for emergency reconstruction doubled, following hurricanes, floods, and wars in the Balkans and several African countries. Learning and Innovation Loans, introduced last year, gained momentum.

- The share of investment lending classified as part of the Program of Targeted Interventions (PTI) rose significantly, for the second year in a row. PTI projects have substantial components targeting the poor and include, for example, support for social funds that raise rural living standards while increasing jobs; better access to credit, especially for poor women; prevention of AIDS; slum upgrading; rural roads rehabilitation to give farmers access to markets; and school improvement programs targeting better education outcomes for poor children. Non-PTI projects also contribute to poverty reduction, the Bank's overarching objective.

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Executive Directors

Khalid M. Al-Saad
Khalid H. Alyahya
Ruth Bachmayer
Andrei Bugrov
Federico Ferrer
Godfrey Gaoseb
Valeriano F. Garcia
Inaamul Haque
Jannes Hutagalung
Young-Hoi Lee
Matthias Meyer
Jean-Claude Milleron
Satoru Miyamura
Ilkka Niemi
Terrie O'Leary
Franco Passacantando
Stephen Pickford
Jan Piercy
Murilo Portugal
Helmut Schaffer
Surendra Singh
Pieter Stek
Bassary Toure
Zhu Xian

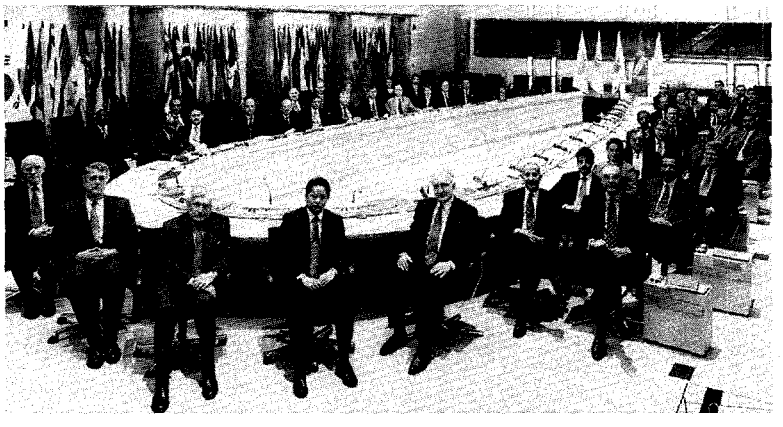
Alternates

Mohamed Kamel Amr
Khaled Al-Aboodi
Luc Hubloue
Eugene Miagkov
(vacant)
Girmai Abraham
Ivan Rivera
Mohamed Dhif
Wan Abdul Aziz Wan Abdullah
Lewis D. Holden
Jerzy Hylewski
Jean Pesme
Akira Kamitomai
Anna M. Brandt
Alan David Slusher
Helena Cordeiro
Myles Wickstead
Michael Marek
Patricio Rubianes
Eckhardt Biskup
Syed Ahmed
Tamara Solyanyk
Paulo F. Gomes
Zou Jiayi

as of June 30, 1999

This Annual Report, which covers the period July 1, 1998, to June 30, 1999, has been prepared by the executive directors of both the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) in accordance with the respective by-laws of the two institutions. James D. Wolfensohn, president of the IBRD and IDA and chairman of the boards of executive directors, has submitted this Report, together with accompanying administrative budgets and audited financial statements, to the board of governors.

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



Meeting of World Bank Executive Directors, December 1998

Seated at table, counterclockwise from left: Sven Sandström, *Managing Director*, Caio Koch-Weser, *Managing Director*, James D. Wolfensohn, *President*, Shengman Zhang, *Managing Director and Corporate Secretary*, Daoud Khairallah, *Deputy General Counsel, Administration, Finance & Institutional Affairs*, Khalid M. Al-Saad, *Kuwait*, Khalid H. Alyahya, *Saudi Arabia*, Ruth Bachmayer, *Austria*, Andrei Bugrov, *Russian Federation*, Federico Ferrer, *Spain*, Girmai Abraham, *Eritrea*, Valeriano F. Garcia, *Argentina*, Inaamul Haque, *Pakistan*, Jannes Hutagalung, *Indonesia*, Young-Hoi Lee, *Republic of Korea*, Li Yong, *China*, Matthias Meyer, *Switzerland*, Jean-Claude Milleron, *France*, Satoru Miyamura, *Japan*, Ilkka Niemi, *Finland*, Terrie O'Leary, *Canada*, Franco Passacantando, *Italy*, Stephen Pickford, *United Kingdom*, Michael Marek, *United States*, Murilo Portugal, *Brazil*, Helmut Schaffer, *Germany*, Surendra Singh, *India*, Mihai Tanasescu, *Romania*, Bassary Touré, *Mali*.

Seated counterclockwise from left, second row: Mohamed Kamel Amr, *Arab Republic of Egypt*, Khaled Al-Aboodi, *Saudi Arabia*, Luc Hubloue, *Belgium*, Eugene Miagkov, *Russian Federation*, Agil Elmanan, *Sudan*, Ivan Rivera, *Peru*, Kacim Brachemi, *Algeria*, Wan Abdul Aziz Wan Abdullah, *Malaysia*, Christopher Legg, *Australia*, Zhao Xiaoyu, *China*, Jerzy Hylewski, *Poland*, Jean Pesme, *France*, Akira Kamitomai, *Japan*, Anna M. Brandt, *Sweden*, Alan David Slusher, *Belize*, Helena Cordeiro, *Portugal*, Myles Wickstead, *United Kingdom*, Patricio Rubianes, *Ecuador*, Syed Ahmed, *Bangladesh*, Paulo F. Gomes, *Guinea-Bissau*. Unable to be present: Executive Directors: Godfrey Gaoseb, *Namibia*, Jan Piercy, *United States*, Pieter Stek, *Netherlands*. Alternates: Eckhardt Biskup, *Germany*.

THE IBRD, IDA, IFC, MIGA, AND ICSID

The World Bank Group consists of five closely associated institutions. References in this report to the World Bank or the Bank refer to two of these institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The World Bank's purpose is to reduce poverty and improve living standards for people in the developing world. The Bank provides loans ("credits" in the case of IDA), policy advice based on economic and sector analytical work, technical assistance, and increasingly, knowledge-sharing services to its client countries. Closely associated with the World Bank are three other institutions: IFC, MIGA, and ICSID. The International Finance Corporation (IFC) works closely with private investors and provides capital to commercial enterprises in developing countries. The Multilateral Investment Guarantee Agency (MIGA) encourages direct foreign investment in developing countries by offering insurance against noncommercial risk. The International Centre for Settlement of Investment Disputes (ICSID) provides facilities for settling disputes between foreign investors and their host countries.

International Bank for Reconstruction and Development

Year established: 1945
Members: 181; shares allocated to each member reflect its quota in the International Monetary Fund (IMF), which in turn reflects the country's relative economic strength in the world economy
Membership criteria: IMF membership
Source of funds: Paid-in capital, capital market borrowings, repayments on earlier loans, retained earnings
Cumulative lending: $338.5 billion
FY99 lending: $22.2 billion for 131 new operations in 39 countries
Lending terms: Average cost of borrowings plus a spread (for most products—see also "Management's Discussion and Analysis"), for 12–20-year maturities, 3- to 5-year grace period on most loans

IBRD provides loans and development assistance to middle-income countries and creditworthy poorer countries. Voting power is linked to members' capital subscriptions, which in turn are based on each country's relative economic strength. The IBRD obtains most of its funds through the sale of bonds in international capital markets. While not a profit-maximizing organization, it has earned a net income every year since 1948. IBRD's practice is not to reschedule payments or participate in debt rescheduling agreements on its loans. Conservative lending policies, strong financial backing from members, and prudent financial management give the IBRD a strong standing in capital markets.

International Development Association

Year established: 1960
Members: 160
Membership criteria: IBRD membership
Eligibility criteria: Relative poverty and lack of creditworthiness. Operational cutoff for FY99 IDA eligibility was a 1997 GNP per capita of $925, with some exceptions.
Source of funds: Contributions from governments, transfers from IBRD profits, repayments on earlier IDA credits
Cumulative lending: $115.9 billion
FY99 lending: $6.8 billion for 145 new operations in 53 countries
Lending terms: Interest-free (service charge of 0.75 percent), 35–40-year maturities with 10-year grace period

As the Bank's concessional lending arm, IDA plays a key role in supporting the Bank's poverty reduction mission.

IDA assistance is focused on the poorest countries, to which it provides interest-free loans (known as "credits") and other nonlending services. IDA depends on contributions from its wealthier member countries—including some developing countries—for most of its financial resources. In FY99, 81 countries were IDA-eligible. IDA credits are made only to governments. IDA is legally and financially distinct from IBRD, but it shares the same staff, and the projects it supports have to meet the same criteria.

International Finance Corporation

Year established: 1956
Members: 174
Membership criteria: IBRD membership
Source of funds: Member capital, borrowings from capital markets (80 percent) and IBRD (20 percent)
Committed portfolio: $21.2 billion
FY99 commitments: $3.6 billion in 79 countries
Lending terms: Market rates, long-term maturities, up to four-year grace period

IFC fosters economic growth in the developing world by financing private sector investments, mobilizing capital in international financial markets, and providing technical assistance and advice to governments and businesses. In partnership with private investors, it provides loan and equity finance for business ventures in developing countries and plays a catalytic role by demonstrating the profitability of investments in these countries. It also helps build efficient capital markets. It has its own operating and legal staff and is legally and financially a separate entity from the World Bank, on which it draws, however, for certain services.

Multilateral Investment Guarantee Agency

Year established: 1988
Members: 149
Membership criteria: IBRD membership
Source of funds: Member capital
Cumulative Guarantees issued: $5.5 billion
FY99 Guarantees issued: $1.3 billion
Estimated FDI facilitated: $30 billion

MIGA's main objective is to encourage the flow of foreign direct investment to its developing member countries. It facilitates investment primarily by providing investment guarantees against noncommercial risks (currency transfer, expropriation, and war, for example). MIGA also provides technical assistance to help countries disseminate information on investment opportunities, and to build capacity for investment promotion. MIGA has its own operating and legal staff and is legally and financially a separate entity from the World Bank, on which it draws, however, for certain services.

International Centre for the Settlement of Investment Disputes

Year established: 1966
Members: 131
Membership criteria: IBRD membership
Total cases registered: 65
FY99 cases registered: 11

ICSID provides facilities for the settlement, by conciliation or arbitration, of investment disputes between member countries and nationals of other member countries. Provisions referring to arbitration under the auspices of ICSID are a common feature of international investment contracts, investment laws, and bilateral and multilateral investment treaties.

Message from the Chairman of the Board of Executive Directors

Daughters' Day at the World Bank, April 1999

Our *Annual Report* is always an opportunity to pause and take a good, hard look at where we have been, what we have learned, and where we should be going. This year, all the more so. As the special moment of passage that is the new millennium approaches, we are more than usually challenged to confront our future with a better understanding of our past. We must invigorate this special moment with an exceptional clarity of mission.

It is two years since the financial crisis of the late 1990s began in East Asia. Since I last reported to you, we have confronted further dangers in Russia and in Brazil. Now there are signs of recovery in a number of countries, some of them remarkable. Elsewhere, the pain lingers on. If we can harness the energies of lessons learned in this tough classroom of crisis, I am optimistic that we will deal more effectively with such challenges in the future.

Most important, what we call the "financial crisis" is now understood to go far beyond that. At the core of the various crises have been the very structural and social building blocks of society and, of course, bearing the brunt of these crises have been the millions of citizens who found no refuge. Institutional and governance reform and the provision of some harbor for the most vulnerable have been central to the Bank's work of the past 12 months. Crisis has changed and challenged the very way in which we work and the instruments and necessary flexibility we have to do that work. And we have been flexible: the Bank has developed new lending approaches, and our levels of efficiency and quality are up, as you will read in the pages of this report.

Crisis has also alerted us to focus intently on the inter-relatedness of policy and structure, and people. I am quite convinced that we will not get one right without the other. And this is clearly true at all levels of society. The Comprehensive Development Framework that we are piloting is the Bank's vision of how we might take this understanding forward. It is a formulation that stresses partnership, shared goals, and an integrated approach to what needs to be done. In the driving seat of both developing and implementing this agenda

is—and must be—the country itself. The Bank's role will be defined by what we can best bring to the mix, as I hope will be the role of our many other development partners. We have found broad support for this comprehensive approach, and I thank those who have enthusiasm for the partnership that this requires of all of us.

But just as crisis has worked to rally us around a wider and deeper agenda, it has also called our attention to the sobering fact that the number of people in poverty is rising. Yes, the fight against poverty has made gains: life expectancy has risen, infant mortality has dropped, and there are more girls in school than before. But achieving our agreed goal to halve the incidence of poverty by 2015 now requires a strengthening of effort. In many of the poorest developing countries, progress on poverty reduction and sustainable development is lagging. These silent crises require as much energy of us as those crises that grab the headlines.

To do all this will take partnerships the likes of which we have not seen before. I am convinced that our work with the private sector will leap ahead as the millennium turns and companies understand the scale of corporate social responsibility that will make a real difference. Partnerships with civil society will and must underpin everything we do as new areas of work in governance, post-conflict, environment, cultural heritage, and the development of social capital become very much a part of the Bank's workaday agenda. This report is as much about the Bank and its multiple partners as it is a Bank report, and that is as it should be.

The fight against poverty is not a fight for glory. It is about equity and social justice, about the environment and the resources we all share, and about peace and security. It is a fight for a better life for all of us and for our children who will live in this very interconnected world.

JAMES D. WOLFENSOHN

Overview of World Bank Activities in Fiscal Year 1999

Global context

Fiscal year 1999 (FY99) was a year of continued—and formidable—challenges. The financial crisis in East Asia abated but left in its wake a huge restructuring agenda. Serious weaknesses in public, financial, and corporate sectors had been exposed and made an unambiguous and compelling case for institutional and governance reform. Equally critical was protection for the most vulnerable. Even as these lessons were being learned, Russia and Brazil fell victim to failing investor confidence. Borrowing costs soared, and capital flows to emerging market economies plunged. On the positive side, considerable stability returned to capital markets in the second half of the fiscal year, and

A year of continued and formidable challenges

foreign direct investment has remained reassuringly strong; Brazil's crisis, moreover, was short-lived and its contagion effect relatively contained. Nevertheless, the impact of the crises continued to drive through these regions' real economies. The crises also adversely affected commodity prices, hurting especially Africa, already in the grip of conflict. Among the year's more tragic highlights was the Kosovo (Yugoslavia) crisis: many died, and many more were displaced, as refugees fled to neighboring countries. Additional emergency and long-term restructuring needs arose from natural disasters, particularly in Asia, Central America, and the Caribbean.

Despite remarkable advances in the last quarter of the twentieth century, poverty is rising in many parts of the world, especially those affected by crisis and conflict (Box 1). In 1998, developing-country growth fell by half, to 1.9 percent; given steady population growth, per capita incomes have fallen. The East Asia crisis is believed to have produced millions of new poor, following two decades of remarkable poverty reduction. Korea and Indonesia have seen major increases in urban poverty especially, reversing years of progress. Of particular concern are long-term impacts of child malnutrition on later learning capacity and of unemployment on child labor, to note two examples. In some of the former Soviet Union economies, post-transition poverty—and income inequality—had already been rising over the last decade; after the Russia crisis, the numbers of poor have likely increased. In addition, the challenges of literacy and basic health—compounded by AIDS—loom as large as ever, notably in Africa and South Asia. Prospects for achieving the International Development Goals for 2015, adopted internationally in 1996, have suffered a serious setback.

World Bank assistance: serving the client better

The global challenges of the past two years have been unprecedented. The Bank has stretched itself to new boundaries to respond rapidly and in a manner commensurate with the wide-ranging emergency and long-term needs. Through crisis and then emerging recovery, the Bank has sought to meet country demand for finance and expertise, focused on basic human needs as well as investor needs as a basis for strong growth.

Underlying all the Bank's activities in FY99 are the common threads of change, flexibility, and partnership to

Change, flexibility, and partnership, to serve clients better

serve clients better. Providing higher quality service, more efficiently and with greater development impact, was at the heart of the Strategic Compact established in 1997. In the rigorous learning ground of the past two years, the Bank has come far in meeting these goals, by listening, learning real-time lessons, innovating, and partnering. Quality and efficiency are up substantially. Raising development impact is a longer term task, and will remain the Bank's dominant challenge for the next several years.

The spirit of change, flexibility, and partnership is best captured in the piloting of the Comprehensive Development Framework (CDF), launched in FY99. In his Annual Meetings speech in Hong Kong in the fall of 1997, the Bank's President, James D. Wolfensohn, outlined a vision of the Bank as an institution committed to

BOX 1 GLOBAL POVERTY: STALLED PROGRESS

The financial turmoil of the last two years has dealt a blow to the expectations we had for reducing poverty. Just a short time ago, we had confidence that the International Development Goal of halving poverty would be met in the next 20 years in most areas of the world. Today, countries that until recently believed they had turned the tide in the fight against poverty are witnessing its reemergence along with hunger and the human suffering it brings. . . . We must now draw on the lessons of recent experience to help us reshape our strategies for the future.

World Bank Group President
James D. Wolfensohn

The share of people living on less than $1 per day (at 1985 purchasing power parity) fell slightly, to 29 percent of the developing world's population, between 1987 and 1993 (the latest year for which a global total is available). The numbers of poor, however, rose. As of 1993, the South Asia Region had the most poor (515 million persons or 39 percent of the total). The last two decades (to the mid-1990s) saw an extraordinary decline in poverty in East Asia, from some 60 percent to 20 percent of the population (and a halving of the numbers). Further dramatic improvement was recorded in China in the late 1990s. But much of the rest of East Asia has seen partial reversals, taking poverty rates back to levels experienced earlier in the 1990s. The overall picture is one of stalled progress:

- *Poverty is on the rise*
  - *—340 million poor in India in the mid-1990s vs. 300 million in the late 1980s*
  - *—sharp worsening in Europe and Central Asia region*
  - *—continued growth in number of poor people in Sub-Saharan Africa*
  - *—an increase in the incidence of poverty in Indonesia of about 10 percent since 1997*

- *Inequality is on the rise*
  - *—Rising world inequality has been mainly driven by inter-country differences*
  - *—Inequality in some former Soviet Union countries has worsened significantly since the transition*
  - *—Rising inequality in countries as diverse as Bangladesh, China, Malaysia, and Thailand*

- *Urban areas will account for a rising share of the poor*

- *Life expectancy gains are at risk*
  - *—Having risen from 55 to 65 years between 1970 and 1997, since 1990 life expectancy has declined in 33 countries, mostly related to AIDS. Two thirds of 33 million infected are in Africa.*

- *Education is much worse for the poor*
  - *—There are often enormous gaps within countries between the educational attainment of the rich and the poor. In India, for example, 15–19 year-olds from the richest 20 percent of households have completed on average 10 years of schooling, compared with no schooling for children from the poorest 40 percent of households.*

Note: *The World Development Report 2000/2001 on poverty and development, to be issued in September 2000, will present a major synthesis of poverty trends and underlying determinants of poverty reduction while outlining an updated poverty-reduction strategy that reflects the lessons of recent experience.*

forging closer partnerships with other actors to enhance development effectiveness. In the summer of 1998, the Bank carried out a series of consultations, including four roundtables, in the Americas, Europe, Asia, and Africa on a discussion paper titled "Partnerships for Development: Proposed Actions for the World Bank." Participants

included representatives from governments, bilateral donor agencies, multilateral financial institutions, academia, nongovernmental organizations (NGOs), and other civil society organizations as well as the private sector. In October 1998 at the Joint Annual Meetings, Mr. Wolfensohn returned to this theme, suggesting the need for a more integrated approach to development based on a framework articulated and "owned" by the country itself. That vision, now known as the Comprehensive Development Framework, builds on these ideas: it suggests a holistic approach to development that recognizes the importance of macroeconomic fundamentals but gives equal weight to the institutional, structural, and social underpinnings of a robust market economy. It emphasizes strong partnerships among governments, donors, civil society, the private sector, and other development actors. Perhaps most important, the country is in the driver's seat, both "owning" and directing the development agenda, with the Bank and the country's other partners each defining their support in their respective business plans.

CDF: A country-owned, holistic approach based on a long-term vision and strong partnerships, focused on results

The CDF is essentially a process: it is not a blueprint to be applied to all countries in a uniform manner. It is a new way of doing business, a tool to achieve greater development effectiveness in a world challenged by poverty and distress. In the short run, the CDF establishes mechanisms to bring people together and build consensus, forges stronger partnerships that allow for strategic selectivity, reduces wasteful competition, and emphasizes the achievement of concrete results. For the Bank, it will help it become more selective in what it does. In the long run, the CDF enhances development effectiveness and contributes toward the central goal of poverty reduction and reaching agreed targets such as the International Development Goals.

The CDF opens up new opportunities for cooperation. Numerous constructive comments were received following extensive consultation with multilateral and bilateral agencies, with government ministers and senior officials, and with the private sector and civil society. Many partners have offered to collaborate with the Bank in implementing the CDF. This is critical as the whole framework rests on the premise that the Bank need not lead—or even be involved—as long as the process produces the desired results. During FY99, about a dozen countries worldwide were in active discussion with the Bank and other partners, exploring ways in which the CDF might be implemented. Box 2 offers a closer look at the piloting of the CDF.

The CDF is one further step in a longstanding effort to strengthen external partnerships. While relations with client-country governments will remain fundamental, expanding the universe of partners is increasingly seen as essential to success. In FY99, considerable joint work continued with other multilateral development agencies, especially on international financial architecture and corruption. Partnership with regional development banks is intensifying, ranging from close consultations on Country Assistance Strategies (CASS) and sector strategies to extensive collaboration on response to crisis countries and post-conflict issues. Cooperation between the Bank Group and other multilateral development banks has also been important in project and program cofinancing. At the same time, partnership with civil society is taking on enormous importance as national consensus becomes more recognized as crucial for change. The Bank is also working more and more with NGOs, foundations, trade unions, and religious organizations; new initiatives range from creating a forestry alliance (World Wide Fund for Nature) to protecting

As democracy grows, partnership with civil society becomes crucial for change.

Peasant farmers in Colombia, displaced by violence, set up "enterprise zones" to take charge of their own development.

cultural heritage (Getty Trust). Growing numbers of field staff are being encouraged and empowered to work closely with NGOs and civil society. These groups can play a central role in helping build a country's holistic development agenda and are key to helping the Bank understand better the political and social contexts in which it operates. FY99 also saw the growth of Business Partners for Development (BPD)—a 70-partner program bringing together firms, governments, and civil society organizations, with the Bank as an equal partner, to pilot new approaches in many sectors.

In FY99, serving the client better meant focusing more on poverty; increasing responsiveness to client needs; improving development effectiveness; and becoming a more open, transparent organization. Relatively new themes gaining importance—reflecting a pointed effort to learn from experience—were social development, inclusion, governance, and institution building, as key elements of poverty reduction.

Focusing more on poverty

Given dimmed prospects for achieving the International Development Goals for 2015, the Bank strengthened its fight against poverty in FY99. In a symbolic move, it reaffirmed commitment to poverty reduction in its new mission statement, to "fight poverty with passion and professionalism, for lasting results." Such commitment had multiple dimensions in FY99, encompassing CASs; new lending and nonlending services; IDA replenishment; debt relief; and aid coordination.

BOX 2 PILOTING THE COMPREHENSIVE DEVELOPMENT FRAMEWORK

During FY99, a number of countries were in active discussion with the Bank and other partners, exploring ways in which the Comprehensive Development Framework (CDF) might be piloted in their country.

***Bolivia**. The government is using the CDF to foster intensive country discussion on the societal transformation and institutional aspects of the development challenge in Bolivia. The CDF Pilot, launched June 1999, aims to help Bolivia and its partners be more effective in reducing poverty. After 18 months, its success will be measured through indicators and annual client and staff surveys.*

***Côte d'Ivoire**. The government is preparing its CDF for discussion, first with the private sector and civil society, then including donors. In parallel, the Bank is updating the CDF-inspired CAS jointly with the African Development Bank. The CDF process should benefit government leadership, transactions costs of aid, and donor coordination in capacity building, poverty reduction, and private sector development. To maximize public information and understanding, the Bank has set up—for later handover to the government—a prototype CDF web site for all donors to contribute information.*

***Dominican Republic**. The CDF pilot builds on recent societywide consultations such as the government-sponsored "National Dialogue" of 1997–98. The first stage, launched in April 1999, actively involves, as before, all major political parties, civil society, and the private sector and seeks concrete, workable action plans in a few priority areas. While addressing long-term priorities, the effort will contribute to a better-informed, higher quality debate in the short term.*

***Eritrea**. The government is tailoring the CDF to its own development strategy, embodied in the National Economic Policy Framework and Programme. This stage of the CDF partnership focuses on establishing an efficient and outward-looking private sector that can fuel and sustain well-diversified growth, in a process that offers a constructive means of engaging all partners.*

***Ethiopia**. The government is interested in using the CDF to promote a meaningful dialogue with its partners regarding its development policy. Specific areas to be addressed could include decentralization, national capacity building, or private sector development. The government would like the CDF to help improve donor coordination, particularly in the sector investment programs that require harmonization of procedures and significant donor collaboration.*

***Ghana**. The CDF for Ghana has been successfully launched through the "Mini-CG," a government-partner group established to improve coordination. A particular focus of the Ghana CDF process has been the creation of a network of sector partner groups. There is now such a group for each sector of the CDF, chaired by the relevant Ghanaian agency, and with a "focal point of support." This latter responsibility is spread among all the main partners.*

***Kyrgyz Republic**. The prime minister chairs a Core Committee charged with outlining the country's vision and goals. Working groups comprising representatives from Parliament, the private sector, and nongovernmental organizations (NGOs) are being established. Donor consultation and coordination efforts have been initiated. The first in-country CDF Workshop, in July 1999, focused on macroeconomic stabilization and growth; the state's role; private sector's role; poverty and its social impact; and regional issues.*

***Morocco**. The planning process undertaken by the new government in 1998 embodies key CDF principles: long-term vision, holistic approach, and ownership including civil society participation. The CDF has given the government and the Bank an opportunity, through seminars and workshops, to jointly engage civil society on key issues such as gender, corruption, rural development, and education. The government is keen to strengthen donor coordination, and will be convening, for the first time, a donors meeting in September to present the Plan's broad orientations.*

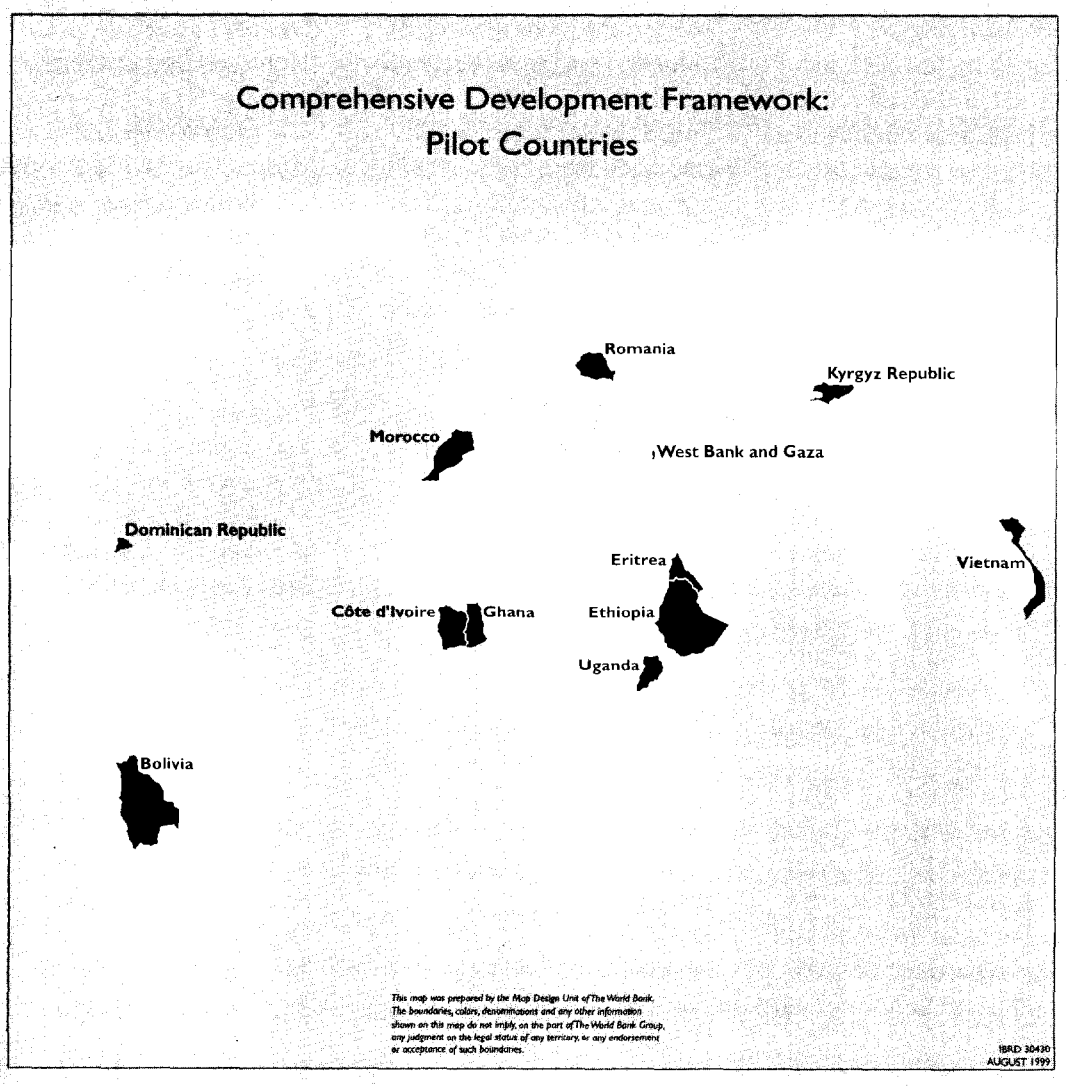
***Romania**. The government sees the CDF as a vehicle for facilitating and building consensus around a shared vision for the country's development. In launching it, the government and the Bank hosted a series of in-country consultations inviting a wide range of stakeholders to help the country articulate its own development strategy. More effective collaboration between government, the Bank, and other donors is expected in support of economic growth and poverty reduction based on objectives set by Romanians themselves.*

***Uganda.** The government is focusing its CDF on improving those services that most affect the poor. Emphasis is on strengthening government ownership, improving partnerships, and better aligning donor programs with Uganda's needs and capacity. In*

1998, a Consultative Group (CG) meeting in Kampala broke new ground in terms of civil society participation, parallel meetings open to all interested parties, and the president's active involvement. A "CDF matrix" is giving government and donors a clearer sense of how to develop a more widely endorsed country strategy.

Vietnam. *The government intends to work with its partners to implement key CDF principles, including partnership, long-term focus, holistic development, monitorable indicators, and inclusion—themes featured at the last CG and special government-donor-NGO discussions. Actions under way include piloting the CDF approach in key sectors (for example, health, rural development, transport); extending the CG to nongovernment stakeholders; establishing joint working groups on systemic issues such as environment and governance; and better analyzing and sharing information, including on public expenditure, budget data, and donor programs.*

West Bank and Gaza. *Strong partnership is already embedded through forums such as the Consultative Group and the Ad Hoc Liaison Committee, and through extensive field-level donor coordination and close relationships with the Palestinian Authority, the private sector, NGOs, and local communities. These relationships, which involve workshops and seminars with partners on such topics as water, municipal finance, and legal reform, feed into CDF matrices that will spell out major challenges and possible solutions in each sector of the economy.*



Country Assistance Strategies. CASS are increasingly placing poverty reduction at the center of Bank assistance. Assistance in FY99 centered on preserving and building human capital; restructuring financial, corporate, and public sectors to revive prospects for capital flows; and preserving the environment, the mismanagement of which can significantly worsen poverty. The Bank also responded to the effects of emergencies and natural disasters, conflict, and the growing deterioration in urban living conditions. Several CASS were prepared jointly with IFC in FY99, in recognition of the key role of private investment in poverty reduction. CASS are also beginning to focus on poverty outcomes, making a start on what represents one of the biggest challenges facing the Bank today.

Regional emphases of Bank assistance in FY99 are summarized below:

• *Africa.* Given the region's high poverty, low social indicators, and conflict problems, Bank assistance focused on private sector development to accelerate economic growth; peace and stability as well as governance; and human development. A particular challenge is AIDS. A new initiative was launched with the United Nations (UNAIDS) to intensify action against the disease. Selective assistance to reformers and donor coordination have been important in promoting aid effectiveness.

• *East Asia.* Helping countries during and after the financial crisis entailed intensive efforts to strengthen financial markets and corporate governance—with an anticorruption focus—and to protect social expenditures and ensure adequate safety nets, current and future. China had no crisis but required support for infrastructure. Key new partnerships were the Miyazawa Initiative and Japanese Post-Conflict Fund, as well as the European Commission's Asia–Europe Meeting Trust Fund. The region's urban needs are also growing. Given its drop in GDP and commitment to reforms, Indonesia was again declared IDA-eligible in FY99 (on a "blend" basis), after having graduated from IDA in FY81.

• *South Asia.* Although this was relatively the highest-growing region—partly a result of limited integration into the world economy—it is also home to 40 percent of the world's poor. Bank assistance is therefore heavily poverty-focused (rural and urban), supporting education, health sector reforms and disease control, environmental needs, and private sector participation to meet massive infrastructure needs.

• *Europe and Central Asia.* The Bank helped Russia and its low-income neighbors maintain basic social expenditures and undertake important structural reforms; fostered social inclusion amid growing inequality; helped fight corruption; assisted in health systems reform; and supported European Union accession for more advanced economies.

• *Latin America.* The financial crisis, reduced capital flows, and devastating hurricanes set the agenda for Bank assistance; other efforts supported ongoing priorities of removing constraints to poverty reduction; consolidating institutional reforms; enhancing provision of health, education, and infrastructure services; and preserving the environment. The Bank especially supported country efforts to emerge stronger from the crises, including those attacking corruption. Following Hurricane Mitch, IDA increased its allocations to Honduras and Nicaragua over the FY99–02 period.

• *Middle East and North Africa.* The Bank supported economic reforms to increase private sector–led growth and programs directly aimed at support for vulnerable groups. Given countries' limited global integration, helping to open up economies to regional and international trade remained a priority. The Bank also helped countries' efforts to invest in human capital and effectively manage scarce natural resources.

Lending and nonlending services. Total IBRD and IDA lending reached $29 billion in FY99, focused heavily on poverty reduction (Box 3). While this total is only slightly above that of last year, it reflects two years of increased lending—with attention to project quality—in response to a surge in demand, with countries relying more on the Bank for counter-cyclical finance at a time when private

BOX 3 EXAMPLES OF POVERTY REDUCTION EFFORTS IN FISCAL YEAR 1999 BANK LENDING

Lending	*Objectives*
Adjustment Lending *—Social Protection* *—Structural Reform*	❖ *Protect key social expenditures* ❖ *Help design/implement social safety nets to protect the most vulnerable* ❖ *Support labor-intensive public works and job-creation schemes* ❖ *Improve poverty targeting and poverty measurement* ❖ *Maintain education for the poor* ❖ *Improve public sector governance (ensure aid flows to poor, promote investor confidence)* ❖ *Strengthen corporate governance* ❖ *Strengthen financial institutions* ❖ *Strengthen public sector institutions*
Private Sector Development	❖ *Improve climate for private investment, prerequisite for growth and poverty reduction* ❖ *Increase efficiency in delivering key services; reduce cost; extend energy, telecommunications benefits to underserved groups* ❖ *Promote public-private partnerships and* IFC *partnerships in infrastructure and energy* ❖ *Expand capacity of cities to provide affordable water, transport*
Emergency Assistance	❖ *Maintain basic lifeline services, imports* ❖ *Rehabilitate critical infrastructure* ❖ *Maintain macroeconomic stability* ❖ *Support long-term reconstruction* ❖ *Support disaster preparedness*
Human Development	❖ *Increase education quality and access, especially of poor, disadvantaged girls* ❖ *Focus* AIDS *prevention especially on poor, high-risk groups* ❖ *Eradicate malaria* ❖ *Promote health systems reform to address needs of poor* ❖ *Pursue solutions for child labor* ❖ *Eliminate malnutrition*
Community and Rural Development	❖ *Empower rural poor* ❖ *Promote social mobilization and participatory development* ❖ *Support social funds to improve rural life while increasing jobs and building capacity* ❖ *Reduce isolation, increase rural access to markets* ❖ *Raise farmer productivity and incomes* ❖ *Improve access to credit, especially for poor women*
Natural Resource Management	❖ *Improve poor's access to affordable, clean water* ❖ *Increase agricultural productivity through improved research* ❖ *Preserve poor's sustenance and livelihood/assets (land, forests, fishing waters)*
Post-Conflict	❖ *Support economic recovery* ❖ *Support emergency rehabilitation (especially of infrastructure); meet institutional and infrastructure needs of refugees* ❖ *Reintegrate ex-soldiers into home communities, provide assistance to veterans* ❖ *Promote social stability (pursue inclusion policies, help address root causes of violence)*
Urban Poverty	❖ *Pilot innovative solutions for urban poverty and falling living standards* ❖ *Address air pollution and transport needs with attention to needs of poor, women* ❖ *Upgrade urban slums along with community development* ❖ *Promote private delivery of urban services*

flows had stalled. Social sectors received strong emphasis, as the Bank responded to trends of reemergent poverty, widening inequality, and welfare losses that are especially acute in countries facing dual pressures of post-crisis reforms and rapid globalization. The Bank's stepped-up efforts to protect the poor, particularly in crisis countries, were often supported under adjustment lending, which accounted for more than half of total Bank commitments in FY99; East Asia was the top recipient of such lending. Investing in people was a high priority: new lending ranged from a pilot vaccine project in Bolivia and a pilot effort to train rural women to be teachers in Yemen to an integrated approach to nutrition in Madagascar and innovative efforts to bring technology to education in Africa. Much of such lending was financed by IDA, which also played an im-

TABLE 1 WORLD BANK LENDING BY SECTOR, FISCAL YEARS 1990–99

(millions of U.S. dollars)

Explanatory Note: Beginning with this year's Annual Report, sector lending data are being reclassified, to ensure greater transparency in reporting the use of funds. Whereas the original classification assigned each loan approved to a single (primary) sector, the reclassification classifies lending on the basis of project components. The change reflects the evolution in the nature of Bank lending. Ten years ago a coal industry restructuring project, for example, would have included mostly coal-sector activities; today such a project could well include environmental, financial, private sector, social, and employee retraining aspects, all combined within a multisector—typically adjustment—loan. Multisector lending has especially grown in the last year, as efforts to deal with macro-financial crises have sought to address not only economic management issues but also needs in the financial, corporate, and social sectors. Reclassified data capture these individual elements. Thus, total lending for Social Protection in FY99 is no longer shown as the sum of all projects classified under Social Protection ($2.7 billion under the original classification), but as the sum of all Social Protection components across all projects ($3.6 billion as reclassified), regardless of these projects' primary sector classification.

							Reclassified	
Sector	FY90–94	FY95	FY96	FY97	FY98	FY99	FY98	FY99
Agriculture	3,215.5	2,205.3	2,078.9	3,562.5	2,691.9	2,807.8	3,052	2,528
Education	1,811.2	2,052.2	1,705.7	1,017.4	3,129.3	1,344.3	3,110	2,014
Electric power and other energy	2,466.4	2,241.5	3,247.1	1,889.2	2,004.0	440.0	1,900	591
Environment	621.5	824.0	882.7	226.7	801.6	539.3	1,083	978
Finance	1,476.9	2,929.7	1,430.4	1,178.8	6,249.5	2,876.4	5,824	6,645
Industry	634.1	178.2	252.1	195.5	73.0	677.0	73	677
Mining	105.6	24.8	692.0	321.4	1,376.5	315.0	1,216	346
Multisector	3,033.7	3,151.5	1,665.5[a]	2,186.0	1,852.6	10,269.6	1,296	4,293
Oil and gas	842.9	603.1	55.6	135.6	140.0	17.5	140	18
Population, health, and nutrition	1,037.4	1,101.2	2,353.4	920.4	1,990.9	1,106.7	2,181	1,726
Public sector management	930.5	1,097.6	1,876.2	940.5	2,260.2	1,430.0	1,336	1,083
Social protection	337.9	1,050.7	994.5	1,389.7	1,340.0	2,678.6	2,530	3,595
Telecommunications	436.9	325.0	35.0	—	70.5	10.8	75	228
Transportation	2,802.9	2,253.4	2,772.6	3,831.8	3,287.5	3,021.8	2,989	3,022
Urban development	1,140.5	1,502.0	868.5	668.3	773.5	706.5	1,313	605
Water supply and sanitation	1,031.0	981.5	609.8	682.8	552.9	752.7	476	645
Total	21,925.0	22,521.7	21,516.6[a]	19,146.7	28,593.9[b]	28,994.1[b]	28,594	28,994[b]
Of which IBRD	15,583.3	16,852.5	14,488.1[a]	14,524.9	21,086.2	22,182.3		
IDA	6,341.7	5,669.2	6,864.1	4,621.8	7,507.7[b]	6,811.8[b]		

— *Zero*

Note: *Numbers may not add to totals because of rounding.*

a. Includes the refinanced/rescheduled overdue charges of $168 million for Bosnia and Herzegovina.

b. Excludes IDA HIPC grants of $75 million to Uganda in FY98 and $150 million to Mozambique in FY99.

portant role in responding to natural disaster and conflict-related emergencies. IBRD investment lending was below its FY98 level, reflecting lower lending to India as well as some switching, in individual IBRD country programs, from investment to adjustment lending.

Nearly 70 percent of adjustment lending in FY99 was poverty-focused.

Strong adjustment lending—which is increasingly multidimensional (see Table 1, explanatory note)—reflects the Bank's continuing focus in FY99 on responding to the financial crisis that began in East Asia and spread to other parts of the world. The fundamental rationale for Bank involvement in crises is to reduce their short- and long-term effects on poverty. This involves support for economic and financial reform—as economic recovery is crucial to restore incomes and employment—as well as measures to mitigate the social costs of severe economy-wide transitions. In response to wide reductions in jobs, wages, and public spending, the Bank has sought to provide greater support to the social sectors. Efforts have ranged from helping protect social spending and strengthen safety nets, especially for the poor and elderly, to supporting scholarships for low-income students and community-based jobs creation programs. In addition, Bank assistance supported structural reforms aiming to ensure that economic recovery would favor the poor and that strong safety nets were put in place *in advance* of crisis, as a major lesson of the Asian crisis was that scaling up safety nets during a crisis was extremely difficult. In FY99, 25 percent of adjustment lending was focused on social sectors.

In addition to new lending, the Bank relied substantially on its ongoing portfolio to help address new needs that arose during the year. About $180 million from ongoing projects was made available for Hurricane Mitch emergency needs. Substantial portfolio restructuring also helped meet urgent needs following Bangladesh's worst floods ever and the crises in Russia and Kosovo. Nonlending services oriented to poverty reduction included poverty assessments, social and structural policy reviews, institutional assessments, and work on a social risk management framework to help identify groups at risk, better understand social issues, and promote policies of inclusion. Workshops have been increasingly useful for information-sharing and participation in such key areas as governance and anticorruption; poverty reduction, overall and urban; and environmental management of air, water, and forests.

IDA-12. IDA Deputies agreed on the Twelfth Replenishment of IDA in November 1998 in Copenhagen (contributions by donor are shown in Table 2). The agreement includes SDR 8.6 billion in new donor funding for FY00–02, compared with the IDA-11 level of SDR 6.9 billion (including special contributions) for FY97–99. The new funding will allow IDA to commit about SDR 15.3 billion (approximately $20.5 billion) during FY00–02 and thus continue IDA lending at current levels. The agreement represents a return to the traditional burden-shared funding process after the extraordinary funding arrangements of the Interim Trust Fund during the IDA-11 period. The IDA-12 agreement was the result of a smooth process and a shared vision. Donors agreed on IDA funding requirements and development priorities, the foremost being to support poverty reduction through a partnership among recipients, donors, IDA, and other parts of the Bank Group. It was agreed that progress on poverty reduction be measured in the context of the International Development Goals for the 21st Century, which are based

Poverty-reduction strategies increasingly emphasize the vulnerability of the poor to shocks, the role of institutions, and the importance of participation, partnerships, and social capital.

on United Nations conferences and resolutions reflecting broad agreement by the international donor community. IDA-12 resources are to focus on:

• *investing in people.* Given the need to invest in people and to mainstream gender concerns, social sector lending is expected to remain at around 40 percent of investment lending.

• *promoting good governance.* Poor governance, including corruption, hinders development and reduces opportunities for the poor; efforts should promote accountable public institutions, transparent public policymaking, fairness in the rule of law, and openness to participation of citizens (Box 4).

• *promoting broad-based growth.* Focus should be on reforms that promote labor-

BOX 4 PROGRESS IN ANTICORRUPTION EFFORTS

The Bank made strong progress in implementing its anticorruption agenda in FY99. Work with countries and important partners such as Transparency International is growing, and more Country Assistance Strategies (CASS) are addressing the issue. Corruption and poor governance worsen poverty directly—by diverting resources away from the needy—and indirectly—by harming the climate for private investment, key to growth and poverty reduction. The agenda covers the globe—but begins, first, within the Bank:

❖ *An Oversight Committee, reporting directly to the president, addresses internal fraud issues including allegations of fraud and corruption in Bank projects.*

❖ *A confidential hotline set up in October 1998 is open to receive allegations from anywhere in the world (1-800-831-0463).*

❖ *Financial management and internal audit capacity have been strengthened in headquarters and field offices, with a special unit set up in the Internal Audit Department. Procurement training has been retooled with emphasis on procurement ethics; the aim is to ensure that loans are used for their intended purposes. Oversight of borrower procurement practices is also being tightened. The new Country Procurement Assessment Review, being introduced with objectives of operational efficiency and good governance, has already proven to reduce opportunities for fraud and corruption by ensuring a well-defined, open, and transparent procurement system.*

Assistance to client countries is growing rapidly. Since 1996, when the Bank explicitly put corruption on the development agenda, over two dozen countries have sought Bank assistance. Anticorruption work has been particularly active in about two dozen of these countries, in East Asian crisis countries, and in Eastern Europe's transition economies as well as in reforming nations in Latin America and Africa. In one example, consultations during Kenya CAS preparation helped increase understanding among key stakeholder groups, including the Bank, of the links between the country's economic governance and development; Bank assistance will support Kenyan-led reform efforts to improve economic governance, including by strengthening accountability mechanisms, beginning with participatory public sector institutional assessments.

The Bank addresses corruption in systemic terms—that is, as a symptom of underlying public sector dysfunction. Its role is to help address key aspects of policy and institutional reform. Ensuring high-level political support is the first step. Beyond that prerequisite, Bank anticorruption efforts typically include detailed surveys of citizens, private firms, and government officials to diagnose the nature of the problem within a country, raise awareness, and design reform programs in a public-workshop setting. Also in demand have been Bank training programs in investigative journalism, parliamentary procedures, and financial management and auditing. Helping countries police themselves is an important objective.

Most far-reaching, perhaps, are the governance reforms increasingly accompanying Bank adjustment lending, which strengthen countries' institutions and attack corruption at its roots. These measures minimize opportunities for corruption, increase predictability and accountability in the private sector, and raise investor confidence by emphasizing better financial regulation, supervision, and disclosure; greater transparency in public sector decisionmaking (for example, allocating fishing licenses in a more automatic, less discretionary way); and stronger corporate boards as well as shareholder and creditor rights.

intensive, broad-based growth benefiting the poor and that support dynamic growth of the private sector.

• *protecting the environment.* Efforts should aim at strengthening environmental management capacity, regulatory and legislative infrastructure, and energy efficiency.

Performance-based IDA allocations. Donors agreed to allocate IDA resources according to each country's economic performance. Performance assessment will take particular note of progress in poverty reduction and governance, recognizing the significant impact of governance on development and on effective use of donor resources. Donors highlighted the need to assist Africa and proposed that its share of IDA resources be increased with the aim of reaching 50 percent, as long as individual country performance warranted it. The key role of the consultative CAS process for determining country priorities was also endorsed. Donors also agreed that CAS documents be made public, with sensitive information appropriately handled in consultation with government unless justified by exceptional circumstances.

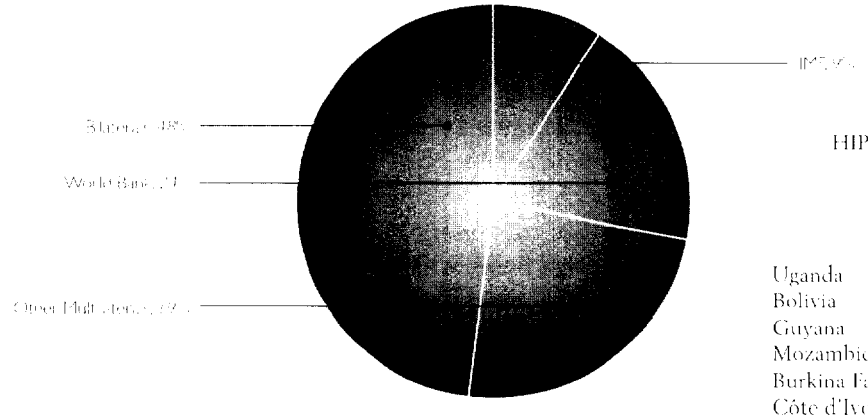
Debt relief. As an integral part of its poverty-reduction strategy, the Bank made significant headway in FY99 in providing debt relief, making it possible for the government resources freed up as a result to be channeled toward much-needed social spending. Under the Heavily Indebted Poor Countries (HIPC) Initiative, established by the Bank and the IMF in 1996 to reduce the debt burden of selected poor countries to sustainable levels, seven countries have qualified so far for debt relief packages estimated to be worth $3.4 billion in net present value (NPV) terms, or $6.8 billion in nominal debt service relief (Figure 1). In addition, preliminary debt sustainability analysis for Ethiopia, Guinea-Bissau, and Mauritania, reviewed by the boards of IDA and the IMF in FY99, indicated that the cumulative HIPC Initiative assistance required for these and the earlier seven cases could reach $4.6 billion in NPV terms, or $9.2 billion in nominal terms.

In FY99, Bolivia, Guyana, and Mozambique reached the completion point, clearing the way for debt relief totaling $2.4 billion in NPV terms to be delivered to these countries. The Bank's share amounted to $54 million for Bolivia, $27 million for Guyana, and $381 million for Mozambique, delivered through reduction in its outstanding claims. Last fiscal year, Uganda also received substantial debt relief of $347 million in NPV terms, of which the Bank provided $160 million.

Debt relief, tied to debt owed to IDA as well as other creditors, is delivered through the HIPC Trust Fund. In the

FIGURE 1 HEAVILY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE

Assistance committed to HIPC countries to date
Total: $3,355 million (Net Present Value terms)



HIPC assistance by country
($ millions NPV terms)

	Total	World Bank
Uganda	347	160
Bolivia	448	54
Guyana	256	27
Mozambique	1,716	381
Burkina Faso	115	44
Côte d'Ivoire	345	91
Mali	128	44
Total	3,355	801

case of IDA, the HIPC Trust Fund purchases and cancels identified IDA credits or makes payment of debt service to IDA on behalf of the country benefiting from the HIPC Initiative. Contributions received by the HIPC Trust Fund to date (since 1996) amount to $1,233 million. Bank contributions of $850 million, from IBRD unallocated net income, account for the largest share of this total; other contributors account for the remaining $383 million, comprising $90.4 million from the African Development Bank Group (AfDB Group), $1.2 million from the Nordic Development Fund (NDF), and $291.4 million from 14 donor countries (Belgium, Canada, Denmark, Finland, Greece, Japan, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom). Of these totals, in FY99 the Bank contributed $100 million, and other donors, $229 million. (The Bank's FY99 contribution was made from FY98 unallocated net income; in early FY00 the Board of Directors recommended a $200 million contribution from FY99 unallocated net income.) With respect to Uganda and Bolivia—the two countries for which the HIPC Trust Fund has provided debt relief since inception—the HIPC Trust Fund had committed $233 million, by the end of FY99, to provide debt relief on debt owed to IDA, AfDB Group, NDF and Corporation Andina de Fomento. Disbursements related to such debt relief were $151 million in FY99, including $109 million tied to IDA debt alone. Additional debt relief will be provided from the HIPC Trust Fund in early FY2000 in respect of the completion points successfully reached near the end of FY99 by Guyana and Mozambique.

As part of the HIPC Initiative, debt relief to low-income countries is also provided in the form of IDA grant funding. In FY99, the $150 million Mozambique Economic Management Reform project was funded on grant terms and fully disbursed. This was the second such grant since IDA started extending them to HIPC-eligible countries during the "interim period."[1] Another grant was in preparation for Côte d'Ivoire in support of its reform program during the interim period.

Another vehicle for debt relief, apart from the HIPC Initiative, is the Debt Reduction Facility for IDA-only countries, which provides grants to heavily indebted countries to buy back their commercial debt at a deep discount. An operation for Guinea was completed in FY99 under the Facility. The Bank also helped countries affected by Hurricane Mitch (notably Honduras and Nicaragua) to meet their multilateral debt service obligations through the establishment of the Central America Emergency Trust Fund, which channels donor contributions for this purpose.

Aid coordination. An important part of poverty-reduction activities in FY99 was aid mobilization and coordination. In East Asia, the Bank led the coordination of technical assistance, facilitated Consultative Group meetings, and mobilized bilateral support. Together with the IMF, it hosted a special donor conference to help IDA countries hurt by the Russia crisis. In May 1999, it was asked to lead efforts, together with the European Union (EU), to assess the economic, social, and restructuring needs emerging from the Kosovo crisis and to mobilize donor support for affected countries. In another example of aid coordination, the Bank opened a web page in early 1999 to invite discussion from the civil society of debtor and creditor countries and other groups as part of a joint Bank-Fund review to identify options to increase the HIPC Initiative's speed and reach. The consultations were welcomed worldwide and are being supplemented by discussion seminars that are widely participated in to help formulate proposals for change.

The Bank's comparative advantage in post-conflict countries is in support for long-term development, rather than emergency relief.

[1] *Interim period* refers to the time between the decision and completion points, during which the country undertakes and consolidates its economic and social reform programs.

Increasing responsiveness to client needs

The Bank furthered its efforts in FY99 to get closer to its clients. More Bank staff and managers now work out of resident missions, including 24 country directors, compared with only 3 two years ago. The trend reflects the Bank's desire to listen more and provide quicker and higher quality service. In East Asia, where time-zone differentials are greatest, increased staff decentralization has had a marked impact at a time of crisis, enabling 24-hour service, real-time policy advice, and shorter project preparation times. Half the staff working with South

BOX 5 Y2K: BANK ASSISTANCE IN A NONTRADITIONAL AREA

As the millennium draws ever closer, the "Year 2000 Problem" or "Y2K Bug" has the potential to disrupt national social and economic life in developing countries that have not taken steps to immunize themselves against the problem. Until recently, the Y2K Bug, a side effect of an early software shortcut by the computer industry to designate years in two digits instead of four, has been seen as a vague and distant threat in many developing countries confronting more immediate problems of keeping life and limb together. Distant no longer, the Year 2000 Problem has the ability to affect even the poorest countries that have computerized systems for provision of vital services—power, water, transport, telecommunications, food, and health care. Regional economic relationships in areas such as Africa could break down, disabling critical systems such as air traffic, telecommunications, and financial transactions.

Status of Y2K preparedness. *Results of a Bank InfoDev survey, updated throughout 1998 and January 1999, showed that of 139 developing countries, only 21 had begun safeguarding their computing systems, 54 had initiated Y2K policies, and 33 had awareness of the problem but had not acted on it. For the most part, developing countries lack the technical manpower and resources needed to counteract the Y2K Bug.*

Bank assistance. *The Bank's objectives have been twofold: to catalyze governments and aid agencies to engage in preemptive remedial action and to ensure—to the extent possible—that the Bank's portfolio is Y2K-compliant by the end of 1999.*

Outreach. *The "wake-up call" is being issued largely through InfoDev, a donor-funded grant program managed by the Bank. InfoDev, which provides financial assistance (or grants), was launched in 1995 with a $17 million contribution from the United Kingdom. With additional donations ($12 million from the United States, $3.8 million from the Netherlands, $1.2 million from Sweden, and $0.7 million from Canada), total funding amounts to $34 million. Some 80 governments have launched Y2K programs in developing countries with InfoDev's support. New commitments to InfoDev's Y2K initiative were formalized in FY99, with the United States contributing $12 million, Canada $650,000, and Italy $350,000. InfoDev has supported the Y2K effort by:*

- *conducting regional and national awareness and planning seminars, with participation of high-level ministers and senior information technology managers*
- *developing and distributing a Year 2000 toolkit for use by national governments (available also on the Bank's web site)*
- *making technical assistance grants to help governments design national Y2K plans. As of the end of June, 1999, 105 countries had requested about $39 million in grant assistance, with 92 approved for a total of $15 million.*

Ensuring a Y2K-compliant portfolio. *Assistance has entailed:*

- *assessing the loan portfolio to identify projects most at risk (a third of the Bank's portfolio, or about $45 billion, notably in the health, urban, transport, power, and agriculture sectors)*
- *ensuring borrower awareness of high-risk projects and of Bank resources available to help*
- *helping borrowers with Y2K remediation through reallocation of existing project funds or new lending. In the largest such example, a $100 million loan to Malaysia was approved in March 1999. The government saw Bank support in this area as a key early step to realizing Malaysia's Vision 2020—an open and export-oriented economy associated with efficiency, knowledge, and high technology. In January 1999, the Bank lent Sri Lanka $29 million for Y2K immunization efforts, and, in December 1998, a $30 million loan was approved for Argentina for a Y2K remediation project.*

(For information on Y2K efforts within the Bank, see "Management's Discussion and Analysis.")

Asian countries are now in the field; gains are being realized in the quality of both economic and sector work and the lending portfolio. South Asia's version of the Bank's "Village Immersion" Program, where staff members experience village life, has helped improve project design and strengthen grassroots partnerships.

An important lesson for Bank work from past experience has been the role of country participation in building consensus for change and ownership of development efforts. Consultations with civil society and other stakeholders have become standard to CAS formulation. In one example, intense discussions over an 18-month period on sensitive issues of corruption and governance greatly benefited the preparation of the Indonesia CAS Progress Report; participant feedback was highly positive. In Mexico, the CAS was prepared after extensive dialogue with and participation by government; for the first time, consultations with representatives of various civil society groups took place (for example, business, unions, bankers, NGOs). Consultative Group meetings are on the rise, particularly in Africa. Client feedback surveys are also beginning to be regularly fed into CASS, to introduce more realism in setting objectives and timetables for assistance programs.

Increased flexibility, to serve clients better, is translating into new areas of intervention. With dramatic shifts in the external environment, Bank work has expanded into untraditional territory. The Bank is working with clients on Institutional Reviews, Vulnerability Assessments, social safeguard policies (especially on resettlement and indigenous peoples), understanding the role of social capital, preserving cultural heritage to promote social cohesion, Supreme Court and judicial systems reform, strengthening Rule of Law implementation, corporate restructuring and governance, and Y2K issues (Box 5). In another example of flexibility, a Task Force established by the Bank and the Commonwealth Secretariat is assessing the effectiveness of existing instruments in meeting the needs of small states. In an open trading environment, globalization presents many challenges for these nations as does their vulnerability to external economic shocks and natural disasters.

OED: Assistance made a difference only if a country's policy and institutional needs were also met.

The Bank is paying increasing attention to countries emerging from conflict. The Post-Conflict Fund (PCF)—which enables rapid response to early reconstruction situations where alternative Bank instruments are unavailable—was tapped three times in FY99 to support intensive refugee assistance in Albania and Macedonia. Since its inception in 1997, the PCF has supported innovative efforts to address the needs of reintegration, jobless youth in Sierra Leone, and children involved in armed conflict. Where violent environments obstruct assistance to the poor, the Bank is also beginning to explore assistance for conflict prevention: an example of such a proactive approach is found in a report analyzing violence in Colombia. The report supports a national strategy for sustainable social peace, Colombia's central objective, and proposes a multidimensional solution that includes fiscal aspects and attacks root causes.

Flexibility is also reflected in the Bank's greater reliance, in FY99, on new lending instruments to meet the needs of borrowers:

- In October 1998, the Board of Executive Directors approved two new kinds of adjustment loans: the Programmatic Structural Adjustment Loan, which supports longer term reforms to address systemic social, structural, and institutional issues; and the Special Structural Adjustment Loan, reserved for IBRD borrowers in exceptional crisis situations with major social and poverty consequences.
- A first, partial-risk IDA-only guarantee ($30 million) was approved in support of a Bank–IFC-funded power project in Côte d'Ivoire in December 1998; this is one of two guarantee instruments approved in 1997 to encour-

age capital flows to poor countries.

• In April 1999, the board approved a new Partial Credit Guarantee that would be policy based: the new guarantee could play a catalytic role in helping IBRD clients with strong economic and social programs improve their access to private foreign financing.

• In FY99, nearly all loans approved were single-currency loans. The feature, which gives borrowers more control over their foreign exchange exposure, was introduced two years ago together with more flexible lending terms and a wide range of new financial products.

• Borrowers also relied considerably on Learning and Innovation Loans (LILs) and Adaptable Program Loans (APLs), introduced in late 1997, to fund, respectively, pilot approaches in uncharted but promising waters, and phased, sustained implementation of long-term development programs. In FY99, LILs and APLs numbered 27 and 28, respectively, compared to 15 and 11 the prior year. Reviews of the new instruments are planned.

• In February 1999, the board approved new loan and hedging products for IBRD borrowers, for introduction on September 1, 1999. These market-based products will enable borrowers to better manage their market-related risks and offer greater scope to tailor loan maturities to project needs.

Improving development effectiveness

In FY99, the Bank strengthened its focus on development effectiveness through renewed emphasis on the quality of its project portfolio as well as economic and sector work, and greater partnership with reformers, applying lessons learned especially from the global crises (Box 6) and intensifying the focus on results, seen particularly in the new outcome-orientation of CASs and a gradual move toward results-based management.

The quality of Bank services is up—a particularly satisfying achievement given the many new areas of Bank intervention. In latest estimates of the Operations Evaluations Department (OED), 77 percent of Bank projects had satisfactory outcomes, up from 65–70 percent in 1990–96. The Strategic Compact has been the driving force behind these gains, which translate into improved performance of an incremental $4 billion of lending (double the original target). Efforts to address—as well

BOX 6 FINANCIAL CRISIS: LESSONS FOR THE BANK'S WORK

OED's 1998 Annual Review of Development Effectiveness *focuses on the lessons of the global financial crisis. Noting the growing influence of exogenous factors on development outcomes, the report identifies the following lessons:*

❖ ***Sound macroeconomic conditions are not enough to sustain equitable growth.*** *Unlike the 1980s debt crisis, the recent financial crisis started in countries with relatively strong fiscal and monetary policies and outward-oriented trade regimes.*

❖ ***Institutions matter.*** *The crisis showed the cost of weak and unregulated financial systems and corporate sectors and how detrimental the lack of transparency, accountability, and financial disclosure can be. Weak institutions also hurt investor confidence, adaptability to change, and projects' development impact. A recent analysis found that only one of 41 low-income countries was rated satisfactory on institutional quality. Better regulation, supervision, information, and governance are essential.*

❖ ***Social development, inclusion, and safety nets are vital.*** *These should be key elements of reform strategies and development programs given the severe drops in employment in crisis countries; the greater vulnerability to shocks in an increasingly globalized environment; and the sharply rising inequality within countries (49 out of 74 countries saw increases in inequality in the 1990s).*

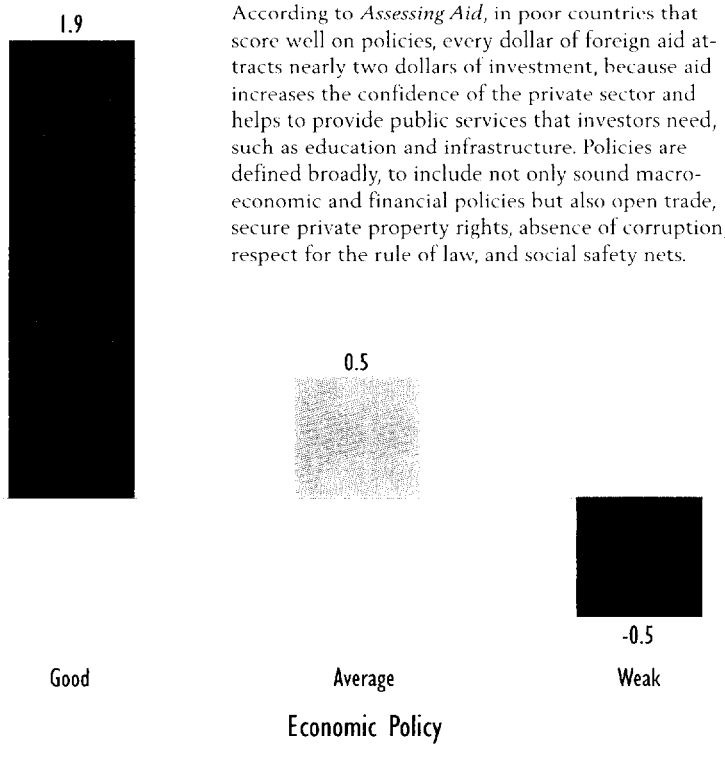
❖ ***Only through partnering can development successes be scaled up.*** *Sustainable development requires simultaneous attention to macroeconomic stability; social, human, and structural factors; social equity; and capacity building to ensure a social and economic environment conducive to development progress. This extensive agenda calls for donors and other stakeholders to jointly address these overwhelmingly interdependent issues.*

as anticipate—problems in project performance are also yielding results, with a decline in the share of risky projects. In calendar year 1998, the Bank also achieved an estimated 86 percent satisfactory rating for project quality "at entry"—attesting to how well they are designed—compared with 66 percent five years earlier, before the "watchdog" Quality Assurance Group was created to ensure greater discipline in project preparation and supervision. At the same time, the Bank is making progress on the Strategic Compact's efficiency goals: projects in FY99 were prepared in half the time and at two thirds the cost of five years ago.

In FY99, OED accelerated efforts to strengthen measurement of development effectiveness. First, wider stakeholder participation in evaluation is being sought: OED reviews and studies increasingly rely on workshops for discussion, report preparation, and dissemination (for example, Country Assistance Reviews; Aid Coordination Review; Forestry Review; Resettlement; Post-Conflict Study). Second, evaluations are becoming broader in scope, going beyond individual projects within a country to cover sectoral and thematic impacts. Examples range from agriculture and health sector reviews in India and Zimbabwe, respectively, to civil service reform and public expenditure reviews in Africa and a Post-Conflict Review in Bosnia-Herzegovina and Gaza and the West Bank. Finally, building country capacity for evaluation is being pursued. This effort, in partnership with the African Development Bank, was advanced at a regional workshop in Abidjan, Côte d'Ivoire's capital, in November 1998, with wide attendance including 11 bilateral donors, the United Nations Development Programme, the EU, and several evaluators from a dozen African countries. The workshop produced action plans and will promote greater coordination in this area among assistance agencies.

A landmark Bank study, *Assessing Aid: What Works, What Doesn't and Why,* published in November 1998, concluded that foreign aid extended to countries with poor policies has no or negative impact on growth, but that assistance to countries with sound management raises growth significantly and improves social indicators. According to the study, $10 billion of aid targeted to poor countries with good management would raise an extra 25 million people out of poverty, compared to only 7 million if the funds were allocated evenly. The findings reinforce the links between aid and private investment (Figure 2) and, consequently, selectivity in

FIGURE 2 MARGINAL IMPACT ON PRIVATE INVESTMENT OF $1 OF AID



According to *Assessing Aid*, in poor countries that score well on policies, every dollar of foreign aid attracts nearly two dollars of investment, because aid increases the confidence of the private sector and helps to provide public services that investors need, such as education and infrastructure. Policies are defined broadly, to include not only sound macroeconomic and financial policies but also open trade, secure private property rights, absence of corruption, respect for the rule of law, and social safety nets.

Source: *Assessing Aid: What Works, What Doesn't and Why*. World Bank, November 1998.

lending toward reforming governments. As indicated earlier, IDA allocations are increasingly moving in this direction, most evident in lending to Sub-Saharan Africa. The FY99 India CAS Progress Report explicitly voices greater partnership with reforming states. Selectivity is critical for a country of India's size and needs. The strategy itself has provoked healthy competition for the Bank's lending and nonlending services, resulting in increased reform orientation.

In a substantial departure from past practice, CASs are beginning to focus on outcomes rather than outputs. The outcomes are poverty-oriented. Core benchmarks—poverty incidence, poverty gap, child and maternal mortality, and child malnutrition—set by the FY98 Bolivia CAS to help guide, monitor, and evaluate the implementation of the CAS are now also shared by government and other donors under the CDF pilot, which Bolivia was one of the first countries to launch in FY99 (Box 2). In another example, the Vietnam CAS (also a CDF pilot) will closely monitor progress on detailed indicators ranging from a 60 percent share of power-connected rural communes to gender equity in primary education. The Philippines CAS also includes a wide range of indicators for self-evaluation. The India CAS Progress Report confirms last year's strategy that was consistent with a vision of India for 2010 under which the country would be able to achieve the International Development Goals by, among other things, reducing poverty to 15 percent and halving the proportion of malnourished children. An urgent priority going forward will be to ensure that all CASs include benchmarks and monitorable indicators. Ensuring the quality and wider availability of data will be a related challenge, closely tied to stronger government measurement systems and access to data.

Becoming a more open, transparent organization

Sharing information—about itself and about development—is becoming an entrenched principle of Bank business. Serving clients better has meant a sustained effort toward greater openness, transparency, and information-sharing. CASs were once confidential; since August 1998, the Bank has been making CASs available to the public, at government request. Two-page Country Public Information Notes, summarizing the CAS, are also being made available, with government consent. CASs are also beginning to be widely disseminated, publicized in the media, and posted on web sites. Also notable is a doubling in external use of the Bank's web site since August 1998, when a major overhaul of the site was initiated to better serve users; usage by developing countries has been growing steadily, now at 10 percent of the total. Sustained efforts to meet the informational needs of these countries—especially the lowest-income ones—will be an important objective. The Bank's research and OED work is also increasingly shared. In other efforts in FY99 to reduce the "knowledge gap," the Bank offered external access to *Development News*, its online news magazine with a daily press clippings service, and launched in May 1999 the *South Asia Rural Development Series*, a new publication focusing on country-specific and cross-regional issues, with a view to stimulating in-country dialogue.

In March 1999, the Economic Development Institute became the World Bank Institute (WBI), as the Bank merged its client and staff learning activities to maximize synergies from external and internal learning. WBI stresses the Bank's priority areas: training and seminars focus on poverty, crisis response, governance, and corruption. WBI is leading the process of consultations with civil society and researchers worldwide on the 2000/01 poverty issue of the *World Development Report (WDR)*. The sessions are providing not only valuable input for the WDR but also broad-based regional forums for strengthening poverty dialogue and networks around the world. In East Asia, WBI's aim has been to encourage knowledge- and experience-sharing across client countries, build understanding on corruption, and

Knowledge-sharing with Africa has been especially intense.

TABLE 2 COMMITMENTS TO THE TWELFTH REPLENISHMENT OF IDA RESOURCES

(millions of U.S. dollars)

Contributing members	Basic commitments (%)	Basic commitments SDR amount	Supplementary commitments SDR amount	Total commitments SDR amount
Argentina	0.10%	8.64		8.64
Australia	1.46%	126.14	3.22	129.36
Austria	0.78%	67.65		67.65
Belgium	1.55%	133.92		133.92
Brazil [a b]	0.95%	82.08		82.08
Canada [c]	3.75%	324.00		324.00
Czech Rep. [b d]	0.05%	4.32	0.35	4.67
Denmark [a]	1.58%	136.51		136.51
Finland [e]	0.60%	51.84		51.84
France	7.30%	630.72		630.72
Germany	11.00%	950.40		950.40
Greece [e]	0.12%	10.00		10.00
Hungary [b]	0.06%	5.13		5.13
Iceland	0.03%	2.59	0.65	3.24
Ireland [e]	0.18%	15.55	5.28	20.83
Israel	0.11%	9.24		9.24
Italy	3.80%	328.32		328.32
Japan	18.70%	1,615.68		1,615.68
Korea, Republic of [a]	0.91%	78.62		78.62
Kuwait [d]	0.14%	12.10		12.10
Luxembourg	0.10%	8.64		8.64
Mexico [b d]	0.05%	4.32		4.32
Netherlands	2.60%	224.64		224.64
New Zealand	0.12%	10.37	2.41	12.78
Norway	1.42%	122.69		122.69
Poland [b]	0.03%	2.59		2.59
Portugal	0.20%	17.28		17.28
Russian Federation [b]	0.03%	3.00		3.00
Saudi Arabia	0.43%	37.39		37.39
Slovak Republic [d]	0.04%	3.42		3.42
South Africa	0.08%	6.91		6.91
Spain [a]	1.39%	120.10		120.10
Sweden	2.62%	226.37		226.37
Switzerland	2.43%	209.95		209.95
Turkey [a b]	0.18%	15.55		15.55
United Kingdom [e]	7.30%	630.72		630.72
United States	20.86%	1,802.30		1,802.30
Venezuela [b d]	0.03%	2.59		2.59
Subtotal	93.08%	8,042.30	11.91	8,054.21
Supplementary commitments	0.14%	11.91		
Encashment schedule	6.47%	558.97		558.97
Unallocated gap	0.31%	26.82		26.82
Total donor commitments	**100.00%**	**8,640.00**		**8,640.00**

Note: *Details do not add up due to rounding.*

a. Reflects higher share levels following the "harmonization" exercise completed on June 22, 1998.

b. Commitments of countries with inflation rates greater than 10% per annum during 1995–1997 will be denominated in SDRs.

c. Includes a commitment of 0.2% achieved through encashments faster than the defined encashment schedule.

d. These countries are not yet in a position to commit to IDA-12. The levels shown are, therefore, indicative.

e. Finland, Greece, Ireland, and the United Kingdom increased their basic shares from those in IDA-11.

facilitate civic participation in national debate. The Toronto International Leadership Centre for Financial Sector Supervision, launched by the Bank and the Canadian government in cooperation with other partners, provides central banking training and an international forum for dialogue in that area.

In FY99, the Bank launched the World Bank Learning Network, a distance learning program that offers interactive video- and web-based courses, linking participants across the globe. To promote institutional development, the Bank is moving away from providing individual training to wholesaling programs to other institutions and partners in delivery. In learning efforts oriented to Africa, WBI worked with the African Development Bank and IMF to establish the Joint Africa Institute; developed pilot on-line Internet courses with the African Economic Research Consortium and 13 partner universities; and advanced the African Virtual University, with site receivers installed in Ethiopia, Kenya, Uganda, and Zimbabwe and planned for another eight countries. The Africa Live Data Base has evolved into the single largest database on Africa in the world, with about 1,500 indicators for 53 years. In education, at least 1,200 secondary schools in 40 developing countries under World Links for Development will, by the year 2000, have connected with schools in North America, Europe, Japan, and Australia.

The Bank in the 21st century

As the world enters the twenty-first century, there is room for neither gloom nor complacency. For the countries emerging from financial crisis, the worst appears over; prospects are brighter, to different degrees. Emerging economies' success will depend in part on economic developments in Japan, the United States, and Europe; equally important will be the strengthening of domestic policies and reforms to lay the basis for strong growth. Worldwide, those countries will prosper that are best able to capitalize on the opportunities of globalization while effectively managing its risks. Countries that do not adapt will fall farther and farther behind—spelling wider gaps, globally, between the haves and have-nots.

Urgent questions present themselves: How to mobilize donors to increase assistance to reforming countries, where poverty-reduction impact of aid is greatest? How to help the poor in nonreforming countries where aid dollars are proving ineffective? How to make progress on several fronts simultaneously so that every little girl can eat well and drink clean water to be healthy enough to receive quality education in a school that is accessible year-round? Whatever the answers may be, they will be found only through a deep commitment to poverty reduction and to partnership.

At millennium's edge, large numbers of people await their turn for a better life. Their lot is a global responsibility. The Bank intends to play its part, relentlessly. Filled as this *Report* is with all that has been achieved in FY99, the Bank's unfinished agenda is large. Foremost among these tasks is the measurement of its own performance, based on outcomes and ultimately on poverty reduction. Vigorous efforts to sustain progress in improving the quality and efficiency of Bank operations will also be imperative. An equal—and not unrelated—challenge will be selectivity, to ensure that fewer, more focused interventions yield greater development impact. Entering the twenty-first century, the Bank will focus on raising world consciousness of the poverty challenge; building knowledge of the issues surrounding the problem and its resolution; partnering intensively with governments, civil society, private sector, and aid agencies to maximize development impact; and supporting government efforts through poverty-focused lending and nonlending instruments that evolve in response to changing needs.

Section One
The Board of Executive Directors

The Board of Executive Directors is responsible for the conduct of the general operations of the Bank and performs its duties under powers delegated by the Board of Governors. As provided in the Articles of Agreement, 5 of the 24 executive directors are appointed by the five member governments having the largest number of shares; the rest are elected by the other member governments, which form constituencies in an election process conducted every two years.

The executive directors consider and decide on the IBRD loan and IDA credit proposals made by the president, and decide policy issues that guide the general operations of the Bank. They are also responsible for presenting to the Board of Governors at the Joint Annual Meetings an audit of accounts, an administrative budget, and an annual report on the Bank's operations for the fiscal year (this *Annual Report*), as well as any other matters that in their judgment require submission to the Board of Governors.

During FY99, the Board of Executive Directors met 93 times in formal board meetings and as the Committee of the Whole and another 88 times in informal sessions. In addition, executive directors serve on one or more of five standing committees: Audit Committee, Committee on Development Effectiveness, Budget Committee, Personnel Committee, and Committee on Executive Directors' Administrative Matters. The Executive Directors' Steering Committee, an informal advisory body, also meets regularly. Although a committee cannot make a decision for the entire Board of Executive Directors, the committees increasingly look in depth at Bank policies and practices, report their findings and recommendations to the executive directors, and help the board discharge its oversight responsibilities.

In addition, work groups of executive directors and alternate executive directors at times make special trips to borrowing countries to observe, firsthand, Bank-supported operations and implementation of the Bank's assistance strategy. They meet a wide range of people, including project managers and beneficiaries, government officials, nongovernmental organizations (NGOs), the business community, and staff of the Bank's resident missions. They also visit other development partners and financial institutions to keep abreast of the latest in the fields of development and finance. In FY99, groups of executive directors traveled to Latin America (Argentina, Bolivia, Honduras) and the Middle East and North Africa (Jordan, Tunisia, West Bank and Gaza, Yemen).

The Board of Executive Directors' oversight responsibility covers virtually all Bank policy, so its role cannot be clearly separated from most Bank activities and initiatives as described in this *Annual Report*. This oversight responsibility is exercised in part by the executive directors' approval of IBRD and IDA lending operations and the annual budget process. The board also plays an essential role in shaping Bank policy. It is in this capacity that directors represent the changing perspectives of their shareholder governments vis-à-vis the Bank's role. Many of the changes in Bank policy and procedures—including the increasing emphasis on governance, social development, gender, environment, and capacity building—emanate from initiatives by the executive directors and take place gradually over a period of years. Policy initiatives normally reflect needs perceived by shareholders and involve a process of consensus building, both among executive directors and with Bank management. The board also plays an active role in preparing the agenda and issues for the semiannual meetings of the Joint Bank-Fund Development Committee, which during FY99 included the Bank's response to the Asian financial crisis; implementation of the Heavily Indebted Poor Countries (HIPC) Initiative; assistance to post-conflict countries; multilateral development bank cooperation; the Comprehensive Development Framework (CDF); principles and good practice in social policy; and the Bank's financial capacity.

Progress on the Strategic Compact

During FY99, executive directors continued to monitor progress on the Strategic Compact between the Bank and its shareholders—a plan

for reform and renewal to improve the Bank's effectiveness in achieving its paramount goal of poverty alleviation. The Compact aims to transform the way the Bank conducts its business by improving its products, speeding up its processes, lowering its costs, making it more demand-driven, and increasing the development impact of its assistance. The executive directors, with substantial input from the board's standing committees, reviewed the semiannual progress reports on the Compact. The Budget Committee reviewed expenditures in relation to achievement of the overall objectives of the Compact, focusing particularly on progress in shifting resources to the front line, the cost and pace of decentralization, and the implementation of matrix management. The Committee on Development Effectiveness (CODE) focused on the Compact's objectives of responding to the broader development agenda faced by the Bank's clients, refueling current business activities, and revamping institutional capabilities as well as monitoring the implementation of strategies to strengthen independence and self-evaluation. The Personnel Committee played a significant role in addressing the human resources reform elements of the Compact, including recruitment, employment, diversity, and compensation policies. At midyear, the board, with advice and guidance from the Personnel Committee, approved a major reform of the Bank's compensation system, making it functional, internationally competitive, and more closely linked to budget decisions.

Response to financial crises

Under the executive directors' oversight, the Bank continued to respond swiftly to the East Asia crisis as part of the international effort to restore confidence and sustainable growth in the region. Initially, the Bank pledged up to $16 billion to underpin programs of structural reform and technical assistance to affected economies in the region. Developments in East Asia and beyond led the board to examine the Bank's role in supporting countries in financial crisis and, more important, in preventing crises. The executive directors discussed proposed financial enhancements to give borrowers greater flexibility with debt management and approved the introduction of new loans and hedging products, including the fixed-spread LIBOR loan, being introduced in September 1999. The executive directors considered guidelines and financial terms for two new instruments, the Programmatic Structural Adjustment Loan (PSAL) and the Special Structural Adjustment Loan (SSAL), designed to enhance the effectiveness of Bank support for structural and social reforms for sustainable growth. The PSAL extends the use of existing adjustment lending to cover long-term reform programs for up to five years. The SSAL is intended to help countries respond to financial crises and sustain structural reforms. The board also endorsed strategies and guidelines in support of the Bank's commitment to assist borrowers in pursuing good practice in social policy. Executive directors also encouraged initiatives to enhance Bank collaboration with the IMF and other international bodies in finding ways to strengthen the underpinnings of the market economy; establish international standards, principles, and best practices; and improve the cohesion and robustness of the international financial architecture.

HIPC and post-conflict initiatives

In FY99, executive directors continued their support for the Initiative for Heavily Indebted Poor Countries—a Bank-Fund initiative designed to reduce the debt burden of eligible heavily indebted countries to a sustainable level. Three countries reached the HIPC completion point in FY99. Executive directors approved the extension of the sunset clause (the entry period for HIPC-eligible countries) from September 1998 to end-2000 and emphasized the importance of establishing clear links between debt relief and the goals of sustainable development and poverty reduction within Bank policies and instruments. The board also considered proposals for extending the Bank's assistance to post-conflict countries within a well-concerted international effort, noting that effective assistance depends on its timeliness, nature, and how well it fits with overall assistance strategy. With respect to the conflict in Kosovo, the board has been following developments closely and has stressed the

importance of the Bank and other concerned institutions being well prepared to assist with the rebuilding process, once the crisis is over.

Country and sector strategies

The board, guided by CODE, endorsed policies and guidelines that aim at scaling up the evaluation process to focus on the country (rather than the project) as the unit of analysis and to focus more on results-based management at country and sector levels. The board's review of Country Assistance Strategies (CASS)—the central tool for reviewing and guiding Bank country programs—focused on staying the course on poverty reduction while reinforcing partnerships with governments, the IMF, and other development agencies and with civil society, enhancing selectivity in allocating resources across competing demands and the transparency of the process. Improvements in recent CASS include efforts to build on lessons learned from past performance, consultations with civil society, evaluation of the impact of Bank assistance and results on the ground, and a strengthening of the Bank's presence in the field. In reviewing CASS in FY99, executive directors stressed the need for further emphasis on country "ownership" and results on the ground, and also called for greater strategic selectivity as well as better self-evaluation and monitoring of CAS implementation. In examining Country Assistance Reviews and Country Assistance Notes during FY99, CODE continued to ensure that evaluation results are routinely and rapidly fed back into the formulation of new directions, policies, and procedures. During FY99, the board continued to encourage the development of sector strategy papers to complement CASS and offer a sectoral perspective on the Bank's comparative advantages, effectiveness, and priorities. Executive directors endorsed a sector strategy for education and reviewed a new environment strategy for the energy sector; they also considered a new approach to culture and sustainable development.

Comprehensive Development Framework

The executive directors endorsed the Comprehensive Development Framework concept—a holistic approach to development that seeks a better balance in policymaking by highlighting the interdependence of social, structural, human, governance, environmental, economic, and financial elements—and considered it a timely and welcome initiative. They embraced the central features of the CDF, in particular with regard to finding a role for the Bank to contribute more effectively to the human, social, and structural aspects of development; increasing government ownership and building strong partnerships with other development partners, with clearly defined contributions and rules for accountability; enhancing inclusion and promoting participation by civil society, communities, local governments, and nongovernmental organizations; and evaluating the Bank's effectiveness in its mission of poverty alleviation from the perspective of results rather than inputs. Executive directors have focused on the challenges of CDF implementation and highlighted the need to ensure that the Bank draws on its comparative advantage to work in the most effective and cost-efficient way with governments, other development agencies, and civil society. Directors have also discussed the implications of the CDF for the Bank's policies, instruments, and guidelines as well as its implementation in Bolivia and Ghana, the first two of about a dozen pilot CDF countries. Directors were encouraged by the participatory nature of these first two pilots as well as by the originality of their approach and their compliance with the Bank's policies and guidelines.

Financial capacity

The board approved a resolution on arrangements for the Twelfth Replenishment of IDA—a partnership for poverty reduction among recipients, donors, and the Bank and IDA that provided IDA with SDR 8.6 billion in new donor funding. With the assistance of the Audit Committee, executive directors reviewed issues related to the generation and allocation of the Bank's net income, taking account of recent global economic and financial developments and with a view to developing balanced options for maintaining and supporting the Bank's financial capacity to help meet the future development needs of borrowing member countries. The Audit Committee also continued to review the

overall impact of the international financial crisis on the Bank's loan portfolio, improvements in the framework for risk management in the Bank, and actions taken to strengthen internal controls.

Inspection Panel

Executive directors established a working group to assess and review the procedures of the independent Inspection Panel. The panel was created in September 1993 by the board to address more closely the concerns of the populations affected by the Bank's operations by helping ensure that the latter adhere to the institution's operational policies and procedures regarding the design, preparation, or implementation of a project. In April 1999, the board approved the Report of the Working Group, which reflected extensive consultations with legal experts and with civil society organizations representing actual and potential claimants. In approving the report, directors reaffirmed the panel's founding resolution, the importance of the panel's function, and its independence and integrity. The report provided for a number of clarifications intended to enhance the panel's ability to take effective action in response to claimants. In particular, the clarifications commit to increasing the internal and external understanding of the role of the Inspection Panel and also commit the board to facilitating the inspection process.

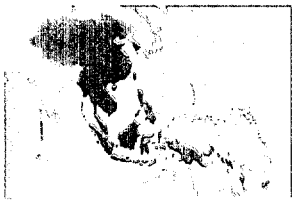
Section Two
Regional Perspectives

AFRICA *page 30*

- Total population: **0.6 billion**
- Population growth: **2.6%**
- Life expectancy at birth: **51 years**
- Infant mortality per 1,000 births: **91**
- Female youth illiteracy: **29%**
- 1998 GNP per capita: **$480**

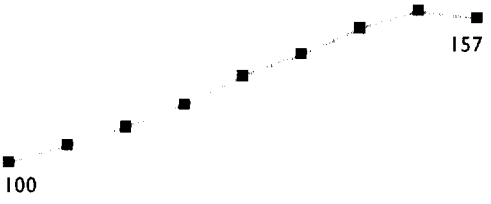
GNP per capita index, 1990–98

EAST ASIA AND PACIFIC *page 42*

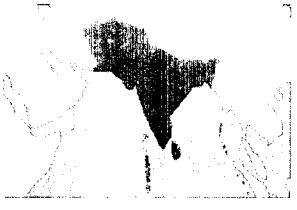


- Total population: **1.8 billion**
- Population growth: **1.1%**
- Life expectancy at birth: **69 years**
- Infant mortality per 1,000 births: **37**
- Female youth illiteracy: **4%**
- 1998 GNP per capita: **$990**

GNP per capita index, 1990–98



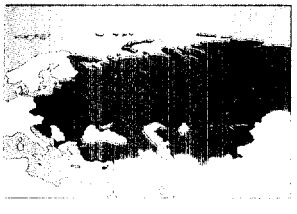
SOUTH ASIA *page 54*



- Total population: **1.3 billion**
- Population growth: **1.9%**
- Life expectancy at birth: **62 years**
- Infant mortality per 1,000 births: **77**
- Female youth illiteracy: **48%**
- 1998 GNP per capita: **$430**

GNP per capita index, 1990–98

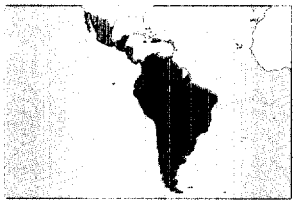
EUROPE AND CENTRAL ASIA *page 64*



- Total population: **0.5 billion**
- Population growth: **0.1%**
- Life expectancy at birth: **69 years**
- Infant mortality per 1,000 births: **23**
- Female youth illiteracy: **2%**
- 1998 GNP per capita: **$2,190**

GNP per capita index, 1990–98

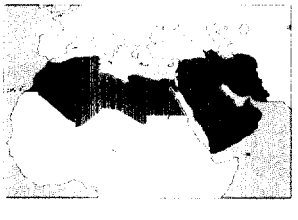
LATIN AMERICA AND THE CARIBBEAN *page 75*



- Total population: **0.5 billion**
- Population growth: **1.6%**
- Life expectancy at birth: **70 years**
- Infant mortality per 1,000 births: **32**
- Female youth illiteracy: **6%**
- 1998 GNP per capita: **$3,940**

GNP per capita index, 1990–98

MIDDLE EAST AND NORTH AFRICA *page 86*



- Total population: **0.3 billion**
- Population growth: **2.1%**
- Life expectancy at birth: **67 years**
- Infant mortality per 1,000 births: **49**
- Female youth illiteracy: **27%**
- 1998 GNP per capita: **$2,050**

GNP per capita index, 1990–98

Note: *Population and* GNP *data are for 1998, other indicators are for 1997.*
Source: World Development Indicators *database.*

AFRICA

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING:
Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Comoros
Congo, Democratic Republic of
Congo, Republic of
Côte d'Ivoire
Djibouti
Equatorial Guinea
Eritrea
Ethiopia
Gabon
Gambia, The
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Mozambique
Namibia
Niger
Nigeria
Rwanda
São Tome and Principé
Senegal
Seychelles
Sierra Leone
Somalia
South Africa
Sudan
Swaziland
Tanzania
Togo
Uganda
Zambia
Zimbabwe

Regional context

For the fourth year in a row, most African economies continued to grow, despite the slowdown in world trade and reemergence of civil conflict in several countries. First-round effects of the Asian crisis were more muted on the continent than elsewhere, except for South Africa. Domestic economic activity is also growing, in food production, small-scale enterprises, and intra-African trade. These beginnings of economic diversification show an Africa changing not only at the top but also at ground level—in local communities, among farmers and entrepreneurs. Most important, growth reflects sustained government efforts to improve the climate for investors, better manage public resources, and promote private sector provision of key services.

Although growth in Africa in 1998 was significant (over 5 percent growth in 13 countries), and stronger than in many other parts of the developing world, it was lower than in 1997 due to weaker international commodity prices, and barely enough to keep up with population growth. The typical African economy grew by 4 percent, compared with 4.4 percent in 1997. Africa's overall GDP growth was only 2 percent, however, reflecting slow progress—or none at all—in large countries like South Africa, Nigeria, and the Democratic Republic of Congo. In Nigeria, home to one fifth of all Africans, a political turnaround marked perhaps the most important event of the year as well as a possible turning point for Western Africa as a whole.

Slower global growth, weaker commodity prices, and greater competition in some export markets—all rooted in the Asia crisis—may affect Africa more in 1999. Effects will vary by country. South Africa, which is more integrated into world capital and trading systems, will continue to face a particular challenge. Oil exporters (Nigeria, Angola, Gabon) faced major income losses during FY99. Conversely, lower fuel prices cushioned oil-importing countries from losses on their own export income. Countries more vulnerable to the global slowdown—for example, producers of copper, tobacco, timber, and perhaps cotton—will need special attention, particularly to maintain basic spending for health and education.

In the longer term, Africa will nevertheless benefit from the strong reforms that have spurred growth (Figure 2-1) and created the foundations for sustained future growth in most countries. All African governments are less interventionist in productive activities than two decades ago. Inefficient public sector marketing boards have been largely abolished or commercialized and, where still present, made more flexible. All economies are less protectionist, with fewer price distortions. Most interest rates are market-driven, though high due to excessive government borrowing. Most foreign exchange re-

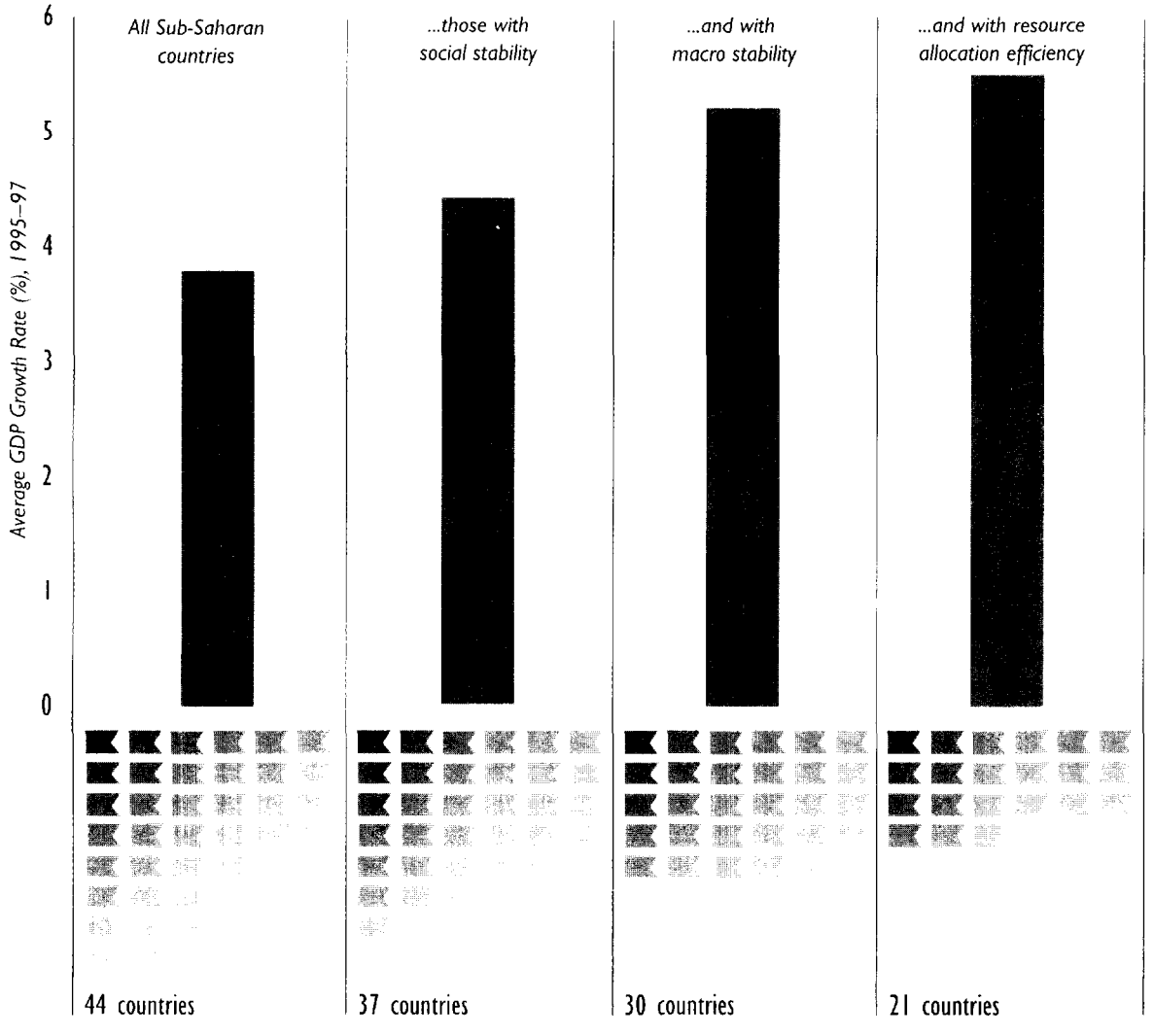
gimes are market-based, with nearly universal access to foreign exchange—with the result that the typical private market premium on foreign currency was below 5 percent in 1997, compared to 45 percent as recently as 1991.

Despite this progress, huge challenges remain, ranging from the natural obstacles of geography to human-made situations of conflict. People in Sub-Saharan Africa are among the poorest in the world. While some social indicators have improved, others such as primary school enrollment have not. AIDS is seriously threatening past gains, reversing life expectancy trends in some countries. Effective poverty reduction will require sustained and higher per capita GDP growth, with strong commitment from the region's leaders to expand opportunities and services for the poor. Even among reformers, an unfinished agenda of institutional and governance reform remains, to attract private investment—fundamental to growth. African countries are still not as open as the most open of the developing countries. Studies such as the *Africa Competitiveness Report* suggest that small countries face particular problems.

Bank assistance

Bank assistance to Africa recognizes the broad development challenges facing the continent. Economic growth must be accelerated to im-

FIGURE 2-1 ACCOUNTING FOR GROWTH IN SUB-SAHARAN AFRICA, 1995–97



Source: World Development Indicators, *1999*.

Farmers in Africa work to increase crop productivity, which enhances food security and raises their incomes.

prove the lives of hundreds of millions of Africa's poor. Political peace and stability must prevail, underpinned by honest and accountable government. And social development must be strengthened, along with human capacity and leadership.

In addition, selective assistance favoring reformers is a growing strategic priority, together with effective aid coordination. Since limited official external resources will provide the main investment finance until private flows gather momentum, the Bank will increasingly target resources on countries and sectors with supportive policy environments. In the past three years, the best-performing countries saw an increase in absolute resources, even though IDA resources overall declined—a focus on quality that helped convince IDA deputies to target half of the IDA-12 replenishment (FY00–FY02) to Africa. The region's improved economic management and social policy and its more focused public investments in agriculture and the environment, infrastructure, and human development have created more promising conditions for the effective use of IDA resources. Proactive countries that have sought Bank assistance on corruption—Benin, Malawi, and Uganda, to name a few—should also reap benefits from efforts ranging from civil service, legal, and judicial reforms to support to parliamentarians toward greater integrity in public life. The dual emphasis on selectivity and aid coordination

received strong endorsement from the Bank's African partners at two major meetings between President Wolfensohn and African leaders in Kampala and Dakar in the second half of FY98. Where policy environments are still weak, Bank assistance will emphasize dialogue to strengthen prospects for reform.

Partnership and consultation are solid pillars of Bank assistance to Africa, aimed at maximizing the impact of limited resources. Studies and workshops, involving also the African Development Bank, UN Economic Commission for Africa, and other African partners, are spurring debate among African policymakers about the new opportunities—and risks—of a global economy; a joint report on "Africa in the 21st Century" is expected in spring 2000. In December 1998, a renewed mandate for the Special Program of Assistance for Africa (SPA) gave new vigor and relevance to the Bank's role in aid coordination. SPA has given more prominence to the African "voice" by adding the Economic Commission for Africa to its membership. In addition, more countries hosted Consultative Group meetings, allowing for greater government participation, media coverage, and private sector and civil society involvement. Partnership and selectivity among donors will be pursued more systematically over the coming year in Côte d'Ivoire, Eritrea, Ethiopia, Ghana, and Uganda—five countries piloting the Comprehensive Development Framework.

In June, the Board agreed that Mozambique had completed the requirements to receive $3.7

TABLE 2-1 LENDING TO BORROWERS IN AFRICA, BY SECTOR, FISCAL YEARS 1990–99

(millions of U.S. dollars)

Sector	Annual average, FY90–94	FY95	FY96	FY97	FY98	FY99	Reclassified FY99[a]
Agriculture	490.0	407.1	301.3	193.7	176.9	188.1	228
Education	331.6	156.6	131.6	75.1	372.3	194.1	280
Electric power and other energy	200.7	255.3	73.3	163.7	380.3	—	12
Environment	41.0	8.0	38.5	95.4	71.8	15.0	86
Finance	304.9	7.2	116.9	65.9	5.0	79.9	32
Industry	78.2	—	23.7	23.8	—	—	—
Mining	5.4	24.8	12.2	21.4	5.0	15.0	86
Multisector	663.6	420.9	387.8	706.9	404.9	715.1	446
Oil and gas	95.4	—	—	—	—	17.5	18
Population, health, and nutrition	190.6	250.4	158.7	54.9	227.0	172.1	253
Public sector management	90.3	117.3	592.2	110.7	150.1	108.8	109
Social protection	76.9	155.7	257.5	—	114.7	129.6	104
Telecommunications	65.4	—	—	—	—	10.8	13
Transportation	426.9	74.8	420.7	52.9	770.1	236.6	252
Urban development	138.2	158.0	190.0	147.3	85.0	110.9	66
Water supply and sanitation	186.0	248.2	35.7	25.0	110.7	75.0	84
Total	3,385.2	2,284.3	2,740.1	1,736.7	2,873.8[b]	2,068.5[b]	2,069[b]
Of which IBRD	544.6	80.7	—	56.0	57.4	5.0	
IDA	2,840.6	2,203.6	2,740.1	1,680.7	2,816.4[b]	2,063.5[b]	

— Zero.

Note: *Numbers may not add to totals because of rounding.*

a. See Explanatory Note, Table 1 (page 10).

b. Excludes IDA HIPC grants of $75 million to Uganda in FY98 and $150 million to Mozambique in FY99.

TABLE 2-2 WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN AFRICA, FISCAL YEARS 1994–99

(millions of U.S. dollars)

	Ethiopia		Côte d'Ivoire		Ghana		Total region	
Item	1999	1994–99[a]	1999	1994–99[a]	1999	1994–99[a]	1999	1994–99[a]
IBRD and IDA commitments	100	1,142	76	1,656	282	1,091	2,069	14,494
Undisbursed balance	1,008	1,008	427	427	656	656	8,676	8,676
Gross disbursements	148	818	119	1,342	223	1,325	2,387	16,277
Repayments	19	94	147	1,040	30	131	1,123	6,546
Net disbursements	129	724	-28	301	193	1,195	1,264	9,731
Interest and charges	12	65	82	694	25	130	538	4,204
Net transfer	117	659	-110	-392	168	1,064	726	5,527

Note: *The table shows the three countries with the largest lending commitments in the Region over the past two fiscal years (FY98–99).*

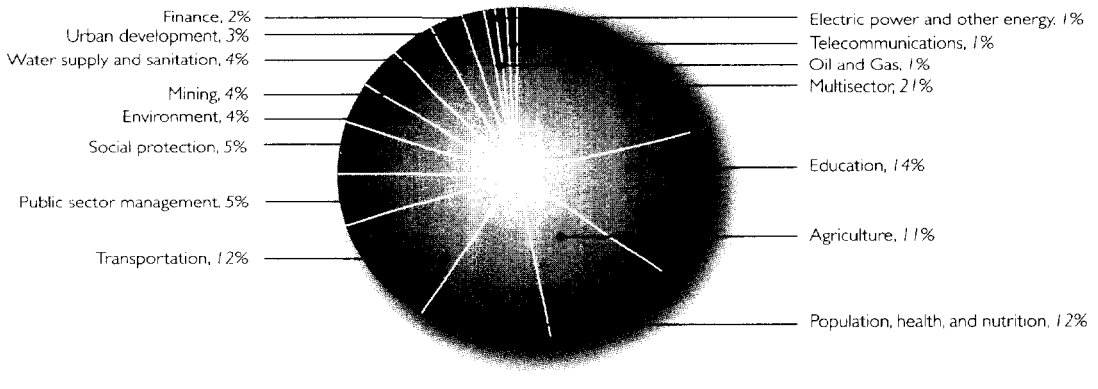
a. Disbursements from the IDA Special Fund are included through fiscal 1996.

billion (in nominal terms) in debt reduction from its external creditors, the largest debt reduction package so far under the Heavily Indebted Poor Countries (HIPC) Initiative. Mozambique became the fourth country overall, and joined Uganda as the second in Africa, to begin receiving assistance under the HIPC Initiative. For its part, IDA will provide debt service relief to Mozambique equivalent to $975 million. Elsewhere in Africa, debt relief packages have been approved for Burkina Faso, Côte d'Ivoire, and Mali, amounting to more than $1.2 billion in debt service relief when completed. Three other countries—Ethiopia, Guinea-Bissau, and Mauritania—have completed preliminary discussions on debt relief which could potentially provide up to $2.5 billion in relief. While the debt relief process for Ethiopia and Guinea-Bissau has been delayed due to problems associated with armed conflict, Mauritania is expected to have its package approved in 1999.

Table 2-1 shows the value and sectoral distributions of total Bank lending to the Africa Region in the FY90 to FY99 period. Table 2-2 compares commitments, disbursements, and net transfers to the Region for fiscal years 1994 to 1999, and Table 2-3 shows operations approved in FY99, by country. Figure 2-2 shows IBRD and IDA commitments by sector.

FIGURE 2-2 AFRICA: IBRD AND IDA LENDING COMMITMENTS BY SECTOR, FISCAL YEAR 1999

Total $2.1 billion [a]



a. Excludes an IDA HIPC grant for $150 million in support of an economic management project in Mozambique.

In FY99, IDA lending commitments to Africa were $2.1 billion—slightly down from last year, because of conflict, but with significant support for economic management and social policy, human development, and rural and urban development. Lending included Learning and Innovation Loans, introduced last year, for purposes as diverse as community development in Lesotho, medicinal plants in Ethiopia, small-town water supply in Nigeria, land reform in Zimbabwe, school-based teacher training in Guinea, and a community-based school in Mali. Another relatively new lending instrument—the Adaptable Program Loan—will help education in Gambia, agriculture in Senegal, and reproductive health in Guinea, with particular attention to that country's youth.

Accelerating private sector–led growth

The absence of strong economic growth that exceeds population growth makes it extremely difficult to solve most development problems. In many African countries, income per head today is still lower than it was at independence 20 or 30 years ago. The poor are growing in number each year. Without greater trade and private investment, faster growth will be elusive, and Africa's role in the world economy will remain marginal. Africa accounts for 10 percent of world population but only 1 percent of global GDP. Less than one twentieth of the $210 billion in capital that flowed to developing countries in 1997 went to Africa. Less than 10 percent of developing-country merchandise trade—mostly primary exports—came from Africa.

BOX 2-1 BUILDING A SUCCESSFUL, VISIBLE EXPORT PROCESSING ZONE IN SUPPORT OF GHANA'S VISION 2020 PROGRAM

With its population growing at about 3 percent a year, Ghana needs economic growth of 8 to 10 percent annually to significantly reduce poverty levels. Growth has averaged less than 5 percent over the last decade. To accelerate private investment and growth, Ghana must consciously develop and consolidate its "competitive advantages" and cater to export markets. The Trade and Investment Gateway Project is designed to help remove the constraints to development of trade and exports and to attract direct investments for industrial and infrastructure development. It is part of the Ghana Vision 2020 Program that envisages, by that year, middle-income country status for Ghana and equitably shared growth.

Ghana's business environment today is one of the best in Africa for private sector development, after almost 15 years of sustained economic reform. Studies commissioned by the Gateway Project confirm that Ghana compares favorably to Togo and Kenya—potential competitors—and has advantages that make it attractive even in relation to Mauritius and Dubai. Yet foreign investors in Asia, Europe and the Americas are largely unaware of the country's business potential—both as a platform for production for world markets and, more broadly, as a gateway to the West African subregion.

International experience suggests that a well-functioning, privately developed and managed Export Processing Zone (EPZ) can be a powerful way to break through the wall of ignorance of a country's potential—and "kickstart" a country's visibility in the global business arena. Ghana has made substantial progress in this area, but further efforts are needed toward a successful, privately developed and managed EPZ. To meet these needs, the Gateway Project will support: legislative, regulatory, and incentive reforms to meet the requisite international standards; institution and capacity building to attract export-oriented manufacturing tenants into a new environment; and improvements in offsite infrastructure such as power, water, waste-treatment, and telecommunications.

Anticipated benefits. *With project support, private foreign and domestic investors will face reduced uncertainties and transaction costs associated with doing business in Ghana, more ready sites will be available for export processing industries, and trade procedures will be simplified. The project would also benefit the local population, by creating more job opportunities and improving the skills and mobility of the labor force. The project's favorable impact on foreign direct investment—with firm commitments of $900 million targeted by end-2002—should also have a positive effect on Ghana's balance of payments.*

TABLE 2-3 OPERATIONS APPROVED DURING FISCAL YEAR 1999, AFRICA

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) U.S. $
Benin				
Decentralized City Management I Project	Jun 3, 1999	2009/2039	18.90	25.50
Burkina Faso				
Pilot Private Irrigation Development Project	Jan 12, 1999	2009/2038	3.70	5.20
Economic Management Reform Support Operation	Nov 5, 1998	2009/2038	11.00	15.00
Cameroon				
Structural Adjustment Credit III	Jan 20, 1999	2008/2038	9.90	13.10
National Agricultural Extension and Research Program Support Project	Oct 15, 1998	2009/2038	11.40	15.10
Cape Verde				
Education and Training Consolidation and Modernization Project	May 25, 1999	2009/2039	4.50	6.00
Social Sector Development Project	May 25, 1999	2009/2039	11.90	16.10
Energy and Water Sector Reform and Development Project	May 11, 1999	2009/2039	12.50	17.50
Privatization and Regulatory Capacity Building Project	Jul 21, 1998	2009/2039	6.80	9.00
Chad				
Structural Adjustment Credit III	May 4, 1999	2009/2039	22.20	30.00
Health and Safe Motherhood Project Supplement	Sep 17, 1998	2008/2038	8.20	10.90
Côte d'Ivoire				
Transport Sector Adjustment/Investment Program	Dec 15, 1998	2008/2038	19.20	25.60
National Agricultural Services Support II Project	Jul 14, 1998	2008/2038	37.10	50.00
Djibouti				
Ex-Combatants Reintegration Pilot Project	Dec 16, 1998	2009/2038	2.00	2.70
Social Development and Public Works	May 25, 1999	2009/2039	11.00	14.80
Ethiopia				
Health Sector Development Program Project	Oct 27, 1998	2009/2038	75.10	100.00
Gabon				
Pilot Infrastructure Works	Aug 24, 1998	2003/2013	n.a.	5.00
Gambia				
Poverty Alleviation and Capacity-Building Project	Mar 16, 1999	2009/2038	10.70	15.00
Education Sector III Project	Sep 10, 1998	2009/2038	15.10	20.00
Ghana				
National Functional Literacy Program	Jun 17, 1999	2009/2039	23.70	32.00
Community-Based Poverty Reduction Project	Jun 9, 1999	2009/2039	3.70	5.00
Economic Reform Support Operation Credit II	May 27, 1999	2009/2039	1.32	1.80
Economic Reform Support Operation Credit II	May 27, 1999	2009/2039	131.40	178.20
Public Sector Management Reform Project	May 4, 1999	2009/2039	10.50	14.30
Trade and Investment Gateway Project	Jul 9, 1998	2008/2038	37.60	50.50
Guinea				
Urban Development III Project	Apr 20, 1999	2009/2038	12.90	18.00
Village Communities Support Program Project	Feb 23, 1999	2009/2038	15.70	22.00
Population and Reproductive Health Project	Dec 1, 1998	2009/2038	8.50	11.30
Pre-service Teacher Education Project	Jul 15, 1998	2008/2038	3.10	4.10
Kenya				
El Niño Emergency Project	Jul 16, 1999	2008/2038	29.70	40.00
Lesotho				
Education Sector Development II Project	Apr 15, 1999	2009/2038	15.00	21.00
Madagascar				
Structural Adjustment Credit II	May 20, 1999	2009/2039	73.50	100.00

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) U.S. $
Microfinance Project	May 20, 1999	2009/2039	12.10	16.40
Social Fund III Project	Mar 23, 1999	2009/2038	10.70	15.00
Malawi				
Road Maintenance and Rehabilitation Project	Jun 10, 1999	2009/2039	22.20	30.00
Fiscal Restructuring and Deregulation Program II Technical Assistance Project	Dec 3, 1998	2009/2038	67.20	92.00
Second Social Action Fund Project	Oct 15, 1998	2009/2038	49.60	66.00
Population and Family Planning Project	Sep 23, 1998	2009/2038	3.80	5.00
Mali				
Health Sector Development Program	Dec 17, 1998	2009/2038	28.50	40.00
Mauritania				
Telecommunications and Postal Sectors Reform Project	Jun 10, 1999	2009/2039	8.00	10.80
Mining Sector Capacity Building Project	May 13, 1999	2009/2039	11.10	15.00
Nutrition, Food Security, and Social Mobilization Investment Project	Mar 15, 1999	2009/2038	3.60	4.90
Public Resource Management Project	Feb 26, 1999	2006/2036	0.10	0.10
Mozambique				
Agricultural Sector Public Expenditure Program Project	Feb 18, 1999	2009/2038	21.70	30.00
Education Sector Strategic Program Project	Feb 18, 1999	2009/2039	51.10	71.00
Economic Management Reform Operation	Dec 10, 1998	*	109.50	150.00
National Water Development Project I	Jun 17, 1999	2009/2039	55.40	75.00
Niger				
Public Finance Reform Credit	Oct 13, 1998	2009/2038	48.00	64.00
Privatization and Regulatory Reform Technical Assistance Project	Sep 15, 1998	2008/2038	14.00	18.60
Rwanda				
Economic Recovery Credit	Mar 30, 1999	2009/2038	53.00	75.00
Community Reintegration and Development Project	Oct 15, 1998	2008/2038	3.70	5.00
Senegal				
Second Transport Sector Project	Mar 30, 1999	2009/2039	64.30	90.00
Agricultural Services and Producer Organizations Project	May 20, 1999	2009/2038	20.20	27.40
Tanzania				
Tax Administration Project	Mar 30, 1999	2009/2039	28.60	40.00
Togo				
Pilot Social Fund Project	Apr 14, 1999	2009/2039	3.80	5.00
Uganda				
Road Development Program Phase I Project	Jun 29, 1999	2009/2039	67.20	91.00
Financial Markets Assistance Project	May 27, 1999	2009/2039	9.60	13.00
Nakivubo Channel Rehabilitation Project	May 6, 1999	2009/2039	16.50	22.40
Agricultural Research and Training II Project	May 6, 1999	2009/2039	19.10	26.00
Institutional Capacity-Building for Protected Areas Management and Sustainable Use Project	Jul 9, 1998	2008/2038	9.10	12.40
Zambia				
Public Sector Reform and Export Promotion Credit	Jan 28, 1999	2009/2038	2.00	2.80
Public Sector Reform and Export Promotion Credit	Jan 26, 1999	2009/2038	122.70	170.00
Basic Education Subsector Investment Program Support Project	Apr 8, 1998	2009/2038	28.50	40.00
Total			1,622.72	2,218.50*

n.a. Not applicable (IBRD loan)

** The Mozambique Economic Management Reform Operation was financed by an IDA grant under the Heavily Indebted Poor Countries Initiative. It is therefore included in total operations of $2,218.5 million but excluded from total lending commitments of $2,068.5 million shown in Table 2-1.*

In FY99, the Bank continued to support policies promoting greater private investment. Reforms that open up markets, ease access to capital, simplify business codes, and enhance property rights are the gateway to higher investment—by small farmers and entrepreneurs, not just large enterprises. Under the Ghana Trade and Investment Gateway Project, the Bank will help Ghana complete its already advanced reform agenda to boost investment in its Export Processing Zone (Box 2-1). Without better governance, moreover, other efforts to attract private investment will bear little fruit. A key reform supported by the Madagascar Structural Adjustment Credit reduces opportunities for corruption by making rights and license allocations in the mining, tourism, and fishing industries less discretionary and more automatic.

As a precursor of wider public-private partnerships in infrastructure development, the Bank approved its first-ever IDA guarantee for the Azito power project in Côte d'Ivoire, which will generate electricity from locally produced natural gas at a privately owned and operated plant. In a neighboring country, Burkina Faso, assistance to a privately managed irrigation promotion agency will involve, and benefit, small farmers.

African countries are also beginning to work with private partners in social sectors. During the Bank's Private Sector Development Exchange, numerous participants suggested ways in which private sector groups could help increase access to education, improve school children's health, and expand links to knowledge over the Internet.

Promoting peace and stability

Another important building block of growth is political stability. After a period of increased security across the continent, FY99 saw open conflict erupt in at least five countries. One in five Africans now lives in a country at war or in strife. Without peace, there can be no lasting improvement in people's lives. At the same time, conflict itself is often the result of economic stagnation, low development, poor governance, injustice, and corruption. War and underdevelopment can fuel each other. But this vicious circle can be turned around, as progress in the last five years has shown. Those countries that have enjoyed peace, stability, and good governance have posted the highest growth.

Increasing opportunities for girls and women is a priority in Bank assistance to Africa.

The Bank recognizes that restoring and keeping the peace is the paramount challenge for Africa as the new century dawns. Although the Bank Group has no direct involvement in peacemaking, its readiness to provide support once the conditions are right can help ensure that stability spreads and endures. Rwanda, which is rebuilding its national confidence and social fabric after the genocide of 1994, received a $75 million credit in FY99 for its economic recovery program and additional support for government decentralization and community participation in development. A Learning and Innovation credit to Djibouti supports the reintegration of former combatants—both army veterans and rebel fighters—into their home communities through microprojects, adult

education, basic infrastructure, and assistance to the disabled.

Support to regional initiatives is also key to ensuring greater social stability across Africa. FY99 saw significant progress in preparing an International Consortium for Cooperation on the Nile, with assistance from the Bank. Cross-country needs can also be supported through investment in shared infrastructure. Bridges and roads damaged in last year's El Niño

BOX 2-2 INTENSIFYING ACTION AGAINST HIV/AIDS IN AFRICA: RESPONDING TO A DEVELOPMENT CRISIS

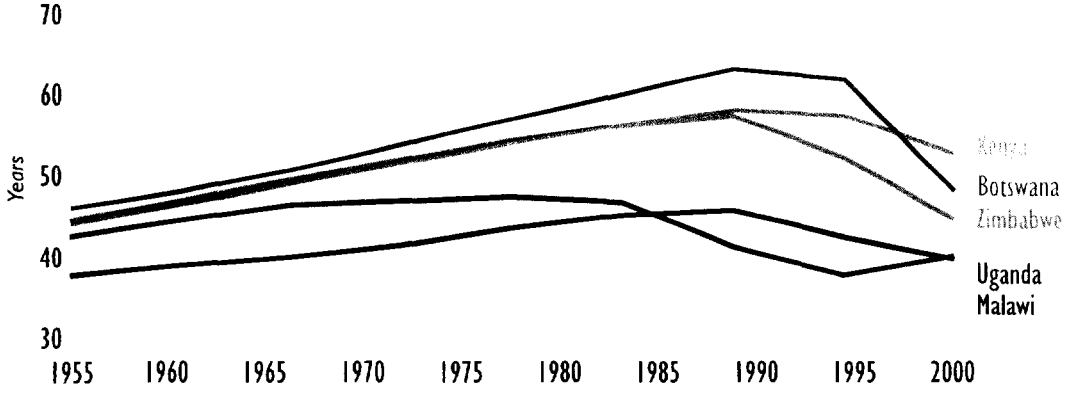
Nowhere has the impact of HIV/AIDS *been more severe than in Sub-Saharan Africa. All but unknown a generation ago,* AIDS *today poses the foremost threat to development in the region. Because it kills so many adults in the prime of their working and parenting lives, it decimates the workforce, fractures and impoverishes families, orphans millions, and shreds the fabric of communities. The impact is unprecedented and, by any measure, staggering:*

- *More than 11 million Africans have already died, and another 22 million are now living with* HIV/AIDS, *representing two thirds of all cases worldwide.*
- *Ranked by* HIV *prevalence, the top 21 most affected countries in the world are in Africa. In Botswana and Zimbabwe, one in four adults is infected. In at least 10 other African countries, prevalence rates among adults exceed 10 percent.*
- *A child born in Zambia or Zimbabwe today is more likely than not to die of* AIDS. *In many other African countries, the lifetime risk of dying of* AIDS *is greater than one in three.*

Urgent action, by African governments and their partners, will be critical to prevent further HIV *infections and to help the millions of Africans already affected. In May 1999, the Bank adopted a new strategy,* Intensifying Action Against HIV/AIDS in Africa: Responding to a Development Crisis, *in partnership with African governments and the Joint United Nations Programme on* HIV/AIDS *(*UNAIDS*). A multisectoral* AIDS *Campaign Team for Africa (ACT*africa*), being set up in the Bank's Africa Vice Presidents' Office, will catalyze implementation of the strategy and maximize internal coordination. The strategy stands on four pillars:*

- *Advocacy to position* HIV/AIDS *as a central development issue and to increase and sustain an intensified response;*
- *Increased financial and technical support for African partners and Bank country teams to mainstream anti-*HIV/AIDS *activities in all sectors;*
- *Prevention efforts targeted to both general and specific audiences, and activities to enhance* HIV/AIDS *treatment and care;*
- *Expanded knowledge base to help countries design and manage prevention, care, and treatment programs.*

FIGURE 2-3 ESTIMATED LIFE EXPECTANCY AT BIRTH: SELECTED AFRICAN COUNTRIES, 1955–2000



Source: *Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, 1998.*

flooding are being repaired with assistance from IDA; sections of the Nairobi–Mombasa road are important to both Uganda's and Kenya's economies.

Supporting human and social development

Even where they exist, growth and stability will falter if Africans do not have better access to health, education, and knowledge. In most direct measures of well-being, Africa still trails badly behind the rest of the world. Despite efforts to increase enrollments, more primary school–aged children are out of school today than in 1990; in 14 African countries, fewer than 60 percent of children are in school. One in three Africans still has no access to proper health services. And HIV/AIDS is reversing 40 years of progress in improving life expectancy (Box 2-2). Human development is a priority in Bank country assistance strategies for Africa. The Senegal Pilot Female Literacy Project is addressing developmental issues that cannot be handled in formal education settings. The project not only increases women's literacy rates but also delivers educational messages about health while promoting a sense of community among the learning groups. The Chad Population and AIDS Control Project includes a social fund that meets the micro-credit needs of Chadian women as a means of lessening the economic burdens caused by HIV/AIDS.

The Bank also helped countries strengthen their social safety nets. Malawi received a credit of $92 million for a second fiscal restructuring and deregulation program and a second credit of $66 million for the Malawi Social Action Fund. The first Social Fund project created more than 160,000 jobs, dug 1,100 water boreholes, built 1,500 km of rural roads, and aided the construction of 1,200 classrooms over three years, mainly in rural areas. Examples of support for improved social policies and public expenditure include the Guinea Public Expenditure Management Adjustment Credit and the Village Communities Support Program, with its cross-sectoral approach based on local communities' own priorities and the role reserved for them in project implementation. The Bank also stepped up analytical support for improved social policies and public expenditure.

BOX 2-3 THE PARTNERSHIP FOR CAPACITY BUILDING IN AFRICA

Africa's chronic lack of human, organizational, and institutional capacity is widely recognized as a major impediment to sustainable development. Yet efforts by the Bank and virtually all other donors to build capacity by providing conventionally packaged "technical assistance" have so far produced little real impact. Such efforts have too often been ad hoc, donor-driven, and dependent on the placement of expatriate advisers.

In May 1999, the Board of Executive Directors approved Bank support for a new framework for collaboration between African countries and their international development partners. The Partnership for Capacity Building in Africa (PACT) is an African initiative and, being run by Africans, stands a far greater chance of success than many previous donor-driven programs. Initiated in 1995 by the African Governors of the Bank, who consistently took the lead in conducting the necessary consultations and analytical work, a vision has been shaped into a viable program of activities. The partnership also reflects a growing consensus among African policymakers that, to set the climate and environment for the private sector and civil society to flourish, the public sector must be accountable for its performance. Such accountability, in turn, depends on a vibrant civil society and private sector.

PACT will present new opportunities for introducing greater coordination and coherence and a far-reaching perspective in capacity-building activities in Africa, consistent with the approach of the Comprehensive Development Framework. The partnership will focus primarily on strengthening the public sector—especially its relationship with civil society and cross-border initiatives (such as regional innovation, research, and training). It will be housed with an existing institution—the African Capacity Building Foundation in Harare.

The board has agreed to consider an initial contribution of $30 million for the initiative. African leaders have asked President Wolfensohn to cochair the Partnership for an initial period.

Strengthening capacity and leadership

African governments need to attract back to public service the level of talent seen in the 1960s and 1970s. They need to develop a public sector that will spark innovation, spread best practice, support individual and community initiatives in the rest of society, and make Africa less dependent on outside advice. A key Bank initiative in FY99 in this area was to support a new Partnership for Capacity Building in Africa (Box 2-3). There was also continued support for the African Virtual University and direct assistance for improving Africa's technology links with the rest of the world. A targeted program of assistance supported 30 countries in preparing their information systems for the Year 2000, using grant funds from the United Kingdom. Particular support was given to power utilities in Kenya, Tanzania, and Uganda. And an Indigenous Knowledge for Development Initiative was launched to help build capacity for sharing successful local development practices.

The quality of IDA's Africa portfolio in FY99 was maintained at the FY98 level but, significantly for the future, 82 percent of new project designs were judged satisfactory by the Bank's Quality Assurance Group. Countries with top economic and social policy performance have historically had good portfolios. Greater reliance on local resources and field office portfolio management, with attention especially to financial management, is helping. About a fifth of the region's country directors are located in the field, which has facilitated dialogue, forged closer relationships with governments and beneficiaries alike, and benefited portfolio implementation and monitoring.

EAST ASIA AND PACIFIC

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING:
Cambodia
China
Fiji
Indonesia
Kiribati
Korea, Republic of
Lao People's Democratic Republic
Malaysia
Marshall Islands
Micronesia, Federated States of
Mongolia
Myanmar
Palau
Papua New Guinea
Philippines
Samoa
Solomon Islands
Thailand
Tonga
Vanuatu
Vietnam

Regional context

FY99 saw the East Asian financial crisis abate, and the hard work of recovery begin. Reputed for its fast growth, sound management, and income equity, the region is now emerging from its worst economic collapse in modern times—a collapse that pushed millions back to the brink of poverty and decimated the savings of a whole generation of new middle-class citizens. Current account balances, dangerously in deficit in early 1997, have swung by more than $100 billion into large surpluses, enabling sizable reserve accumulations. The region has enjoyed more stable exchange rates since early 1998, and interest rates have fallen to pre-crisis levels.

These developments have provided the foundations for recovery in the region, but recovery remains uneven. The Republic of Korea's recovery has been rapid and impressive. Philippines, Malaysia, and Thailand are projected to show positive, though slow, economic growth, and Indonesia will probably continue to stagnate. In the transition economies of China and Vietnam, protected in part by closed capital accounts and also reflecting appropriate macroeconomic policies and progress in structural reform, growth is still rapid but uncertain because of slowing internal demand and falling export revenues. Effects on Pacific Island countries have varied, depending on the extent of their trade, investment, tourism, and aid links with the economies in crisis. While, for example, the Solomon Islands were hit by the collapse of log export markets elsewhere in the region, Papua New Guinea was able to rely on its abundant natural resources to cushion the shock. Within countries also, the situation is uneven. Urban unemployment remains high, and low-income groups are not sharing in the recovery.

The recovery is also fragile. One of the risks relates to the Japanese economy. Despite a large stimulus package announced in 1998, private forecasters foresee only sluggish growth, if that, for calendar year 1999. A Japanese recovery is crucial to the stabilization and prosperity of Asian economies. Another risk stems from the still robust U.S. and European economies: if they enter recession, Asian exports would suffer and likely cut short recovery.

Still, profound changes already taking place in East Asia bolster the region's long-term prospects. Not only do savings rates remain high and past investments in education continue—ingredients for the East Asian "miracle" years—the economic crash has forced a new thinking about previously accepted ways of doing business. A new East Asia is being built: one with stronger financial institutions and corporations and one where openness applies not just to trade and finance but increasingly to information and even politics. The hard work is just beginning—including creating strong institutions to with-

stand future shocks, building new social safety nets to protect the most vulnerable, and aiming for strong medium-term growth. The serious economic restructuring under way in the crisis-affected countries holds out promise for a region that will emerge stronger and more resilient to future shocks. East Asia, according to present Bank forecasts, is on its way to becoming the fastest-growing region among developing countries in 2000.

Bank assistance

Table 2-4 shows the value and sectoral distributions of total Bank lending to the East Asia and Pacific Region in the FY90 to FY99 period. Table 2-5 compares commitments, disbursements, and net transfers to the region for fiscal years 1994 to 1999, and Table 2-6 shows operations approved in FY99, by country. Figure 2-4 shows IBRD and IDA commitments by sector.

The Bank has played an important role in the past year's positive developments. New lending operations numbered 55 in FY99, up from 37 in FY97; commitments over the same period more than doubled. A key element of Bank support was the decentralization of Bank staff to come closer to the needs and wishes of its borrowers (Box 2-4). Strategically, assistance focused on helping put East Asia back on the road to recovery (Box 2-5). Four areas emerged as critical: restructuring the microeconomy and strengthening institutions in the region's corporate and financial sectors; minimizing corruption; protecting social sectors; and safeguarding

TABLE 2-4 LENDING TO BORROWERS IN EAST ASIA AND THE PACIFIC, BY SECTOR, FISCAL YEARS 1990–99

(millions of U.S. dollars)

Sector	Annual average, FY90–94	FY95	FY96	FY97	FY98	FY99	Reclassified FY99[a]
Agriculture	1,074.8	373.0	844.9	1,265.0	1,058.7	1,011.8	919
Education	437.2	526.5	437.9	645.0	103.5	557.2	755
Electric power and other energy	928.5	1,383.0	1,683.0	1,131.4	783.7	100.0	60
Environment	207.3	308.1	170.7	—	278.4	304.0	609
Finance	205.9	—	49.0	28.4	5,385.0	826.0	2,299
Industry	114.2	175.0	217.0	60.0	—	100.0	100
Mining	—	—	35.0	—	—	—	—
Multisector	195.5	167.0	130.0	—	315.0	4,112.0	1,579
Oil and gas	135.4	245.0	—	—	—	—	—
Population, health, and nutrition	130.8	242.2	296.0	58.9	146.5	104.7	263
Public sector management	78.1	88.0	—	—	230.0	203.5	128
Social protection	1.9	267.5	40.0	—	10.0	990.0	1,602
Telecommunications	230.1	325.0	—	—	34.5	—	100
Transportation	878.1	1,032.5	916.9	1,243.7	1,110.0	1,041.5	1,014
Urban development	251.3	486.0	542.7	265.0	45.1	264.7	247
Water supply and sanitation	197.4	75.0	57.0	168.6	87.8	149.8	90
Total	5,066.5	5,693.8	5,420.1	4,866.0	9,623.2	9,765.2	9,765
Of which: IBRD	3,990.7	4,592.6	4,252.2	4,074.4	8,847.0	8,754.8	
IDA	1,075.8	1,101.2	1,167.9	791.6	776.2	1,010.4	

— Zero.

Note: *Numbers may not add to totals because of rounding.*

a. See Explanatory Note, Table 1 (page 10).

BOX 2-4 DECENTRALIZATION OF BANK STAFF IN EAST ASIA

The East Asia and Pacific Region has continued to shift operational work closer to the client. More Bank staff members were located in field offices in FY99, with more authority transferred to them—a move of special significance in a region marked by the biggest time-zone differentials from the Bank's Washington headquarters. The move has allowed the Bank to operate in real time and provide 24-hour service. More fundamentally, it has enhanced the quality of the Bank's relationship with its clients and increased the speed and relevance of its services.

- *Six out of the region's eight country directors are now located in the field.*
- *The capacity of East Asia local offices has increased, with stepped-up recruitment of national staff and their improved integration into the Bank's network structure, including through increased training.*
- *In the second half of FY99, 11 projects out of 28 were negotiated in the field. Loan signings are also beginning to occur in-country. In the case of the $80 million Yangtze Flood Emergency Rehabilitation Project in China, the Bank's Beijing team was able to prepare and negotiate the project with three different provinces in just a few months.*
- *Policy advice is also reaching the client more quickly. Short policy notes, produced by sector specialists in the field, are now the rule rather than the exception.*

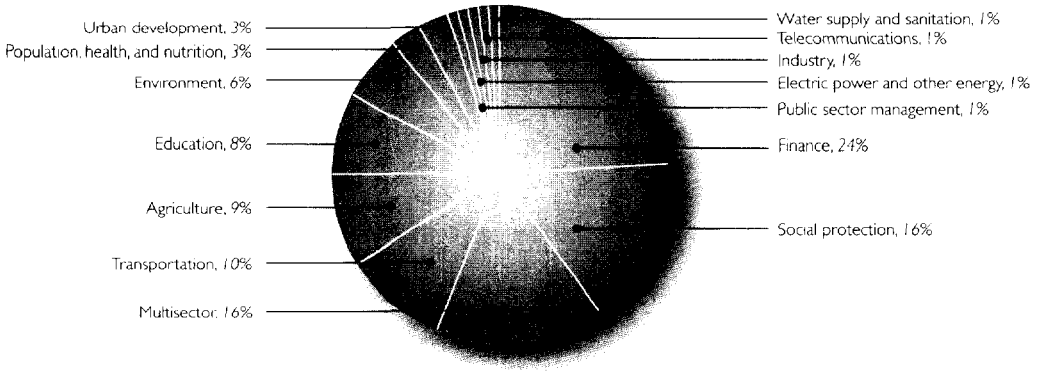
the environment. These areas are relevant to the five market-economy countries most affected by the crisis (Korea, Thailand, Indonesia, Philippines, and Malaysia), but also apply to transition countries that were spared the full brunt (China, Mongolia, and Vietnam) and to the region's small economies (Cambodia, Lao PDR, the Pacific Islands, and Papua New Guinea).

Restructuring the microeconomy and strengthening institutions

The crisis exposed major weaknesses in the region's financial and corporate sectors, underscoring the need to manage the opportunities—and risks—of a globalized economy, with its large, rapid, and often undiscerning capital flows. Restructuring these sectors is vital to long-term recovery. Specifically, countries need: a strong, well-regulated banking sector, long-term bond markets, and internationally recognized accounting and auditing standards, to minimize their vulnerability to external shocks and maximize their ability to profit from capital flows; appropriate corporate governance systems to provide protection and voice to minority shareholders; and systems for transparency and openness so that investors, borrowers, and

FIGURE 2-4 EAST ASIA AND THE PACIFIC: IBRD AND IDA LENDING COMMITMENTS BY SECTOR, FISCAL YEAR 1999

Total $9.8 billion



BOX 2-5 EAST ASIA: THE ROAD TO RECOVERY

East Asia has everything it needs to restore economic growth, as long as it persists with economic reforms and protects the poor during the long and difficult recovery. That is the message of East Asia: The Road to Recovery, *a report published by the Bank in September 1998. The report analyzes the crisis, reviews progress in tackling problems, and suggests policy directions that will affect the pace of economic revival.*

The three-point road to recovery consists of: enacting governance, financial, and environmental reforms to stimulate sustainable growth; protecting low-income groups from the crisis' social impacts, ensuring that they share in the recovery; and revitalizing international capital flows by restoring investor confidence.

The crisis is noted to be unique in that it has "fused a currency crisis, banking crisis, and a regional financial panic into a particularly virulent strand of economic malady." The result: severe recession in Thailand, Korea, Indonesia, and Malaysia with spillover effects in the Philippines and smaller East Asian economies. Countries have faced falling wages, skyrocketing unemployment, a shift of labor from high-wage to low-wage jobs, and sharp cuts in average consumption. Economic expansion, which once raised the incomes of poor and served as an unofficial social safety net, has ended, leaving large segments of society vulnerable, with greatest hardship for the poor and politically disenfranchised—especially women and children, ethnic minorities, and migrants.

While the analysis was an important part of the Bank's nonlending assistance, touring the region, Europe, and the United States to disseminate the report's conclusions and recommendations has been equally significant. In addition to printed copies, the entire book has been available on the Bank's web site. At bookstores and the web site, demand has been high.

shareholders play on a level field, free from corruption.

Bank support for strengthening the corporate and financial sectors is being provided under large adjustment loans accompanied by policy advice and technical assistance:

Korea. Through a multidimensional $2 billion Adjustment Loan (Box 2-6), the Bank is helping the Financial Supervisory Commission design and implement corporate and financial sector restructuring, with particular focus on legal and regulatory aspects. The independent commission was created and charged with restructuring as a part of government's prompt and comprehensive response to the crisis. The crisis broke when five major corporations (*chaebols*),

TABLE 2-5 WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN EAST ASIA AND THE PACIFIC, FISCAL YEARS 1994–99

(millions of U.S. dollars)

	Korea, Republic of		China		Indonesia		Total region	
Item	1999	1994–99[a]	1999	1994–99[a]	1999	1994–99[a]	1999	1994–99[a]
IBRD and IDA commitments	2,048	7,703	2,097	16,568	2,741	8,257	9,765	41,403
Undisbursed balance	249	249	10,711	10,711	4,669	4,669	19,321	19,321
Gross disbursements	2,091	8,118	2,026	12,607	2,135	6,981	7,947	34,342
Repayments	252	2,422	497	2,258	781	6,390	2,265	16,027
Net disbursements	1,839	5,696	1,530	10,349	1,354	591	5,682	18,315
Interest and charges	515	1,400	682	3,171	819	4,982	2,514	12,903
Net transfer	1,324	4,296	848	7,178	535	–4,391	3,168	5,412

Note: *The table shows the three countries with the largest lending commitments in the Region over the past two fiscal years (FY98–99).*

a. Disbursements from the IDA *Special Fund are included through fiscal 1996.*

overly indebted, abruptly failed as a consequence of rapidly rising interest rates, dragging down with them numerous small and medium enterprises.

Thailand. The Bank has participated actively in measures to speed corporate restructuring, including support to develop intercreditor arbitration agreements and training programs for all participants in restructuring, and for the Corporate Debt Restructuring Advisory Committee of the Bank of Thailand in its facilitation and monitoring role.

Philippines. The banking and corporate sectors did not suffer crisis but are facing major strains. The Banking System Reform Project aims to strengthen the banking system and help it better withstand current difficulties and future shocks.The Private Enterprise Credit Support Project will help private enterprises affected by the credit crunch and currency crisis.

Malaysia. A $2.7 million Policy and Human Resources Development (PHRD) grant is helping the government of Malaysia implement a series of reforms in the corporate and financial sectors.

BOX 2-6 MULTIDIMENSIONAL STRUCTURAL ADJUSTMENT LENDING IN KOREA

The Republic of Korea suffered a severe financial crisis in late 1997. Rising interest rates dealt a crushing blow to highly indebted Korean firms (average debt-equity ratios three times above industry norms), intensifying financial system distress in their wake. The crisis and ensuing recession reversed gains in economic performance made over three decades of strong investment in human and capital resources and technological capacity. The social impact has been severe: unemployment has risen sharply—from a pre-crisis rate of 3 percent to over 7 percent, affecting particularly the self-employed and unorganized workers from small and medium-sized firms, and resulting in—at least—2.4 million more poor.

Objectives. *The $2 billion Korea Second Structural Adjustment Loan (SALII) was approved in late 1998 as the second in a series of adjustment loans supporting the government's reform program, adopted following the crisis. SALII will help Korea restore financial stability, and thereby investor confidence—key to a return to strong and sustained growth—while mitigating the social costs of adjustment, through:*

- *financial sector reform to address weak financial institutions, strengthen regulation and supervision, and develop capital markets;*
- *corporate sector reform to restructure corporate debt, promote corporate governance and competition policies, and reform and privatize state-owned enterprises; and*
- *labor market/social protection reform to cushion the impact of crisis and economic restructuring on the poor and vulnerable and make lasting improvements in Korea's social protection system.*

A multipartner approach. *SALII is part of a $57 billion international financing package for Korea agreed to in late 1997, toward which the Bank committed $10 billion. Several multilateral and bilateral donors came together, with the Asian Development Bank leading support for financial sector technical assistance. Within the Bank Group, SALII is complemented by IFC's renewed engagement in Korea to support market or individual corporate needs, as well as MIGA's continued support for capacity building in investment promotion, where demand is increasing.*

A multidimensional approach. *SALII is especially indicative of the increasingly multidimensional nature of Bank adjustment lending. Efforts target as much the social and human as the macroeconomic side of development. Public assistance programs in Korea have been limited, given rapid growth and near-full employment. Adjustment lending has provided quick-disbursing budget support for maintaining spending on existing safety nets, while supporting structural reforms that better protect the poor and elderly (expanded safety nets, better targeting of poor), increase workers' social protection (expanded unemployment insurance and pension systems), and improve public sector health insurance. Another nontraditional emphasis of adjustment support to Korea has been governance: the reforms under SALs I and II strengthen shareholder rights, creditor rights, and financial transparency and accountability, all contributing to a sounder institutional framework and increased investor confidence.*

The funds would help coordinate various government initiatives, including the establishment of an asset-management corporation and a Corporate Debt Restructuring Committee, and also lay the groundwork for effective use of future donor funds. Similarly, the Bank is administering a $735,000 Asia–Europe Meeting (ASEM) Technical Assistance Grant (Box 2-7) to help Bank Negara design and implement an early warning system for the banking sector, on an institution-by-institution basis. The grant also funds a study of international practices in depositor protection and deposit insurance plans, including their possible implications for Malaysia.

The events of the past two years have lent new urgency to China's dual-track reform of state-owned enterprises and banks, begun before the crisis. Lagging internal consumption and increased unemployment threaten continued growth. Vietnam is pursuing similar reforms with mixed results to date. However, its efforts to modify trade laws and to reduce and simplify import barriers and export rules are a significant step forward. Vietnam is one of the countries piloting the Comprehensive Development Framework approach, which brings together economic, structural, and social issues in support of the government's next five-year plan, with heavy reliance on donor coordination.

The Lao banking sector is in a precarious state, with recent audits indicating that the state-owned commercial banks are insolvent with large shares of nonperforming loans. Financial sector problems are also integrally linked with the prevailing macroeconomic crisis. The government has requested the Bank, the IMF, and the Asian Development Bank to undertake a joint review to aid in the formulation of a sector reform strategy and program that would be supported by an IDA sector adjustment operation once macroeconomic imbalances are reined in. Related issues of state-owned enterprises, the regulatory environment for private sector development, the Agricultural Promotion Bank, and microcredit would also be addressed. Samoa is engaged in an active program of public sector reform and private sector growth, which includes accountability and performance monitoring for line departments, devolution of financial controls, and transformation of state-owned enterprises to achieve financially viable operations. Through the Infrastructure Asset Management Project, the Bank is helping the government boost efficiency, increase community participation, and strengthen management of the country's vital infrastructure. In the Solomon Islands, the Bank is supporting government efforts to stabilize and restructure the economy, launched in response to the country's financial crisis.

Broad financial sector reforms are changing the face of financial transactions in East Asia.

Minimizing corruption

Efforts to minimize opportunities for corruption within Bank-supported projects and, more broadly, in society were mainstreamed into the region's work this fiscal year. The impetus was a heightened awareness, universally, that corruption could derail recovery by undermining investor confidence and by imposing a harsh, invisible tax on the poor and vulnerable. Although the Bank had worked against corruption in the past, the new political and economic landscape

BOX 2-7 REGIONAL INITIATIVES IN EAST ASIA: SUPPORTING COUNTRIES IN CRISIS

The Asia–Europe Meeting (ASEM) Asian Financial Crisis Response Trust Fund was set up by the European Commission and many European Union (EU) member states in response to the crisis. It makes available expertise in the social and financial sectors, which are funded equally by the initiative.

Thus far, more than 50 activities have been approved from the ASEM Trust Fund, costing a total of $33 million in the seven recipient countries—China, Indonesia, Malaysia, the Philippines, South Korea, Thailand, and Vietnam. The fund is helping reform social security programs, monitor poverty, design programs to mitigate the crisis' impact on the health and education of the poor, and restructure the financial and corporate sectors.

The New Miyazawa Initiative. *Japan pledged a generous package of support for its neighbors in October 1998. The Miyazawa Initiative, named for the country's Finance Minister Kiichi Miyazawa, is providing approximately $30 billion; half is dedicated to short-term capital needs during the process of implementing economic reforms, and the other half is earmarked for medium- and long-term reforms. The initiative is providing major assistance for restructuring corporate debt, reforming financial sectors, strengthening social safety nets, increasing employment, and addressing the credit crunch.*

Asia Growth and Recovery Initiative. *In November 1998, U.S. President Clinton and Japanese Prime Minister Obuchi announced The Asia Growth and Recovery Initiative (AGRI), a multilateral effort to stimulate economic growth in Asia. With support from the Bank and the Asian Development Bank, AGRI will initially target the mobilization of $5 billion in bilateral and multilateral support to further corporate restructuring and restore access to capital, including for small and medium enterprises. The first meeting to review the progress of the initiative was held in Bangkok in April 1999.*

in the region presented new opportunities for progress. Anticorruption support has become prominent in all East Asia Country Assistance Strategies (CASS). While much remains to be done in East Asia, as elsewhere, the past year offers encouragement that governments, businesses, civil society, and donors are serious about maintaining the pressure for progress.

Assistance was most significant in Indonesia, where the Bank explored, first, what could be done about the atmosphere of KKN—the Indonesian acronym for corruption, collusion, and nepotism in the country—and second, how to protect the integrity of Bank-financed activities in Indonesia. Working with government, other stakeholders, and Indonesian civil society, the Bank is helping develop a strategy to combat corruption in public sector operations. Preliminary recommendations focus on safeguarding the government's social safety net programs from misuse of funds; making immediate progress on transparency and information through freedom-of-information measures, whistleblower protection, and conflict-of-interest rules in public decisionmaking; establishing institutional mechanisms for developing and implementing a national anticorruption strategy; and initiating action on longer-term governance reforms. With Bank support, Thailand is developing a decentralization and local government-strengthening program, which will improve the weak financial management, service delivery, and public infrastructure management capacity of local urban governments.

Vietnam also made significant strides. A new *Regulation on Fiscal Publication* was introduced, which promotes transparency in the accounts of state and provincial governments, budgetary spending units, state enterprises, and funds from public contributions. The government of Vietnam committed to publishing the budget in 1999; several donors at the December 1998 Consultative Group (CG) meeting offered technical assistance for this purpose.

Cambodia suffers from weak governance and corruption in public sector management, and the new government has given high priority to addressing these ills. In the recent Public Expenditure Review, published for the Consulta-

tive Group meeting in February 1999, the Bank tackled these issues in the context of revenue loss and expenditure leakage and diversion. With funding from the Danish Trust Fund on Governance, the Bank conducted a private enterprise survey on business environment and public sector governance to get a detailed account of the nature and severity of the impact of public sector governance problems on the private sector. In addition, with Institutional Development Fund funding, the Bank will survey public officials and private citizens on governance and corruption issues and jointly prepare an action plan with the government.

Protecting social sectors

The crisis broke down part of East Asia's implicit social contract, in which the state provided investments in health and education, while growth and family ties provided a safety net. At the peak of the crisis, external finance had to support basic social expenditures. As the focus moves to recovery, the agenda is changing. Basic health and education expenditures remain central components, together with efforts to stimulate growth through labor-intensive public works and job-creation programs. In the transition economies, governments are paying increasing attention to the social costs of needed state enterprise reform by maintaining incomes of laid-off workers. In the poor Southeast Asia and Pacific Island countries, government capacity to cushion the blow of recession is severely limited.

Assistance for social protection has increased. In hardest-hit Indonesia, the Bank has emphasized assistance to protect social sector spending, especially on safety nets and effective targeting, to ensure that scarce resources have their intended impact. In Korea, the Bank has worked with the government, business, and labor unions to amend labor laws, enabling company restructuring without causing undue hardship to workforces. The Philippines Second Vocational Training Project, scheduled to close in December 1998, has been extended through the end of 1999 to fund training for displaced overseas workers and unemployed youth with a view to mitigating the social impact of the East Asia financial crisis. In Thailand, the Bank's

BOX 2-8 INNOVATIVE APPROACHES TO MUNICIPAL SERVICES DELIVERY IN INDONESIA

The Municipal Innovations Project for Indonesia originated in an August 1997 Bank-sponsored conference for innovative mayors, aimed at exploring ways to provide efficient services at lower cost for Indonesia's growing urban population. The current process of central approval for financing of municipal programs reduces flexibility: private sector–community consultation and participation are limited, local financing for new approaches is seldom available, and incentives are few. The $5 million Learning and Innovation Loan is helping fund grants (maximum of $100,000) for a series of small initiatives designed to test new approaches in delivery of services to the urban poor.

The project, approved in February 1999, aims to promote institutional reform and demonstrate that client-responsive municipal service improvements can be stimulated through small participatory efforts, funded on a competitive basis. It encourages municipal innovation, dissemination of successes, and improvement in central government practices affecting municipalities. Information-sharing is an important element.

The municipal innovation proposals approved focus mainly on improving the delivery of services to the urban poor through new approaches such as community-based waste recycling programs, upgrade of vendor locations, development of small businesses, cultural heritage preservation, and improved information and urban management. A three-year period is allowed for implementation and for a learning and dissemination period.

With an urban population of 60 million in Indonesia, the benefits could be widespread if the innovations are replicated broadly. Experiences will be disseminated via workshops, newsletters, and electronically, and the project implementation agency will promote the development of an independent network of local government agencies to encourage the replication of successful initiatives. As a further incentive, awards for excellence will be presented in late 2000 for the three best innovations.

Urbanization is an emerging issue for East Asia.

$300 million Social Investment Program Loan aims to fund job creation for the poor and unemployed, expand training for the unemployed, and support low-income health insurance programs. A follow-up loan and a skills development project are also addressing jobs, unemployment, and training needs. In transition and small economies, the Bank is focusing on public expenditure reviews and advice on the structure of social spending. Specific economic and sector work is being conducted in China, Vietnam, and Cambodia.

An emerging issue for East Asia is its rapid urbanization and associated implications for urban poverty and delivery of urban basic services. As the region's cities emerge as growing engines of economic growth, basic services such as energy, housing, and sanitation are coming under growing pressure. Disease is re-emerging, especially among the urban poor, who rank among those hardest hit by the financial crisis. Efforts are needed to upgrade basic services and help financially weak utilities. In May, the Bank cohosted the Global Competitive Cities Congress, where mayors from all over the world met to discuss efficiencies in infrastructure; financial options; ways to attract investment; communication and information strategies; and management issues. The Bank is working closely with several countries to pilot approaches to urban poverty reduction and municipal service delivery (Box 2-8).

Safeguarding the environment

Although the crisis naturally forced the Bank to shift its focus from the long-term development agenda of a few years ago, certain areas continued to demand—and receive—priority attention. Deforestation, severe urban air pollution, poor water quality and sanitation, degradation of coastal zones, and loss of habitats for rare species were serious environmental problems for East Asia even before the crisis. With increased numbers of poor following the crisis, reliance on natural resources has grown. More fish have been consumed, and more trees cut down, to benefit domestic consumption as well as exports, which are more competitive as a re-

sult of currency devaluation. At the same time, the crisis has resulted in a cutback of expenditures needed to staff protection agencies and, in some cases, has encouraged governments to open valuable forest land for farming and logging. A Bank report, *The Environmental Consequences of the East Asian Financial Crisis*, being discussed across the region and in Europe and North America, has sought both to raise global awareness of the issue to attract donor and civil society support and to galvanize borrowers into action to prevent the need for more costly remedial action later. A set of supporting surveys on poverty and the environment, mining, and natural resources will help define the environmental risks and opportunities posed by the financial crisis.

To address environmental concerns in the crisis countries, the Bank is recommending a three-pronged approach. First, preventive measures would include raising natural resource fees and strengthening or adopting natural resource management policies; focusing social programs on settlements close to environmentally sensitive areas to address poverty-environment links; and protecting expenditures with simultaneous social and environmental benefits and identifying alternative revenue sources to maintain key environmental functions. Second, efforts to build on synergies between adjustment and environmental objectives include those under the first and second Indonesia Policy Reform Support Loans, addressing forestry sector issues in particular. Third, monitoring and ensuring the implementation of environmental conditions of adjustment lending have also been important.

Key to Cambodia's development is the exploitation of forestry in an environmentally sustainable, socially responsible, and economically viable manner. In recent years, however, conditions in the forestry sector have continued to decline with rampant illegal log smuggling. In response, the Bank helped prepare four studies on forestry policy, log control and monitoring, legal review of concession contracts, and concession management. Recommendations from those studies are being implemented, including under a Learning and Innovation Loan.

Environmental issues in Lao PDR are fully mainstreamed in the Bank's lending and other support activities. Apart from projects and activities that have direct environmental components (such as rural development, Global Environmental Facility–funded biodiversity and conservation projects, land management, and forestry projects), all infrastructure and energy projects have a strong bias toward environmental sustainability. For example, under the Nam Theun 2 Hydropower Project proposed for a World Bank risk guarantee, an unprecedented program of international oversight and local consultations is accompanying environmental and social impact assessment studies, which in most cases exceed Bank operational requirements.

Building relationships and partnerships

The Bank has been increasingly active in aid coordination. In response to the crisis, it emerged as the primary coordinator of technical assistance (TA) for financial and corporate restructuring activities and for the social sector as a whole. Bank staff have facilitated Consultative Group meetings for these countries, with greater attention to public consultation and collaboration with civil society. Full or interim CG meetings for Cambodia, Indonesia, and the Philippines were conducted in FY99. The Bank is also mobilizing bilateral support and becoming more active in reviewing and prioritizing TA proposals. Examples include the European Union–financed Asia-Europe Meeting funds and the Japanese-financed Special PHRD funds, which support TA needs in the financial, corporate, and social areas.

The Bank and the IMF have established a strong working relationship in all the crisis countries, holding joint and synchronized missions to review and assess respective programs. Regular reporting systems between the two organizations have improved dialogue significantly since the start of the crisis. Common guidelines for coordinating activities are also helping improve discussions at technical and policy levels.

In preparing Country Assistance Strategies (CASS), the Bank is emphasizing close consultations not only with governments but also with broader civil society, including NGOs, people's groups, business groups, trade unions, and

TABLE 2-6 OPERATIONS APPROVED DURING FISCAL YEAR 1999, EAST ASIA AND PACIFIC

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) U.S. $
Cambodia				
Road Rehabilitation Project	Mar 23, 1999	2009/2039	32.30	45.31
Social Fund II Project	Mar 23, 1999	2009/2039	17.90	25.00
Northeast Village Development Project	May 18, 1999	2009/2039	3.60	5.00
China				
Enterprise Reform Project	Jun 28, 1999	2009/2034	3.70	5.00
Western Poverty Reduction Project [a]	Jun 24, 1999	2005/2019	n.a.	60.00
Western Poverty Reduction Project [a]	Jun 24, 1999	2005/2034	73.80	100.00
Fujian Highway II Project	Jun 24, 1999	2005/2019	n.a.	200.00
Sichuan Urban Environment Project [a]	Jun 17, 1999	2005/2019	n.a.	150.00
Sichuan Urban Environment Project [a]	Jun 17, 1999	2009/2034	1.50	2.00
National Highway IV Project-Hubei/Hunan	Jun 17, 1999	2005/2019	n.a.	350.00
Renewable Energy Development Project	Jun 8, 1999	2005/2019	n.a.	100.00
Pension Reform Project	Jun 4, 1999	2009/2034	3.70	5.00
Rural Water Supply and Sanitation IV Project [a]	Jun 3, 1999	2005/2019	n.a.	16.00
Rural Water Supply and Sanitation IV Project [a]	Jun 3, 1999	2009/2034	22.20	30.00
Loess Plateau Watershed Rehabilitation II Project [a]	May 25, 1999	2005/2019	n.a.	100.00
Loess Plateau Watershed Rehabilitation II Project [a]	May 25, 1999	2009/2034	36.90	50.00
Guanzhong Irrigation Improvement Project [a]	May 25, 1999	2005/2019	n.a.	80.00
Guanzhong Irrigation Improvement Project [a]	May 25, 1999	2009/2034	14.70	20.00
Higher Education Reform Project [a]	May 18, 1999	2005/2019	n.a.	20.00
Higher Education Reform Project [a]	May 18, 1999	2009/2034	36.80	50.00
Technical Cooperation IV Project [a]	May 18, 1999	2005/2019	n.a.	10.00
Technical Cooperation IV Project [a]	May 18, 1999	2009/2034	25.70	35.00
Health Nine Project [a]	May 4, 1999	2005/2019	n.a.	10.00
Health Nine Project [a]	May 4, 1999	2009/2034	36.80	50.00
Liaoning Urban Transport Project	Mar 30, 1999	2004/2019	n.a.	150.00
Container Transport Project	Mar 16, 1999	2004/2019	n.a.	71.00
Accounting Reform and Development Project [a]	Feb 23, 1999	2004/2019	n.a.	27.40
Accounting Reform and Development Project [a]	Feb 23, 1999	2009/2033	4.10	5.61
Yangtze Flood Emergency Rehabilitation Project [a]	Feb 9, 1999	2004/2019	n.a.	40.00
Yangtze Flood Emergency Rehabilitation Project [a]	Feb 9, 1999	2004/2019	28.90	40.00
Anning Valley Agricultural Development Project [a]	Jan 21, 1999	2004/2034	n.a.	90.00
Anning Valley Agricultural Development Project [a]	Jan 21, 1999	2009/2019	21.40	30.00
Anhui Provincial Highway Project	Dec 15, 1998	2004/2019	n.a.	200.00
Indonesia				
Social Safety Net Adjustment Loan	May 20, 1999	2003/2014	n.a.	600.00
Policy Reform Structural Adjustment Loan II	May 20, 1999	2003/2014	n.a.	500.00
Water Resources Sector Adjustment Loan	May 18, 1999	2003/2014	n.a.	300.00
Urban Poverty Project	May 18, 1999	2009/2033	73.50	100.00
Sulawesi and Eastern Islands Basic Education Project [a]	Apr 8, 1999	2002/2014	n.a.	47.90
Sulawesi and Eastern Islands Basic Education Project [a]	Apr 8, 1999	2009/2033	11.70	15.90
Sumatera Basic Education Project [a]	Apr 8, 1999	2002/2014	n.a.	54.50
Sumatera Basic Education Project [a]	Apr 8, 1999	2009/2033	14.80	20.10
Corporate Restructuring Technical Assistance Project	Mar 25, 1999	2002/2014	n.a.	31.50

academia. Public consultation in Indonesia has been especially intense, given political and economic uncertainty and highly divisive issues: protecting social safety net spending from corruption, implementing governance reforms under a transitional government, and continuing policy reform to address institutional weaknesses and entrenched interests at the heart of the crisis. Field office–led consultations focused on Bank assistance strategy over an 18-month period, and on proposed adjustment operations. Feedback was highly positive, with the sessions especially productive for Bank staff. In the Philippines, the Bank met extensively with government and donors, as well as with representatives from NGOs, civil society, business groups, and academia, to discuss the 1999 CAS. Here, too, the response was overwhelmingly support-

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) U.S. $
Municipal Innovations Project	Feb 9, 1999	2002/2014	n.a.	5.00
Early Child Development Project	Jul 28, 1998	2002/2014	n.a.	21.50
Health V Project	Jul 14, 1998	2002/2013	n.a.	44.70
Policy Reform Structural Adjustment Loan	Jul 2, 1998	2002/2013	n.a.	1,000.00
Korea, Republic of				
Structural Adjustment Loan II	Oct 22, 1998	2004/2013	n.a.	2,000.00
Financial and Corporate Restructuring Assistance Program	Aug 6, 1998	2004/2013	n.a.	48.00
Lao People's Democratic Republic				
District Upland Development Conservation Project	Mar 18, 1999	2009/2039	1.50	2.00
Provincial Infrastructure Project	Sep 22, 1998	2008/2038	20.70	27.80
Malaysia				
Education Sector Support Project	Mar 30, 1999	2002/2014	n.a.	244.00
Year 2000 Technical Assistance Project	Mar 30, 1999	2002/2014	n.a.	100.00
Social Sector Support Project	Mar 30, 1999	2002/2014	n.a.	60.00
Mongolia				
Private Sector Development Project	May 25, 1999	2009/2039	8.90	12.00
Philippines				
Local Government Finance and Development Project	Mar 23, 1999	2004/2019	n.a.	100.00
LGU Urban Water and Sanitation Project	Dec 15, 1998	2004/2019	n.a.	23.30
Private Enterprise Credit Support Project	Dec 3, 1998	2004/2019	n.a.	150.00
Rural Finance III Project	Dec 3, 1998	2004/2018	n.a.	150.00
Banking System Reform Project	Dec 3, 1998	2004/2018	n.a.	300.00
Samoa				
Infrastructure Asset Management	Apr 15, 1999	2009/2039	10.30	14.40
Solomon Islands				
Structural Adjustment Credit	Jun 17, 1999	2009/2039	8.90	12.00
Thailand				
Economic and Financial Adjustment Loan II	Mar 25, 1999	2003/2014	n.a.	600.00
Social Investment Project	Jul 9, 1998	2002/2013	n.a.	300.00
Economic and Financial Adjustment Loan	Jul 9, 1998	2002/2013	n.a.	400.00
Vietnam				
Three Cities Sanitation Project	May 18, 1999	2009/2039	59.40	80.50
Mekong Delta Water Resources Project	May 4, 1999	2009/2039	72.80	101.80
Higher Education Project	Aug 27, 1998	2009/2038	62.10	83.30
Urban Transport Improvement Project	Aug 27, 1998	2008/2038	31.80	42.70
Total			740.40	9,765.22

n.a. Not applicable (IBRD loan).
a. "Blend" loan/credit.

ive; the Manila office plans regular meetings with these groups to maintain strong dialogue.

To coordinate efforts and share information on the crisis' social impact, the Bank chaired the first "Regional Meeting on Social Issues Arising from the Crisis" in Bangkok in January 1999. The "Social Crisis in East Asia" web site continues this work by serving as a clearinghouse for aid agencies and nongovernmental organizations to share data, research, perspectives, and solutions. The Bank also participates in regular meetings of finance and central bank deputies to develop regional strategies to address the crisis and has been an active partner in designing and developing regional initiatives including the new Miyazawa Initiative and the Asia Growth and Recovery Initiative (Box 2-7).

SOUTH ASIA

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING:
Afghanistan
Bangladesh
Bhutan
India
Maldives
Nepal
Pakistan
Sri Lanka

Regional context

South Asian GDP grew at an estimated 5.2 percent in 1998. Growth was slightly below the 1991–97 average of 5.7 percent but faster than in other regions. South Asian economies were largely insulated from the immediate fallout of the East Asian financial crisis, not having the large buildup of short-term external debt that made so many other countries vulnerable to contagion.

Slower growth was the result of a slackening of export markets, loss of momentum in policy reforms, political instability, the century's worst floods in Bangladesh, the fall in Asian tourist arrivals in Sri Lanka, and economic sanctions imposed on India and Pakistan by the Group of Eight countries after both countries performed nuclear tests. India's growth was 5.8 percent, compared with some 7 percent in the mid-1990s. Pakistan achieved 3.0 percent growth, a figure reduced by a foreign exchange and debt crisis provoked by the sanctions, which may have prevented some trade and temporarily halted most foreign capital inflows. In Bangladesh, the economic impact of floods was partially offset by strong agricultural performance; GDP growth is estimated at about 4.5 percent, as compared with the pre-flood estimates of 6 percent.

While the region contains a little more than 20 percent of the world's population, it is home to 40 percent of the world's poor. One reason for this situation is that the region continues to underinvest in human capital. Another is that South Asia remains the region that is least integrated into the world economy: it accounts for only 1 percent of world trade and receives just 3.6 percent of net private long-term capital flows to developing countries. The medium-term outlook has been further clouded by a wavering of reform. Fiscal deficits are now among the highest in the world, progress toward privatization is slow, and the momentum to liberalize trade has largely been lost.

Another factor that continues to impede economic progress and deter foreign private investment and external aid is widespread civil conflict and political unrest. Afghanistan is the extreme case, where a lengthy war has precipitated economic and social crises, including the exclusion of women from the labor market and girls from school in large parts of the country. In Bangladesh, political strikes (*hartals*) have imposed substantial social and economic costs. Civil conflict in Sri Lanka continued to take a heavy toll on lives and budget resources. Nepal continues to confront a low-level insurgency by Maoists. Political instability in India has contributed to a slowdown in national-level reforms; the imposition of sanctions on India and Pakistan and the armed conflict in Kashmir have been harmful to both countries.

Poverty-related challenges loom. With more than 40

percent of the region's people living below the international poverty line ($1 a day), raising the living standards of the poor remains of overwhelming importance. While the gap between rich and poor has substantially narrowed, poverty incidence throughout South Asia has changed little over the past decade. With some exceptions, poverty is both a cause and consequence of the region's low level of human development and the low status of South Asia's women. South Asia has the world's lowest adult literacy rate (48 percent) and one third of the world's maternal deaths, while more than half of the region's children under 5 years are malnourished. While government action and donor support have slowed population growth over the past decade to 1.4 percent, fertility rates are high, and access to family planning is uneven. Economic growth also creates environmental pressures in the forms of pollution, soil erosion, land degradation, deforestation, and deterioration of the urban environment. Poor governance and corruption are also hampering the region's development efforts.

Child labor is also a formidable challenge: despite government legislation, South Asia remains home to the largest number of economically active children in the world. While statistics vary, some 29 million—more than a third of the world's working children aged 10 to 14—live in South Asia. On a positive note, however, several countries (Bangladesh, Nepal, Pakistan) and selected states in India have initiated steps to address the problem of child labor. Sri Lanka has recently taken steps to address the growing problem of child labor in prostitution and as combatants in the civil conflict.

Bank assistance

Table 2-7 shows the value and sectoral distributions of total Bank lending to the South Asia region in the FY90 to FY99 period. Table 2-8 compares commitments, disbursements, and net transfers to the region for fiscal years 1994 to 1999, and Table 2-9 shows operations approved in FY99, by country. Figure 2-5 shows IBRD and IDA commitments by sector.

The imposition of sanctions affected the Bank Group's FY99 lending programs for India and Pakistan. Executive directors postponed consideration of several IBRD and IFC loans to India, deemed not to address basic human needs. Diplomatic progress combined with Pakistan's precarious financial situation and its commitment to serious reform paved the way for approval of a Structural Adjustment Loan (SAL) in January 1999. The easing of sanctions on India enabled resumption of lending for some infrastructure and power programs and IFC operations.

Fighting poverty is central to the Bank's Country Assistance Strategies (CASS) in the region. Priority areas are: investing in social and human capital; protecting the environment; ensuring sound economic management; and

FIGURE 2-5 SOUTH ASIA: IBRD AND IDA LENDING COMMITMENTS BY SECTOR, FISCAL YEAR 1999

Total $2.6 billion

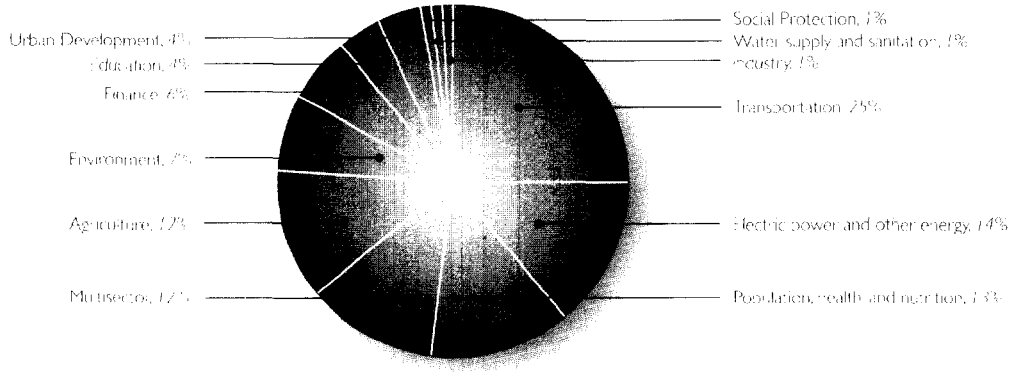


TABLE 2-7 LENDING TO BORROWERS IN SOUTH ASIA, BY SECTOR, FISCAL YEARS 1990–99

(millions of U.S. dollars)

Sector	Annual average, FY90–94	FY95	FY96	FY97	FY98	FY99	Reclassified FY99[a]
Agriculture	435.5	551.3	420.6	409.0	876.1	390.6	301
Education	318.5	423.7	499.8		718.2	98.2	112
Electric power and other energy	618.5	250.0	700.0	24.2	295.0	210.0	350
Environment	106.3	168.0	263.9	64.8	—	138.6	189
Finance	94.5	916.0	205.0	105.0	—	119.0	155
Industry	213.5	3.2	3.4	—	—	32.0	32
Mining	2.4	—	63.0	—	532.0	—	—
Multisector	257.0	—	—	—	—	550.0	310
Oil and gas	183.0	120.8	—	—	—	—	—
Population, health, and nutrition	292.2	257.9	376.7	574.3	626.4	325.0	339
Public sector management	92.4	—	92.0	31.7	250.0	—	—
Social protection	111.5	—	—	19.5	543.2	—	31
Telecommunications	22.4	—	35.0	—	—	—	—
Transportation	260.9	—	—	684.5	23.5	561.3	611
Urban development	49.2	39.0	21.5	—	—	105.0	100
Water supply and sanitation	120.9	275.8	251.6	98.6	—	32.4	32
Total	3,178.8	3,005.7	2,932.5	2,011.6	3,864.4	2,562.0	2,562
Of which: IBRD	1,246.5	1,584.8	1,161.6	626.5	1,318.0	750.0	
IDA	1,932.3	1,420.9	1,770.9	1,385.1	2,546.4	1,812.0	

— Zero.

Note: *Numbers may not add to totals because of rounding.*

a. See Explanatory Note, Table 1 (page 10).

TABLE 2-8 WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN SOUTH ASIA, FISCAL YEARS 1994–99

(millions of U.S. dollars)

	India		Bangladesh		Pakistan		Total region	
Item	1999	1994–99[a]	1999	1994–99[a]	1999	1994–99[a]	1999	1994–99[a]
IBRD and IDA commitments	1,055	9,796	1,021	3,005	440	3,240	2,562	16,743
Undisbursed balance	8,939	8,939	1,190	1,190	1,794	1,794	12,624	12,624
Gross disbursements	1,437	9,185	472	1,992	683	3,685	2,743	15,818
Repayments	1,157	6,549	71	315	264	1,457	1,525	8,468
Net disbursements	280	2,636	401	1,677	419	2,228	1,218	7,350
Interest and charges	671	4,793	47	266	222	1,348	963	6,543
Net transfer	–391	–2,157	354	1,411	197	880	255	808

Note: *The table shows the three countries with the largest lending commitments in the Region over the past two fiscal years (FY98–99).*

a. Disbursements from the IDA Special Fund are included through fiscal 1996.

promoting private sector participation, institutional development, and good governance to create a sound climate for private investment and to ensure effective public expenditure. In the case of India, the strategy explicitly seeks partnership with reforming states through comprehensive multisector state reform programs. The Bank is already helping Andhra Pradesh forge ahead with its economic restructuring program, while engaged in exploratory discussions with several other states.

Focusing on poverty

In FY99, the Bank scaled up its rural antipoverty work and increased its efforts to help countries address the needs of the urban poor. Work increasingly focused on participatory development, empowerment, and social mobilization of poor and disadvantaged groups. For example, the Pakistan Poverty Alleviation Fund empowers the rural and urban poor, particularly women, by providing access to microcredit and community infrastructure, working through nongovernmental organizations (NGOs). Attention to rural areas, where more than three fourths of the region's poor live, is key to reducing poverty. To provide a framework for rural growth and poverty reduction, rural development strategies were prepared for India and Bangladesh. The aim is to restore productivity growth in agriculture and the nonfarm economy and ensure that the benefits of growth flow to the rural poor. The Uttar Pradesh Sodic Lands Reclamation II Project, approved in December

BOX 2-9 REVERSING AGRICULTURAL LAND DEGRADATION THROUGH PARTICIPATORY MANAGEMENT IN INDIA

Issue. *Uttar Pradesh, India's largest state, has about 17 million hectares under cultivation and accounts for 10 percent of India's net sown area and 25 percent of the total irrigated area. It produces nearly 20 percent of India's foodgrains. Over the past decade, the state's agrarian economy has been undermined by population pressure and land degradation. About 7 percent of the state's net cultivable land is unused because of a high buildup of salts that are toxic to plants and adversely affect human and animal health. The result: growth of crop yields is slowing. Between 1990 and 1995, rice yields grew at 1 percent, compared to 5 percent between 1980 and 1990; wheat yields grew at 1.6 percent compared to 2.4 percent over the earlier period.*

Project objectives. *Since 1993, the Uttar Pradesh Sodic Lands Reclamation I Project has supported the reclamation of barren and low-yielding croplands and aimed to boost incomes of the rural poor by increasing crop yields and intensity in the hardest-hit areas of the state. The $111.2 million project is being financed with a $54.7 million IDA credit.*

Participatory approach. *The project's system of participatory management emphasizes transparency, decentralized decisionmaking, capacity building, and accountability. With assistance from nongovernmental organizations (NGOs), water user groups are formed and are involved in decisionmaking from the earliest planning stages to the end of project services. With technical support from the government implementing agency, water user groups carry out all site activities associated with the reclamation process: tubewell boring, field preparation, leaching, and crop production. Project funds flow directly into the accounts of these groups for implementation of works, with NGOs providing detailed accounting assistance. Once land is reclaimed, water user groups take responsibility for maintenance of the pumpsets and drains linking their fields to the main drains.*

The project has also fostered the formation of women's self-help groups to improve the socioeconomic well-being of village families and empower women. Developed initially around the concept of group savings, these groups have evolved into important centers of village activity. They have undertaken a wide range of microenterprises with bank credit to the groups in such areas as dairy farming, sewing, and tree nurseries. The groups also operate adult literacy programs.

Results. *As a result of the project, more than 47,677 hectares have been reclaimed, well above target. Cropping intensity and yields have shown a dramatic increase. Average incomes among beneficiaries have been boosted by more than 60 percent. To date more than 85,000 farm families have benefited. In FY99, the Bank announced a $194 million IDA credit to continue the effort on another 150,000 hectares of sodic lands. The project model is so successful that the government of Uttar Pradesh plans to follow it in all future sodic land reclamation.*

1998, expands a successful ongoing initiative to help reclaim low-yielding crop lands and boost low rural incomes of mostly disadvantaged subsistence farmers by increasing crop yields and intensity in the hardest-hit areas of India's largest state (Box 2-9).

The World Bank Institute (WBI) convened a regional workshop in Dhaka on poverty, bringing together government officials, policymakers, researchers, NGOs, and donors. Similar country-level meetings were held in India and Pakistan. The objectives were to debate poverty alleviation policies and approaches and the role of donor agencies; facilitate early and open discussion of the forthcoming *World Development Report 2000/2001* on poverty; and discuss poverty research, including that of the Bank. In Sri Lanka, the Bank supported poverty research in order to guide the government's formulation of a poverty alleviation strategy.

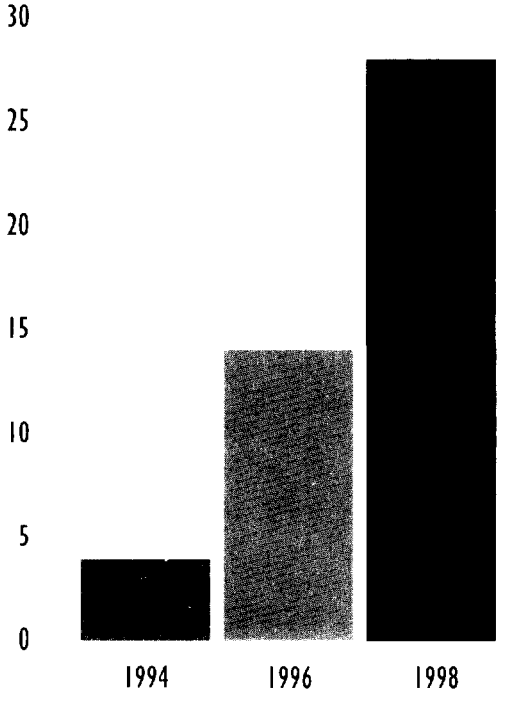
Supporting human and social development

Building human capital remains a top priority in Bank CASS in South Asia. In India's Rajasthan state, the Bank expanded its support for the District Primary Education Program; the project will increase enrollment rates for girls and children from disadvantaged groups and impoverished areas. An Adaptable Program credit will also provide long-term support for primary education in Nepal. Work is under way to explore innovative public and private models to improve the quality of primary education in Bangladesh.

In the health sector, the Bank is helping India step up its fight to control the spread of HIV/AIDS with the approval of a second AIDS prevention project. Currently, about 0.9 percent of the adult population, or 4 million people, are HIV-infected. While the rate is low, the absolute number of persons with HIV is more than in nearly any other country. Without an expanded response, HIV infection could grow to at least 5 percent of the adult population, or more than 37 million people, by 2005. Even with intervention, the absolute number of HIV-infected people is certain to grow. The first phase of support helped establish program management and made important gains in improving blood safety, control of sexually transmitted diseases, surveillance, quality improvements for condoms, and health education. Critical elements of the program's second phase are the strengthening of institutions that deal with HIV/AIDS at the national, state, and municipal levels and targeting the poorest and most vulnerable high-risk groups. At the same time, the Bank has initiated a dialogue with other South Asian countries on HIV/AIDS as a major public health and development issue. The Bank also continued its support for state-level health sector reforms in India through the Maharashtra State Health Systems Project. To support institutional reforms in Sri Lanka's health sector, the Bank is helping the government formulate a health strategy that encompasses organizational change.

Reflecting Operations and Evaluation Department (OED) lessons from earlier programs in South Asia, the Bank is increasingly emphasizing social concerns in its regional activities. In FY99, South Asia field offices significantly strengthened their Social Development Units. The South Asia Region continued to lead the Bank in the area of social assessments, which

FIGURE 2-6 NUMBER OF SOCIAL ASSESSMENTS IN BANK-ASSISTED PROJECTS IN SOUTH ASIA, FISCAL YEARS 1994, 1996, 1998



help ensure adequate participatory approaches and attention to social dimensions in project design and implementation (Figure 2-6). Important social concerns being addressed include protecting indigenous peoples and resettlement and rehabilitation through support for workshops to help the Indian government strengthen national policies in these areas. Bank-funded projects are also helping the government of India devise strategies that address the problem of child labor.

Improving environmental management

Through nonlending as well as lending services, the Bank continued to support South Asian countries' efforts to ensure that economic development and environmental protection go hand-in-hand. In workshops in New Delhi and Dhaka, the government and private sector agreed on plans to reduce transport-related air pollution.

In Andhra Pradesh, a joint government-Bank study quantified the health impacts of water pollution to better target expenditures on water and sanitation infrastructure, while another study assessed the costs and benefits of eight distinct sustainable forest management systems in Nepal. Also, to help raise awareness and enable policymakers regionwide to better address the problem of lead poisoning, the Bank, the George Foundation, the Centers for Disease Control and Prevention (United States), and the U.S. Environmental Protection Agency cosponsored an International Conference on Lead Poisoning Prevention and Treatment in Bangalore, India.

Promoting private sector participation

South Asia's infrastructure requirements are massive. Bank support has centered on increasing public investment and expanding private sector participation—in close cooperation with IFC and MIGA—in the funding and management of basic infrastructure, namely power, telecommunications, natural gas utilities, and transport. In response to the government's request, the

The Bank is increasing attention to urban development, transport, and related environmental needs in South Asia.

Women's self-help groups improve the socioeconomic well-being of village families and empower women in Uttar Pradesh, India.

Bank prepared a pioneering, comprehensive assessment of India's framework for private investment in infrastructure. A private sector conference in Paris was also organized in partnership with the government of India, Morgan Stanley Dean Witter, ICICI Ltd., Infrastructure Development Finance Company, Ltd., and the Bank of Tokyo–Mitsubishi, as part of a series of discussions on private investment in India's infrastructure and to advance the dialogue among key partners. IFC and MIGA also provided support to Coastal Power Khulna Ltd. for its investment in the first independent power producer in Bangladesh.

In support of the Bank Group's strategy to help the government of Sri Lanka reform the port sector, IFC and the Bank (through the onlending of an IDA credit to Sri Lanka's Private Sector Infrastructure Development Corporation) financed the South Asia Gateway Terminals Limited Project. This project represents the government's first effort to involve the private sector in ports and enables the country to develop its position as a transshipment hub. Other lending and nonlending services are helping create an environment for private investment and economic growth in Sri Lanka by improving the regional transport network, thus facilitating regional trade, trade liberalization, and privatization.

With rapid urbanization, expanding access to urban infrastructure and services—especially

of the urban poor—is a critical challenge. To raise awareness and devise related strategies, the Bank organized a workshop in Manila for Asian policymakers on upgrading urban services for the poor. The dialogue contributed to the creation of an Asian urban upgrading network that shares experience and best practices on urban infrastructure service provision. The Dhaka Urban Transport Project supports ongoing efforts to improve the city's transport infrastructure and traffic management and to help strengthen long-term transport planning. Numerous consultations were held with women's groups, rickshaw pullers, and other transport operators to reflect their concerns in project design. In India, the second Bank-assisted Tamil Nadu Urban Development Project will help improve basic urban service delivery by providing a line of credit to finance basic urban infrastructure investments, financing an integrated sanitation component in low-income areas, and securing additional private funding.

Meeting energy needs

Economic growth in South Asia will continue to be hampered as long as an inadequate power supply constrains industrial development. The Bank Group continued to provide technical and financial assistance to help meet energy needs across the region, promoting sector reforms as well as private investment. A wide range of sector reforms is under way in parts of India with Bank support. An API., pioneered last year in Haryana, was the vehicle used in FY99 to support long-term power sector restructuring in Andhra Pradesh. The program's first phase will establish a new legal, regulatory, and institutional framework; support preparatory work for privatization; and finance critically needed transmission and distribution system rehabilita-

BOX 2-10 ADDRESSING BANGLADESH'S MASSIVE ENVIRONMENTAL HEALTH PROBLEM

Issue. *Arsenic contamination of country's main source of potable water*

Population affected. *At least 15 percent of the population estimated to be exposed*

Bangladesh is facing perhaps the largest mass poisoning in history. High concentrations of arsenic have been found in water from tubewells across more than half of Bangladesh. Although the extent of the problem is still largely unknown, much of the country's groundwater is suspected to be contaminated with arsenic that occurs naturally in alluvial and deltaic sediments. At least 18 million people are believed exposed, with many more possibly at risk.

In late 1997, the Bank began working with the government to tackle this huge public health challenge. International and local experts traveled throughout Bangladesh to identify contaminated villages and wells. A key aspect of Bank intervention was awareness-building among government and donors to quickly arrive at a strategy to arrest the poisoning. In August 1998, a $32.4 million IDA credit for the Arsenic Mitigation Water Supply Project was approved. The four-year project will help stop contamination through emergency activities (wells-screening, medical services provision, information and education activities, safe water supply, water treatment). It will also help develop sustainable approaches to water supply management and support research to bridge the huge knowledge gap and help design the next phase operation.

The project is noteworthy for several reasons. The unprecedented scope of this environmental health problem has demanded a rapid, multisectoral response, addressing emergency as well as long-term needs in a sustainable fashion. Bank assistance has sought to respond to all of the above, relying heavily on development partners and on innovative participatory approaches involving village-level organizations and local governments. Direct benefits—social, environmental, and sanitational—would accrue to arsenic-affected communities, especially the poor. Indirectly, rural and urban dwellers will benefit from capacity-building efforts and private sector participation in water supply.

Partners. *Government, local communities, Swiss Development Cooperation, NGOs, Bangladeshi and international technical experts, UK Department for International Development, Netherlands Development Assistance, United Nations Development Programme, and others.*

tion. In the coal subsector, IFC invested in one of the first private coal mines in India, complementing the Bank's ongoing support for sector reforms and high-priority environmental and social mitigation programs.

Promoting good governance and strengthening institutions

South Asian countries are increasingly concerned with good governance and institutional and legal reforms. In FY99, WBI, Transparency International, and the Parliamentary Centre jointly sponsored a regional seminar in Dhaka for legislators, aimed at strengthening parliamentary processes and public accountability. Also, to strengthen public institutions, a seminar to share international best practices on administrative reforms in Bangladesh was held in partnership with Bangladesh's Public Administrative Reform Commission. The Bank also undertook an Institutional Review in Bangladesh, which advanced dialogue on reforms needed to strengthen public sector management and fed into the Bank's assistance strategy.

Bank assistance to Pakistan through the SAL is improving governance in banking, tax administration, public utilities, and public expenditure. In preparation for a forthcoming legal reforms

TABLE 2-9 OPERATIONS APPROVED DURING FISCAL YEAR 1999, SOUTH ASIA

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) U.S.$
Bangladesh				
Export Diversification Project	Jun 1, 1999	2009/2039	23.60	32.00
Rural Roads and Markets Improvement and Maintenance II Project Supplement	May 11, 1999	2007/2036	14.74	20.00
Road Rehabilitation and Maintenance II Project Supplement	May 11, 1999	2004/2034	59.00	80.00
Coastal Embankment Rehabilitation Project	Apr 20, 1999	2006/2035	12.00	16.50
Inland Water Transport III Project Supplement	Apr 20, 1999	2001/2031	4.60	6.30
River Bank Protection Program Supplement	Apr 20, 1999	2006/2035	32.80	45.00
Municipal Services Project	Mar 16, 1999	2009/2039	100.00	138.60
Dhaka Urban Transport Project	Jan 19, 1999	2009/2038	129.30	177.00
Emergency Flood Recovery Project	Nov 24, 1998	2009/2038	146.00	200.00
Road Rehabilitation and Maintenance III Project	Oct 1, 1998	2008/2038	203.40	273.00
Arsenic Mitigation-Water Supply Project	Aug 27, 1998	2009/2038	24.20	32.40
India				
Integrated Watershed Development Project [a]	Jun 15, 1999	2005/2019	n.a.	85.00
Integrated Watershed Development Project [a]	Jun 15, 1999	2009/2034	36.90	50.00
National HIV/AIDS Control II Project	Jun 15, 1999	2009/2034	140.80	191.00
Rajasthan District Primary Education Project	Jun 8, 1999	2009/2034	63.00	85.70
Tamil Nadu Urban Development II Project	May 27, 1999	2005/2019	n.a.	105.00
Andhra Pradesh Power Sector Restructuring Project	Feb 18, 1999	2004/2019	n.a.	210.00
Uttar Pradesh Sodic Lands Reclamation II Project	Dec 15, 1998	2009/2033	141.70	194.10
Maharashtra Health Systems Renewal Project	Dec 8, 1998	2009/2033	97.90	134.00
Nepal				
Rural Infrastructure Learning and Innovation Credit	May 14, 1999	2009/2039	3.70	5.00
Basic and Primary Education II Project	Mar 30, 1999	2009/2039	9.00	12.50
Pakistan				
Structural Adjustment Loan	Jan 21, 1999	2004/2019	n.a.	350.00
Poverty Alleviation Fund Project	Jun 17, 1999	2009/2034	66.50	90.00
Sri Lanka				
EmergencyYear 2000 Technical Assistance Project	Jan 19, 1999	2009/2034	21.00	29.00
Total			1,330.14	2,562.10

n.a. Not applicable (IBRD loan)
a. "Blend" loan/credit.

project, the government of Sri Lanka has set up, with Bank assistance, a standing Technical Group, comprising several leading private sector lawyers to identify and draft new laws; a Consultative Group with representation from government, business, NGOs, and international experts to help the Technical Group formulate recommendations; and a Steering Committee comprising senior government policymakers to steer the ensuing legislative process.

Moving swiftly to meet clients' urgent needs

Bangladesh's devastating floods challenged the Bank to respond rapidly. It did so with a three-part strategy of quick-disbursing assistance to help maintain macroeconomic stability in the short term; restructuring of existing and proposed IDA-financed projects, including four supplemental credits, to help repair damaged infrastructure and facilities; and long-term strengthening of country capacity for disaster preparedness and management. The Bank has also moved swiftly to coordinate the donor community and provide resources to help the government respond to the country's arsenic-contaminated water supply crisis (Box 2-10).

In Pakistan, the Bank and the IMF together provided balance of payments support for structural reforms in banking, tax administration, public utilities, and public expenditure. Based on the reform program, the Paris Club rescheduled Pakistan's publicly guaranteed debt. The program builds on previous successful reforms aimed at good governance and strengthening key institutions in the banking sector.

Reaching out to civil society

In FY99, the Bank continued its efforts to reach out to civil society. In preparing the Nepal CAS, Bank staff traveled around the country to consult with local NGOs, women's groups, farmers, and the private sector. Both the Nepal and Bangladesh CASs and the Sri Lanka CAS update were made available to the public for the first time. To foster public debate, the Bank's Dhaka office has been working extensively with the media in holding roundtable discussions with key policymakers and civil society on privatization, administrative reform, and other development issues. To share knowledge and increase transparency and openness, field offices in Nepal and Bangladesh developed country-specific web sites; these are being increasingly accessed by researchers, students, NGOs, government, donors, and others. WBI-sponsored Economic Journalism training workshops in Bangladesh, India, Nepal, and Pakistan, meanwhile, are also promoting greater understanding of development economics among South Asian journalists.

Improving operational effectiveness

The Bank has continued efforts to improve the quality of its products and services in South Asia, ensure greater participation of stakeholders in operations, and work more closely with partners. Five South Asia country directors and 60 percent of Bank staff working on the South Asia region now do so from the Bank's five country field offices. This has helped foster closer relationships with clients and helped to ensure that staff better understand that the region's cultural, political, and social dimensions are taken into account in the Bank's work. Management of lending and nonlending services has been more evenly divided between headquarters and field offices. In portfolio management, the region consolidated prior-year gains, with a further drop in the number of problem projects.

More than 120 Bank staff members working in the South Asia region have participated in Village Immersion Programs, which allow participants to step out of the normal business context and share the lives of economically disadvantaged villagers. The "trainers" are some of the world's most innovative NGOs and the villagers themselves. The experience aims to rekindle commitment to eliminating poverty and deepen understanding of how NGOs mobilize communities and relate to Bank and other donor-financed programs. Lessons learned are altering the way staff members work and are being transformed into new grassroots partnerships and project concepts. Examples include the Pakistan Poverty Alleviation Fund and the proposed Sri Lanka Village Self-Help Initiative Pilot, which tests a holistic approach to development through participatory planning at the village level.

EUROPE AND CENTRAL ASIA

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING:
Albania
Armenia
Azerbaijan
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Estonia
Georgia
Hungary
Kazakhstan
Kyrgyz Republic
Latvia
Lithuania
Macedonia, former Yugoslav Republic of
Moldova
Poland
Romania
Russian Federation
Slovak Republic
Slovenia
Tajikistan
Turkey
Turkmenistan
Ukraine
Uzbekistan

Regional context

A deteriorating external environment over the past year threatened the hard-won economic and social gains achieved by many countries in the Europe and Central Asia (ECA) Region. Key factors were the global financial crises, which increased borrowing costs in international capital markets; the Russian crisis in particular; slowdown of growth in Western Europe; and since early 1999, the Kosovo crisis. Reforming countries generally held up better.

Countries in Central Europe and the Baltics with strong public finances and relatively robust financial sectors are weathering the external shocks better. Their growth is expected to remain positive in 1999 but below the highs of 1997—partly the result of deliberate efforts to cool economies experiencing high current account deficits. These countries' sustained reforms have helped maintain high levels of foreign investment. Output rebounded strongly in Albania and Bulgaria during 1998, a result of the significant reforms undertaken in the past few years. In contrast, inconsistent reform efforts in Romania were largely responsible for its continuing output decline.

The Kosovo crisis has placed significant strains on countries in South Central Europe. The large influx of refugees is severely pressuring the economic and social infrastructure of Albania, Bosnia and Herzegovina, and Macedonia. Trade and investment flows have suffered, as has investor confidence; tourism revenues have fallen, particularly in Croatia; and the cost of borrowing on international capital markets has increased. Balance of payments financing gaps of countries bordering the Kosovo region are expected to increase substantially in 1999, as are extraordinary budget needs. As the situation normalizes, these negative trends are expected to reverse gradually, but extraordinary financing needs are likely to remain high for some time.

The Russian financial crisis dominated the region's economic developments. Growing reliance on short-term debt to finance fiscal deficits and a strong contagion effect from East Asia on international lenders led to an unsustainable debt repayment situation. In August 1998, the government sharply devalued the ruble and announced a moratorium on public debt. Output contracted by about 5 percent in 1998. A further decline is likely in 1999, although it may be smaller, as the devaluation has increased exports and production in import-competing industries. The government has made important efforts to prevent hyperinflation and avoid reintroducing foreign exchange and price controls. Sustained stabilization will require aggressive efforts both to reduce tax arrears and tax avoidance and to rationalize consolidated public expenditures, still about 40 percent of GDP. Making Russia more investor-friendly is critical to

boost small enterprise creation and foreign direct investment; both are weak in Russia but have been key to growth in Central Europe and the Baltics.

The Russian crisis sharply worsened the external environment for many of the countries of the Commonwealth of Independent States (CIS). Exports to Russia, ranging from 30 percent of total exports in Georgia to almost 60 percent in Moldova, dropped sharply. So, too, did annual remittances from expatriates working in Russia (amounting, in Armenia for example, to about 10 percent of GDP). Borrowing costs increased substantially, and investor interest in privatization programs fell. In addition, lower energy and minerals prices, bad harvests, and floods affected Kazakhstan, the Kyrgyz Republic, and Azerbaijan. The crisis also hurt Ukraine: after finally turning positive in the first half of 1998 for the first time since independence, growth faltered, with continued declines foreseen for 1999, as reforms continue to prove elusive.

Poverty has increased in the region over the past decade and continues to deepen, most notably in Russia and the CIS countries most affected by the Russia crisis. Restoring growth and better targeting of social assistance remain key to long-term poverty reduction.

On a positive note, the region's pre-crisis reformers have stayed on course, resisting populist reactions. Growth estimates for 1999 have been

TABLE 2-10 LENDING TO BORROWERS IN EUROPE AND CENTRAL ASIA, BY SECTOR, FISCAL YEARS 1990–99

(millions of U.S. dollars)

Sector	Annual average, FY90–94	FY95	FY96	FY97	FY98	FY99	Reclassified FY99[a]
Agriculture	309.3	202.0	185.8	787.7	124.0	242.9	216
Education	60.0	40.0	5.0	137.8	592.4	41.1	59
Electric power and other energy	342.8	191.7	325.4	504.9	545.0	46.0	66
Environment	19.6	123.0	30.1	10.0	93.4	27.4	34
Finance	268.2	147.0	638.9	274.3	82.0	362.0	1,358
Industry	93.0	—	—	111.8	10.3	470.0	470
Mining	—	—	540.8	300.0	800.0	300.0	260
Multisector	811.9	2,085.0	656.8[b]	1,227.0	1,115.0	1,773.5	689
Oil and gas	310.3	226.3	10.0	135.6	10.0	—	—
Population, health, and nutrition	74.2	220.4	350.4	95.5	27.0	94.5	136
Public sector management	204.8	70.9	505.6	99.1	587.4	616.9	552
Social protection	49.6	127.5	212.0	935.2	383.1	229.1	438
Telecommunications	90.6	—	—	—	30.0	—	2
Transportation	295.0	486.0	868.0	312.7	356.0	638.0	639
Urban development	131.2	418.0	44.3	56.0	314.4	59.1	43
Water supply and sanitation	93.8	161.0	21.5	67.3	154.4	385.5	324
Total	3,154.2	4,498.8	4,394.6[b]	5,054.8	5,224.3	5,286.0	5,286
Of which: IBRD	3,086.4	3,953.8	3,918.2	4,560.9	4,462.3	4,350.3	
IDA	67.7	545.0	476.4	493.9	762.0	935.7	

— Zero.

Note: *Numbers may not add to totals because of rounding.*

a. See Explanatory Note, Table 1 (page 10).

b. Includes the refinanced/rescheduled overdue charges of $168 million for Bosnia and Herzegovina.

TABLE 2-11 WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN EUROPE AND CENTRAL ASIA, FISCAL YEARS 1994–99

(millions of U.S. dollars)

	Russian Federation		Turkey		Poland		Total region	
Item	1999	1994–99[a]	1999	1994–99[a]	1999	1994–99[a]	1999	1994–99[a]
IBRD and IDA commitments	1,930	10,352	528	1,813	327	1,459	5,286	28,136
Undisbursed balance	3,510	3,510	1,505	1,505	961	961	11,480	11,480
Gross disbursements	657	6,321	249	2,121	140	1,971	2,930	20,631
Repayments	89	117	656	4,624	204	642	1,293	8,921
Net disbursements	568	6,203	–407	–2,503	–65	1,328	1,637	11,709
Interest and charges	369	909	247	2,006	132	740	1,217	6,270
Net transfer	199	5,294	–655	–4,509	–196	588	420	5,439

Note: *The table shows the three countries with the largest lending commitments in the Region over the past two fiscal years (FY98–99).*

a. Disbursements from the IDA Special Fund are included through fiscal 1996.

revised downward but remain positive for countries that have consistently pursued reform. Sustained efforts are nevertheless essential. Despite their relatively good performance, most of the Central European and Baltic countries still carry large current account deficits and depend heavily on privatization revenues. Sustaining growth will require adjusting current account and fiscal balances to levels that can be financed by sustained levels of foreign investment and revenues as well as continued structural, social, and institutional reforms as they prepare for European Union (EU) accession. CIS countries will especially need to improve public finances by redressing tax evasion and widespread nonpayment of utility charges while prioritizing public expenditures in favor of the most vulnerable.

Bank assistance

Table 2-10 shows the value and sectoral distributions of total Bank lending to the Europe and Central Asia Region in the FY90 to FY99 period. Table 2-11 compares commitments, disbursements, and net transfers to the region for fiscal years 1994 to 1999, and Table 2-12 shows operations approved in FY99, by country. Figure 2-7 shows IBRD and IDA commitments by sector.

The Bank has sought to respond to the emergency and long-term economic and social needs of ECA countries through wide-ranging efforts involving lending and nonlending activities. Poverty alleviation is a central element of Bank assistance, with a strong focus on social protection and restructuring health and educational systems. Support has also been active in the areas of public administration reform, private sector and financial sector development, the rural sector, and the environment. Reducing countries' vulnerability to external shocks through improved macroeconomic and financial sector management has also been a priority, along with assistance to the 10 countries on track for EU accession to meet the challenges of entry into a single market.

Supporting structural reforms and emergency needs

To assist low-income IDA countries deeply hurt by the Russia crisis—Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, and Tajikistan—the Bank and the Fund jointly hosted a special donor conference in December 1998, raising approximately $200 million in additional balance of payments support. The Bank increased the size of second-tranche disbursements of ongoing adjustment operations in Azerbaijan and Tajikistan and has accelerated preparation of new adjustment lending, with increased loan amounts for Armenia, Georgia, and Moldova to prevent sharp reductions in

social spending. These operations also help improve efficiency in the key energy and agriculture sectors. The Bank also made flood emergency loans to Kyrgyz Republic and Tajikistan (and an IBRD loan to Turkey, which also experienced serious flooding).

In collaboration with the IMF, EU, donor countries, and other partners, the Bank responded comprehensively and rapidly to the needs of countries affected by the Kosovo crisis. Support included emergency financing assistance to help close balance of payments and budgetary gaps so that countries could maintain vital expenditures and continue reform efforts. In Albania, two Post-Conflict grants are supporting institutional and infrastructural needs of the refugee program; an emergency rehabilitation operation aimed to provide budget support; and an adjustment operation focused primarily on improving governance and public sector management. The Bank is helping the former Yugoslav Republic of Macedonia through an emergency rehabilitation credit to finance critical imports, a Post-Conflict grant, and a social support project. Budget support to Bosnia and Herzegovina will come from the Public Finance Structural Adjustment Credit (amount increased to compensate for crisis-induced declines in tax revenues and trade flows) and a financial and enterprise adjustment credit. Fast-disbursing support to Croatia, together with the IMF, is also under discussion, to address both the effects of the Kosovo crisis and acceleration of fiscal, banking, and enterprise reforms. An agricultural sector adjustment loan will provide budgetary support to Bulgaria. At a high-level ministerial meeting in Washington in April, the Bank was asked, in cooperation with the EU, to lead efforts to assess the economic, social, and reconstruction needs, mobilize donor support, and help plan long-term regional integration for the Balkans.

In Russia, the Bank, together with the IMF and in consultation with IFC and the European Bank for Reconstruction and Development, is providing technical assistance to help restructure the banking sector and has resumed its dialogue on social policy in the context of working to restructure adjustment operations in the social sectors and coal sector. The restructured SAL III would be the Bank's main vehicle to support cross-sectoral reform of the enabling environment for business development in Russia. The loan supports a stronger institutional policy framework to enhance property rights protection, improves regulatory oversight of infrastructure monopolies, reduces opportunities for discretionary behavior to enhance competition, and provides for more effective bankruptcy procedures.

In Romania, the Bank is assisting a renewed effort of the government through an adjustment operation that supports restructuring and privatization of the banking sector, accelerating privatization of large public enterprises, and improving the business environment for the private sector. The operation also includes

FIGURE 2-7 EUROPE AND CENTRAL ASIA: IBRD AND IDA LENDING COMMITMENTS BY SECTOR, FISCAL YEAR 1999

Total $5.3 billion

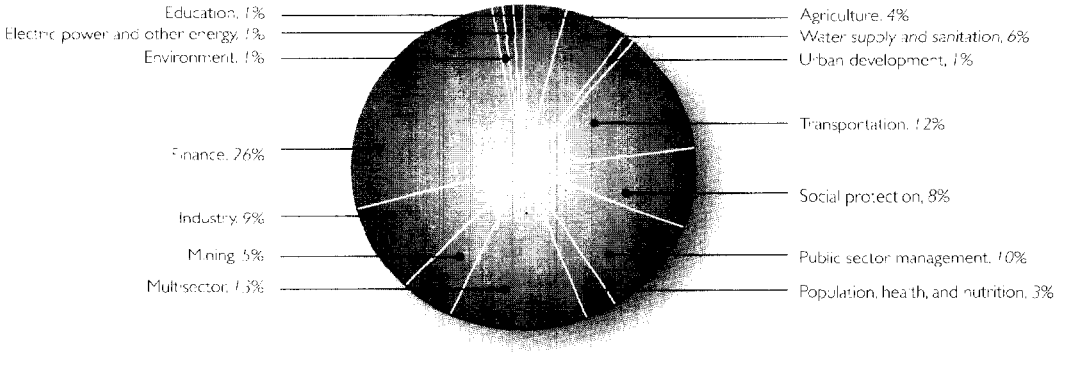


TABLE 2-12 OPERATIONS APPROVED DURING FISCAL YEAR 1999, EUROPE AND CENTRAL ASIA

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) U.S. $
Albania				
Community Works Project Supplement	Jun 22, 1999	2009/2038	3.70	5.00
Microcredit Project	Jun 22, 1999	2009/2039	8.90	12.00
Structural Adjustment Credit	Jun 3, 1999	2009/2039	33.20	45.00
Irrigation and Drainage Rehabilitation II Project	Jun 3, 1999	2009/2039	17.70	24.00
Public Expenditure Support Credit	May 6, 1999	2009/2039	22.10	30.00
Community Works Project	Jan 19, 1999	2009/2038	6.50	9.00
Armenia				
Dam Safety Project	Jun 24, 1999	2009/2034	19.70	26.60
Electricity Transmission and Distribution Project	Mar 4, 1999	2009/2033	15.00	21.00
Structural Adjustment Credit III	Dec 22, 1998	2009/2033	46.20	65.00
Title Registration Project	Oct 13, 1998	2009/2033	6.00	8.00
Azerbaijan				
Pilot Reconstruction Project Supplement	Jun 8, 1999	2008/2033	7.40	10.00
Agricultural Development and Credit Project	Jun 8, 1999	2009/2034	22.20	30.00
Education Reform Project	May 24, 1999	2009/2034	3.70	5.00
Cultural Heritage Support Project	May 13, 1999	2009/2034	5.60	7.50
Structural Adjustment Credit I Supplement	Mar 31, 1999	2007/2032	5.00	7.00
Pilot Reconstruction Project	Jul 2, 1998	2008/2033	14.90	20.00
Bosnia and Herzegovina				
Pilot Cultural Heritage Project	Jun 28, 1999	2009/2034	3.00	4.00
Enterprise and Bank Privatization Facility Project	Jun 24, 1999	2009/2034	37.60	50.00
Enterprise Export Facility Project	Jun 24, 1999	2009/2034	8.90	12.00
Public Finances Structural Adjustment Credit II	Jun 24, 1999	2009/2034	53.20	72.00
Basic Health Project	May 4, 1999	2009/2034	7.40	10.00
Local Development Pilot Project	Apr 13, 1999	2009/2034	11.10	15.00
Bulgaria				
Agriculture Sector Structrual Adjustment Loan I	Jun 22, 1999	2004/2019	n.a.	75.80
Regional Initiatives Fund Project	Nov 20, 1998	2004/2018	n.a.	5.00
Social Protection Structural Adjustment Loan	Nov 19, 1998	2004/2018	n.a.	80.00
Croatia				
Technical Assistance Project for Institutional and Regulatory Reform for Private Sector Development	Apr 20, 1999	2004/2014	n.a.	7.30
Railway Modernization and Restructuring Project	Jan 12, 1999	2004/2014	n.a.	101.00
Georgia				
Judicial Reform Project	Jun 29, 1999	2009/2034	9.90	13.40
Structural Reform Support Project	Jun 29, 1999	2009/2034	12.20	16.50
Energy Sector Adjustment Credit	Jun 29, 1999	2009/2034	18.10	25.00
Structural Adjustment Credit III	Jun 29, 1999	2009/2034	44.30	60.00
Enterprise Rehabilitation Project	Dec 17, 1998	2009/2033	11.00	15.00
Integrated Coastal Management Project	Dec 17, 1998	2009/2033	3.20	4.40
Restructuring of the Ministry of Transport Project	Sep 2, 1998	2009/2033	1.80	2.30
Kazakhstan				
Atyrau Pilot Water Supply and Sanitation Project	Jun 8, 1999	2005/2019	n.a.	16.50
Legal Reform Project	May 13, 1999	2004/2019	n.a.	16.50
Health Restructuring Program	Apr 8, 1999	2004/2019	n.a.	42.50
Road Transport Restructuring Project	Feb 9, 1999	2004/2019	n.a.	100.00
Kyrgyz Republic				
Rural Finance Project II	Jun 24, 1999	2009/2034	11.10	15.00
Flood Emergency Project	Jan 26, 1999	2009/2034	7.30	10.00
Social Sector Adjustment Credit	Dec 10, 1998	2009/2033	26.70	36.50
Latvia				
Education Improvement Project	May 6, 1999	2003/2014	n.a.	31.10
State Revenue Service Modernization Project	Dec 3, 1998	2002/2014	n.a.	5.00

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) U.S. $
Health Reform Project	Nov 12, 1998	2002/2014	n.a.	12.00
Rural Development Project	Jul 30, 1998	2002/2015	n.a.	10.50
Lithuania				
Municipal Development Project	May 27, 1999	2004/2016	n.a.	20.10
Macedonia, former Yugoslav Republic of				
Social Support Support	Jun 29, 1999	2009/2034	7.50	10.00
Emergency Recovery Project	May 13, 1999	2009/2034	36.90	50.00
Transport Sector Project	Feb 9, 1999	2004/2018	n.a.	32.00
Pension Reform Technical Assistance Project	Jul 9, 1998	2008/2033	0.80	1.00
Social Sector Adjustment Credit	Jul 9, 1998	2008/2033	21.60	29.00
Moldova				
Social Protection Management Project	Jun 24, 1999	2009/2034	8.20	11.10
Structural Adjustment Credit	Jun 24, 1999	2009/2034	29.60	40.00
Social Investment Fund Project	Feb 16, 1998	2009/2033	10.90	15.00
Poland				
Hard Coal Sector Adjustment Loan	Jun 10, 1999	2004/2014	n.a.	300.00
Wholesale Markets II Project	Sep 24, 1998	2004/2013	n.a.	11.10
Wholesale Markets I Project	Jul 23, 1998	2003/2013	n.a.	15.90
Romania				
Private Sector Institution Building Project	Jun 10, 1999	2004/2019	n.a.	25.00
Private Sector Adjustment Loan	Jun 10, 1999	2004/2019	n.a.	300.00
Social Development Fund Project	Jan 19, 1999	2004/2018	n.a.	10.00
Cultural Heritage Project	Dec 23, 1998	2004/2018	n.a.	5.00
Russian Federation				
State Statistical System Project	May 13, 1999	2004/2016	n.a.	30.00
Highway Rehabilitation and Maintenance II Project	Dec 22, 1998	2004/2015	n.a.	400.00
Structural Adjustment Loan III	Aug 6, 1998	2002/2005	n.a.	1,500.00
Slovenia				
Real Estate Registration Modernization Project	Jun 22, 1999	2003/2014	n.a.	15.00
Tajikistan				
Institutional Building Technical Assistance II Project	Jun 17, 1999	2009/2039	5.00	6.70
Farm Privatization Support Project	Jun 10, 1999	2009/2039	14.80	20.00
Structural Adjustment Credit Supplement	May 17, 1999	2008/2038	5.00	6.70
Education Reform Project	May 13, 1999	2009/2039	3.70	5.00
Emergency Flood Assistance Project	Aug 27, 1998	2009/2038	3.80	5.00
Structural Adjustment Credit I	Jul 30, 1998	2008/2038	37.10	50.00
Turkey				
Industrial Technology Project	Jun 17, 1999	2005/2016	n.a.	155.00
Emergency Flood and Earthquake Recovery Project	Sep 10, 1998	2002/2014	n.a.	369.00
Commodities Market Development Project	Jul 16, 1998	2002/2014	n.a.	4.00
Ukraine				
Financial Sector Adjustment Loan	Sep 15, 1998	2004/2018	n.a.	300.00
Enterprise Development Adjustment Loan II	Sep 15, 1998	2004/2018	n.a.	300.00
Uzbekistan				
Financial Institution Building Project	May 27, 1999	2005/2019	n.a.	25.00
Health Project	Sep 22, 1998	2004/2018	n.a.	30.00
Total			689.50	5,286.00

n.a. Not applicable (IBRD loan)
a. "Blend" loan/credit

Children gather at a refugee camp in Tirana, Albania.

measures to improve the effectiveness of social assistance.

Even before the Russian crisis, the Bank was expanding its nonlending work on ECA countries' vulnerability to a deteriorating external environment and implications for domestic policy. Studies, technical assistance, and policy advice have since intensified, covering especially fiscal sustainability, public expenditure, and financial sector issues. Responding to requests from Latvia and Lithuania, for example, the Bank carried out macroeconomic and financial sector vulnerability assessments.

Helping alleviate poverty, ensuring social protection

Poverty alleviation remains an important focus of adjustment lending. Specific social protection operations in Bulgaria, Kyrgyz Republic, and Macedonia support reforms that help align pension expenditures with revenues, while ensuring a minimum pension. These operations also improve overall targeting of social assistance, as do operations in Armenia, Georgia, Moldova, and Tajikistan that, in addition, aim at private sector development, strengthening public finance, and protecting vital social expenditures. In Poland, adjustment lending for coal sector restructuring is helping fund severance packages for laid-off miners (as well as environmental remediation efforts). An innovative approach to deinstitutionalizing at-risk groups offers a somewhat different, but powerful, example of Bank efforts toward social protection (Box 2-11).

Poverty alleviation is also the focus of investment lending. Building on the successful Albania Rural Development Project, a microcredit project will help develop self-sustaining village savings and credit associations as part of a long-term approach to poverty reduction. Projects in Latvia and the Kyrgyz Republic also support poor rural areas through credit lines to rural entrepreneurs with inad-

equate collateral. The Albania Community Works Project and Social Fund projects in Bulgaria, Moldova, and Romania also target poverty alleviation by helping meet small-scale infrastructure needs while generating labor-intensive, short-term local employment, including for women.

The region's health systems are financially unsustainable and unresponsive to today's changing patterns of disease and illness. In several countries, the Bank is supporting systemic health reforms in the financing, delivery, and regulation of health care. Projects also target serious and disturbing health problems in the region, including tobacco control, tuberculosis—particularly multidrug-resistant TB—and HIV/AIDS. ECA's first Adaptable Program Loans in the health sector, to Kazakhstan and Latvia, will enable countries to adapt to evolving priorities within an agreed overall policy framework. The loan to Uzbekistan has a rural focus and pilots health reform models in several parts of the country aimed at improving the efficiency of service delivery. A basic health project in Bosnia helps put in place a system of family doctors and clinics.

BOX 2-11 PILOTING NEW APPROACHES TO DEINSTITUTIONALIZE THE SEVERELY DISADVANTAGED IN LITHUANIA

In the early 1990s, key social protection issues faced by Lithuania were extremely weak capacity to develop and implement social policy and a growing need for alternatives to institutional placement of severely disabled children, elderly, and others unable to care for themselves, both because the numbers of needy were growing, following independence, and because institutional care was expensive and ineffective. Prepared at the government's request, the project is helping address both issues, focused especially on the poor and on vulnerable women.

Policy formulation for social safety nets is becoming more effective and efficient. Capacity is being built to improve targeting of benefits to the poor and to better anticipate transition policies' impacts on them. A first annual Social Report—based on new monthly Household Surveys—has been published, setting priority areas for action.

New means of providing community-based social services are being tested through pilot Community Multiservice Centers and Education Centers for disabled children in six municipalities, covering about 25 percent of the population (900,000 persons). Multiservice centers include, for example, shelters for battered mothers and children, temporary homes for children, home delivery for the elderly, training for the disabled, and rehabilitation for substance abusers. Each of the 14 projects proposed by the municipalities aims at a feasible, cost-effective approach to social service delivery that is community-based and responsive to local needs. Each is designed to result in the placement of fewer individuals in institutional care. Of 1,655 clients served in the Multiservice Centers, more than two-thirds are expected to be diverted from institutional placement, saving the government an estimated $2 million a year.

Halfway through implementation, project results are noteworthy. Numerous disabled and vulnerable children, battered women, and elderly—either at risk of being institutionalized or formerly in an institution—are receiving intensive help for the first time. The numbers are small but growing. More important, the results are demonstrating what is possible: this represents one of the very few successful efforts at deinstitutionalization in Central and Eastern Europe. In perhaps the greatest testimony to project success, the government is now providing direct budgetary support to expand the community-services concept to other areas.

The project embodies several principles increasingly central to Bank assistance: partnership, participation, community-based development to ensure sustainability, institution building, and learning. Apart from government and communities, key partners are the Swedish and Dutch governments, United Nations Development Programme, University of Stockholm, nongovernmental organizations, and private sector agents involved in social service delivery. Beneficiary participation was key to project preparation; it now drives monitoring and evaluation. A municipality-wide competitive tendering process for the community pilots was the first of its kind in Lithuania's social sectors.

BOX 2-12 BANK SUPPORT FOR ANTICORRUPTION IN ECA

The region's governments increasingly recognize corruption as a problem. Latvia was the first to launch a joint anticorruption effort, following President Wolfensohn's offer of such support at the 1996 Annual Meetings. Ukraine, Georgia, Albania, Bulgaria, Russia, and most recently Azerbaijan, followed. The Bank's catalytic role has involved knowledge building; support for strategy development and diagnostics; and mainstreaming of anticorruption efforts into all Bank work.

Building understanding, developing strategy. *A frequent starting point of Bank support is to explain how corruption hurts growth and the poor and to show—using cross-country evidence—that it is a symptom, fundamentally, of weak policy environments and institutions. Anticorruption strategies developed jointly with governments often combine economic policy reforms, public sector reforms to improve civil service pay and accountability, financial controls, legal and judicial reform, and transparency.*

Powerful diagnostic approaches are innovative and inclusive. *Also involving the World Bank Institute, surveys help identify the pattern and profile of corruption. Results are then presented in workshops, which help define priorities and involve the public in monitoring government commitments, helping produce sustainable results. In Latvia, a diagnostic approach showed public concern with corruption in the judiciary and high-level influence-peddling; the input is helping reshape the anticorruption program.*

Survey diagnostics feed into project design and strengthen institutions. *Diagnostics are helping attack the underlying institutional dysfunctions that create opportunities for corruption. A Structural Adjustment Credit in Albania focuses on patronage in judicial appointments and the civil service. In Georgia, where diagnostics showed corruption rooted in excessive licensing and regulations, an existing Institutional Development Fund grant and newly approved adjustment credit are setting up a sound legal and institutional framework for procurement, licensing, and tax administration reform. Similar efforts in Russia and Latvia have fed into the design of a treasury project and a state revenue service project, respectively.*

Improving the investment climate

A critical area of increasing emphasis in this region is the Bank's work on public sector institutional reform and anticorruption. Cross-country evidence shows that the CIS countries rank particularly poorly along key dimensions of government credibility (including corruption, unpredictable laws and policies, and an unreliable judiciary) that are crucial for investment and economic growth. The region has made an important start in implementing the anticorruption initiative in several countries, addressing underlying policy and institutional dysfunctions that give rise to incentives and opportunities for corruption (Box 2-12).

An area of expanding lending and analytical focus is land ownership and markets. Land policy is important for private investment and growth and features in Bank assistance to nearly all ECA countries. The aim is to increase incentives to invest in land and real property by giving individuals secure ownership rights and the opportunity to engage in land transactions. In Central Europe and the Baltics, the focus has been on modernizing old systems; in the CIS, a region with virtually no history of land ownership, reform needs vary. In FY99, such problems were addressed by two stand-alone projects (Armenia, Slovenia) and four operations with important land components (Azerbaijan, Bulgaria, Latvia, and Tajikistan).

Supporting EU accession

The Bank continues to help countries in Central Europe and the Baltics prepare for accession to the European Union. Country-specific reports have focused on EU accession issues for Slovenia, Hungary, and the Czech Republic. A regional work program of studies is under way covering EU accession issues of macroeconomic management, labor markets, trade and agricultural policy, competition and regulatory policy in infrastructure, public administration and institutional reform, and public investment and regional development. Study findings are disseminated through workshops and seminars in

close partnership with the Commission, EU members, and accession countries. Seminars and conferences over the past year covered issues such as public sector contingent liabilities, private capital flows, financial sector regulations, agricultural policies, and gas and electricity market reforms.

Promoting environmental management

The Bank is increasingly emphasizing environmental priorities (especially water quality and industrial hot spots) identified under National Environmental Action Plans in CIS countries, with continued involvement in multilateral regional initiatives (Black Sea, Danube

Rehabilitation of erosion gullies in Turkey

BOX 2-13 A PARTICIPATORY APPROACH TO RURAL POVERTY AND NATURAL RESOURCE DEGRADATION IN TURKEY

Issue. *More than 70 percent of Turkey's land area faces soil degradation from erosion. About 60 percent of forest land is degraded due to centuries of excessive cutting for fuel wood and fodder as well as overgrazing. The result: low productivity and low rural incomes. Isolated, mountainous regions of Eastern Anatolia are particularly affected.*

Project objectives. *The loan was approved in 1993 to improve productivity of range and forest land; promote production of fuel wood and cultivated fodder and more sustainable use of marginal farmlands; facilitate and adopt treatments for range and forest land through activities designed to yield quick benefits; and ensure increased responsibility and involvement of local communities in planning and managing their resources. The project supported Bank Country Assistance objectives for Turkey: environmentally sustainable development and help to poorer regions.*

Innovation, participation. *Watershed rehabilitation projects being relatively new and not always successful, innovation was essential. Based on lessons learned, project design centered on village participation. Typically, the first step is a census of household and village problems and community-proposed solutions. An action plan is then agreed between provincial agencies and the rural community, which is offered a "menu of interventions," ranging from afforestation of erosion-damaged slopes to intensive agriculture and beekeeping. A balance between income-generating activities and natural resource rehabilitation activities is sought.*

Results. *After a slow start, participation by villagers to restore degraded natural resources increased substantially. By December 1998, around 30,000 hectares of land was afforested. The project is having considerable impact on households in some 184 mountain villages. Lower-than-estimated unit costs have enabled expansion of project coverage, from 3 to 11 provinces. The original provinces are transferring experience to new ones, with continual improvements in techniques. An unexpected outcome: the provincial agencies concerned are, for the first time, jointly developing integrated programs for a given geographic area, avoiding duplication of efforts and resources. On the environmental front, satellite images reveal a marked difference in vegetation, which will help reduce floods and sedimentation. Meanwhile, new cash crops and new techniques are increasing agricultural production dramatically. Rural incomes have at least doubled.*

River, Caspian Sea, and Aral Sea). With Global Environmental Facility funding, projects approved this year support greenhouse gas reduction in the Czech Republic, biodiversity protection in Romania and Central Asia, wetlands protection in Croatia, and integrated coastal management in Georgia (also IDA-funded). A successful example of ongoing environmental efforts is reflected in Box 2-13.

Portfolio performance

Russia's banking system collapse and lack of counterpart funds have seriously hurt performance of the Bank's loan portfolio of 35 projects: half the projects are facing slow disbursements, and a third need restructuring. Corrective measures were identified in November 1998 to mitigate the crisis' immediate impact (for example, special accounts in failed private banks were transferred to solvent state banks to maintain funding of viable projects). At the same time, the Bank and the IMF's intensive technical assistance effort to help the government restructure the banking sector has been a necessary first step in addressing the problems of operations with credit line components.

The Russian crisis has also had a negative, though less severe, impact on the portfolio of some neighboring CIS countries. Portfolio reviews carried out in several other ECA countries are aiming to ensure that projects are meeting client needs. To the same end, the Bank has continued to vigorously pursue staff decentralization; in the latest such effort, the country director for Turkey and the former Yugoslav Republic of Macedonia is now posted in Ankara. To meet Strategic Compact goals, capacity in procurement as well as financial management and audits has been strengthened; several financial management specialists are newly posted in field offices. In line with the Bank's anticorruption initiative, the region has also closely pursued reports of corrupt practices.

LATIN AMERICA AND THE CARIBBEAN

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING:
Antigua and Barbuda
Argentina
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay
Venezuela

Regional context

Growth in the Latin America and the Caribbean (LAC) Region declined to about 2 percent in 1998 due mainly to three factors: a significant reduction in capital inflows, sharply falling export prices (oil and non-oil commodities), and a slowdown in world trade growth (Figure 2-8). While prudent policy responses in the region following the Asian crisis limited contagion effects and allowed the region to grow at 5.5 percent in 1997, with capital inflows sustaining growth in the first half of 1998, the Russian debt moratorium in August 1998 disrupted capital flows to the LAC Region.

Growth in Argentina, Bolivia, Chile, and Mexico ranged from 3 percent to 5 percent in 1998. In Central American countries also, growth exceeded 3 percent, even as Hurricane Mitch dampened growth in Honduras and Nicaragua. On the other hand, Brazil, Colombia, Ecuador, and Peru grew less than 1 percent, and Venezuela's economy contracted by 0.4 percent. Brazil's exchange rate regime came under severe pressure from fiscal imbalances and reserve losses, and output contracted sharply, as the country tightened fiscal policy and increased interest rates in November. Ecuador's poor performance in 1998 was caused by both unbalanced macroeconomic policies and external and climatic shocks, including a sharp decline in petroleum export prices, severe El Niño rains, and the slowdown in its export markets.

The region's current account balance deteriorated from a deficit of 3.4 percent of GDP in 1997 to 5.9 percent of GDP in 1998. The severe impact of lower oil prices reversed Venezuela's current account position from a surplus of 6.2 percent of GDP to a deficit of 2.7 percent of GDP. The nonfinancial public sector deficit in the region also doubled as falling export prices and slower growth reduced public sector revenues. Surpluses turned to deficits in Chile and Venezuela. Ecuador's deficit more than doubled, and Brazil saw its deficit rise by about 30 percent.

The next 12 months are expected to be difficult for the region's economies. Economic growth is forecast to be a negative (0.4 percent) in 1999, due mainly to economic contraction within Brazil (2.0 percent) and several of its neighbors. Positive but slower growth than last year is expected in Bolivia, Chile, and Mexico. During the year, regional economic activity should pick up, as terms of trade have slightly improved, current account and fiscal balances are on the mend, and financial flows to Latin America, while still erratic, are trending upward.

Despite relatively high average incomes in many countries, poverty and inequality remain serious problems in Latin America and are believed to be rising in some

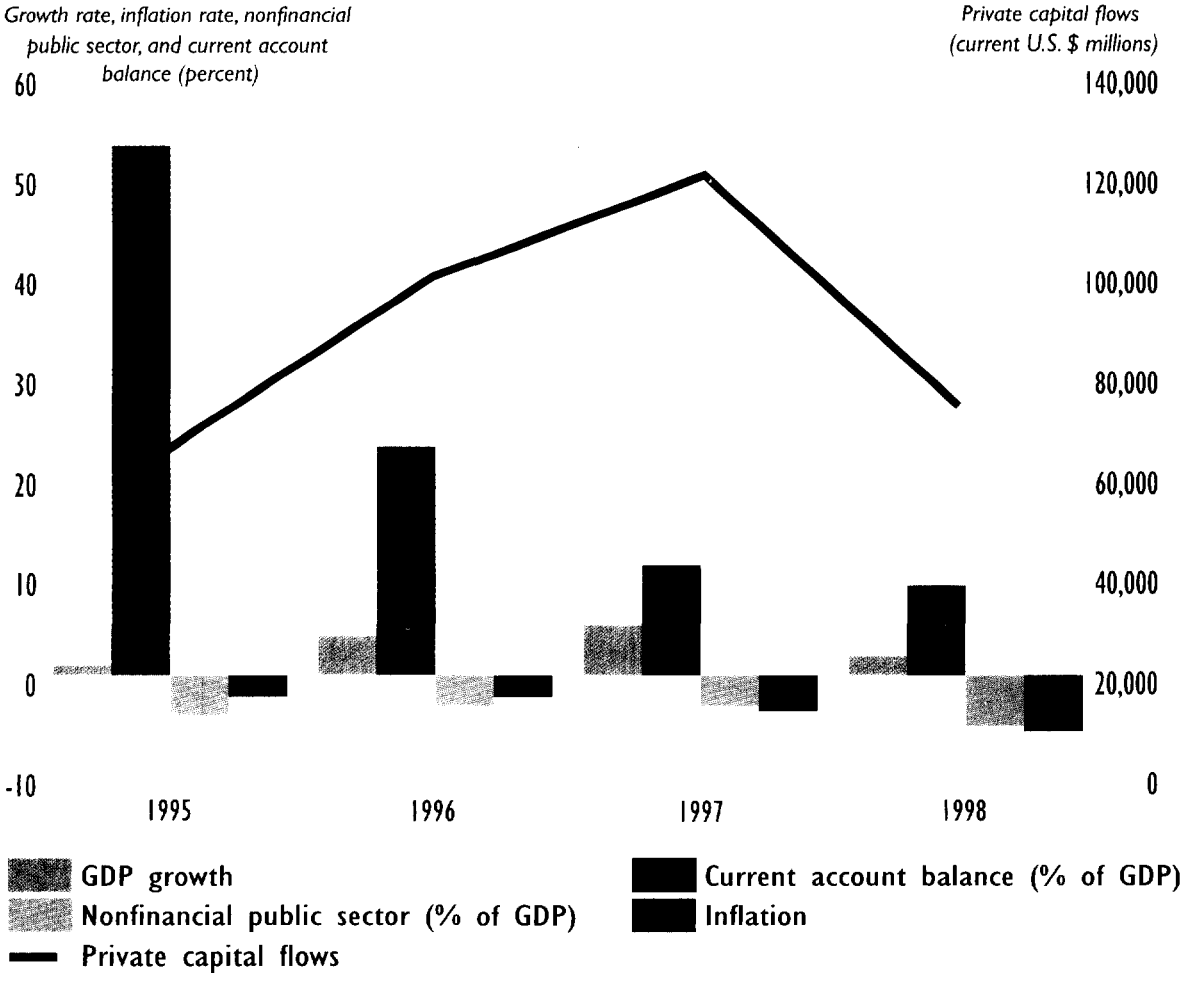
areas. Inequalities in access to quality education, in particular, constitute an important structural constraint to development. An underlying factor is the highly skewed distribution of assets, especially rural land.

Bank assistance

Table 2-13 shows the value and sectoral distributions of total Bank lending to the Latin America and the Caribbean region in the FY90 to FY99 period. Table 2-14 compares commitments, disbursements, and net transfers to the region for fiscal years 1994 to 1999, and Table 2-15 shows operations approved, by country. Figure 2-9 shows IBRD and IDA commitments by sector.

The Bank's medium-term strategy in the LAC Region, as in others, is centered on poverty reduction. The strategy is three-pronged. First, the Bank seeks to help remove impediments to poverty-reducing growth. Sustained, stronger economic growth in the region will require improvements in human capital, crucially through investment in better educational achievement; financial market reforms; a better legal and regulatory environment; public sector modernization; and improved public finances. Key to Bank strategy in these priority areas is the development of sound institutions. Second, the Bank supports targeted poverty-reduction programs to benefit those unlikely to be pulled out of poverty by growth alone or those vulnerable to falling into poverty during economic down-

FIGURE 2-8 MAIN MACROECONOMIC INDICATORS, LATIN AMERICA AND THE CARIBBEAN REGION, 1995–98



Hurricane Mitch: an important challenge in partnership and donor coordination

BOX 2-14 RESPONDING TO HURRICANE GEORGES AND HURRICANE MITCH

Two hurricanes devastated the Caribbean and Central America within one month in FY99. Hurricane Georges hit St. Kitts and Nevis, the Dominican Republic, and Haiti in September 1998 and Hurricane Mitch hit El Salvador, Guatemala, Honduras, and Nicaragua in October.

Hurricane Georges. *Bank teams were in all three Caribbean countries, once airports reopened. The hurricane caused extensive damage to roads, power infrastructure, and private homes. Tourism and free enterprise zones were affected. In response to the Dominican Republic's request for emergency assistance, the Bank reprogrammed 10 percent of project resources currently under implementation, identifying the most urgent needs in close coordination with the government, and made additional funds available through a special emergency operation, half a fast-disbursing, budget-support component to finance imports and the other half an emergency investment component to be disbursed against specific works. In St. Kitts and Nevis, an $8.5 million program of assistance combined reconstruction and rehabilitation of essential infrastructure and key lifeline services. The Bank was commended by both governments for its swift response and comprehensive assessment of the damage.*

Hurricane Mitch. *In October 1998, Hurricane Mitch devastated Central America, killing about 9,000 people, leaving over 1 million homeless, and causing massive damage to social and economic infrastructure. A three-pronged assistance strategy has focused on short- to medium-term rehabilitation; emergency financing, macroeconomic assistance, and debt relief; and longer term reconstruction.*

Short- to medium-term rehabilitation has been aimed at addressing the most pressing needs. In the days following the emergency, Bank staff worked closely with government and donor counterparts to assess damage, determine priorities, coordinate assistance, and identify sources of emergency financing, mostly by reprogramming ongoing operations. So far, the Bank has made available about $180 million from existing projects to assist countries devastated by Hurricane Mitch. Supplemental credits for about $43 million are being provided for transport and health in Honduras and for education in Nicaragua. In addition, a $200 million Hurricane Emergency Operation to provide balance-of-payments support for financing critical imports was approved for Honduras, and a similar $50 million operation for Nicaragua, in December 1998.

The Bank has also taken several measures to assist hurricane-affected countries in dealing with their debt service obligations. At the request of several governments, the Bank established a Central America Emergency Trust Fund, to which donor contributions are being channeled, to help these countries cover their multilateral debt service payments. Contributions amounted to $109 million in FY99 of which $82 million has been disbursed to the affected countries. In addition, IDA plans to increase its allocation of highly concessional resources to Honduras and Nicaragua over the next four years.

in the design and implementation of social protection plans, unemployment insurance, and social security systems was intensified in FY99 and supplemented with financial support.

One part of Argentina's SSAL supports the identification and protection from budget cuts of a number of key social programs that provide important support to the poor, including nutrition, employment, health, and education. In addition, the government will undertake improvements in its poverty measurement methodology and introduce a better system for targeting key programs to the poor. Also as part of this operation, the government will develop a new fully capitalized unemployment insurance system that eliminates the current system of severance payments, thus reducing labor costs and increasing labor mobility while protecting workers. At the same time, the loan supports a number of improvements in health and education, including greater incentives for cost recovery in higher education, scholarships for higher-education students from low-income areas, and improved regulation of health insurance, including the establishment of prudential and consumer protection norms.

The Bank also responded promptly to emergency and reconstruction needs arising from two severe hurricanes that hit Central America and the Caribbean region (Box 2-14). IDA's role was significant, comprising new lending, reallocations of funds from ongoing projects, and commitment to increase concessional lending to $1 billion in FY99–FY02.

Second-generation reforms: financial, judicial, and public sector reforms

Latin America is expected to emerge stronger from the crisis. Government authorities have taken advantage of the crisis to advance structural reforms. In FY99, the region was actively engaged in important second-generation institutional reforms designed to improve the quality and effectiveness of the education, health, judicial, public administration, and financial sectors.

Economic growth requires appropriate legal and regulatory frameworks to protect property rights and consumer interests. The Bank is helping governments establish efficiency-enhancing laws and regulations as well as institutions to enforce them in several sectors. An innovative project is improving the operations of Venezuela's Supreme Court. A Learning and Innovation Loan (LIL) to the Dominican Republic, approved last year, is improving environmental management by helping define policy reforms and elaborate a National Environment Management Program.

Bank support for reform and modernization of public institutions is also helping effective implementation of the laws and regulations necessary for these institutions to work efficiently, including those tied to corruption. In Bolivia and Mexico, assistance included support for the governments' decentralization process. In Honduras, public sector modernization has made remarkable advances with IDA support, reflecting strong government commitment in particular (Box 2-15).

The Bank has increased significantly its involvement in banking sector reform. All financial sector technical assistance, sector work, and lending operations in the region incorporate efforts to promote the implementation of the Basle Core Principles of Bank Supervision. In FY99, the Bank supported major reforms in the banking sector of a number of LAC countries: Argentina, Bolivia, Colombia, Honduras, Nicaragua, and Paraguay. Pension reform programs are under way in Bolivia and Mexico, with program design having begun in Costa Rica and Nicaragua.

Supporting anticorruption work

The Bank, including the WBI, has organized a number of workshops to promote public sector integrity, notably the Bolivia and Nicaragua National Integrity Workshops, the Venezuela Municipal Integrity Plan, and the Central America Regional Integrity Workshop. These efforts were complemented by Bank training for a national anticorruption plan in Bolivia and Nicaragua. Bolivia is one of the countries piloting the Comprehensive Development Framework, which places a high priority on governance issues. The Bolivia workshop led to development of a National Integrity Plan, which in turn provided the basis for an anti-

corruption component in a new Institutional Reform Project.

The Bank also convened an anticorruption panel at the Second International Congress of the Latin American Center of Administration for Development (CLAD II); a similar presentation was made at the conference of Ibero-American legislators in Uruguay. A workshop to address corruption in administration took place in May in Mexico City, in collaboration with Mexico's Ministry of Finance. In addition, in Colombia, Argentina, and Ecuador, Institutional Development Fund grants supported national efforts to fight corruption, and in the case of Argentina, helped strengthen the National Ethics Office.

The Bank conducted an anticorruption course for its regional staff in FY99 to help minimize the possibility of corruption in Bank projects. Additionally, Country Procurement Assessment Reports and Country Financial Management Assessments were prepared for a number of countries, and several additional procurement and financial management specialists were recruited.

Providing infrastructure for the poor

With 74 percent of the population living in urban areas, the LAC Region is the most urbanized in the developing world. It is also the region with the highest percentage of urban households living in poverty (39 percent). One of the greatest challenges facing the region is to provide adequate infrastructure and services to the urban poor. Equally important, however, are the needs of the rural poor, who make up more than half the region's rural households and tend to be farther below the poverty line than the urban poor. In a year of severe natural disasters, meeting infrastructure needs assumed particular importance; the basic infrastructure destroyed in affected countries

BOX 2-15 HONDURAS PUBLIC SECTOR MODERNIZATION STRUCTURAL ADJUSTMENT CREDIT

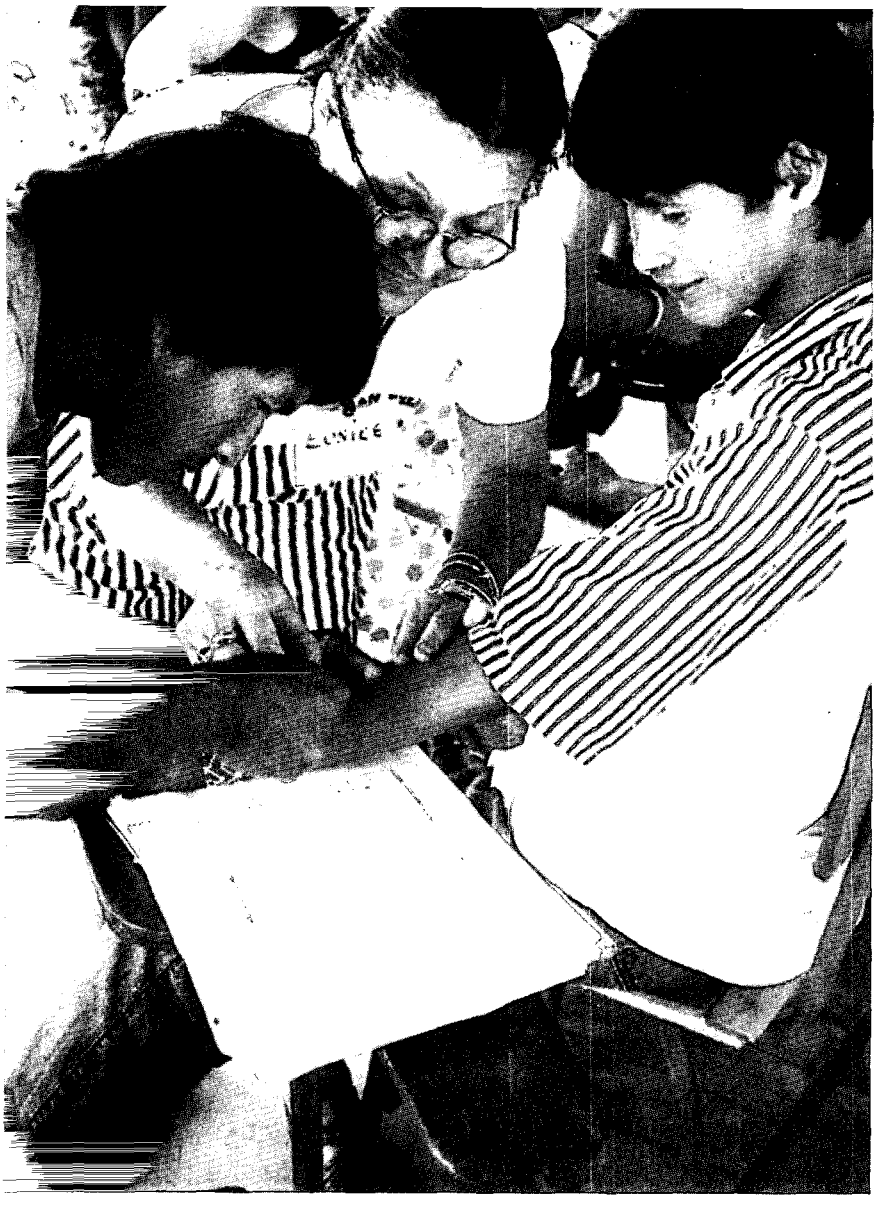
Improving the performance of public institutions is increasingly seen to be at the heart of the economic development challenge. Excessive government intervention, misguided resource allocation, weak regulation, and arbitrariness and corruption have deterred private investment and slowed growth and poverty reduction across the region and the developing world. Featured in the 1997 World Development Report, the important role of the state and of public institutions is receiving growing attention in Bank assistance.

Honduras has made noteworthy advances in modernizing its public sector in recent years. With support from an IDA adjustment credit of $55 million equivalent, the government has sought to: increase private sector participation in public service provision; restructure public institutions and employment to improve public finances; and increase efficiency, transparency, and accountability in public management.

Marking exceptional progress, the government has

- *introduced major legal and institutional reforms in the telecommunications, civil aviation, and electricity sectors. Sector laws have been approved, sound regulatory agencies established, and pricing policies modified—all greatly facilitating privatization which will increase efficiency and reduce costs of services, benefiting businesses and private consumers.*
- *undertaken significant restructuring of ministries, exceeding expectations*
- *strengthened public finance management by eliminating duplications in the budget function and simplifying procedures.*

Important lessons are being learned or reinforced in implementing this complex program. First is the need to adopt broad-based approaches that help identify major problems and systemic distortions that obstruct policy reform. Second, high-level government commitment is crucial for public enterprise reform and privatization, given the needed changes in laws and the need to deal with powerful stakeholders, including the entrenched bureaucracy, labor unions, and opposition parties. Also vital is a stable and adequate political and economic framework to assure investors of a business-friendly, predictable environment. Finally, steady implementation support and technical assistance are essential to ensure sustained momentum.



An innovative disease surveillance and control project in Brazil

had a disproportional negative impact on the welfare of the poor.

Support for infrastructure to benefit the poor was widespread. Natural disaster emergency loans were prepared, or existing loans restructured, for Colombia, Central America, and the Caribbean. In Peru, a second-phase Rural Road Rehabilitation Project is being prepared; the first improved 8,000 km of rural roads, employed 4,200 rural poor, and supported 322 community-based microenterprises. In Venezuela, a new operation seeks to provide integrated, demand-driven packages of basic services, at low cost, to the urban poor living in marginal settlements. A LIL is being prepared in Mexico to test an innovative approach to tapping private capital for provision of basic services. In Brazil, reform of the water and sanitation sectors has improved efficiency and paved the way for private participation. Complementary projects aimed to ensure access to water and sanitation to the urban and rural poor. Analytical and advisory services included city development strategies for two countries, water and sanitation sector reviews for four countries, and strategy papers for all infrastructure sectors.

Promoting environmentally sustainable development

With a population exceeding 400 million and a land area of 20 million square kilometers covering very diverse ecosystems, the region continues to face tremendous environmental challenges. The Bank is helping meet these challenges through its lending and nonlending services, including several major subregional or regional programs.

One such effort is the Meso-American Biological Corridor, a multidonor initiative which includes Bank and Global Environmental Facility investments in Belize, Costa Rica, El Salvador, Honduras, Mexico, Nicaragua, and Panama to protect terrestrial and marine ecosystems and promote sustainable rural development. Another is the ongoing Pilot Program to Conserve the Brazilian Rain Forest, which includes new projects to manage Amazon floodplains and protect rain forest corridors. Ongoing activities support indigenous and extractive reserves, regional scientific research centers, state environmental institutions, local nongovernmental organizations (NGOs), and new approaches in community-based natural resource management. A third program is the Clean Air Initiative in Latin American Cities, which will bring together city managers, development agencies, leaders from public sectors, and NGOs to address air quality problems in large metropolitan areas. After a technical workshop in December 1998, workshops in LAC cities over the next few years will help participants exchange experience and formulate and implement local action plans.

Supporting social sectors

The Bank prepared an education strategy for Latin America and the Caribbean during the fiscal year. The strategy emphasizes shifting primary level focus from raising coverage to raising quality, especially through improved training and management of teachers; improving equity and social inclusion, with particular emphasis on compensatory education programs to ensure that poor children stay in school and learn; and diversifying higher education and creating conditions for expanding access, with emphasis on private sector provision and finance. Noteworthy interventions in FY99 included a new Youth Development Learning and Innovation Loan in Colombia supporting training opportunities for youths at risk, as part of a new strategy to reduce violence through preventive measures; an education household survey in El Salvador, along with a series of projects to help the government expand the EDUCO model of community-based schools to all rural areas and marginal urban zones and improve the quality and coverage of secondary education; and the Millennium Science Initiative in Chile, which aims to establish virtual centers of excellence to carry out advanced research and training in science and technology. The health sector is also an important priority. The Bank is helping client countries undertake comprehensive reforms to improve performance of both private and state-run health systems (Box 2-16).

Improving results on the ground

To consolidate gains made last year from staff reorganization and decentralization, the Bank

BOX 2-16 SUPPORTING DISEASE SURVEILLANCE AND CONTROL IN BRAZIL

In September 1998, the Board approved a $100 million loan to Brazil to improve its national disease surveillance and control system in an effort to reduce mortality and morbidity resulting from communicable diseases. The program consists of three projects phased over eight years that will strengthen surveillance by improving the data management telecommunications system, rehabilitating the laboratory network, and training staff. Communicable diseases know no borders. Brazil knew it had to develop better capabilities to monitor and control existing and emerging infections, and its partners knew of the Brazilian commitment and capabilities in this arena. The project provided the financing and helped consummate the collaborative enterprise that is now supported by this project.

The project is the result of strong collaboration among many partners: the Bank, the government of Brazil, the U.S. Centers for Disease Control (CDC), the World Health Organization, and the Pan American Health Organization, the regional unit of the World Health Organization (WHO). The CDC has had vital interests in supporting this effort in Brazil for many years. CDC and WHO scientists have been working in Brazil on significant public health problems, including AIDS, hemorrhagic fever and other emerging infections, and polio eradication. The Bank, too, had been investing in the reduction of the impact of these diseases under previous projects.

The project is the first phase of a five-year program (supported by an Adaptable Program Loan) that will benefit the entire Brazilian population by increasing the effectiveness and efficiency of the health sector. The first phase aims to set up a viable framework for an improved national surveillance system, envisaged to become, in ten years, a more efficient and responsive system that is decentralized and better equipped, in terms of human and financial resources, to deal with the emerging needs of the population. The project will especially benefit the poorest groups, those living in the Amazon, and other frontier populations, since they are affected disproportionately by communicable diseases. States, municipalities, and nonprofit health care providers will be important beneficiaries also, as their capacity to prepare, evaluate, and implement subprojects will be strengthened.

As the first self-standing project on disease surveillance and control in the Bank's portfolio, this project spotlights this issue and is expected to pave the way for similar efforts in Latin America and other regions. It has already been a catalyst for a similar project in Argentina and a project to increase MERCOSUR-country collaboration on disease surveillance and control.

TABLE 2-15 OPERATIONS APPROVED DURING FISCAL YEAR 1999, LATIN AMERICA AND THE CARIBBEAN

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) U.S. $
Argentina				
Water Sector Reform Project	Jun 1, 1999	2005/2014	n.a.	30.00
Integrated Drug Prevention Pilot Project	Apr 30, 1999	2002/2014	n.a.	4.80
Social and Fiscal National Identification Project	Apr 20, 1999	2004/2014	n.a.	10.00
Renewable Energy in the Rural Market Project	Mar 30, 1999	2004/2014	n.a.	30.00
Year 2000 Technical Assistance Project	Dec 17, 1998	2004/2014	n.a.	30.30
Special Structural Adjustment Loan	Nov 10, 1998	2002/2003	n.a.	2,525.30
Repurchase Facility Support Loan	Nov 10, 1998	2002/2003	n.a.	505.00
Social Protection IV Project	Oct 15, 1998	2002/2013	n.a.	90.80
Bolivia				
Health Sector Reform Project	Jun 15, 1999	2009/2039	17.80	25.00
Institutional Reform Project	Jun 15, 1999	2009/2039	23.80	32.00
Abapo-Camiri Highway Project	Jun 3, 1999	2009/2039	64.70	88.00
Regulatory Reform Sector Adjustment Credit	Nov 19, 1998	2009/2038	29.20	40.00
Regulatory Reform Sector Adjustment Credit	Nov 19, 1998	2009/2038	1.30	1.80
Brazil				
Salvador Urban Transport Project	Jun 17, 1999	2005/2014	n.a.	150.00
School Improvement II Project	Jun 8, 1999	2005/2014	n.a.	202.00
Animal and Plant Health Protection Project	May 27, 1999	2004/2014	n.a.	44.00
Social Protection Special Sector Adjustment Loan	Jan 7, 1999	2002/2004	n.a.	252.50
Social Security Special Sector Adjustment Loan	Jan 7, 1999	2002/2004	n.a.	757.60
Disease Surveillance and Control Project	Sep 17, 1998	2004/2013	n.a.	100.00
AIDS and STD Control II Project	Sep 15, 1998	2004/2013	n.a.	165.00
Amazon Emergency Fire Prevention and Control Project	Sep 10, 1998	2004/2013	n.a.	15.00
Chile				
Millennium Science Initiative Project	Apr 30, 1999	2003/2014	n.a.	5.00
Municipal Development II Project	Dec 22, 1998	2004/2014	n.a.	10.10
Higher Education Improvement Project	Nov 5, 1998	2004/2014	n.a.	145.40
Colombia				
Youth Development Project	Aug 3, 1998	2002/2014	n.a.	5.00
Toll Road Concession Project	Jul 2, 1998	2002/2013	n.a.	137.00
Dominica				
Emergency Recovery and Disaster Management Project [a]	Dec 10, 1998	2002/2014	n.a.	2.53
Emergency Recovery and Disaster Management Project [a]	Dec 10, 1998	2009/2033	1.80	2.50
Dominican Republic				
Hurricane Georges Emergency Recovery Project	Dec 10, 1998	2002/2014	n.a.	111.10
Guatemala				
Land Fund Project	Jan 7, 1999	2004/2018	n.a.	23.00
Land Administration Project	Dec 3, 1998	2004/2019	n.a.	31.00
Social Investment Fund II Project	Nov 12, 1998	2004/2018	n.a.	50.00
Judicial Reform Project	Oct 22, 1998	2004/2018	n.a.	33.00
Reconstruction and Local Development Project	Jul 28, 1998	2004/2018	n.a.	30.00
Guyana				
El Niño Emergency Assistance Project	Oct 22, 1998	2009/2038	6.80	9.00

focused on improving the speed, flexibility, quality, and effectiveness of operations and advisory services in FY99. Field presence has increased, with three of the seven country directors now based in the field and strengthened resident missions throughout the region. As a result, the Bank was able to respond promptly to requests for emergency assistance in Brazil, the Dominican Republic, Guyana, Honduras, Nicaragua, and the Caribbean, and for fiscal support in Argentina and Brazil.

The Bank continues to seek ways to make its lending portfolio more effective. The use of Adaptable Program Loans (APLs) and LILs has

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) U.S. $
Honduras				
Interactive Environmental Learning and Science Promotion Project (Profuturo)	Jun 17, 1999	2009/2039	6.20	8.30
Nutrition and Health Project Supplement	Jan 28, 1999	2003/2033	7.50	10.40
Transport Sector Rehabilitation Project Supplement	Jan 7, 1999	2003/2033	14.50	20.00
Hurricane Emergency Project	Dec 22, 1998	2009/2038	144.30	200.00
Social Investment Fund IV Project	Jul 14, 1998	2008/2038	33.60	45.00
Mexico				
FOVI Restructuring Project	Mar 4, 1999	2004/2014	n.a.	505.50
Agricultural Productivity Improvement Project	Dec 22, 1998	2002/2014	n.a.	444.40
Nicaragua				
Sustainable Forestry Investment Promotion Project	Jan 7, 1999	2009/2039	6.40	9.00
Basic Education Project Supplement	Jan 7, 1999	2005/2035	9.60	13.20
Hurricane Emergency Project	Dec 22, 1998	2009/2038	36.10	50.00
Financial Sector Adjustment Credit	Dec 16, 1998	2008/2038	1.00	1.40
Social Investment Fund III Project	Nov 10, 1998	2009/2038	32.90	45.00
Panama				
Public Policy Reform Adjustment Project	Nov 19, 1998	2003/2015	n.a.	61.00
Second Roads Rehabilitation Project	Sep 15, 1998	2003/2015	n.a.	85.00
Health Sector Reform Pilot Project	Jul 17, 1998	2002/2014	n.a.	4.30
Peru				
Financial Sector Adjustment Loan II	Jun 22, 1999	2004/2016	n.a.	300.00
Urban Property Rights Project	Aug 6, 1998	2004/2015	n.a.	38.00
St. Kitts and Nevis				
Emergency Recovery and Disaster Management Project	Dec 10, 1998	2002/2014	n.a.	8.50
St. Lucia				
Emergency Recovery and Disaster Management Project [a]	Dec 10, 1998	2002/2014	n.a.	3.04
Emergency Recovery and Disaster Management Project [a]	Dec 10, 1998	2008/2033	2.2	3.00
Trinidad and Tobago				
Postal Services Reform Project	Apr 13, 1999	2004/2014	n.a.	14.80
Uruguay				
Transport II Project	Sep 17, 1998	2004/2013	n.a.	64.50
Basic Education Quality Improvement II Project	Jul 30, 1998	2002/2013	n.a.	28.00
Venezuela				
Caracas Slum-Upgrading Project	Oct 22, 1998	2003/2015	n.a.	60.70
Public Expenditure Management Reform Project	Jun 29, 1999	2004/2014	n.a.	20.00
Total			439.70	7,736.77

n.a. Not applicable (IBRD loan)
a. "Blend" loan/credit.

improved the region's ability to respond flexibly to the needs of borrowers. In FY99, APLs were approved to support long-term programs in Argentina, Bolivia, Brazil, and Guatemala, and portfolio management is helping improve results on the ground. Joint Borrower-Bank Country Strategy and Implementation Reviews were held in Bolivia and other countries. Reflecting intensive efforts to reduce the number of problem projects, the LAC Region has the lowest percentage of such projects in the Bank.

MIDDLE EAST AND NORTH AFRICA

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING*:
Algeria
Egypt, Arab Republic of
Iran, Islamic Republic of
Jordan
Lebanon
Morocco
Syrian Arab Republic
Tunisia
Republic of Yemen

This section also reports on West Bank and Gaza.

Regional context

The economies of the Middle East and North Africa (MNA) region in which the Bank has active lending portfolios were largely spared the adverse effects of the global economic difficulties in 1998. But softer oil prices and continued uncertainties with respect to the Middle East peace process have contributed to less robust growth than might have been expected, given broad-based substantial economic reform in many countries. Estimates for GDP growth range from a high of 6.3 percent for Morocco (a sharp rebound after the previous year's drought-induced negative growth) to a low of 1.7 percent for Iran. Algeria, Egypt, and Tunisia all achieved estimated 5 percent growth. Jordan, Lebanon, the West Bank and Gaza, and Yemen had estimated growth rates in the 2–4 percent range.

Despite economic recovery in recent years, MNA countries continue to face substantial problems in achieving their economic and social goals. Unemployment remains unacceptably high. While poverty incidence is low, the numbers of poor continue to increase, and vulnerable socioeconomic groups have yet to share in the fruits of recovery. Governments have invested heavily in health and education, but both access and quality still need substantial improvement, particularly with respect to female education and affordable health care for the poor. And environmental issues—notably water scarcity—pose potentially serious problems, as do gaps between rural and urban areas in terms of incomes and access to infrastructure and human services.

Bank assistance

These enduring issues framed the components of the Bank's strategic response to countries' needs during FY99. Central to this response, as in previous years, has been support for wide-ranging economic reforms to promote faster private sector–led GDP and employment growth. Because most MNA domestic markets are small, opening up economies to intraregional and international trade is critical, requiring not only reduction of conventional trade barriers but also institutional, legal, and regulatory reforms to enhance the enabling environment for domestic and overseas businesses. While growth is central to alleviating poverty, Bank strategy also emphasizes special assistance for vulnerable groups. The Bank has long supported human capital investment in the region, stressing especially qualitative improvements in health and education services. Assistance for the prudent management of scarce natural resources and for agricultural and rural development also remains a priority.

The Bank has continued to pay increasing attention to results on the ground and responsiveness to clients. It has intensified work on portfolio management, deepened partnerships with other donors and member countries, not only at the governmental

level but also with civil society, and used participatory approaches to project design and execution.

Table 2-16 shows the value and sectoral distribution of total Bank lending to the Middle East and North Africa Region in the FY90–99 period. Table 2-17 compares commitments, disbursements, and net transfers to the region for FY94–99, and Table 2-18 shows operations approved in FY99, by country. In addition, the Board of Executive Directors approved funding totaling $54 million from the Trust Fund for Gaza and the West Bank. Figure 2-10 shows IBRD and IDA commitments by sector.

Advancing growth and private sector development

More than 40 percent of FY99 lending was for substantial programs of growth- and private sector–oriented policy reform in Jordan, Morocco, and Tunisia. Following successful performance under predecessor operations, the Bank maintained its strong support for reform in Jordan, where the third in a series of loans will benefit trade policy, privatization, and financial sector and legal and regulatory reform. Two loans to Morocco are supporting an exceptionally broad program of economic and social reform (Box 2-17) and government efforts to reorganize and modernize the critical telecommunications sector. The latter operation will expand competition through increased private participation in service provision and help improve access for the poor and isolated. Two loans to Tunisia will help enhance the soundness, efficiency, and competitiveness of the financial system and support Tunisia's ability to

TABLE 2-16 LENDING TO BORROWERS IN MIDDLE EAST AND NORTH AFRICA, BY SECTOR, FISCAL YEARS 1990–99

(millions of U.S. dollars)

Sector	Annual average, FY90–94	FY95	FY96	FY97	FY98	FY99	Reclassified FY99[a]
Agriculture	295.7	231.6	100.0	176.5	114.2	454.0	291
Education	99.0	158.3	138.3	98.0	143.0	55.0	105
Electric power and other energy	118.9	—	—	65.0	—	54.0	64
Environment	6.7	113.0	78.0	—	35.0	—	22
Finance	105.0	—	408.7	75.0	180.0	159.0	398
Industry	92.9	—	—	—	—	35.0	35
Mining	5.0	—	—	—	—	—	—
Multisector	255.0	150.0	380.0	120.0	—	120.0	40
Oil and gas	48.8	—	35.0	—	—	—	—
Population, health, and nutrition	83.2	35.7	85.2	—	140.0	101.0	131
Public sector management	37.0	—	20.0	85.0	71.5	403.5	225
Social protection	34.6	—	223.0	30.0	5.0	50.0	45
Telecommunications	24.0	—	—	—	—	—	101
Transportation	55.2	239.1	37.0	42.0	57.8	—	10
Urban development	229.9	51.0	50.0	100.0	212.0	64.0	44
Water supply and sanitation	93.8	—	40.0	123.3	10.0	80.0	65
Total	1,584.7	978.7	1,595.2	914.8	968.5	1,575.5	1,576
Of which: IBRD	1,447.7	925.4	1,276.7	769.6	722.0	1,189.0	
IDA	137.0	53.3	318.5	145.2	246.5	386.5	

— *Zero.*

Note: *Numbers may not add to totals because of rounding.*

a. See Explanatory Note, Table 1 (page 10).

TABLE 2-17 WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN MIDDLE EAST AND NORTH AFRICA, FISCAL YEARS 1994–99

(millions of U.S. dollars)

	Morocco		Egypt, Arab Republic of		Tunisia		Total region	
Item	1999	1994–99[a]	1999	1994–99[a]	1999	1994–99[a]	1999	1994–99[a]
IBRD and IDA commitments	440	1,758	550	1,140	194	1,297	1,576	7,183
Undisbursed balance	724	724	524	524	796	796	3,937	3,937
Gross disbursements	411	2,011	76	902	209	1,064	1,091	7,372
Repayments	299	1,895	127	1,146	176	1,085	992	6,557
Net disbursements	113	116	–51	–245	33	–20	100	815
Interest and charges	216	1,502	63	579	95	673	656	4,194
Net transfer	–103	–1,386	–114	–823	–62	–693	–556	–3,379

Note: *The table shows the three countries with the largest lending commitments in the Region over the past two fiscal years (FY98–99).*

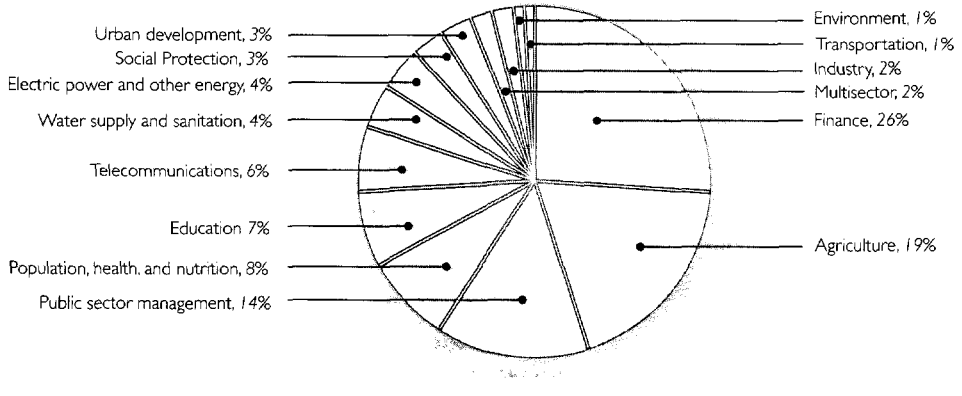
a. Disbursements from the IDA Special Fund are included through fiscal 1996.

compete effectively in external markets, especially the European Union.

The Bank's efforts to help promote private sector–led growth in the MNA Region are complemented by those of IFC and MIGA. IFC's 22 operations during the year supported investments with a total project cost of more than $1.1 billion. IFC has emphasized especially the financial sector, private participation in infrastructure, support for small and medium enterprises, and specific activities that draw on comparative advantage to generate foreign exchange earnings and jobs (for example, agribusiness in Egypt, Jordan, and Yemen, tourism in Egypt and the West Bank and Gaza, pharmaceuticals in Algeria, and textiles in Morocco). MIGA has received some 60 preliminary guarantee applications for activities worth approximately $1.3 billion in many sectors. A special area of focus for MIGA has been the West Bank and Gaza, through the $21 million West Bank and Gaza Investment Guarantee Trust Fund, created under MIGA's initiative in 1997. The Trust Fund undertook its first operation in FY99, providing $5 million in insurance for a project to restore and enhance several sites of cultural and historical interest near Bethlehem, in connection with the upcoming "Bethlehem 2000" celebrations, which are also being supported by the Bank's Trust Fund for Gaza and the West Bank.

FIGURE 2-10 MIDDLE EAST AND NORTH AFRICA: IBRD AND IDA LENDING COMMITMENTS BY SECTOR, FISCAL YEAR 1999

Total $1.6 billion



Supporting community-based employment and works programs

Policy reforms have substantial payoffs over the medium term, but more jobs and better living conditions, especially in poorer communities, can take time to materialize. To help such communities, more than $100 million on IDA terms was approved in FY99 to provide vulnerable groups with jobs and community infrastructure. In Egypt, the Social Fund III Project provides additional resources for two successful ongoing programs that create employment for the rural poor through small-scale public works and work with local communities and nongovernmental organizations to provide income-generating activities and basic services. The project aims to create 2,500 permanent and 20,000 temporary jobs. In the West Bank and Gaza, a similar project will improve poor communities' access to water and sanitation and help rehabilitate clinics, schools, and feeder roads. The project builds on the success of its predecessor (Box 2-18). In Yemen, a second Public Works Project will help areas with above-average unemployment by financing small-scale civil works expected to generate about 85,000 person-months of employment. The effort is nearly double the size of the first-phase operation, which also stressed poverty reduction and community involvement.

Investing in human capital development

Rising demand from growing populations, new challenges, and changing needs is placing increasing strains on the provision and quality of health and education services. The Bank is responding through support for long-term efforts to improve quality and performance and strengthen institutional capacity. A project in Egypt will enhance the quality of secondary schooling and expand the role of communities and the private sector in the system. Assistance to Jordan will help improve health care delivery, hospital financing and management, and reforms in the pharmaceuticals sector. Helping to upgrade health service quality is also part of the Bank's support for Morocco's overall social development strategy. Expected benefits of a Health Financing and Management Project include enhanced equity, through broader insurance coverage, and better quality care for users of public hospitals.

BOX 2-17 A $250 MILLION VOTE OF CONFIDENCE FOR REFORM IN MOROCCO

Morocco was one of the region's first countries to embrace the "policy revolution"— macroeconomic stabilization, less state involvement in productive economic activity, and promotion of openness and private sector–led growth—that has begun to transform MNA economies over the past decade. A strong reform program in the late 1980s lost some momentum in the 1990s, but early in 1998 a newly elected government took power with a wide-ranging medium-term program of profound, synergistically linked, social and institutional, as well as economic, reforms.

During much of 1998, at the government's request, Bank staff worked intensively with Moroccan partners on key areas of the program. Meanwhile the government took a number of initial actions to get the program under way, covering budgetary institutions, civil service and administrative reform, judicial system reform, public enterprise reform and privatization, private participation in infrastructure, improvements in the business environment for the private sector, competition and price policy reform, social assistance and community development, and enhanced provision of rural infrastructure, education and literacy services, and health care.

Based on these prior measures and government commitment to a clearly articulated, credible, and comprehensive medium-term reform agenda, the Board approved the fiscal year's largest Bank loan in the region—a $250 million Policy Reform Support Loan (PRSL), cofinanced by the African Development Bank for about an additional $200 million. The loan sends a strong signal of support for the new government's medium-term strategy to the international investor community. In its support of the government's broad-based program, the PRSL is in line with other innovative, longer term, programmatic lending approaches being developed in the Bank.

A community development project in the West Bank and Gaza

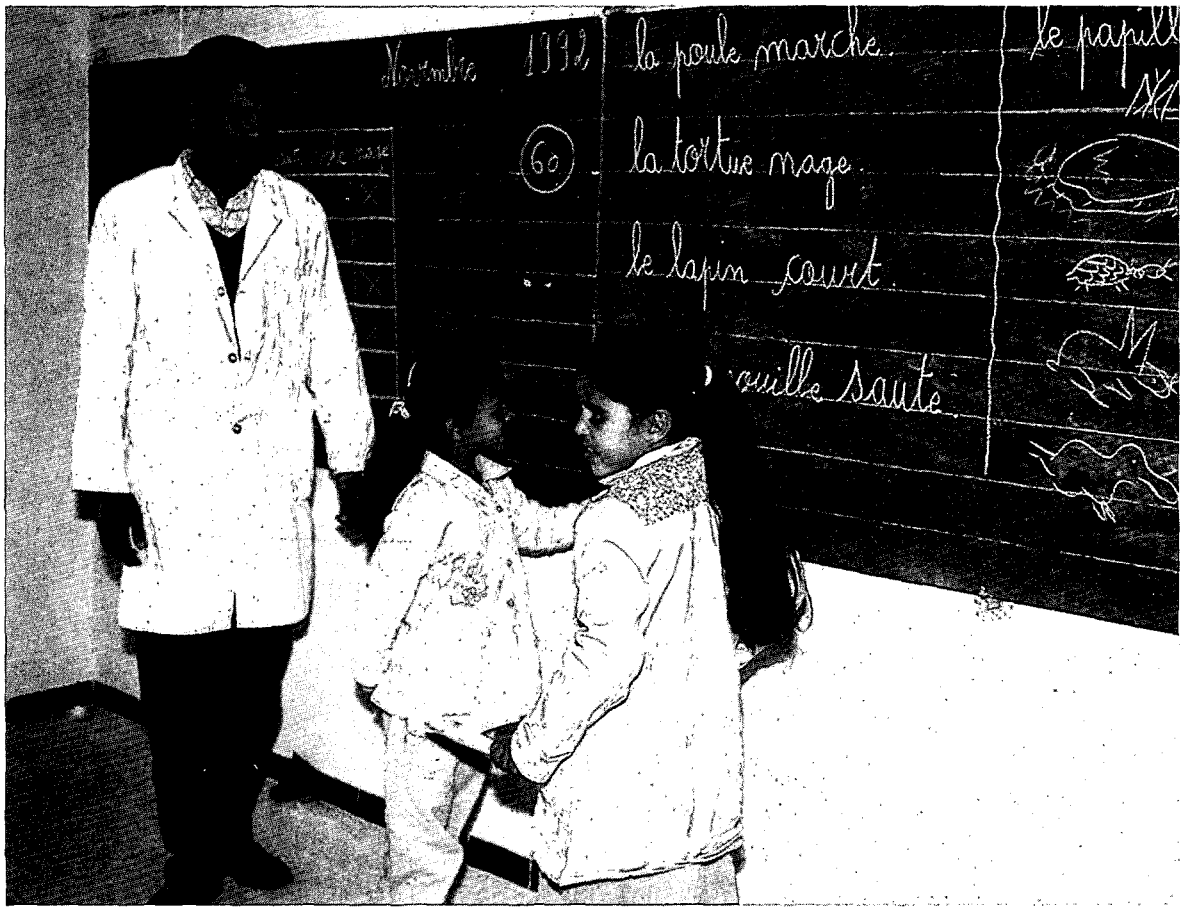
BOX 2-18 SUPPORTING COMMUNITIES AND ALLEVIATING POVERTY IN THE WEST BANK AND GAZA

Social and economic infrastructure in many communities in the West Bank and Gaza has deteriorated over decades to the point where many villages have minimal or nonexistent basic services such as water supply and sanitation. The resulting health hazards have been compounded by the lack of adequate medical facilities and health clinics. Meanwhile, schools are in bad physical condition, severely limiting educational opportunities, and economic activity is inhibited by degraded access roads. Unemployment is very high, often reaching 50 percent.

In February 1997, the Board approved a Community Development Project (CDP) designed to ameliorate these conditions and targeted at poor communities not assisted by other Palestinian Authority, donor, or Bank operations. The CDP has supported very small subprojects, chosen and implemented by small municipalities and village communities, for restoring local socioeconomic infrastructure. Local communities contribute to the costs of microprojects. The operation has also helped alleviate poverty by providing jobs.

By its scheduled closing date at the end of FY99, the operation will have directly supported about 200,000 person-days of employment and socioeconomic infrastructure improvements in about 160 communities. According to a beneficiary assessment, local communities feel that the CDP's principal objectives—infrastructure rehabilitation and employment creation—have been met. The assessment also shows that community mobilization through participation in decisionmaking and contribution to subproject costs is working and is likely to help promote sustainability.

The success of the project led the Palestinian Authority to request a CDP II operation, which was approved by the Board in March 1999. The new project embodies lessons learned from the CDP, including improved poverty targeting; improved information sharing and stakeholder participation to further strengthen local ownership; provision of local technical assistance for subproject implementation; and inclusion of commitment to operation and maintenance in subproject selection criteria.



Improving female literacy in a classroom in Tunisia

Supporting institutional development

Good governance, based on well-functioning institutions for effective policymaking and program execution, is increasingly recognized as critical to development. Governance and institutional development components have been included in increasing numbers of operations, along with some freestanding projects directed at institutional reform. In Yemen, a Public Sector Management Adjustment Credit will help streamline and strengthen public administration, enhance budgetary and financial management, rationalize public expenditure, and improve revenue mobilization and administration. This is expected to be the first in a series of public sector reform operations aimed at improving overall economic performance, supported by private sector growth and stronger public service delivery. Meanwhile, a Learning and Innovation Credit will also help Yemen's prospects for foreign direct investment by helping to upgrade the quality of the judicial system and the legal environment.

Promoting agricultural development and natural resource management

Agriculture continues to be a significant source of jobs and income in several countries. Three operations were approved in FY99 to support Egypt's agricultural sector, which accounts for a fifth of GDP and more than a third of the labor force. The Bank is helping to transform the Principal Bank for Development and Agricultural Credit into a broad-based and profitable rural financial intermediary; to rehabilitate irrigation and drainage pumping stations that are critical for Nile Valley and Delta agriculture; and to support poverty alleviation, local infrastructure upgrading, and institution building in one of Egypt's poorest rural provinces. This operation relies on the area's traditional village system as a means of involving

local communities in efforts to improve rural living conditions.

Bank assistance for natural resource management in FY99 focused on water and on steps toward private service provision of this increasingly scarce resource (Box 2-19). Access for the poor is a priority. In Jordan, the Bank is helping improve the management and delivery of water and wastewater services to 2 million people by introducing a private operator and financing system rehabilitation. The project will help provide low-income households with reliable access to piped water at prices much lower than those now charged by commercial vendors. Similar assistance is being provided to the West Bank and Gaza. Support to Yemen will increase potable water supply to the city of Sana'a, address emergency water supply and sewerage network rehabilitation needs, and prepare for substantial private participation. In one of Morocco's poorest areas, an innovative pilot operation will test a participatory approach to watershed management.

BOX 2-19 MNA-MED WATER INITIATIVE: SUPPORTING NATIONAL WATER RESOURCE MANAGEMENT STRATEGIES

The MNA region is home to nearly 5 percent of the world's population but accounts for less than 1 percent of accessible freshwater. Resources per capita, at just over 1,000 cubic meters, are far lower than in any other developing region—about a quarter of the level for the next most water-scarce region by this measure, South Asia. Agriculture has traditionally been and remains by far the largest user of water, but rapid urbanization of 3–4 percent a year and growing industrial demand have placed increasing strains on water resources. This process is increasingly being exacerbated by pollution, which has adversely affected quality and hence potential usage, for example, for human consumption. Rapid population growth has also reduced and can be expected to continue to reduce per capita availability, with potentially serious consequences for both economic development and human health and quality of life.

The MNA-MED Water Initiative has been designed to help countries in the region to respond proactively to these problems by supporting national programs to formulate, update, and implement water resources policies; mobilize financial resources; and focus attention on the problems of managing limited resources more efficiently. The Initiative is jointly sponsored by the European Investment Bank, the European Commission, and the World Bank. Participating countries include 17 countries from the Bank's MNA Region, together with Turkey and Cyprus. Three sets of core challenges facing the region were identified at a major conference held in Cairo in June 1998. These were water scarcity, quality deterioration, and drought; the institutional and managerial aspects of water resources strategy; and issues related to efficient use of water in agriculture. During the year under review, MNA countries prepared case studies and strategy formulation designed to illuminate and address these challenges.

In May 1999, a second conference was held in Amman, at which future directions for sectoral policy development were identified on the basis of a number of country case studies. The broad emphasis was on improvements in water resources management on an integrated basis (including appropriate institutional development and engaging nongovernmental stakeholders, notably the private sector, more substantially in the process) and upgrading the efficiency of water usage (including technological improvements and incentives to promote effective and acceptable allocation of resources, and to address the problems of pollution and physical and accounting losses).

The Initiative has brought together sponsor institutions, national policymakers, and supportive experts from elsewhere in the world to exchange and enhance knowledge, to discuss best practice approaches to water resource management, and to help further the development of economically and socially appropriate national water strategies, based on individual countries' needs and priorities. It has also led to the creation of a region-wide network of national policymakers and specialists in the field. The Bank plans to continue to encourage both exchanges of experience among countries and country level work on key issues in the sector. As a first step, the Initiative proposes to sponsor two follow-up regional seminars on the critical issues of sustainable groundwater management and wastewater treatment and reuse.

Nonlending services: innovating and diversifying products and activities

Nonlending services to clients in MNA in FY99 included policy and analytical work on key development issues; "knowledge and learning partnerships" that promote two-way exchanges of information; and advisory services.

Innovative analytical work included new-style process-oriented Public Expenditure Reviews (PERs) that focused on budgetary decision-making processes and institutional constraints to effective public resource management. A new nonlending product, a Social and Structural Policy Review (SSPR) in Tunisia, was one of six pilot SSPRs Bank-wide. In addition, a Country Assistance Strategy (CAS) for Yemen was prepared on the basis of substantial consultation with Yemeni counterparts from inside and outside government. The CAS also benefited substantially from the valuable analysis and recommendations of the Yemen Country Assistance Review (CAR), undertaken during the year by the Bank's Operations Evaluations Department. Bank analytical work typically helps frame government policymaking and Bank lending. For example, the Yemen CAS and PER, together with a comprehensive social and institutional assessment, provided inputs for the Public Sector

TABLE 2-18 OPERATIONS APPROVED DURING FISCAL YEAR 1999, MIDDLE EAST AND NORTH AFRICA

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) U.S. $
Egypt				
Social Protection Initiatives Project	Jun 29, 1999	2009/2034	3.60	5.00
Private Sector and Agricultural Development Project [a]	Jun 22, 1999	2005/2019	n.a.	225.00
Private Sector and Agricultural Development Project [a]	Jun 22, 1999	2009/2034	55.50	75.00
Social Fund for Development III Project	Jun 1, 1999	2009/2034	36.90	50.00
Secondary Education Enhancement Project	Apr 15, 1999	2009/2034	35.80	50.00
Sohag Rural Development Project	Aug 27, 1998	2008/2033	18.60	25.00
Pumping Stations Rehabilitation III Project	Aug 6, 1998	2003/2018	n.a.	120.00
Jordan				
Economic Reform and Development III Project	Jun 1, 1999	2003/2016	n.a.	120.00
Amman Water and Sanitation Management Project	Mar 16, 1999	2003/2016	n.a.	55.00
Health Sector Reform Project	Mar 25, 1998	2003/2016	n.a.	35.00
Morocco				
Policy Reform Support Loan	Jun 1, 1999	2004/2019	n.a.	250.00
Pilot Fisheries Development Project	May 6, 1999	2004/2019	n.a.	5.00
Telecommunications Post and Information Technology Sector Adjustment Loan	May 6, 1999	2004/2019	n.a.	101.00
Lakhdar Watershed Management Pilot Project	Dec 22, 1998	2004/2019	n.a.	4.00
Health Financing and Management Project	Dec 17, 1998	2004/2019	n.a.	66.00
Fes-Medina Rehabilitation Project	Oct 29, 1998	2004/2018	n.a.	14.00
Tunisia				
Export Development Project	May 20, 1999	2004/2016	n.a.	35.00
Economic Competitiveness Adjustment Loan II	Apr 20, 1999	2003/2014	n.a.	159.00
Yemen				
Legal and Judicial Development	Jun 29, 1999	2009/2039	1.80	2.50
Sana'a Water Supply and Sanitation Project	May 13, 1999	2009/2038	18.40	25.00
Public Sector Management Adjustment Credit	Mar 23, 1999	2009/2038	35.80	50.00
Public Works II Project	Jan 28, 1999	2009/2039	35.60	50.00
Sana'a Emergency Power Project	Sep 24, 1998	2009/2038	40.60	54.00
Total			282.60	1,575.50

n.a. Not applicable (IBRD loan)
Note: This table excludes lending to West Bank and Gaza, which is funded by the Trust Fund for Gaza and the West Bank.
a. "Blend" loan/credit.

Management Adjustment Credit and for preparatory work on a proposed Civil Service Modernization Credit. Finally, a number of countries in the region are discussing with the Bank possible participation as pilots for the elaboration of the Comprehensive Development Framework. Preparatory work for this initiative was undertaken during the year.

Knowledge and learning partnership activity included the Second Mediterranean Development Forum, held in Marrakech in September 1998. The Forum focused on participation and development and brought together more than 500 participants from government, think tanks, academia, and the business community within and outside the region. Meanwhile, the World Bank Institute continued its training activities in development topics, attracting more than 1,600 participants. The Economic Research Forum for the Arab Countries, Iran, and Turkey (a Bank-sponsored regional research network) received additional funding from the Bank's Development Grant Facility during the year to expand its activities. And following a MNA Women's Conference early in the fiscal year, a regional Consultative Council for Women was formally inaugurated in January 1999 to enhance understanding of gender issues in the region and promote better integration of gender analysis into the design of Bank programs.

Advisory services to member countries of the Gulf Cooperation Council (GCC) diversified during the year under the auspices of the Bank's Technical Cooperation Program (TCP), which provides GCC governments with (mainly reimbursable) technical assistance. In response to country requests, TCP is providing technical assistance related to diversifying GCC economies away from oil, together with advice on privatization, corporatization, or restructuring of services such as electricity and water supply, telecommunications, and airlines. Labor market studies were conducted in two countries. The TCP also organized conferences, seminars, and workshops on diverse topics spanning human resources development, small-scale industry promotion, investment promotion, and water sector reform.

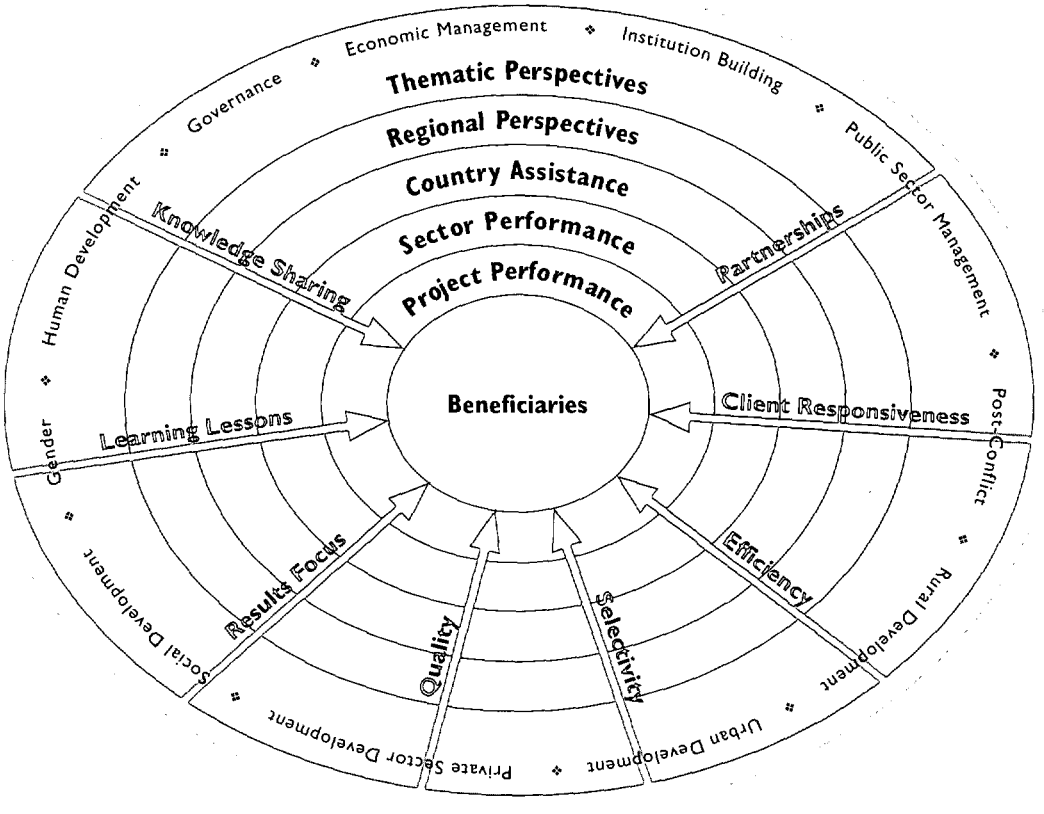
The MNA regional office has also taken major steps to realize the concept of the "Knowledge Bank" at the regional level. Activities during the year included development of an external web site that provides information not previously available to the general public and the creation of a live database that provides constantly expanding country, thematic, and sectoral information.

Section Three
Thematic Perspectives and Development Effectiveness

An important lesson the Bank has learned over the past decade is that assistance at the project level alone is not enough; projects can lead to development only when conceived and designed against broader sectoral, country, regional, and thematic perspectives. The first half of this section highlights these thematic perspectives, organized according to the Bank's four Thematic Networks, which bring to bear the benefits of worldwide experience, best practice, and partnerships on all Bank operations.

A second lesson is that success in serving the client requires a cross-cutting emphasis on development effectiveness. The second half of this section looks at what it takes to ensure that aid dollars do indeed improve the quality of life for ultimate beneficiaries. Possibly the biggest challenges facing the Bank today relate to measuring—and achieving—results at the level of not only Bank projects but also overall assistance, and becoming more selective as donors strive for greater complementarity in supporting country development strategies.

DEVELOPMENT EFFECTIVENESS



POVERTY REDUCTION AND ECONOMIC MANAGEMENT

The Bank's main mission is to help developing countries reduce poverty and improve living standards. Effective poverty-reduction strategies and poverty-focused lending are central to achieving these objectives and were fundamental to Bank activities in fiscal year 1999 (FY99). As part of those efforts, Bank assistance over the year also sought to mainstream gender issues in development strategies, strengthen economic management, reduce countries' vulnerability to crises, strengthen public institutions and anticorruption efforts, and build the institutional, structural, and social foundations needed for a sound national economy and a stable global economy.

Placing poverty concerns at the center of Bank work

Bank activities continue to be broadly guided by the poverty-reduction strategy proposed in the *World Development Report 1990 (WDR-90)*: fostering labor-based growth while investing in the development of human capital and providing safety nets for those unable to benefit from growth. However, several new themes that have emerged since the early 1990s have influenced implementation of the strategy: the vulnerability of the poor to economic shocks, the role of institutions in implementing policies and providing services, and the recognition of the importance of participation, partnerships, and social capital.

Activities in FY99 reflected concerns about the impact on poverty of some of the year's pivotal issues: persistent conflict in some of the poorest African countries; the sudden impoverishment of millions in East Asia as a consequence of the financial crisis; the continuing pain of transition in former socialist economies; and the tenuous situation of the millions of poor who live in India and China. These themes will be brought together in a major new synthesis of the underlying determinants of poverty reduction in the *World Development Report 2000/2001*, and a subsequent policy paper will discuss implications for the Bank's policy and operational work.

Mainstreaming poverty work in the Bank

Over the past year, mainstreaming poverty work in the Bank has entailed two strategic shifts: from describing poverty to formulating poverty-reduction strategies and placing these at the center of Country Assistance Strategies (CASs); and from tracking inputs to judging performance on the basis of outcomes. These shifts are in line with the international emphasis on outcome-based targets as defined by the International Development Goals adopted by the international development community in 1996. The FY98 *Progress Report on Poverty Reduction* found that, while there has been progress in formulating poverty-reduction strategies at the country level and in designing related Bank assistance strategies, judging performance based on impacts has been more elusive. It is clear that an unfinished agenda remains on both fronts.

The first strategic shift is being implemented through better formulated CASs and Poverty Assessments. Making substantial progress, 56 percent of CASs presented to the Board of Executive Directors in FY98 were judged fully satisfactory with respect to their integration of poverty issues into forward-looking strategy, up from 20 percent two years ago. Only 7 percent were judged unsatisfactory. The Comprehensive Development Framework (CDF) recently proposed by President Wolfensohn represents a key instrument to pilot a holistic approach to designing and implementing better poverty-reduction strategies.

By the end of FY99, 113 Poverty Assessments had been completed, covering more than 90 percent of the world's poor. Countries not yet covered are either countries that only recently became members (especially in Europe and Central Asia) or others where conflict or other factors have led to limited or difficult relations. Poverty Assessments for about 10 of these countries are scheduled for FY00–01.

The second shift, from tracking inputs to focusing on outcomes, is harder to implement and will take several years. Efforts are under way to monitor trends in

the International Development Goals at the country and global levels and to carefully evaluate the impact on them of specific interventions, but much remains to be accomplished. Still, progress has been made in both the coverage and availability of poverty data. Survey data exist for most countries, more countries have comparable data sets that make it possible to assess trends, and more data sets are openly accessible to civil society than in 1995.

Much remains to be done in assessing the impact of Bank activities at the level of overall country assistance. Not all CASs contain indicators against which to assess Bank performance. This is a fundamental issue, and the standards for CASs are being raised in line with the shift toward results-based management. To this end, a system is being set up to provide ex-ante support for CAS preparation and to review CASs ex-post to assess their impact.

Progress is also needed in evaluating the impact of specific projects. In still too few cases is it possible to tell whether a project actually reduced poverty and improved the lives of beneficiaries. This is clearly an area where stronger efforts are essential as the Bank moves to a culture based fundamentally on implementation and results.

TABLE 3-1 WORLD BANK ADJUSTMENT COMMITMENTS, FISCAL YEARS 1997–99

	FY97		FY98		FY99	
	$ Million	Percent	$ Million	Percent	$ Million	Percent
Adjustment commitments by region						
Africa	693	14	818	7	768	5
East Asia and Pacific	10	—	5,685	50	5,712	37
Middle East and North Africa	195	4	180	2	680	4
Latin America and the Caribbean	1,011	20	1,589	14	4,445	29
Europe and Central Asia	3,174	62	2,768	25	3,372	22
South Asia	3	—	250	2	350	2
Adjustment commitments by sector						
Finance	895	18	6,067	54	2,014	13
Multisector	1,906	37	1,803	16	9,552	62
Other	2,285	45	3,420	30	3,760	25
IBRD and IDA adjustment commitments						
Debt reduction loan	183	4	85	1	—	—
Rehabilitation import loan	120	2	10	—	—	—
Sector adjustment loan	2,671	53	2,151	19	4,116	27
Structural adjustment loan	2,112	42	9,043	80	11,210	73
IBRD and IDA adjustment commitments						
IBRD	4,138	81	9,935	88	13,937	91
IDA	948	19	1,354	12	1,389	9
Total adjustment loans	5,086	100	11,289	100	15,326	100
Total World Bank lending commitments						
IBRD	14,525		21,086		22,182	
IDA	4,622		7,508		6,812	
Total IBRD + IDA	19,147		28,594		28,994	
Share of adjustment loans		27		39		53

— *Zero.*

TABLE 3-2 WORLD BANK ADJUSTMENT OPERATIONS, FISCAL YEAR 1999

(amounts in millions of U.S. dollars)

Country	Project	World Bank financing IBRD	IDA	Total
Sector adjustment loans				
Argentina	Repurchase Facility Support Loan	505.0	0.0	505.0
Bolivia	Regulatory Reform Sector Adjustment Credit	0.0	40.0	40.0
Bolivia	Regulatory Reform Sector Adjustment Credit (IDA reflows)	0.0	1.8	1.8
Bosnia and Herzegovina	Second Public Finance Structural Adjustment Credit	0.0	72.0	72.0
Brazil	Social Security Special Sector Adjustment Loan	757.6	0.0	757.6
Brazil	Social Protection Special Sector Adjustment Loan	252.5	0.0	252.5
Bulgaria	Agriculture Sector Adjustment Loan	75.8	0.0	75.8
Cameroon	Structural Adjustment Credit III (IDA reflows)	0.0	13.1	13.1
Côte d'Ivoire	Transport Sector Adjustment Credit (IDA reflows)	0.0	25.6	25.6
Georgia	Energy Sector Adjustment Credit	0.0	25.0	25.0
Ghana	Second Economic Reform Support Operation Credit	0.0	178.2	178.2
Ghana	Second Economic Reform Support Operation Credit (IDA reflows)	0.0	1.8	1.8
Indonesia	Water Resources Sector Adjustment Loan	300.0	0.0	300.0
Jordan	Third Economic Reform and Development Loan	120.0	0.0	120.0
Kyrgyz Republic	Social Sector Adjustment Credit	0.0	36.5	36.5
Morocco	Policy Reform Support Loan	250.0	0.0	250.0
Morocco	Telecommunications, Post, and Information Technology Adjustment Loan	101.0	0.0	101.0
Nicaragua	Financial Sector Adjustment Credit (IDA reflows)	0.0	1.4	1.4
Peru	Financial Sector Adjustment Loan II	300.0	0.0	300.0
Poland	Hard Coal Sector Adjustment Loan	300.0	0.0	300.0
Tunisia	Second Economic Competitiveness Adjustment Loan	159.0	0.0	159.0
Ukraine	Second Enterprise Development Adjustment Loan	300.0	0.0	300.0
Ukraine	Financial Sector Adjustment Loan	300.0	0.0	300.0
Structural adjustment loans				
Albania	Public Expenditure Support Credit	0.0	30.0	30.0
Albania	Structural Adjustment Credit	0.0	45.0	45.0
Argentina	Special Structural Adjustment Loan	2,525.3	0.0	2,525.3
Armenia	Third Structural Adjustment Credit	0.0	65.0	65.0
Azerbaijan	Structural Adjustment Credit (Supplement)	0.0	7.0	7.0
Bosnia and Herzegovina	Enterprise and Bank Privatization Adjustment Credit	0.0	50.0	50.0
Bulgaria	Social Protection Adjustment Loan	80.0	0.0	80.0
Burkina Faso	Economic Management Reform Support Operation	0.0	15.0	15.0
Chad	Structural Adjustment Credit III	0.0	30.0	30.0
Georgia	Structural Adjustment Credit III	0.0	60.0	60.0
Indonesia	Policy Reform Support Loan	1,000.0	0.0	1,000.0
Indonesia	Second Policy Reform Support Loan	500.0	0.0	500.0
Indonesia	Social Safety Net Adjustment Loan	600.0	0.0	600.0
Korea, Republic of	Structural Adjustment Loan II	2,000.0	0.0	2,000.0
Macedonia, FYR	Social Sectors Adjustment Credit	0.0	29.0	29.0
Madagascar	Structural Adjustment Credit II	0.0	100.0	100.0
Malawi	Second Fiscal Restructuring and Deregulation Program Credit	0.0	92.0	92.0
Mauritania	Public Resource Management Credit (IDA reflows)	0.0	0.1	0.1
Moldova	Structural Adjustment Credit	0.0	40.0	40.0
Niger	Public Finance Reform Credit	0.0	64.0	64.0
Pakistan	Structural Adjustment Loan	350.0	0.0	350.0
Panama	Public Policy Reform Adjustment Loan	61.0	0.0	61.0
Philippines	Banking System Reform Loan	300.0	0.0	300.0
Romania	Private Sector Adjustment Loan	300.0	0.0	300.0
Russian Federation	Structural Adjustment Loan III	1,500.0	0.0	1,500.0
Rwanda	Economic Recovery Credit	0.0	75.0	75.0
Solomon Islands	Structural Adjustment Credit	0.0	12.0	12.0
Tajikistan	Structural Adjustment Credit	0.0	50.0	50.0
Tajikistan	Structural Adjustment Credit (Supplement)	0.0	6.7	6.7
Thailand	Economic and Financial Adjustment Loan	400.0	0.0	400.0
Thailand	Second Economic and Financial Adjustment Loan	600.0	0.0	600.0
Yemen, Republic of	Public Sector Management Adjustment Credit	0.0	50.0	50.0
Zambia	Public Sector Reform and Export Promotion Credit	0.0	170.0	170.0
Zambia	Public Sector Reform Credit (IDA reflows)	0.0	2.8	2.8
Total		**13,937.2**	**1,389.0**	**15,326.2**

Adjustment lending

For the first time in the Bank's history, adjustment lending accounted for more than half of total commitments in FY99, reflecting the continuing focus on responding to the financial crisis that started in East Asia and spread to other parts of the world (Tables 3-1 and 3-2). The Bank's response involved both support for economic and financial reform—since overall economic recovery is crucial to restore incomes and employment—and measures to mitigate the social costs of crises felt through loss of jobs, falling wages, sharp price rises, reduced public spending, and potentially pernicious second-round effects on the social fabric and families. This rising focus on social impacts is reflected in the composition of adjustment lending: the financial sector's share of total adjustment commitments declined to 13 percent in FY99, from 54 percent in FY98, while the multisector share increased from 16 percent to 62 percent in FY98.

Adjustment lending has in many instances been accompanied by technical assistance (TA). In FY99, the ASEM Trust Fund and Miyazawa Initiative played an important role in financing TA in East Asia. Other donors helped fund TA in other regions. Technical assistance over the past year has supported such needs as the creation of legal and regulatory frameworks, implementation of financial sector and corporate governance reforms, fiscal sustainability, and public expenditure management. Institution building and long-term capacity building are receiving more emphasis, with declining reliance on assistance from expatriate consultants. While TA has historically had mixed success, new assistance of this nature is being designed with close attention to lessons learned—namely, that borrower commitment is paramount, operations should be designed to achieve outcomes rather than accomplish activities, and information technology support is effective only when the right skills and incentives are in place.

TABLE 3-3 PROGRAM OF TARGETED INTERVENTIONS (PTIs), FISCAL YEARS 1992–99

Lending	FY92[a]	FY93	FY94	FY95	FY96	FY97	FY98	FY99
World Bank (IBRD and IDA) PTI lending								
Millions of dollars	3,836	4,675	4,441	5,437	5,408	4,090	6,733	6,293
Percentage of investment lending[b]	25	27	25	32	32	29	40	51
Total number of projects in the PTI	57	72	63	75	79	77	101	114
Total number of projects	187	214	197	208	222	203	240	216
IDA PTI lending								
Millions of dollars	1,812	2,137	1,853	2,423	3,246	1,874	3,267	3,070
Percentage of IDA investment lending[b]	44	41	43	54	63	54	54	65
Total number of IDA-funded projects in the PTI[c]	34	44	35	46	50	36	55	71

Note: *A project is included in the PTI if it has a specific mechanism for targeting the poor and/or if the proportion of poor people among its beneficiaries is significantly larger than the proportion of the poor in the total population.*

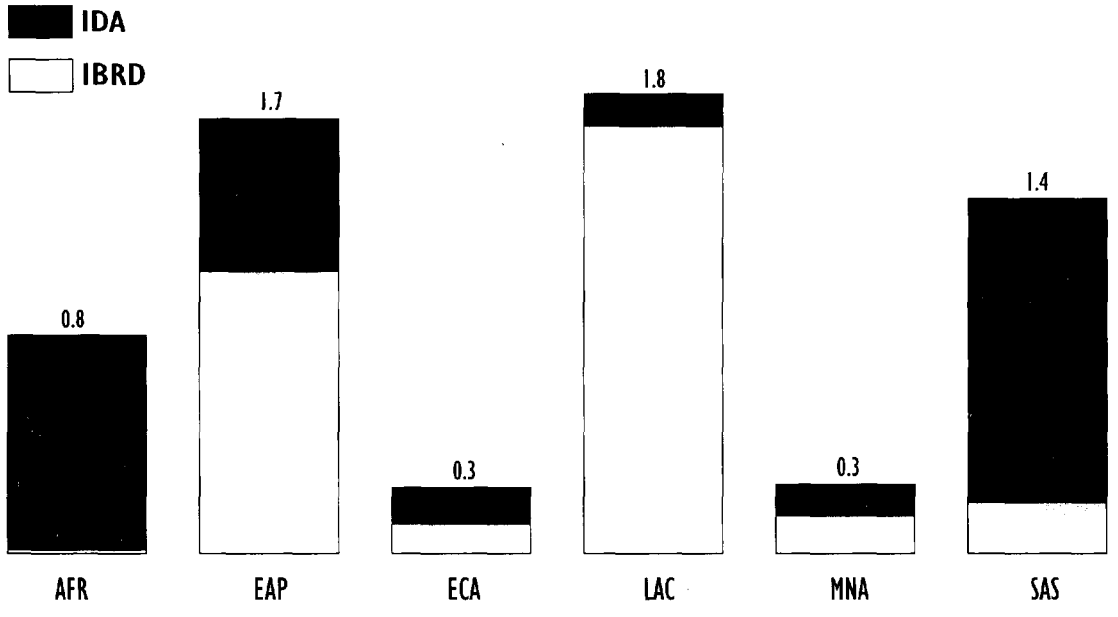
a. Fiscal 1992 figures differ from those in Implementing the World Bank's Strategy to Reduce Poverty *(World Bank, 1993a) because they include seven projects that were added to the PTI after the earlier report went to press.*

b. Investment lending includes all lending except for adjustment, debt and debt-service reduction operations, and emergency recovery loans, which are distinct from regular investment operations.

c. The number of IDA-funded projects in the PTI excludes joint IBRD/IDA projects, which are counted only once, as IBRD projects. There was one such PTI project in fiscal 1992, two in fiscal 1995, one in fiscal 1996, one in fiscal 1997, four in fiscal 1998, and nine in fiscal 1999.

FIGURE 3-1 PTI LENDING BY REGION, FISCAL YEAR 1999

Total PTI lending: $6.3 billion



Poverty-targeted interventions and poverty-focused adjustment operations

In addition to focusing on outcomes, the Bank continues to monitor lending targeted directly to the poor. Investment operations targeted directly to the poor are part of the Program of Targeted Interventions (PTI, Table 3-3). In FY99, 53 percent of projects were classified as a part of PTI; breakdowns by region and by sector are shown in Figures 3-1 and 3-2. A project is included in the PTI if it has a specific mechanism for targeting the poor, if the proportion of poor people among its beneficiaries is significantly larger than the proportion of the poor in the total population, or both.

Adjustment operations with a direct impact on the poor are classified as poverty-focused if they meet at least one of three criteria: they focus on eliminating distortions that disadvantage the poor; they support a reorientation of public expenditures toward physical infrastructure or basic social services for the poor; or they support programs that provide safety nets or target specific groups of the poor. In FY99, 69 percent of adjustment operations were classified as poverty-focused.

While projects in the PTI obviously seek to benefit the poor, non-PTI investment projects also aim to reduce poverty, as poverty reduction is the broader objective underlying all Bank assistance. For example, the Armenia Municipal Development Project (IDA), though not poverty-targeted, will make emergency short-term improvements in the water supply system to ameliorate the drinking water supply to Yerevan, thereby improving living conditions for the most deprived populations. By improving the quality of urban transport services in the metropolitan area, the Brazil–Rio de Janeiro Mass Transit Project (IBRD) will benefit the urban poor by facilitating access and making transport affordable.

***World Development Report* on Poverty**

Work is under way on *WDR-2000/2001* on Poverty and Development. The report starts from the premise that global trends toward trade, financial, and technological integration provide an unprecedented opportunity for poverty reduction, but at the same time carry considerable risks of marginalization, impoverishment, and exclusion. In its preparatory stages, the report proposes that an effective

poverty-reduction strategy will require action on three fronts. First, the strategy must ensure empowerment of the poor by increasing their voice and participation in decisionmaking, not only as an important outcome but also as a vital input to improving policies, institutions, effective service delivery, and the political basis for the pursuit of pro-poor growth. Second, the strategy must provide security against shocks at the individual and national levels, and safety nets for those left behind by rapid change. Finally, and fundamentally, the strategy must furnish the material basis for poverty reduction, both by creating opportunities for the poor and by creating the conditions for sustainable economic expansion, including growth of the poor's own assets. The report will be published in fall 2000.

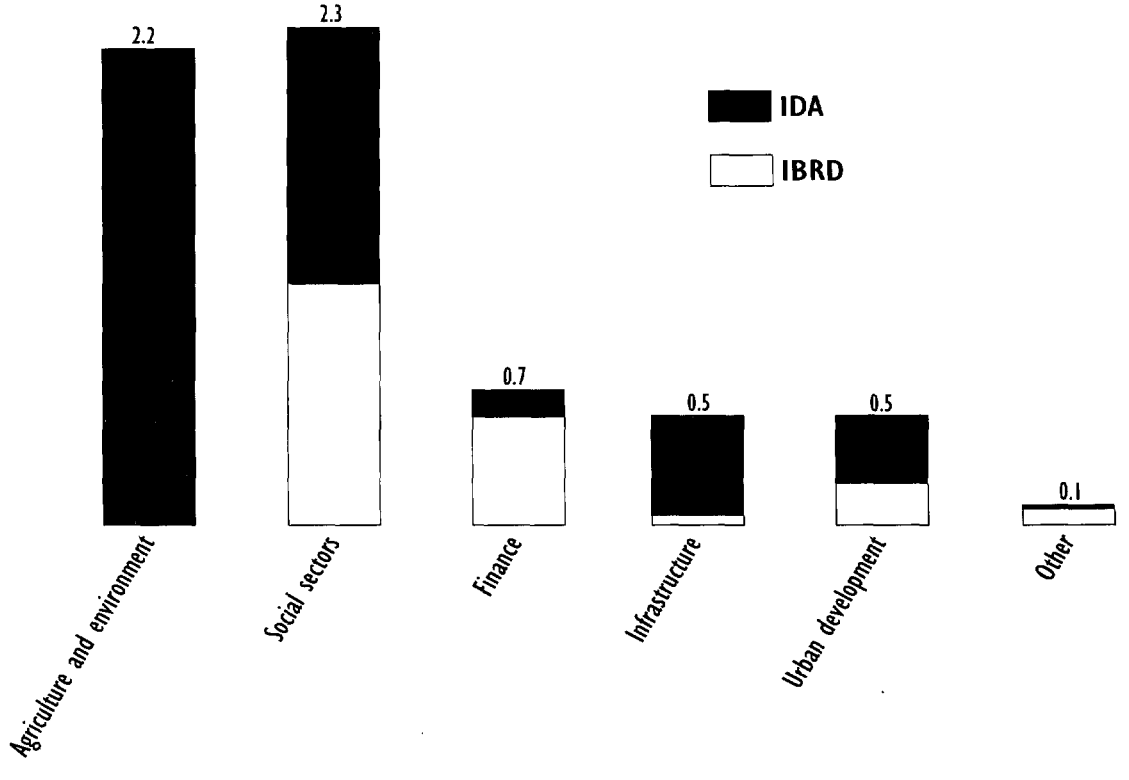
Mainstreaming gender concerns

The Bank is unequivocally committed to gender-inclusive and gender-equitable development. It collaborates systematically with its clients to mainstream gender concerns into policies, programs, and analytical work. It strives to enhance understanding of the relevance of gender-based differences and disparities and to ensure equal access of females and males to assets and opportunities and their equal participation in society's institutions. Progress on gender-related issues continued in FY99, through efforts to:

- integrate gender into the CAS. For example, the 1998 Senegal CAS used a broad-based participatory approach and integrated gender throughout the proposed country strategy. The Bangladesh CAS analyzed gender issues in specific sectors: health, education, informal sector employment, local government training, and urban transport. The CDF offers additional opportunities for integrating gender across all sectors.
- move beyond sectors of traditional emphasis in gender-related assistance (education, agri-

FIGURE 3-2 PTI LENDING BY SECTOR, FISCAL YEAR 1999

Total PTI lending: $6.3 billion



Economic management, institution strengthening, rural development, and social equity are important for poverty reduction in Vietnam.

culture, health, nutrition, and population). Efforts are under way, for example, to help incorporate gender-sensitive dimensions in transport project work through research on the transport needs of women and by developing instruments to meet these needs effectively. Following a high-level workshop in Sub-Saharan Africa in 1998 that explored the links between gender and law, the Bank has become active in addressing gender-based violence and legal issues.

• strengthen the intellectual underpinnings for Bank work on gender. A Policy Research Report (PRR) on gender and development is being prepared that aims to strengthen understanding of the links between gender, public policy, and development outcomes; provide guidance on integrating gender issues into policymaking and into donor programs and policy dialogue; and encourage additional analytical work on gender and development. Staff sensitization to gender issues and the use of available tools for gender analysis have also been a priority.

• strengthen partnerships with civil society, NGOs, and bilateral and multilateral organizations. Annual meetings are held with the External Gender Consultative Group, which has 14 members affiliated with national nongovernmental organizations (NGOs) and academic institutes from various regions. This past year, the group helped organize an international consultative process for the PRR on gender and development that provided important feedback to the Bank from civil society.

Reducing country vulnerability to crises

The rapid increase in private capital flows to developing countries during the 1990s has been accompanied by a high degree of volatility. This was witnessed in Mexico in 1995 and subsequently in East Asia in 1997. More recently, adverse investor sentiment, stimulated by the East Asian and Russian crises, has affected developing countries on a broad front. The Bank has moved steadily to assess the implications of

these developments for client countries and to develop appropriate responses. These responses have included:

• helping manage the social consequences of the crisis by protecting public expenditures targeted to the poor, enhancing the quality of social services, improving the design and financing of social funds, and strengthening social security systems for the unemployed and elderly. These efforts are complemented by ongoing work aimed at understanding better the linkages between crises and income distribution.

• working with the International Monetary Fund (IMF) to strengthen collaboration in both crisis and non-crisis countries. Recognizing the increasing interlinkages between macro and micro dimensions and between short- and long-term development, the Bank will undertake strengthened and regular assessments of structural policies and governance at the sectoral and corporate levels to complement the IMF's surveillance at the macroeconomic level, with a view to strengthening CASs and Bank response in crisis and pre-crisis situations.

• strengthening efforts to prevent recent economic events from threatening the development agenda in low-income countries. This includes seeking ways to reduce external debt burdens, particularly in countries emerging from conflict situations, and helping the donor community better target its assistance to poorer countries.

Strengthening public institutions

Weak performance of public institutions—broadly defined to include all institutions that carry out public functions—is increasingly seen to be at the heart of the economic development challenge. Misguided resource allocation, excessive government intervention, weak regulation, and arbitrariness and corruption have deterred private investment and slowed growth and poverty reduction. The recent financial crisis in Asia has especially exposed problems of governance and public sector performance in that region.

Recent analytical work on aid effectiveness highlights the risks of lending to countries with bad policies and poorly performing public sectors. Much of the Bank's poverty work points to the high cost to the poor of malperforming government and inadequate service delivery. While the 1980s taught that potentially good projects often fail in poor policy environments, the lesson of the 1990s has been that policy reforms are less likely to succeed when public institutions and governance are weak. Successful policy outcomes are crucially dependent on the institutional context within which they are agreed as well as the institutional arrangements that bear on their implementation.

The *WDR-97*, too, highlighted the lesson that at least as important as the policies and resources for development are the institutions within which public action is embedded—the "rules of the game" and the mechanisms through which they are monitored and enforced. Institutions can include organizational rules and routines, formal laws, and informal norms. Together they shape the incentives of public policymakers, overseers, and providers of public services. In recent years, the Bank's public sector reform strategy has focused on the reform of public institutions.

FY99 saw the development and piloting of National Institutional Reviews that aim to bring institutional concerns centrally into Bank CASs and lending programs. Five pilot reviews were launched in FY99—in Armenia, Bangladesh, Bolivia, Ethiopia, and Indonesia. These reviews go beyond diagnosis to spell out what a country's institutional and political profile implies for a program of action, by addressing how institutional realities constrain what is workable in economic policy and service delivery; what options might be effective in strengthening national institutions; and how the Bank's existing operational program influences a country's institutions.

At the same time, the Bank has been moving into high gear in implementing the anticorruption strategy approved by the board in September 1997. This envisages action at four levels:

• controlling corruption in Bank-financed projects. Rules for reporting and handling internal and external allegations of fraud and corruption in Bank projects have been clarified, and a high-level Oversight Committee, reporting directly to the Bank's president, has been established to supervise investigations. Action

has been taken to recover diverted resources and to exclude suspect bidders from consideration. Additional procurement and financial management staff have been recruited, and internal control systems continue to be strengthened.

• helping countries that directly seek Bank support. The number of such countries has been growing rapidly and now stands at over 30. Typical first steps in developing anticorruption programs are the mounting of surveys and workshops to expose the issue and develop strategies to address it with strong local ownership. Further steps may include continued economic policy reform to reduce rents and institutional strengthening.

• mainstreaming corruption concerns in Bank work. This has meant increasing attention to the cost of corruption in determining country lending strategies and enhancing efforts to expose Bank staff to best practices in analysis and action. New guidelines for CAS preparation have been issued, requiring explicit attention to issues of governance and corruption. Recognizing the complexity of the phenomenon, the Bank has intensified its research and is beginning to disseminate the results to policymakers.

• assisting in cross-country efforts. The Bank has actively supported the work of the Organization for Economic Cooperation and Development (OECD) in developing and implementing the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and similar initiatives at the regional level.

Strengthening the international financial architecture

International financial architecture is the umbrella term used to describe efforts undertaken, following the Asian crisis, to reduce the risk of future crises, improve their handling when they do occur, and help countries build systems better able to absorb the impact of financial disruptions. It is a misleading term insofar as it deals mainly with how to improve national, rather than international, policies, and involves actions that go far beyond the financial area, to include, especially, social policy.

The Bank's central contribution in this area is to help build the institutional, structural, and social foundations that form the underpinnings of a sound national economy and a more stable global economy. Key elements include:

• good governance, strong public institutions, and a system that fights corruption

• a strong legal and judicial system with laws that allow business to operate and that protect citizens

• a robust and well-regulated financial system—which relies in turn on good corporate governance, fair accounting, and bankruptcy procedures that work

• social policies that protect the most vulnerable and provide the social and political stability without which there would be no financial stability.

This broad agenda turns out to be the same as the agenda needed for successful development, and is thus at the heart of the Bank's business and the holistic approach of the CDF. So broad and interconnected an agenda cannot be carried forward by the Bank or IMF alone; it requires cooperation among all relevant international and national organizations and integrated efforts toward common goals. Above all, it needs to be driven by countries themselves.

In FY99, the Bank and the Fund (IMF) agreed to jointly undertake a new Financial Sector Assessment Program that aims to provide clients with high-quality diagnoses and advice to help improve financial sector stability, build institutional capacity, and increase access to a broader range of financial services. A key objective is to develop an approach to financial sector assessment that is broadly consistent across countries, while allowing for differences in emphasis to reflect different country circumstances. Approximately a dozen country assessments are expected over the next year, not including crisis countries where such work is already under way.

Leveraging external partnerships

The Bank highly values its close relations with a number of international organizations. Considerable effort is increasingly invested in

ensuring that these key partnerships are productive and mutually beneficial.

Collaboration with multilateral development banks

Cooperation among multilateral development banks (MDBs) is taking on new importance. This development reflects the growing impact of globalization on development, as well as greater awareness that in-country donor coordination helps make aid more effective. Particularly crucial has been cooperation on the international financial system, debt reduction, governance, and the private sector's role in development. Progress on cooperation is being made at three levels: among MDB presidents, at a country and regional level, and within sectors. The Bank has worked closely with its regional development bank partners on analytical work, for example, in such areas as social protection (Asian Development Bank [ADB]), structural reform (European Bank for Reconstruction and Development [EBRD]), financial sector (Inter-American Development Bank [IDB]), and post-conflict (African Development Bank [AfDB]). Examples of joint operational work include response to Asian crisis (ADB), regional integration (IDB) and adjustment (AfDB), as well as emergency flood rehabilitation (EBRD). Coop-

BOX 3-1 HEAVILY INDEBTED POOR COUNTRIES INITIATIVE

The past year has been especially active for the Heavily Indebted Poor Countries (HIPC) Initiative. Bolivia, Guyana, and Mozambique joined Uganda to become the first four countries to reach the completion point for receiving debt relief under the Initiative, and three more countries qualified for assistance: Burkina Faso, Côte d'Ivoire, and Mali. Altogether, the debt relief identified for these seven countries is estimated at around $6.8 billion in nominal terms. Three other countries—Guinea-Bissau, Ethiopia, and Mauritania—have completed a preliminary assessment and are projected to qualify for an additional $2.45 billion of relief. These 10 countries, plus Benin and Senegal, whose debt has been judged to be sustainable after traditional debt relief mechanisms, bring to 12 the number of countries reviewed under the HIPC Initiative.

While this progress has been significant, the Bank, with the IMF, launched an in-depth review of the HIPC Initiative's progress to identify areas for improvement and options for change that would help increase the speed, depth, and reach of the Initiative. This formal review by both institutions was welcomed by nongovernmental organizations (NGOs), churches, academics, and many grassroots organizations, from industrial and developing countries, which have monitored the program closely in the three years since its inception. To enhance the quality of the review, early in 1999 the Bank opened its web page for formal solicitation of views from civil society on a range of questions related to the implementation of the Initiative. This process elicited more than 600 pages of submissions, all conveyed—in full and in summary form—to the boards of both institutions as part of the review. These written submissions were supplemented by discussion seminars with civil society, government officials, academics, and the media in Maputo, Lomé, Bonn, Oslo, London, Washington, Tegucigalpa, and Addis Ababa. This process of consultation has proven extraordinarily valuable in providing concrete ideas for strengthening the HIPC Initiative and has established useful lessons for development policymaking more generally.

Proposals for revising the Initiative also came from creditor countries. The cost implications of these proposals vary, and the staff from the Bank and the IMF submitted to both boards for the Spring Meetings a set of costing implications under several scenarios. To date, 52 percent of the approved debt relief under the HIPC Initiative has been covered by multilateral creditors, with bilateral creditors providing 48 percent (beyond the debt relief they have provided under earlier efforts). The Bank and the IMF account for the largest shares of total costs among multilateral creditors, at 24 and 9 percent, respectively.

From civil society and governments alike, there is a clear mandate for change, to expand and accelerate the Initiative and place significant debt relief within a lasting poverty-reduction and development strategy. The Bank is working with the Fund to expand the program and tighten the link between debt relief and poverty reduction.

eration with all multilateral development banks on country assistance strategy is also becoming more common; in the Comprehensive Development Framework pilot countries of Côte d'Ivoire, Ghana, and Uganda, the Bank and AfDB have agreed to pilot enhanced cooperation.

Collaboration with the International Monetary Fund

In the wake of the Asian financial crisis, the Bank and the IMF agreed to strengthen collaboration in helping emerging market economies to reduce the likelihood of crises and to respond to crises that do arise. A comprehensive joint review also highlighted the need for enhanced collaboration in low-income countries, particularly in helping governments design and implement integrated macroeconomic, structural, and social reform programs. In emerging market economies, the Bank and the Fund have since moved to consolidate and streamline their support for country programs. Notably, in the financial sector, a joint liaison committee is ensuring more effective engagement of staff from both institutions.

In poor countries, the Bank and the Fund are moving forward on strengthening the joint Heavily Indebted Poor Countries (HIPC) Initiative (Box 3-1) and are addressing the special needs of post-conflict countries case by case. In addition, the two institutions have embarked on a pilot program for enhanced collaboration in six IDA/Enhanced Structural Adjustment Facility countries. Particular attention is being paid to better forecasting and monitoring the social impact of stabilization and adjustment policies, ensuring country "ownership," and exploring sustainable aid financing in post-stabilization countries.

World Trade Organization

In response to a request at the 1996 World Trade Organization (WTO) Ministerial Declaration, the Bank, in partnership with the IMF, United Nations Conference on Trade and Development, WTO, United Nations Development Programme, and the International Trade Commission (ITC), created the Integrated Framework for Trade-Related Assistance to Least Developed Countries to help developing countries enjoy the benefits of the global trading system. The Integrated Framework is designed to help low-income countries participate effectively in all aspects of the next round of multilateral trade talks, from setting the agenda to negotiating the terms. To date, it has helped 40 countries assess their trade-related needs. The Bank's contribution to the integrated response focuses on increasing basic capacities—such as infrastructure, transparent customs administration, and a healthy business environment—that developing countries need to efficiently produce internationally tradable goods and services.

Organization for Economic Cooperation and Development

The Organization for Economic Cooperation and Development (OECD) and the Bank have a long tradition of fruitful collaboration, and the recent financial crises, their repercussions on the progress and welfare of people in many developing countries, and their implications for global prospects all underline the need to take this collaboration still further. The Bank and the OECD are currently exploring ways of enhancing the scope and effectiveness of cooperation at the working level. Areas for potential enhanced collaboration include the broader partnership agenda arising out of Strategy 21, corporate governance, social safety nets, and sustainable development. In addition, the Bank will continue its active work with the OECD, both through its leadership in the poverty and environment working groups and through the *World Development Indicators* (WDI) annual reporting of progress toward the International Development Goals.

HUMAN DEVELOPMENT

The global crises have disrupted the economic and social fabric in many countries around the world. Part of the Bank's response has been to work with countries to help protect public expenditures in crucial areas in the social sectors; protect access to basic social services, especially for the poor; improve social insurance (including pensions, public works programs, and unemployment benefits); and increase project and program impact on health, nutrition, population, and education indicators. One example of such a response, in Indonesia, is presented in Box 3-2.

Nearly 30 percent or $2.2 billion of the $7.3 billion in new lending to social sectors in FY99 is embedded in broad multisector loans, which include policy reforms and budget allocations for health and education in the face of serious fiscal pressures (Figure 3-3). A total of $5.1 billion in 78 projects traditionally classified under social sectors was approved in FY99, bringing cumulative social sector lending to $52.3 billion, with 408 active projects in 110 countries. Disbursements were $4.66 billion during the year, compared with $3.85 billion in FY98, reflecting the increasing trend in social sector lending and efforts to improve project quality and implementation.

The millennium refocuses attention on the ambitious International Development Goals for equitable and universal access to basic education and health services. Special efforts are under way to go well beyond "business as usual" in countries (many in Africa) that have the farthest to go in meeting the goals for literacy and education, health, nutrition, and gender equity. Major new programs have been launched to address malaria, AIDS, and girls' education, and a new initiative targets eight countries with severe malnutrition. Much has been done recently to monitor and measure the impact of pilot nutrition programs, learn from successful small-scale programs and expand them (as in Madagascar, Bangladesh, and Senegal), and adapt successful principles to other countries.

The formulation of the Comprehensive Development Framework (CDF) in FY99 has served to underscore the key and increasingly recognized role of social, structural, and human con-

BOX 3-2 DEALING WITH THE SOCIAL IMPACT OF THE INDONESIA CRISIS

Decisive government action, concerted efforts by donors, and good household data have helped mitigate the social impacts of the economic crisis in Indonesia.

A wide-ranging effort. *The Bank has devoted $600 million to labor-intensive public works projects to provide temporary jobs for the poor; amended ongoing health projects to help finance contraceptives and drugs; coordinated an effective and timely response to the food situation; and helped protect basic education and health budgets under adjustment lending. The government has protected budget allocations for essential drugs, vaccines, and contraceptives and for basic health services, especially community health and nutrition programs.*

Donor-backed support for education. *Government strategy has emphasized protecting the overall budget and, with donor support, increasing the allocation for basic education, keeping children in school, maintaining quality, monitoring crisis effects and program impact, and increasing efficiency by decentralizing responsibilities. In July 1998, the government—backed by the Bank and the Asian Development Bank, the United Nations Children's Fund, and bilateral agencies including Ausaid and the Asia-Europe Meeting—announced a new Education Safety Net package. The package funds block grants to the poorest 40 percent (33,000) of schools to help pay for teaching supplies and minor repairs and to waive charges for needy students; and for scholarships—based on a rapid survey to determine where need was greatest—to 2.6 million junior secondary students (17 percent of such enrollment) from urban and rural families unable to afford fees, books, uniforms, and transport. The program has been very successful in keeping children in school and has achieved a breakthrough in community participation and civil society involvement in school matters in many locations.*

Investments in education, health, nutrition, and social protection are helping build better futures for children in developing countries.

siderations in reducing poverty and improving living standards. A strong direct impact comes from better health, nutrition, and reproductive choices; greater education attainment; and protection from income risk. Indirect development impact is also substantial because better education, health, and nutrition lead to higher productivity and incomes, greater social inclusion and mobility, and more active participation in local and national decisionmaking. Synergies among social sectors, too, are significant. In Pakistan, where social indicators are poor and change is difficult, the Social Action Program is bringing government, NGOs, and donors together to address nationwide issues in primary education and health, population growth, and rural water and sanitation. The wide-ranging program has focused attention on critical but previously neglected sectors in a mutually reinforcing way that also addresses cross-sectoral issues in governance (merit-hiring, third-party monitoring), financial administration, and service quality.

Health, nutrition, and population

Since its first health, nutrition, and population (HNP) loan in 1970, the Bank has offered advice and loans totaling $15.2 billion to 98 countries. During FY99, $1.73 billion of new Bank lending for HNP was approved, 64 percent of which was in 20 new HNP loans, with the rest as components in other loans. The Bank's HNP strategy seeks better health, nutrition, and population outcomes for the poor; enhanced performance of health systems; and sustainable health care financing.

These objectives are all addressed in health sector reform to improve the performance of both private and state-run health systems. In FY99, there were eight new loans in this growing area for Bank advice and support, including a Mali program supported by the Bank and 14 other agencies. Ongoing health reform projects are progressing well. In Argentina, a $350 million Health Insurance Reform Loan (FY96) underpinned the government's path-breaking efforts to create a more efficient and equitable

health financing system. The reforms include voluntary private health insurance and the mandatory union-run social health insurance and cover more than half the population. The reforms have introduced competition, greater beneficiary choice, and a standard health benefits package; created a single regulatory agency to supervise all health insurance markets; and restructured the health insurance fund for pensioners and 30 social insurance funds, which together cover about 9 million beneficiaries.

The Bank works closely with partners to provide policymakers with analytical and comparative information on health systems. The European Observatory on Health Care Systems, serving policymakers across eastern and western Europe, is a joint endeavor with the World Health Organization (WHO), the governments of Norway and Spain, the European Investment Bank, and the London Schools of Economics and Political Science and of Hygiene and Tropical Medicine.

FY99 saw the start of two highly noteworthy innovations in public health:

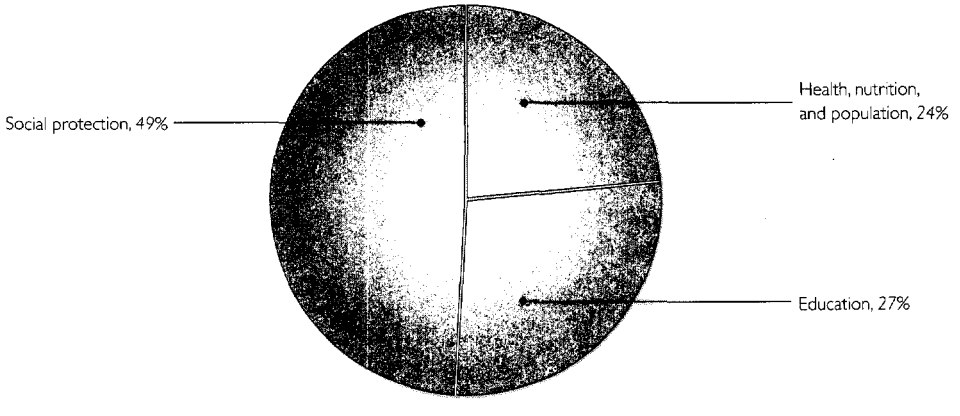
• Malaria was identified as an institutional priority, and a malaria team received special funding in a Bank-wide competitive process. The disease kills one million people each year, and the toll—and drug resistance—are rising. Country requests for assistance are growing. In October 1998, the global Roll Back Malaria effort was announced by WHO, the United Nations Children's Fund (UNICEF), the Bank, and the United Nations Development Programme, which are joining forces with malaria-affected countries, other development agencies, donors, NGOs, scientific organizations, and private industry. A new approach to combat malaria more sustainably and effectively has been outlined, with health systems playing a central role but also using complementary interventions in other sectors, such as education and infrastructure.

• New priority is being given to vaccines, one of the most cost-effective health interventions and of particular benefit to the poor. The Bolivia Health Sector Reform Project includes a demonstration vaccine pilot that aims to increase immunization coverage; introduce new vaccines, such as Hib and hepatitis-B; and demonstrate agency partnership and selectivity based on comparative advantages. A task force is working with an NGO, the private sector, and client countries to define how the Bank could most effectively promote development of an AIDS vaccine suitable for use in the developing world.

In nutrition, the Bank supports a multisectoral approach that targets the poor, espe-

FIGURE 3-3 LENDING FOR HUMAN DEVELOPMENT, FISCAL YEAR 1999

Total lending: $7.3 billion*



* *Reclassified data (see Table 1, p. 10)*

cially young children and their mothers. These groups are most accessible through community- and school-based nutrition programs, food fortification programs, and food policy reforms. Also receiving greater attention are micronutrient deficiencies, the impact of nutrition on education and learning ability, and early child development. A collaborative interagency shared database is being built to increase access worldwide to quality, updated nutrition data. Complementary national-level initiatives in three pilot countries in Africa should further improve monitoring, analysis, planning, and nutrition impact. A new Community Nutrition Project in Madagascar will continue the remarkable achievements of the recently completed Food Security and Nutrition Project, which helped reduce malnutrition in target communities from 57 percent to 14 percent in the Antananarivo Province and from 25 percent to 13 percent in Tulear between 1994 and 1998 by targeting a half million children through 535 community nutrition centers. Distribution of iodized oil capsules and increased availability of iodized salt in households helped decrease goiter prevalence in pregnant women and school children from 45 percent to 15 percent over the same period.

Population and reproductive health activities remain a high priority. The Bank is increasingly helping clients link population and reproductive health policies and integrate them into the poverty reduction and development agenda. For instance, the new Guinea Population and Reproductive Health Program, the first Adaptable Lending Program in the Africa region, aims to slow population growth from 2.8 percent to 2 percent by 2010 and improve reproductive and child health. These goals are reflected in the Bank's Country Assistance Strategy for Guinea. Funds for the multisectoral 12-year program will be released in three phases as agreed triggers are reached. The Guinea program also highlights the Bank's emphasis on participatory approaches to project preparation and implementation. More than 20 workshops helped identify issues at grassroots levels, define program activities, and build consensus and support for the program. NGOs will help implement the project.

Education

The Bank's support for education aims to improve quality, access, and equity. Total new lending in education in FY99 was $2 billion, through 25 new education loans in 22 countries totaling $1.3 billion, and $0.7 billion in education components in projects in other sectors.

An Education Sector Strategy, completed after wide consultation, will help ensure quality by increasing access not just to school places but to relevant learning. Equity in education, especially for girls and women, efficiency in the use of education resources, and institutional capacity remain crucial. The strategy also emphasizes a holistic sector approach and working with countries to identify and selectively help implement their strategic priorities in education. Success will entail listening carefully to clients, developing sound country-specific strategies and programs, and harnessing global knowledge to develop local know-how.

The Bank is helping the central government and 14 state governments of India address a staggering social reality: about 33 million children aged 6 to 10 years (about 30 percent of the age group), most of them girls, are out of school; three out of five first graders will not complete the lower primary five-grade cycle; and the learning achievement of those completing this cycle is dismally low. Begun in 1994, the District Primary Education Program (DPEP) was designed to reduce dropout rates; improve learning achievement; increase access, especially for girls, disadvantaged students, and working and other poor children; and strengthen institutional capacity, especially at the community level. Results have included higher primary school enrollment, especially of girls, in some project districts; improvements in achievement levels; and narrowed differentials between male-female achievements in first grade. A new DPEP operation in FY99 in 10 low-literacy districts of Rajasthan will, in partnership with several NGOs, implement innovative teacher training and community mobilization activities.

Bank lending for education in India is built on a sound analytical base. In 1999, studies were done on science and technical education (STE)

and upper primary education; the findings will feed into future assistance to foster autonomy and networking for STE institutions, flexibility in student selection and teaching methods, and better professional development opportunities for professors.

The Bank is making special efforts in many countries to promote equity in access to education. Yemen's gross enrollment ratios are among the world's lowest: 31 percent for girls and 71 percent for boys at the primary level, and 11 percent for girls and 40 percent for boys at the secondary level. In some rural governorates, these ratios are below 5 percent for girls in secondary education, and only 16 percent of all teachers are women. In developing a proposed Primary Education Project, innovative mechanisms to improve girls' education are being devised, including a demand-driven school establishment process involving parents, communities, and mothers' committees, and a school-cluster approach to support primary education while developing a pool of girls with secondary education qualifications to become teachers. A proposed Child Development Project would link schools, health clinics, and water supply in targeted rural areas, experimenting with solar power for these facilities. These projects are still in the planning stage, but the government has already begun to pilot project initiatives using reallocated funds within ongoing projects. Nine secondary schools are being established in unserved areas, with community participation; mothers' committees have been formed to support headmistresses in school administration; and a program to encourage qualified rural women to be trained as teachers for the new schools is under way. In three areas where secondary girls' schools are to open next year, enrollments at basic and preparatory levels have already measurably increased, reflecting improved prospects for girls' access to secondary education.

In Africa, the Bank continued efforts in FY99 to build partnerships to accelerate education development, focusing especially on improving quality and participation in basic education. Countries are encouraged to take a sectorwide and long-term perspective; make Bank assistance an integral part of national programs; include Bank funding as part of wider support from a consortium of donors; and capitalize on new Bank lending instruments, exemplified in new IDA credits to Côte d'Ivoire, The Gambia, Ghana, Guinea, Lesotho, Mozambique, and Zambia.

Strategies to improve quality are key to helping Africa accelerate education development. New lending incorporates several approaches. In Guinea, teacher training programs are being fundamentally restructured; elsewhere, early childhood activities are included in several new operations. To explore the potential of new technologies in delivering high-quality education at reasonable cost, the Bank helped introduce the African Virtual University in 28 universities in 18 African countries. And the World Links for Development Program has provided computer labs, Internet connectivity, teacher training, and content to more than 100 schools in six African countries, enabling more than 300 teachers and 5,000 students to engage in international collaborative educational projects with their peers around the world.

The Bank's nonlending services in Africa are designed to help governments formulate educational and financial policies needed for a "quantum leap" in education development. Workshops with senior government officials and other stakeholders (teachers' union and parent-teacher association representatives) examined policy options for countries where teachers' salaries are so high as to preclude rapid progress toward universal primary education. Following a meeting with senior African education specialists to review national experience and identify good practices to improve quality, the Bank is developing a regional strategy to make its assistance to African educators and children more effective.

In another notable effort, the Millennium Science Initiative was established in 1998 to support centers of excellence where state-of-the-art scientific research can flourish in vibrant research environments, with links to the private sector and international networks and expertise. The initiative is being piloted in the Latin America and Caribbean Region, with the first Learning and Innovation Loan approved in Chile. Argentina, Brazil, and Colombia are

likely to follow. Others eager to participate are Romania, Poland, Czech Republic, Hungary, the Russian Federation, Vietnam, and the Philippines.

In response to the increasing role of the private sector in provision, management, and financing of education, the Bank and IFC set up the Education Investment Exchange—a forum for individuals, corporations, and other institutions to invest in education in the Bank's client countries. Private sector market potential in education has been surveyed in Côte d'Ivoire, the Gambia, Mauritania, and Senegal, and policy options have been discussed with private-school managers and government officials.

Focusing on results and outcomes requires good quality national data on education indicators, with international comparability. The Bank's education statistics central database is now fully established and operational, providing staff with current education data for strategic planning and effective project design. Several other activities aim to improve the quality of internationally comparable education indicators and build national capacity in education statistics. Bank assistance supported developing-country participation in the International Association for the Evaluation of Educational Achievement's Third International Mathematics and Science Study and in the World Education Indicators pilot project of the Organization for Economic Cooperation and Development. The Bank has also provided technical and financial support to establish a new Institute for Statistics under the United Nations Educational, Scientific, and Cultural Organization and continues to be involved in the preparation of the Education for All (EFA) 2000 Assessment.

Social protection

Social protection occupies an increasingly prominent position in the Bank's portfolio, with a total of $3.6 billion in new loans in FY99 in the areas of pensions, labor market reforms, social assistance, and social funds. Of this, $1.24 billion—about one third—was within large multisectoral adjustment loans supporting reforms in these areas. The social protection portfolio remains one of the best in the Bank's quality ratings.

The largest of the past year's new social protection loans have been to crisis countries: $758 million for social security reform and $253 million for social protection to Brazil; $600 million to Indonesia for social safety nets; $300 million to Thailand for social investment projects; and a multisectoral loan to the Republic of Korea, of which $600 million is supporting long-term, sustainable improvements in the social protection system by improving the information base for poverty monitoring, increasing attention to gender issues, improving the unemployment insurance system and related labor-market information, and reforming the pension system. Though developed in an environment of financial crisis and often responding to urgent needs, these loans also support long-term policy reform. For example, the Brazil loans support substantial policy reform in social security and social assistance.

The Bank also supported pension reform in Russia, Moldova, Macedonia, and, through a pilot project, China. Capacity is being built through widespread dissemination of PROST, the Bank's pension modeling software, with training for government clients worldwide, including Croatia, Mexico, Nicaragua, Poland, Romania, Tanzania, Thailand, and Zambia, with intensive on-site training in Brazil, Hungary, Morocco, and Russia. The model is also being used in Korea, Namibia, Philippines, and Sri Lanka.

Labor market–related assistance in FY99 included lending to support public works projects in Djibouti and Indonesia, labor code reform in Russia, and reforms of programs in the Kyrgyz Republic that provide temporary employment, job-skills training, and assistance for job search or self-employment. Partnership with the International Labor Organization continued, including a high-level meeting in Washington to discuss labor standards; the Bank continues analytical work on the latter. On child labor, the Bank has taken a clear position to help reduce such practices through ongoing poverty reduction efforts as well as new initiatives, such as the Global Child Labor Program, in collaboration with other organizations. Partnerships with other international and national trade unions also advanced, and a workshop

cosponsored with the International Confederation of Free Trade Unions was attended by 50 trade union leaders from around the world.

In social assistance and community-based social funds, in addition to the Thai and Indonesian loans already mentioned, new loans were approved to support social funds in Albania, Bulgaria, Moldova, and Romania in the ECA Region; Ghana, Lesotho, Madagascar, Rwanda, and Togo in Sub-Saharan Africa; Guatemala, Guyana, Mexico, Nicaragua, and St. Lucia in Latin America and the Caribbean; and Cambodia, Egypt, and Pakistan.

A major activity in FY99 was the development of a social risk management framework that will guide Bank Group strategy in helping countries design comprehensive social safety nets that address unforeseen as well as known and expected risks such as loss of income with old age. Many consultations with policymakers, academics, and partner institutions worldwide have enriched the design of this framework and ensured its applicability to client countries. In addition, each of the Bank's six regions produced a social protection sector strategy paper focused on the current status of social risk management among client countries, pressing needs for the future, and the applicability of the social risk management framework. The social risk framework will help the Bank identify countries' vulnerable areas and assist them in better preparing for future crises.

ENVIRONMENTALLY AND SOCIALLY SUSTAINABLE DEVELOPMENT

Poverty reduction is intrinsically linked to environmental and social sustainability. Soil degradation, forest destruction, and fisheries depletion are seriously affecting tens of millions of poor people who rely on these natural resources for food and livelihood. Two thirds of Sub-Saharan African agricultural lands are already seriously degraded; downstream siltation is depleting the capacity of major hydropower facilities such as Ghana's Akasomba Hydropower facility; and, in Latin America and the Caribbean, deteriorating drylands productivity is causing substantial migration to urban areas. The recent historic natural disasters, such as Hurricane Mitch, also point to natural resource degradation that appears to have exacerbated the severity of storm damage. All of these problems become more severe as population pressures grow. In the social realm, the links between economic and social well-being are becoming daily more clear. Inclusion in economic growth and development is critical to promoting stability in a society, to conflict prevention, and to national reconstruction in post-conflict situations. Recognizing these realities, the Bank is strengthening efforts to promote environmentally and socially sustainable development. The sections below highlight, in particular, the role of partnerships in addressing the large agenda of environmental management, rural development, and social development.

Environmental management

The recent global financial crises exacerbated pressures on the environment in many countries. Short-term considerations to reduce public expenditures and increase output and exports took precedence over long-term natural resource management and pollution control. Pressures on water, forests, and fisheries and concerns about land degradation remain severe, as do pollution-related health issues and the loss of biodiversity. Region-specific challenges are noted below:

- East and South Asia are witness to a growing emphasis on tackling the health and economic impacts of poor-quality air and water.
- In Africa, the focus is on the reduction of rural poverty by increasing productivity in drylands, improving watershed management, and increasing efforts to manage forest sustainability.

Rapid deforestation has rendered the biologically rich Amazon floodplain the most endangered habitat in the Amazon Basin.

• In Eastern Europe and Central Asia, key environmental concerns include maintaining the existing infrastructure that provides water and sanitation services and dealing with industrial hot-spots.

• In Latin America and the Caribbean, efforts continue to protect key ecological systems, including support for the Meso-American Biological Corridor and for forest systems. Another noteworthy trend is the Bank's increasing emphasis on working with governments and the private sector to improve the environmental performance of industry.

• In the Middle East and North Africa, the focus has been on improving water and sanitation and strengthening the capacity of financial intermediaries to review and appraise the environmental aspects of social funds and private sector and community development projects.

Updating environmental priorities

Understanding the links between environmental degradation and the livelihoods and well-being of the poor is of growing importance. While some impacts are immediate and clear, such as the acute health impacts of polluted air, both indoor and outdoor, others require deeper analysis. Other challenges include estimating the long-term productivity of ecosystems and promoting understanding of the implications of global issues such as climate change, which take time. To help address these and other issues, the Bank has initiated the preparation of a strategy for environment and sustainable development, to be completed in fiscal year 2000. Governments, NGO stakeholders, donors, and other public and private sector organizations will participate in preparing and carrying out the strategy, which will set the strategic direc-

tion for Bank activities over the next several years. Feeding into the strategy will be a forest sector strategy, currently under preparation. In addition to input from a broad spectrum of stakeholders in client countries, the forest strategy will reflect the findings of an upcoming Operations Evaluation Department (OED) report as well as lessons learned from the preparation of the strategy paper on energy and the environment.

Strengthening capacity for environmental management

An increasingly important element of the Bank's work has been to try to strengthen capacity for environmental management in client countries to address immediate problems. Partnership with many groups is helping broaden the quality of advice and assistance. A notable aspect is support for the decentralization of environmental capacity to the local level. A successful example is the Clean Air Initiative in Latin America, which has brought together decisionmakers, technical specialists, and private industry in a number of cities with air quality problems. A network of cities provides the basis for sharing ideas and information. A similar network is starting up in Central Europe.

The Bank's growing knowledge management efforts are also strengthening environmental management capacity in client countries by helping identify best-practice examples, compiling key information, and linking with other sources of information. A new *Pollution Prevention and Abatement Handbook* was approved late in 1998, replacing earlier guidelines and prepared by IBRD and IFC in collaboration with the World Health Organization and United Nations Environment Programme (UNEP) as well as international agencies, governments, and industry groups. Originally conceived to guide preparation of Bank Group projects, the *Handbook*'s guidelines and standards have proved to be of much broader interest as valuable benchmarks for investors, client governments, banks, insurance companies, and other interested parties. (For more information on IFC's environmental and social activities, see the IFC *Annual Report*.) The Bank also issued new guidelines on Environmental Assessments in FY99, after extended consultations with other donors, NGOs, and the private sector. The scope of environmental assessments is being expanded from the project to the sector level, as seen with the Water Sector Adjustment Loan in Indonesia.

Improving the quality of the Bank's work on environmental and social issues is a fundamental objective. Ten key operational policies, known as the Safeguard Policies, address environmental, social, rural, and legal issues of Bank operations. Their implementation affects the quality of all Bank products and services. To promote outcomes, the Compliance Unit—which reviews the application of these policies—was strengthened during the past year.

The Bank launched a pilot program in FY99 to develop and test a broad framework for mainstreaming environment and natural resource issues into the strategic dialogue between the Bank and client countries. Assistance strategies are being prepared under the pilot for Azerbaijan, Dominican Republic, Pakistan, and Zambia, to be accompanied by recommendations, best-practice case studies, training material, and documentation of lessons learned. Beyond this point, the Comprehensive Development Framework (CDF) offers an opportunity to incorporate environmental sustainability objectives into a country's overall development agenda.

Addressing global and environmental concerns

Although the Bank's mandate centers on national and regional environmental issues, it also addresses global environmental concerns in a manner that serves the sustainable development interests of country clients. It pursues such objectives in part through its role as one of the implementing agencies of the Global Environment Facility (GEF), the leading multilateral entity responding to the global threat to biodiversity. The GEF Council approved 29 Bank–GEF investment projects for $235 million in FY99. A total of 21 GEF medium-sized grants (individual grants smaller than $1 million), totaling $16 million were approved, up from $2 million in FY98. This new GEF "window" is popular with NGOs involved in designing and implementing most medium-sized projects.

Analytical efforts supporting environmental awareness included a major report, *Protecting Our Planet, Securing Our Future*, published jointly by UNEP, the U.S. National Aeronautics and Space Administration, and the Bank in FY99, illuminating the interlinkages among major global environmental problems and the opportunities for shared solutions.

Projects approved by the GEF Council and the Bank Board in FY99 continue to propose creative and innovative actions at the local and national levels to address global environmental problems. For example, a $35 million GEF grant to China will help local photovoltaic and wind companies expand production and lower the costs of renewable energy equipment. An $11 million grant to the governments of Cambodia, Laos, Thailand, and Vietnam will help these countries share and jointly protect the water resources of the Mekong River Basin. In Peru, a $10 million grant will support the involvement of indigenous peoples in protecting biodiversity resources in the Peruvian Amazon. Finally, a $31 million grant to Russia, supplementing earlier GEF grants, will help the country comply with its international treaty obligations to phase out the consumption of ozone-depleting substances (ODS).

Innovative projects to help developing countries phase out the use of ODS were implemented under the Montreal Protocol. The Bank has met its commitment to phase out 70 percent of total ODS under this agreement, using only 40 percent of the budgeted funds. The Montreal Protocol program also successfully developed a sectoral approach in China and auction programs in Chile and China. The closure of chlorofluorocarbon production facilities in China was an important milestone in the history of the Montreal Protocol and the associated Multilateral Fund. In addition, the government of Thailand was the beneficiary of the first concessional loan program provided under the Fund.

Strengthening partnerships

In FY99, old partnerships were strengthened and new ones developed with other development organizations, NGOs, the private sector, and civil society, particularly in the forest sector. The Alliance for Forest Conservation and Sustainable Use between the Bank and the World Wide Fund for Nature was consolidated, and operations were launched in more than 20 countries. President Wolfensohn's chairmanship of the forest industry Chief Executives Officers' (CEOs') Forum led to the formation of public-private partnerships to improve forest concession management in the Congo Basin and Russia. The CEOs' Forum includes representatives from about half the world's timber trade and most international NGOs addressing forest conservation and sustainable management. A related initiative, Forest Trends, is helping mobilize the private forest product industry for improved forest management in client countries; specific initiatives are under way in the Africa Region and Malaysia.

The design of a Prototype Carbon Fund was completed. If approved by the Board of Executive Directors in FY00, the fund will turn to government and private company subscribers to contribute a combined maximum of $150 million. A "learning-by-doing" instrument, the fund is expected to generate greenhouse gas emissions credits through investment in, for example, renewable energy technologies in developing countries.

Selected regional partnerships are showing promise for improved environmental management. The Yaoundé Declaration was signed by the leaders of five Congo Basin countries to create a network of protected areas, supported by the Bank and the GEF, to conserve 70 percent of the Basin's biodiversity. The Europe and Central Asia Region has fostered closer partnerships with the European Union, environment ministries, and other finance institutions on investments needed for countries nearing accession to the European Union and the establishment of a network of cities to work together on air pollution controls. In the Middle East and North Africa (MNA), regional programs include the Mediterranean Environmental Technical Assistance Program, the MNA-MED Water Initiative, the Regional Desertification Initiative, the Gulf of Aqaba Environmental Action Plan, and the Red Sea and Gulf of Aden Strategic Action Program. In addition, regional programs to phase out

leaded gasoline are under way in Latin America and the Caribbean, Central Asia, and the Caucasus.

Rural development

Three fourths of poor people in developing countries live in rural areas. The Bank's poverty reduction objective can therefore not be met unless widely shared growth, food security, and sustainable natural resource management are achieved in these areas. Rural development—especially a thriving agricultural economy—is critical to meeting these goals. The Bank's work in rural development is wide-ranging, including sustainable land and crop management, livestock, agricultural research and extension, irrigation, river basin management, natural resource management, and rural finance, as well as cross-cutting areas of food security, gender in development, and community-based rural development. The Bank aims to support countries' rural development objectives through lending programs and sector work developed around and feeding into evolving strategies and policies. Forging strategic partnerships is an important element of the Bank's strategy.

Demand for Bank support for rural projects is growing. The pipeline for agricultural and rural development projects for FY97–99 averaged 58 new projects per year, up from 46 per year in FY94–96. FY99 lending for rural development projects totaled about $4 billion and included projects supporting rural transport, rural water supply and sanitation, and natural resource management. Five countries—Bangladesh, Brazil, Morocco, Uganda, and Vietnam—are implementing comprehensive rural development programs. As the Bank's rural development work is revitalized, project performance continues to improve: 80 percent of projects in rural development are already judged satisfactory by OED—a goal set out for 2002. Further improvement is essential.

Promoting widely shared growth

Sound and stable macroeconomic and sector policies form the foundation of widely shared growth. Countries increasingly recognize that heavy government interference in productive activities has inhibited agricultural and, therefore, rural growth. Through research and analytical work, policy dialogue, and lending programs, the Bank is helping countries liberalize prices of commodities and agricultural inputs, reform public enterprises, and correct taxation regimes that discriminate against agriculture. An important aspect of assistance is support for community and local development, key to sustainable poverty reduction. The number of participatory, decentralized, and demand-driven rural projects continues to grow as best practices are identified and disseminated. Rural finance operations are growing in importance and accounted for about 30 percent of total Rural Sector lending in FY99. Rural finance projects have trended down in size, indicating greater attention to poverty reduction through a shift from financing large-scale farmers to supporting lower income, micro- and small-scale rural entrepreneurs.

Strengthening client capacities to effectively manage food safety will become more important as a result of increasing globalization, changing food preparation habits, and the need for agricultural exports to promote rural development. The Bank is sponsoring global and regional consultations on how to help clients pursue critical legislative reform and institution building and to increase their voice in related international negotiations.

Promoting food security

The Bank is committed to helping countries reduce hunger and malnutrition and ensure food security, which entails issues of availability, access, and proper nutritional utilization of food. With population growing and amounts of arable land and irrigation sources dwindling, farmers must increase yields through intensified agriculture to ensure the availability of food. Sustainable agriculture calls for a system that is profitable, conserves the environment and natural resources, and promotes social equity. Such a framework assumes that many successful innovative changes toward sustainable agriculture are locally driven; the farming community has the power to decide which innovations to adopt; project formulation should emphasize process planning; and farmers should be well represented in planning and implementing all

phases of the transition to sustainable agriculture. The 1998 Sustainable Agriculture Framework initiative is being implemented in partnership with the International Federation of Agricultural Producers and includes consultations with a wide variety of stakeholders through a series of regional workshops as well as an interactive web site.

Biotechnology offers another option for increasing crop yields on less land. Advances in biotechnology are progressing rapidly in industrial countries, but few commercial applications exist for developing countries. Still, biotechnology holds promise for the latter in their efforts to increase productivity, conserve natural resources (especially biodiversity), and alleviate poverty. Applications for the developing world are often constrained by the rapid pace of change in technologies, controversy related to risks and ethics, lack of a regulatory framework, and proprietary protection of many technologies. Growing use of intellectual property rights to protect biological organisms and processes, especially by the private sector, is also a factor. In addition to workshops held in 1998 and 1999, the Bank has strengthened its skills base in genetic resources and public-private partnerships, the latter through secondment from the Dutch and U.S. governments. A Bank-IFC Task Force is developing guiding principles on biotechnology, priorities for Bank support, and a two-year action plan.

Poverty at the national and household levels can limit peoples' access to food even where it is still plentiful. Many Bank projects aim to increase farm and nonfarm employment and incomes—raising household incomes to ensure access to food. The Bank has also made strong progress in the area of nutrition, where support has rapidly expanded over the past several years. In a cross-sectoral effort, the Bank is integrating food policy and nutrition concerns into agricultural policy dialogue and incorporating nutrition projects into operations in other sectors.

The Food and Agriculture Organization (FAO) of the United Nations is the Bank's oldest ally in food security as well as other aspects of rural development. The Bank continues to provide about $10 million annually to fund the FAO's Cooperative Program, for which it receives expert technical assistance on sectoral work and project appraisal. Collaboration continues to grow, as evidenced by joint initiatives such as the network on land reform and a series of workshops on livestock and environment interactions as well as collaborative efforts in soil fertility, integrated pest management, and fisheries research.

Reversing environmental degradation

Through a series of initiatives, partnerships, and project interventions, the Bank seeks to ensure sustainable natural resource management, addressing links between agriculture and the environment. In addition, the Bank and the International Fund for Agricultural Development (IFAD) collaborate on many projects aimed at improving rural livelihoods. They also share a special cooperation on implementing the Desertification Convention and the Civil Society Coalition to support local communities' access to land, water, and other natural resources.

Water. Water is receiving increasing attention from the Bank and other donors, given rising demand, declining availability, pollution, and the need for conservation. In FY99, water accounted for 14 percent of Bank lending. Agriculture uses more of the world's water—often inefficiently—than any other activity. The Bank is undertaking a broad range of activities to help find ways to increase the efficient use of water. The Bank's OED and Global Water Unit are assessing implementation of the 1993 Water Resource Management Policy through a review involving stakeholder workshops in six focus countries, studies of international rivers, and an evaluation of the Bank's capacity to address particular needs in the water sector. The review, to be completed in early 2000, will feed into a Water Resources Sector Strategy.

The Bank is supporting cooperation in a number of international basins, including the Aral Sea, Lake Victoria, the Mekong Basin, the Nile, and the Senegal River. In March 1998, it participated in a major international dialogue on water, initiated by the German Foundation for International Development. The resulting Petersburg Declaration is an agreement among ministers, senior policymakers, researchers,

representatives from the private sector, and NGOs to take complementary actions to promote the improved management of shared water resources. Signatories agreed on an integrated approach to focus on regional cooperation, support international river basin commissions, and strengthen institutional frameworks.

Nile Basin Initiative. The Nile Basin Initiative provides a forum for the 10 Nile riparian countries to foster cooperative development and management. A transitional institution comprising a council of ministers, a technical advisory committee, and a secretariat has been formed, with participants adopting a shared vision that puts socioeconomic development and shared benefits from common Nile waters at its center, with emphasis on basinwide capacity building and subbasin investment projects by groups of riparian countries. Once an initial set of projects is prepared, the Bank will convene a donor consortium to seek coordinated financing. Partners in this initiative are the United Nations Development Programme (UNDP) and the Canadian International Development Agency.

The Bank also cosponsors the Global Water Partnership (GWP), which supports information exchange, matches funding with needs, provides practical policy advice, and develops solutions to common water resources management problems. The Bank also participates in the UNDP– World Bank Water and Sanitation Program, the World Water Council, and the World Commission on Dams.

The Bank is active in the International Debate on Dams. As development priorities evolve and global experience with large dams accumulates, some argue that dam projects have not produced expected economic benefits and have not taken into account major environmental, economic, and social costs. In the 1980s, proposals for large dams began to be fundamentally questioned by local interests and global coalitions of environmental and human rights groups. To depolarize the tense debate, the Bank and the World Conservation Union (IUCN) sponsored the World Commission on Dams whose mandate is to review the development effectiveness of large dams and assess alternatives for water resources and energy developments and to develop internationally acceptable criteria, guidelines, and standards, where appropriate, for the planning, design, appraisal, construction, operation, monitoring, and decommissioning of dams. The commission's mandate expires in June 2000, at which time a report with recommendations will be made to the Bank's president and the IUCN director-general and shared with stakeholders and the broader international community.

Forests. In the past 50 years, deforestation with subsequent erosion and soil degradation has been responsible for the worldwide loss of 580 million hectares of fertile land—an area bigger than all of Western Europe. Forestry is a priority area for rural development, given the environmental importance of healthy forests combined with the fact that more than 500 million people depend on them for their livelihood.

The Forest Policy Implementation Review and Strategy, a collaborative effort with OED, is examining broad cross-sectoral issues and soliciting input and advice from a range of stakeholders and development agencies. The effort combines a three-phase consultation process, involving stakeholders worldwide, with analytical work on key issues to underpin the strategy-development process. The review is expected to be completed in 2000.

Land degradation. About 43 percent of the world's arable land is degraded to some degree, while more than 75 percent of coastal and marine water pollution is estimated to originate from land-based activities. Land degradation affects the way millions of small-scale farmers make investment decisions, and there is increasing awareness of the aggregate effect of degradation on this process. Land degradation has a direct impact on biodiversity, climate change, and international waters. It also decreases the potential for sustainable agricultural intensification. The Bank is intensifying efforts to tackle the technical, institutional, legal, and economic issues that cause land degradation and to address land issues at their root, including, for example, land tenure, soil fertility, water pollution, access to services, inputs for intensification, and market infrastructure.

Knowledge management partnerships

Developing innovative ways to share knowledge within and outside the Bank is a key effort accompanying the Bank's rural development work on policy and technical issues. Two innovative information sites are being developed jointly with external partners. The Rural Development Information System, developed in partnership with the Center for International Earth Science Information Network (CIESIN) at Columbia University, is an electronic facility that will bring together Bank and external information on rural development. The *Online Sourcebook for Decentralization and Local Development* is an international collaborative effort to exchange information and link expertise with needs. It is being developed in collaboration with the Swiss Agency for Development Cooperation, FAO, the German Agency for Technical Cooperation, IFAD, the United Nations Capital Development Fund, UNDP, and CIESIN.

Consultative Group on International Agricultural Research

The Consultative Group on International Agricultural Research (CGIAR) works through a network of 16 international agricultural research centers to mobilize the best agricultural science on behalf of the world's poor and hungry. Fifty-eight developing and developed countries, private foundations, and regional and international organizations, including the Bank, collectively support the CGIAR. In 1998, contributions totaled $340 million, up from the previous year. The figure reflects a nearly sevenfold leveraging of Bank support of about $50 million. The CGIAR research is critical to the Bank's commitment to environmentally and socially sustainable development and its renewed focus on rural development. Some 300 CGIAR research projects are increasing agricultural productivity, strengthening national agricultural research systems, protecting the environment, improving policies, and preserving biodiversity. The third independent System Review, completed in 1998, concluded that investment in the CGIAR has been the most effective use of official development assistance.

Social development

In the past year, the Bank has continued to make significant progress in ensuring that people, their cultures, and their societies are taken into account in the process of development and that such development improves the lives of people, especially the poor. The global economic crisis highlighted the importance of understanding and strengthening the social underpinnings of development.

In FY99, the Bank continued efforts to better incorporate social development concerns in the design of Bank operations and to address the potential social impact of proposed interventions. Methods and tools used have included social analysis, participation, and safeguard policies, as well as compliance work related to resettlement, indigenous peoples, and cultural property. The Bank has also worked with external partners on conflict-affected countries and emphasized civil society involvement, as well as the importance of culture, in development (*see also* Partnerships *later in this Section*). Of growing importance is new work on social inclusion, social capital and local-level institutions, and social principles and good practice in social policy.

Methods and tools

Social assessments help to incorporate social development concerns and participatory processes into projects and analytical work and assist clients in more effectively reaching the poor and vulnerable. The Bank is working toward mainstreaming social assessment into the project cycle. About 150 social assessments carried out over the past two years have sought to ensure that development initiatives contribute to poverty alleviation, build ownership by involving key stakeholders, and factor in social diversity and gender considerations. In parallel, Country Assistance Strategies have become more participatory, recognizing the critical importance of consultations with nongovernmental stakeholders and civil society. Participatory processes are the basis for much of the work in CDF pilot countries. Scaling up participation and tailoring it to local conditions is a major challenge.

Social inclusion

The context of social inclusion extends beyond poverty to include deprivation, which encompasses a broader range of factors, including access to health care and education, community coherence, and social stability. To generate a comparative body of knowledge that spans sectors and regions, studies on inclusion are being conducted in Eastern and Central Europe, Latin America and the Caribbean, and South Asia. In addition, the Bank is increasing emphasis on projects that promote inclusion and equitable access to the benefits of development. It continues to play a significant role, for example, in sustainable development initiatives to improve the quality of life of indigenous peoples, who number more than 400 million worldwide. Efforts to address conflict and culture issues are also contributing to inclusive development.

Conflict

Conflict and violence are among the most pressing development problems, affecting many of the world's poorest countries. The Bank's comparative advantage in this area lies in facilitating the transition from dependence on relief to sustainable economic growth and in improving the coordination of post-conflict reconstruction and recovery assistance. While rebuilding infrastructure has been a significant element of the Bank's post-conflict assistance thus far, more recent efforts have also sought to promote economic recovery, address social sector needs, and build social capital and institutional capacity (Box 3-3). Operations are also being designed to assist in demining, demobilization and reintegration of ex-combatants, and reintegration of displaced populations. The Bank is at an early stage in identifying and addressing issues in post-conflict assistance. Notwithstanding progress, getting results on the ground will continue to be a major challenge in the face of typically weak institutional capacities and risky environments.

The Bank has nevertheless sought to respond to the growing demand for conflict-related

BOX 3-3 RWANDA: RECONCILIATION THROUGH PARTICIPATION, DECENTRALIZATION, AND RECONSTRUCTION

"This is the first time we are being asked about what we need. If this is the approach this government is taking, we will finally be able to develop our country."

—A community elder, on the Rwanda Community Reintegration and Development Project

To dismantle Rwanda's legacy of centralized decisionmaking, which impeded the effective fight against poverty and contributed to the dramatic sociopolitical events of 1994, the government initiated an inclusive, community-based approach to development. This approach aims to involve Rwandans closely in the management of their own affairs and to make local administrative structures primarily responsible for development activities.

The Community Reintegration and Development Project, effective since April 1999, supports this approach. It assists war-affected communities, returned refugees, and other vulnerable groups through community-based reconstruction, reintegration, and development. The project focuses on transferring decisionmaking and expenditure authority from the central to the community level, building partnerships between local administrations and local populations, and building trust and cooperation within and between local government and the local population.

The project was prepared with the participation of local communities. Throughout the project cycle, it will empower rural people to make choices and increase self-reliance. It will also bring local economies to life and bring communities together through local decisionmaking about development activities.

The project is supported by a $5 million Learning and Innovation Credit, a relatively new Bank lending instrument designed to test on a small scale the feasibility of a larger project. The project is being implemented in 12 communes, with a combined population of approximately 500,000, and will be monitored and evaluated by local participants to ensure transparency, accountability, and responsiveness to local needs.

assistance and is playing a critical role in the reconstruction of countries emerging from conflict. Since its inception in 1997, the Post-Conflict Unit has provided strategic support in 35 countries worldwide. Key partnerships with humanitarian agencies and others enable increased effectiveness on a country-by-country basis. The Bank has initiated a global web site for 21 UN and bilateral partner agencies, a four-country study on the effects of conflict on the transformation of social capital, and a comparative study of conflict and exclusion. The Post-Conflict Fund, part of the Bank's Development Grant Facility, provided $16 million in FY98–99 for post-conflict activities. Among the most innovative grants were assistance for basic services to Kosovar refugees in Albania, a veterans' assistance program in Cambodia, a youth consultation and needs assessment in Sierra Leone, and analysis and planning support for conversion of military bases to civilian use in South Africa. In January 1999, the Japanese Post-Conflict Fund—a World Bank administered program under Japan's Policy and Human Resource Development Fund—became operational.

Culture in sustainable development

Pride in one's culture and identity can contribute to social development and support poverty reduction efforts. Investments in culture can help conserve physical assets and leverage private investment, stimulate cultural enterprise development, and strengthen social cohesion. In April 1999, the board endorsed a program that focuses on operational development, analytical work, and fostering innovation and learning through partnerships. In FY98–99, the Bank developed 30 operations (20 with culture components and 10 self-standing culture projects), as well as a few small non-lending pilots and training. For example, the Indigenous and Afro-Ecuadorian Peoples Development Project in Ecuador provides support to local communities for planning and developing projects and conserving and promoting cultural traditions, including local languages and literature. The Bank is beginning to mainstream attention to cultural issues in a variety of sectors.

Social capital and local-level institutions

Social capital refers to the institutions, relationships, attitudes, and values that govern interactions among people in society and contribute to economic and social development. Two initiatives under way are helping to increase understanding of the role of social capital and local-level institutions in development.

The *Local-Level Institutions Study* compares the role of local institutions as a key element of social capital in Bolivia, Burkina Faso, and Indonesia. Membership in local associations can generate benefits leading to increased household welfare, access to credit, and ability to withstand economic shocks. The greatest benefits come from inclusive associations in which people from different economic backgrounds are brought together and members play an active role in decisionmaking. Investing in farmers' associations or parent-teacher associations can be as important as providing seeds and fertilizer and building schools. Decentralization strategies need to support capacity building for local associations as well as local governments.

The Social Capital Initiative funded 11 studies to measure the impact of social capital on development effectiveness, and results were highlighted at the June Conference on "Social Capital and Poverty Reduction." The results suggest that social capital has a significant positive impact on many development issues by facilitating the provision of services, mitigating the effects of political transition and violence, and improving rural development outcomes. For example, in villages in Rajasthan, India, higher levels of social capital correlated with greater success in managing watershed development. The lessons from these studies are expected to help the Bank better integrate social capital considerations in project and policy design.

Social principles

At the international level, the Bank is working with other institutions, especially the United Nations agencies, to develop general "principles and good practice in social policy," based on the commitments set out in the Copenhagen Declaration announced at the March 1995 World Summit for Social Development. The

Bank is now focusing on operational issues related to good practice in response to economic crises. This exercise will be an input into preparations for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development that will be held in June 2000.

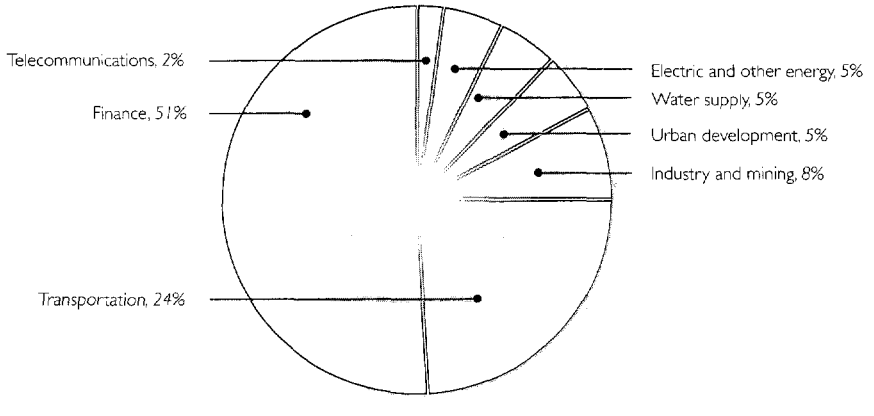
FINANCE AND PRIVATE SECTOR DEVELOPMENT

Over the past fiscal year, the Bank has helped create conditions for the revival and expansion of foreign and domestic investment throughout the developing world. Deepening the policy and institutional environment for both the financial sector and private sector companies was central to the Bank's efforts—through policy and regulatory advice, stimulating private provision of infrastructure, helping to restructure corporate finances in a constrained financial environment, and improving corporate governance and transparency. At the same time, the Bank worked to promote private sector–led growth, emphasizing inclusion of the poor by engaging governments, civil society, local communities, and private enterprises in efforts to build private sector approaches to poverty reduction, extending energy and communications benefits to underserved groups, building strong financial systems and capital markets to serve small as well as larger firms, and expanding the capacity of cities to provide affordable water, transportation, and other services. It was clear that the development problems in the crisis countries of East Asia, but also elsewhere, had to be approached holistically, given the strong interconnection of the financial sector, the real economy, and the needs of the poor.

In FY99, the Bank expanded and deepened its assistance in private sector development and in the financial sector. A new area of assistance emerged in corporate restructuring and governance, concentrated initially in the countries of East Asia. Lending in the sectors most closely linked to the Bank's efforts in the private sector and the financial sector—energy, mining, telecommunications, information technology, capital markets development, banking, transportation, water, and urban infrastructure—finished

FIGURE 3-4 IBRD AND IDA LENDING TO SECTORS WITH POTENTIAL FOR PRIVATE SECTOR INVOLVEMENT, FISCAL YEAR 1999

Total lending: $12.8 billion*



* *Reclassified data (see Table 1, p. 10)*

the year with $12.8 billion in commitments (Figure 3-4). This was down from the $14 billion recorded in FY98, due in part to declines in the energy, industry, and mining sectors that were related to project timing issues. Lending for private provision of infrastructure increased, as did joint assistance efforts of the Bank, MIGA, and IFC. Several major new partnerships with official donors and the private sector were initiated. Finally, new programs to disseminate development knowledge had a very visible impact.

Promoting private sector development

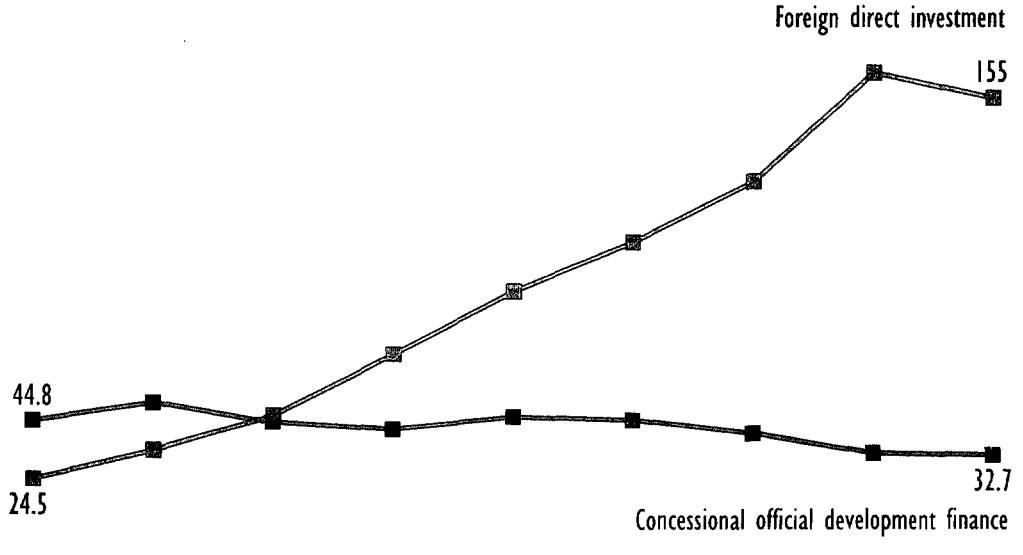
Member countries increasingly call on the Bank Group to facilitate the expansion and good performance of the domestic private sector. The focus is on systemic policy issues that inhibit private sector growth as well as on direct support through IFC and MIGA. Priorities in FY99 were to help revive private capital flows to developing countries through measures to mitigate financial and corporate sector crises, and to assist the large number of member countries not yet receiving substantial flows of foreign direct investment (FDI) in establishing an environment conducive to private sector growth and development. Improving the climate for FDI is vital: These inflows will be developing countries' main source of capital in the years ahead, particularly as concessional aid from donor countries is on the decline (Figure 3-5). Private sector development efforts are increasingly undertaken in a partnership setting—with the Bank, other donors, governments, the private sector, and civil society. The recent establishment of a Global Forum for Corporate Governance, in cooperation with the Organization for Economic Cooperation and Development and member countries, is an example of such collaboration.

During the year, the Bank stepped up its advisory services aimed at policy and institutional reform to stimulate domestic and foreign private investment. Technical assistance was provided under loans and credits, as part of project preparation, and under trust-funded partnership programs. Examples include:

• Infrastructure Action Program, a Bank Group effort with financial support from the government of Japan, helped governments in

FIGURE 3-5 LONG-TERM RESOURCE FLOWS TO DEVELOPING COUNTRIES, 1990–98

(billions of U.S. dollars)



Note: *1998 data are preliminary. Concessional official development finance refers to grants and loans to developing countries from bilateral and multilateral sources, net of repayments.*
Source: Global Development Finance 1999, *pages 24, 70.*

18 countries identify impediments to increased private capital flows for infrastructure projects and improve competition and regulatory regimes in the infrastructure sectors. These included major studies and advisory services in India, Indonesia, the Philippines, Côte d'Ivoire, Mexico, and Uganda.

• The Foreign Investment Advisory Service (FIAS), a joint program of the IFC, the Bank, and 12 donor countries, completed 46 technical assistance projects this fiscal year, helping countries overcome bottlenecks in their efforts to expand FDI. Assistance focused on improving legal and regulatory frameworks, investment policies, and statistical services. Requests for advice were especially strong in Europe and Central Asia, where some 22 countries have received technical assistance over the past few years. Assistance related to the financial crisis in East Asia and to Middle Eastern countries liberalizing their economies was also robust. In Africa, the focus was on removal of administrative barriers to foreign direct investment. In Latin America, FIAS concentrated on the smaller and poorer countries, rather than larger countries with more mature legal and institutional frameworks.

• The Mauritania Telecommunications Sector Reform, a technical assistance loan ($10.8 million), was designed to increase access to telecommunications services, move tariffs toward a cost-oriented structure, and accelerate the adoption of new technologies. The project also encourages dissemination of information in health and education for programs benefiting the poor.

Strengthening financial sector development and corporate governance

In cooperation with the IMF and external partners, the Bank expanded its support to the financial sector during FY99, focusing on countries experiencing financial crisis. The Bank's assistance—boosted by the hiring of some 50 experts in the sector—was concentrated in supervision and prudential regulation of financial systems; capital markets development; corporate governance and restructuring; debtor-creditor and insolvency regimes; and financial disclosure, accounting, auditing, and reporting.

In banking supervision, the Bank is working closely with the Basle Committee on Effective Banking Supervision to implement the 25 core principles defined by this group as minimum requirements for effective supervision and as a basic reference for banking authorities internationally. A major contribution at the country level relates to assessing country compliance with these principles through country-specific Financial Sector Assessments undertaken jointly with the IMF.

The Bank is a partner in conducting banking supervision training seminars for central bank staff, covering all regions. More than 5,000 staff members have received essential training in the principles and practice of bank supervision since the inception of these programs a decade ago. In addition, the Bank and the government of Canada have launched the Toronto Center for Banking Supervision, which delivers intensive training to senior bank supervisors. In FY99, nine countries participated—the Czech Republic, Estonia, Ghana, India, Mexico, Morocco, Nigeria, Peru, and Sri Lanka.

Other partners are helping to deepen financial sectors. In the securities markets, the Bank supports the efforts of the International Organization of Securities Commissions to strengthen cooperation between national securities regulators, including participation in training programs for developing-country security regulators. In the insurance sector, the Bank has developed a close relationship with international groups such as the International Association of Insurance Supervisors and private sector insurance firms. The Bank has developed and applied innovative techniques for financing natural disaster assistance and reconstruction (in recent Caribbean and Central America disasters) and is engaged with IFC in country reviews of the insurance sector for Bank Group assistance and investment.

In capital markets and lending development, the Bank's program of technical assistance, launched during FY99, has seen a rapid buildup of demand for its services, which are designed to improve the efficiency of current market systems for primary and secondary markets in government securities (the Republic of Korea and Thailand) and to promote capital markets de-

velopment at the subnational level (LAC and ECA countries). A conference in Spain brought together private sector and local government participants interested in building new sources of municipal finance through bond issuance.

In corporate governance and restructuring, the Bank is rapidly developing a new area of assistance. Improving the corporate environment calls for laws, procedures, and practices that generate investor confidence while respecting the interests of stakeholders and society at large. Current corporate governance shows significant weaknesses in many developing countries—perverse business incentives, poor capital markets development, overreliance on corporate debt, and judicial system weaknesses. In the past 12 months, the Bank has rapidly expanded its support for corporate governance reforms in East Asia and to a lesser extent in Latin America, the Middle East, and Sub-Saharan Africa.

Effective debtor-creditor and insolvency regimes are critical to absorbing business failure and releasing assets for productive use and are essential ingredients in overcoming financial sector crisis. The Bank has provided extensive assistance for bankruptcy reform in Eastern Europe and, during FY99, helped countries in East Asia design new systems for handling insolvency. These reforms are part and parcel of broader financial sector assistance in that region.

Financial disclosure and business information transparency is a critical element in ensuring more stable capital flows. During FY99, the Bank worked with the International Accounting Standards Committee to define best practices for developing countries in financial disclosure and helped 10 countries conduct Country Financial Accountability Assessments.

A special Bank unit, Special Financial Operations, is working with the Bank's East Asia Region to take a comprehensive financial sector assistance approach to East Asian countries. Technical assistance is enhanced by the use of trust funds provided by Asia-Europe Meeting—funded resident advisory services in a number of these countries. The Bank also provided resources for social sector programs to reduce the impact of the financial crisis on poor and vulnerable groups. In each country, there is extensive collaboration with the IMF.

East Asia Country action programs in FY99 included the following:

- In Indonesia, the Bank helped strengthen the legal infrastructure, support bank restructuring, improve bank supervision, and support corporate restructuring and bankruptcy reform. A conference, sponsored by the Bank in Jakarta, on auditing and accounting practices for improved corporate transparency was attended by 1,200 government and private sector participants from Indonesia and other East Asian countries.
- In the Republic of Korea, the Bank helped the government create a Financial Supervisory Commission and a Financial Supervisory Service combining four regulatory agencies. The Bank is helping the government support numerous small to medium enterprises, which are under stress from the financial crisis, in restructuring liabilities and increasing their demand for credit. The Bank lent Korea $724 million in support of the financial sector in FY99.
- In Thailand, the Bank helped recapitalize commercial banks, strengthen the legal and regulatory framework for the financial sector, and assess specialized financial institutions' capacity to increase lending to ease credit contraction. Such support, adding up to $560 million, was provided under two loans to Thailand in FY99.

Outside East Asia, the Bank has provided lending or nonlending services to 24 countries with some degree of financial sector vulnerability, including financial sector assessment, policy reviews, and intensive dialogue with government authorities.

Stimulating private provision of infrastructure

The Bank's programs in rural and urban infrastructure support sustainable economic growth and play a major part in its poverty reduction efforts. Some 16 percent of the FY99 lending program supported projects in transport, water and sanitation, urban development, and communications. The strategy is to engage the private sector in the infrastructure sectors, with

TABLE 3-4 WORLD BANK PPI OPERATIONS, FISCAL YEARS 1988–99

Instrument	Africa	East Asia and Pacific	South Asia	Europe and Central Asia	Latin America and the Caribbean	Middle East and North Africa	Total	Increase in FY99
Adjustments:								
Single sector	6	0	0	4	1	3	14	5
Multisector	3	6	1	8	9	2	29	14
Technical assistance	9	2	1	3	18	0	33	7
Investment lending	46	34	22	25	39	14	180	15
Guarantees	1	5	2	0	1	0	9	2
Adaptable progam lending	0	0	1	0	0	0	1	1
Total	**65**	**47**	**27**	**40**	**68**	**19**	**266**	**44**
of which:								
increase in FY99	8	9	3	8	9	7	44	

government and civil society as collaborators and partners.

Transport alone accounted for 10 percent of lending, in response to sharp demand for improved access, particularly in Africa and other low-income countries. Bank assistance in transport promotes public-private partnership in the sector, innovative management and financing techniques for public sector transport operations, development of capacity to develop environmentally responsive policies in implementing transport investments, and improved road and transport safety.

More than 1 billion people lack safe water, 2 billion lack adequate sanitation, and more than 90 percent of all urban centers in developing countries discharge wastewater without treatment. With some exceptions, state-run water and sanitation facilities have performed less than adequately in maintaining their assets and in generating the resources required to support larger investment programs. Bank assistance therefore focuses on introducing business-like management in urban water services, with a lead role for the private sector. In rural and periurban areas, the focus is on small, on-site sanitation services, managed directly by community groups. The promotion of sound environmental sanitation policies is critical to these efforts.

The Bank's sustained—and successful—effort to stimulate privatization and private capital flows to infrastructure (PPI) is reflected in the growth in the number of PPI guarantees. Over the past 11 years, the Bank has engaged in 266 PPI lending operations and guarantees (Table 3-4) with broad impact in all regions.

The Bank's PPI projects in FY99 included a wide range of innovative operations:

- the Niger Privatization and Regulatory Reform Project ($18.6 million) to improve the performance of the public enterprise sector in Niger through privatization in telecommunications, water, and electric utilities
- the Philippines Urban Water and Sanitation Project ($23.3 million) to help 250 local government water utilities operate on commercial principles and generate incentives for the private sector to participate in utility management, resulting in lower production costs and increased responsiveness to consumers
- the China Container Transport Project ($71 million) to introduce effective competition in the inland container distribution market by facilitating alternative service options to existing state-owned freight forwarders
- the Colombia Toll Road Concession Project ($137 million) to improve key road systems by attracting private services to mobilize equity and debt to finance road improvements and manage operations

• the India Power Sector Restructuring Program ($210 million Adaptable Program Loan), the first in a series of proposed loans totaling up to $1 billion over the next eight years, to help transform Andhra Pradesh's power sector through private sector participation. APLs allow for greater flexibility than traditional lending instruments and provide sustained support for long-term, complex development programs.

• the Argentina Renewable Energy in the Rural Market Project ($30 million) to promote private concessions in the provision of electricity to rural areas. Rural communities benefit through reliable and sustained access to electricity.

Supporting urban development

Within a generation, the number of urban residents in developing countries will increase by 2.5 billion—the current urban population of the entire world. Cities are not only growing in size and number, but they are also gaining new influence, with political and fiscal decentralization under way in all regions. Industrial and commercial activities located, serviced, marketed, and financed in urban areas account for well over half of GDP in most countries.

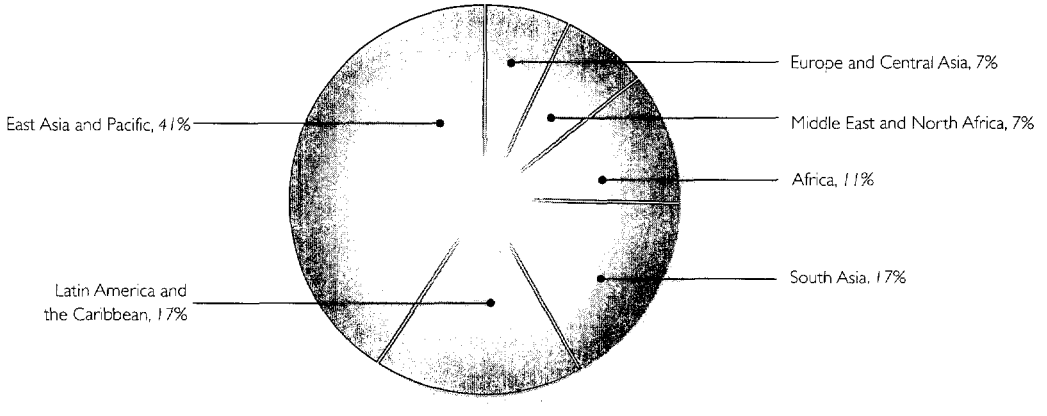
Urbanization is gaining prominence as a developmental issue, as discussed in depth in the *World Development Report 1999/2000—Entering the 21st Century: The Changing Development Landscape*. Haphazard, poorly managed urban development is one of the principal impediments to sustainable private sector growth. It is also one of the greatest challenges faced by developing countries in overcoming poverty. In the fastest growing cities in the developing world, the health and nutritional status of residents has been improving more slowly than in small towns and rural areas.

Underlying Bank support for urban development projects worldwide (Figure 3-6) is a new strategy to strengthen urban and local governments. The strategy includes support for national urban strategies to define policy and investment priorities; city development strategies to promote government, private sector, and civil society involvement in solutions for specific urban areas; scaling up urban slum upgrading—community development, government programs, and private sector-oriented investment to bring services to the poor; enhanced capacity building to facilitate better urban administration; and development of new capital markets for municipal finance.

In FY99, the Bank and the United Nations Center for Human Settlements (Habitat) formed a partnership to focus attention on urban issues and increase official development as-

FIGURE 3-6 LENDING FOR URBAN DEVELOPMENT, FISCAL YEAR 1999

Total lending: $605 million*



* *Reclassified data (see Table 1, p. 10)*

sistance to the sector. The momentum culminated in a Bank-sponsored Competitive Cities conference in May, during the Mayors' summit on the first day of the World Competitive Cities Congress in Washington.

Promoting private investment by mitigating risk

Project finance and guarantees

In FY99, the Bank continued to expand its partial risk and partial credit guarantee programs and integrate them into its comprehensive package of development-assistance instruments. Guarantees are intended to supplement reform programs and complement the risk mitigation benefits offered to the private sector by IFC and MIGA.

Guarantee operations now include more than 80 operations in the pipeline, most of them privately sponsored projects covering all regions and major infrastructure sectors, including power, transport, water, oil and gas pipelines, and trade.

In October 1998, the board approved a $300 million partial credit guarantee in Thailand, covering the first bond issue for the Electricity Generating Authority of Thailand since the Asian financial crisis. In addition to a nonaccelerable guarantee of the issue's principal, the Bank guaranteed a single coupon payment on a rolling basis for the first time. Although previously envisaged, this type of coverage had not been structured in any of the earlier Bank-guaranteed bond issues or syndicated loans. The issue, the first emerging market credit since the collapse of the Russian economy in August 1998, also received achievement awards from "Finance Asia" and "Euro Week."

The Azito Power Project in Côte d'Ivoire, supported by the first IDA partial risk guarantee, began to be implemented in FY99. The guarantee was critical to help secure financing for the associated transmission line of a gas-fired power plant. The project, jointly undertaken with IFC, is important to the government's growth plan and will also stimulate economic development in neighboring countries through electricity exports.

A new proposal for the use of the Policy-Based Guarantees received board approval. With this innovative instrument, new co-guarantee arrangements with other multilateral and bilateral organizations may be foreseen.

Two new operations were launched (Guinea and Guyana II) under the IDA Debt Reduction Facility, representing $140 million of principal eligible debt. Since its inception in 1989, 16 operations have been successfully completed and a total of $3.66 billion of principal in external commercial debt has been extinguished.

Joint country work with IFC

In the areas of energy, mining, and telecommunications, the Bank worked with IFC in seven countries (Chad, Gabon, Georgia, Kenya, Republic of Congo, Rwanda, and Tanzania). In privatization, a joint IFC-Bank team provided advisory services to the government of Gabon on privatization strategy.

In Chad, the Bank prepared a technical assistance project to open up private participation in telecommunications. In parallel, the government organized a roundtable of potential investors in cellular communications with the participation of Bank and IFC telecommunications staff. The IFC carried out a dialogue with parties interested in submitting bids for the cellular license in Chad.

In an outreach initiative, the Bank, IFC, and the Brookings Institution sponsored a conference on "Financial Markets and Development: The Crisis in Emerging Markets." The meeting was attended by more than 160 capital market practitioners and policymakers.

Partnerships

Partnerships play a central role in private sector development. In FY99, the Bank and its partners joined forces in programs to help developing countries solve Year 2000 problems and apply technology to development solutions (through Infodev), to promote power reform and renewable energy (through ESMAP, the Energy Sector Management Assistance Program), and to develop rural water supply and sanitation (the Joint UNDP–Bank Water and Sanitation Program).

A recently created partnership program, Business Partnerships for Development, is a global network of private companies, governments, and civil society organizations, with the Bank as an equal partner. Private companies take the lead in establishing pilot programs to enhance development in a range of sectors. Through pilot work, participants discover best-practice experience in how the private sector can take a lead role in delivering development results. The program overall has 70 partner organizations, and their work is organized in clusters, including natural resources, water and sanitation, road safety, and youth. In FY99, the companies mobilized and disbursed, collectively, nearly $20 million of private money.

The Water and Sanitation cluster, for example, is performing pilot work in six countries (Argentina, Bolivia, Colombia, Haiti, Indonesia, and South Africa), with total expenditures of $3 million in FY99. The cluster is led jointly by Générale des Eaux (Vivendi), Water Aid, and the Bank Group. Eight private companies participate, along with nine organizations representing civil society. Pilot activities included definition of the roles of regulators, municipalities, beneficiary communities, and private companies; social mapping of the water user population to help companies adapt fees and tariffs, billing methods, and outreach programs to local situations; and mobilization of communities to prepare with the utility company to receive water connections.

The Global Road Safety Partnership is coordinated by the International Red Cross in Geneva and joins corporations, civil society organizations, governmental groups, and donors to promote road safety initiatives in developing countries through training workshops, public awareness programs, monitoring, and evaluation. The program includes projects in road environment, vehicle safety, road user behavior, and emergency medical services.

A new public-private partnership resulted in a major conference on "Mining and the Community," for Asia and the Pacific nations, held in Papua New Guinea. Representatives from all relevant stakeholder groups—the local community, mining companies, national governments, NGOs, academia, and international organizations—discussed solutions to current problems affecting local communities as a result of mining development. The conference addressed community issues throughout the mine life cycle, from exploration to post-mine closure, and included presentations on nine mines and projects from five countries—Australia, Fiji, Indonesia, Papua New Guinea, and the Philippines. The conference attracted more than 250 delegates from 16 countries.

Knowledge services in private sector and financial sector development

Commitment to building knowledge services through thematic groups yielded very positive benefits for the Bank's clients in FY99.

- The Road and Highways Thematic Group provided rapid and direct support to the government of Pakistan in establishing a commercially managed road fund. The Thematic Group had prepared a worldwide database on experience in road lending mechanisms that was timely and useful to the client. The road fund is now being set up within the National Highway Development Program.
- In India, a number of provincial governments approached the Bank for assistance in upgrading their multivillage piped water systems. The Rural Water and Small Towns Thematic Group responded to this request by collecting relevant worldwide experience from the water sector. The Bank and the provincial governments will build on this knowledge base in projects to upgrade water systems in low-income communities.

Performance of the private sector development portfolio

The portfolio of projects in sectors contributing to financial and private sector goals is large and complex. Delays and implementation problems vary considerably by sector. Telecommunications and transport projects experience relatively few problems—only 10 percent of the projects in the portfolio were tagged in the problem category—while power, industry, and water and sanitation projects were much higher, at 30–40 percent. The financial sector, urban development, and mining projects fell in

the middle. Problem projects were affected adversely by lack of counterpart funding—made worse in some cases by the financial crisis, lack of technical or managerial capacity, and inadequate implementation of expected policy changes. The performance of water and sanitation projects improved during FY99.

DEVELOPMENT EFFECTIVENESS

FY99 saw continuing improvement in the Bank's contribution to development effectiveness. The Strategic Compact, in its third year, continued to drive gains. Noteworthy efforts to make Bank assistance more effective included decentralization of Bank staff, greater emphasis on local-level ownership and involvement in projects as well as strategy formulation, flexibility in tailoring new lending and nonlending instruments to meet client needs, and broad efforts to strengthen partnerships. The quality of Bank operational performance has continued to improve, but gains have slowed. The Bank looks to its Operations Evaluation Department (OED) to evaluate its performance and assess impact, and to the more recently established Quality Assurance Group (QAG) to promote quality and provide real-time input to management of the Bank's loan portfolio.

The Bank's research work also fosters development effectiveness; the conclusions of a study assessing where aid has been the most effective have particularly far-reaching implications for Bank lending. In addition, and as noted throughout this Report, partnerships are playing an increasingly integral role in Bank assistance. The Comprehensive Development Framework (CDF)—the year's most notable reinforcement of the importance of partnerships—intrinsically attests to the contribution of partnerships to development effectiveness. Cofinancing and Trust Fund partnerships have been particularly important in helping deal with recent crises. The World Bank Institute (WBI) is also relying on an ever-growing number of partners to help meet its knowledge-sharing and learning objectives, which complement other Bank efforts to make its assistance more effective. Finally, the Bank has also refined its budget planning exercises and human resource policies to be consistent with the Strategic Compact's goal to increase development effectiveness.

Operations evaluation

Improved project performance

OED reports show that project performance has improved substantially. The percentage of Bank-supported projects with a satisfactory outcome at the end of loan disbursement increased from an average of 65 to 70 percent in the 1990–96 period to 75 percent or higher in 1997–98, including 7 percent with outstanding outcomes. This remarkable improvement demonstrated Bank and borrower commitment to improving development effectiveness. There have been major quality improvements in two of the poorest performing sectors (finance and public sector management) and in Africa, particularly in agriculture, which recorded an increase in satisfactory project ratings from 54 to 76 percent. Better borrower performance, more realistic project designs, and better portfolio management explain the improved outcomes. But the sustainability of development efforts and institutional development impact need further improvement.

Lessons from crisis

OED's 1998 *Annual Review of Development Effectiveness (ARDE)* identifies the challenges posed by the volatile global environment of the past two years. Developing countries have faced severe deterioration in the enabling environment, rooted in unregulated private capital flows, global interdependence, and the growing influence of exogenous factors in determining development impacts. To cope

with increased risks, greater attention to development effectiveness—by learning the lessons summarized below—will be critical.

• *A stable macro economy is not enough.* Sound macroeconomic conditions are not enough to sustain equitable growth. Unlike the debt crisis of the 1980s, the recent financial crisis started in countries with relatively strong fiscal situations, sound monetary policies, and outward-oriented trade regimes. Government budgets in most crisis-affected countries were balanced or moving into surplus; inflation was contained; interest rates were going down; and unemployment was low.

• *Institutions matter.* The crisis showed just how costly weaknesses in institutions can be—especially in the financial and social sectors—and that strong institutions are essential for economic and social stability (Box 3-4). Poor institutions increase the vulnerability of developing and transition economies to shifts in private investor confidence. For Bank-supported projects, the quality of institutions significantly affects development effectiveness. This effect is particularly pronounced in low-income countries. Where institutions are systematically weak, projects yield lower returns and entail higher risk. Better institutions strengthen a country's ability to adjust, and their presence can more than double the likelihood that a country undergoing adjustment can stay the course.

• *Social development is key to poverty reduction.* Social development should come center stage—both in assessing development effectiveness and in financing country assistance programs. Serious reductions in employment of 10 to 15 percent are estimated for Indonesia and Thailand. With devaluations and the removal of subsidies, the newly unemployed will suffer from drastic losses in income and sharp increases in prices. The increasingly integrated global environment points to continued country susceptibility to shocks. In response, much greater attention must be given to safety nets for the poor and near-poor, who bear a disproportionate share of the costs of shocks. This lesson, moreover, applies not only to crisis countries: data for 74 countries show that 49 of them are experiencing growing inequality. This confirms the need to emphasize inclusion, social development, and safety nets in the design and implementation of reform strategies and development programs.

• *Bank assistance should be country-focused and partnership-based.* Effective projects require operations that are linked to a country's broader social, civil, and economic environment. Financial, institutional, and social factors must be considered together, recognizing that sustainable development requires adequate attention to structural factors, capacity building, and social equity. To scale up successes, the Bank must work in close partnership with borrowers, donors, and other stakeholders to maximize development impact. A partnership-based strategy that recognizes respective strengths and weaknesses and defines accountability and how it will be shared is good policy from a development perspective, and good corporate finance. OED's review of Country Assistance Strategies (CASS) showed that much remains to be done to enhance their quality. Project outcomes were found to be highly dependent

BOX 3-4 THE CHALLENGE OF INSTITUTION BUILDING

An analysis of 41 low-income countries shows that only one was rated satisfactory on institutional quality. Only 40 percent of Bank-supported projects have substantial impact on institutional development; civil service reforms undertaken as components of structural adjustment loans have had mixed outcomes; and public sector management projects, while improving, have historically performed below the Bank average. An OED evaluation showed that Bank-supported financial sector projects had satisfactory and sustained outcomes in just 50 percent of countries. One problem is that a fragile institutional environment itself renders institutional development slow and difficult. Strong aid coordination is needed, together with the development of capacity to absorb aid and reduce the risks of overload.

on country strategy; no country with a satisfactory country strategy demonstrated weak project performance.

The ARDE notes several implications of these lessons for Bank operations: scale up successes through strong partnerships focused on a wide development agenda; strengthen support for institutional development, particularly in the financial and social protection sectors; and shift from a project to a long-term country focus in designing and implementing operational strategies. For performance evaluation, the following implications hold true: performance monitoring and assessment need greater transparency, emphasizing governance, institutional performance, and monitoring of structural, social, and poverty indicators; evaluation should move beyond the individual project to focus on the country, sector, and global levels; and evaluation rating systems should assign greater weight to the social impact of projects and programs and to the effects of external shocks on the poor.

Operations evaluation renewal

The 1998 *Annual Report on Operations Evaluation* (AROE) assesses the adequacy of the Bank's independent and self-evaluation systems. The report notes the ongoing renewal process that is helping OED connect with other parts of the Bank in strategy setting, resource allocation, personnel management, and quality assurance. The report also traces the progress—and the major obstacles—in implementing results-based management in the Bank, a central recommendation of the 1997 AROE.

Results-based management. Both a management system and a performance-reporting system, results-based management (RBM) judges an operation by its outcomes or impacts, not by inputs or outputs. The effect of this approach is to link budget planning with strategic policy planning—to move the institution from an internal management focus to an outward-looking orientation, centered on achieving results. RBM emphasizes development effectiveness and accountability and supports the ongoing change of the Bank's culture toward greater transparency, participation, and results on the ground. While RBM has not been formally adopted by the Bank, operations are moving in that direction.

Streamlining OED's review of Implementation Completion Reports. OED's review of the Implementation Completion Report process has been substantially streamlined to provide a more timely evaluation response. Improved internal communication is also increasing the learning value of the reviews.

Refocusing OED's sector and thematic studies. Since FY98, OED has been examining the impact of a country's overall portfolio of lending and nonlending operations in a given sector. A key objective of country sector impact studies is to provide upstream and relevant input to the design of Bank country sector assistance strategies. OED's work program has more generally begun to give greater emphasis to country, sector, and thematic evaluations, compared with those tied only to project impact. Thematic and sector studies have been especially important where significant policy changes are under way or overdue. Three sector studies covering the financial sector (Ecuador) and small and medium enterprises (Ecuador and the Philippines) and a thematic study on resettlement were completed in FY98. The resettlement study was influential in the recent revision of the resettlement policy and in the establishment of the new safeguard compliance system. The Health, Nutrition, Energy, and Environment Notes produced in FY98 are additional examples of OED's efforts to connect systematically to board reviews of Bank sector policies. In a similar emphasis on timeliness to better support board decisionmaking, OED's CAS-related assessments are becoming better synchronized with the CAS cycle: Country Assistance Evaluations are submitted to the board about a month prior to the CAS.

FY99 brought an acceleration of OED's efforts to strengthen measurement of development effectiveness. Key priorities were broader stakeholder participation; continued focus on country, sector, and thematic evaluations; and building evaluation capacity in developing countries. In addition to the ARDE and the AROE, important OED products in FY99 included Process Reviews (such as the Grants Review and the Poverty Assessments Follow-up); Sector and

Thematic Evaluations (for example, the Health, Nutrition, and Population [HNP] Study); HNP in Brazil, India, Mali, and Zimbabwe; Rural Development; Municipal Development and Country Assistance Evaluations (Azerbaijan, Sri Lanka, Bolivia, Yemen, Indonesia, Jamaica, the Maldives, and Ukraine, among others).

Stakeholder participation in evaluation

OED placed greater emphasis on bringing stakeholder participation in self-evaluation and independent evaluation to a satisfactory level. The department has initiated a participatory consultation process for its evaluation products by sharing design formats, eliciting information on performance and processes, and disseminating findings among a variety of stakeholders through workshops. Country Assistance Evaluations for Burkina Faso, India, Indonesia, and Uganda were among those included in this process. An action-learning workshop was held to discuss issues of the Aid Coordination Process Review with 19 senior officials from a range of borrowing countries. A workshop was held to discuss the design of the Participation Study with a group of Bank staff and other stakeholders. The Forestry Review Workshop included a wide range of players, both inside and outside the Bank, for discussion of the upcoming OED Forestry Policy Review. Workshops have also formed a part of the dissemination strategy for OED products, including the Involuntary Resettlement Study, Municipal Development Impact Study, and Post-Conflict Study.

Evaluation capacity development

Evaluation Capacity Development (ECD) work in OED was advanced through a regional seminar and workshop in Abidjan in November. The African Development Bank and a World Bank team, headed by OED and drawn from the Africa Region, WBI, and OED, met with 36 evaluators from 12 African countries to explore the road ahead for capacity building in monitoring and evaluation. They were joined by representatives from 11 bilateral donors, the UNDP, and the European Union. The workshop produced draft action plans that will provide the basis for long-term efforts to build up evaluation capacity in the participating countries and laid the groundwork for better coordination on African evaluation capacity development by development assistance agencies. For OED, working in concert with country leadership and the Bank's respective country directors, the workshop provided a departure point for piloting a new ECD strategy in client countries. The strategy combines efforts to enhance Bank partnerships with the country and other development partners; help "keep score" of structural and social performance; initiate action learning for improved monitoring and evaluation at the project level; and strengthen capacity in central ministries. Other ECD initiatives include developing partnerships for monitoring and evaluation capacity with WBI and Operational Core Services, with an initial emphasis on the Africa region.

Partnerships

OED is a member of the Development Assistance Committee (DAC) Evaluation Working Group and chairs the Evaluation Cooperation Group (ECG) of the multilateral development banks. The ECG continued its efforts to identify best practices, make evaluation results comparable, and translate evaluation findings into results across MDBS. OED is helping to define processes to relate evaluation work programs to policy priorities, build evaluation capacity in the context of overall institutional development, conduct country evaluations, and find ways to improve utilization of evaluation findings.

Quality assurance

Since 1996, QAG has aimed to improve the quality of Bank operations and ensure that unsatisfactory project outcomes—an inherent development risk—do not originate in deficient Bank performance. QAG assesses selected new projects' readiness for implementation ("quality at entry") and ongoing projects' supervision effectiveness. Other indicators of portfolio risk focus on "realism," which flags chronic overoptimism and a failure to recognize problems early on, and "proactivity," which signals problems that have been allowed to linger too long without proactive management.

QAG also reviews the quality of Economic and Sector Work.

According to the FY98 *Annual Report of Portfolio Performance*, issued in November 1998, the health of the Bank's $121 billion project portfolio continued to improve, despite dramatic changes in the global environment. Three years ago, one in three projects was rated less than satisfactory; the ratio has dropped to one in five. The improvement translates into greater effectiveness of an additional $4 billion a year of new lending. However, the pace of overall improvement may be slowing.

Going forward, sustaining progress will be the primary challenge. The Strategic Compact (Box 3-5) targets 100 percent "satisfactory" ratings in FY01 for "quality at entry" and for supervision. Actuals (for calendar 1998 and FY98, respectively) were 86 percent and 76 percent. The share of projects "at risk" of not meeting their development objectives declined in FY99 from 37 percent in FY93 to below 19 percent, the lowest level in over a decade. The improvement is the result of efforts to deal promptly with "problem" projects and to recognize risks early on as a first step to taking corrective actions.

Research

The Bank's research supports development efforts within and outside the Bank, and makes an important contribution to development effectiveness. It is ultimately intended to improve policy in the Bank's borrowing countries. In a

BOX 3-5 PROGRESS ON THE STRATEGIC COMPACT

The Strategic Compact was introduced two years ago as part of an overall renewal program within the Bank to increase development effectiveness. All Compact initiatives are now under implementation and have changed the way the Bank does business. There is greater emphasis on quality, responsiveness, and partnerships; on knowledge-sharing and client orientation; and on poverty reduction, as summarized below:

❖ ***Operational quality has improved.*** *"Quality at entry"—a measure of how well a project is designed and a key determinant of lending effectiveness—continues to improve, as does the quality of the Bank's existing loan portfolio and of Country Assistance Strategies, with greater attention to selectivity and a sharper focus on poverty*

❖ ***The level of Bank services has increased.*** *Total loan commitments in the past two years have been higher than in previous years, reflecting largely the huge needs following the global financial crises. More economic and sector work has also been prepared to support policy advice and project preparation, as the Bank has tailored its nonlending services to client needs through shorter and more focused reports. Raising the quality of this work to ensure greater impact is an important challenge going forward.*

❖ ***Costs are lower and productivity has increased.*** *The average cost of preparing an operation dropped to $270,000 from $330,000 last year, while the average elapsed time between project conception and board approval also continued to decline, falling to 13 months compared to 20 months last year.*

❖ ***Environmental issues are receiving increasing attention.*** *Satisfactory ratings on "quality at entry" on environmental aspects of projects are approaching 100 percent.*

❖ ***Greater client focus is becoming evident.*** *CASs have improved in terms of client participation, more staff and managers are based in the field, and client surveys are beginning to show greater understanding and support of the Bank's role in development.*

❖ ***The role of the "Knowledge Bank" is gaining prominence.*** *Seventy-five percent of policymakers in a pilot survey used Bank research products, while the newly merged World Bank Institute (WBI, expanded from the former Economic Development Institute) is expanding its reach and effectiveness through new technologies and the Internet.*

Despite progress, key challenges remain. Inevitably, gains have been slower than in the first year of the Compact, as lessons learned are consolidated. Moreover, the rapid, flexible, and continuous response of the Bank to shifting client demands is creating pressures on the institution. Greater selectivity will be central to Bank efforts to continue institutional renewal beyond the Strategic Compact period.

pilot survey of 50 higher-level officials in developing and transition countries, about three fourths said they used Bank analytical reports and found them very useful and of high quality. The Bank has a unique role in undertaking development research, because it serves the development community worldwide, its researchers are in constant contact with policymakers in the developing world, and it has access to incomparable data and long-term experience.

The Bank's most important research publication, the *World Development Report*, in its September 1998 edition *(WDR-1998/99)*, provided the institution's first comprehensive assessment of the role of knowledge in development. The *WDR-1998/99* investigates how people and societies acquire and use knowledge—and why they sometimes fail to do so. Although some knowledge is expensive to generate, much technical knowledge is relatively easy to transmit from industrial countries to the developing world. Education and free flows of information will be critical determinants of a country's ability to benefit from knowledge transfer efforts.

Foreign aid, well applied, can itself be a channel for improving institutional capacity and transmission of knowledge. In the most recent Policy Research Report, *Assessing Aid*, the authors show that although aid projects often embody technical knowledge, whether that knowledge is adapted to the circumstances and replicated elsewhere in the country depends on the policy and institutional environment. The study also finds that financial aid is not effective in changing policy. Rather, aid is most effective in poor countries that already have good policies and management, with aid activities tailored to country conditions. This provocative study generated wide discussion; many donor agencies are reassessing their own performance and strategies in enhancing opportunities and knowledge for reform in recipient countries.

As noted earlier, many countries caught in recent international financial crises had earlier reformed their fiscal and monetary policies and apparently had healthy economies. *Global Economic Prospects 1999* is a comprehensive analysis of why severe crises arose in such circumstances and how recurrence can be prevented. This report points to the rapid escalation of short-term foreign currency debt, high debt-to-equity ratios in private firms, and increasingly risky loans for real-estate and stock market speculation. The crisis starkly illustrates the need for tighter financial regulation and for supervision that proceeds in tandem with financial liberalization. This report suggests that, until such oversight can be well implemented, short-term foreign debt be taxed domestically, creditor country authorities increase regulation of short-term outflows, international mechanisms facilitate debt workouts among private agents, and more reliable information be compiled and published as early warning indicators.

Governments have relied not only on financial liberalization, but also on decentralization and privatization as means to reduce their direct roles in productive economic activity. However, decentralization and privatization in education have not always had the intended results, as a recent multicountry impact assessment shows. While opening education to the private sector increased enrollment, student performance did not improve and the share of the poor in enrollments dropped. Subsidies for poor families may be needed to prevent regressive outcomes from such reforms. On the other hand, privatization with voucher and fellowship programs directed to the poor has increased secondary school enrollment for children of poor families and, when specifically tailored, for girls.

Impact assessment is one of several methods used to evaluate and improve the Bank's programs and research. In an FY99 review, external experts appreciated the research quality and the studies' practical bases and policy relevance. But Bank research is as broad as its lending program, and reviewers have encouraged an overall research agenda focused on the big issues facing the Bank, with some balance between the need for technical rigor and for applied, pragmatic research.

Policy problems are many, and research resources are few and declining. An important solution to the mounting demands for Bank

A meeting of villagers in Mali: Civil society is fast becoming the single largest factor in development.

policy analysis is to increase countries' capacity to undertake research themselves. A Global Development Network initiative was launched this year to improve analytical capacity in developing countries, drawing on many years of Bank experience in fostering regional research networks in Africa, Asia, the Middle East, the transition countries, and, in a more minor role, in Latin America. The global initiative will identify and support existing institutions with competitive funding of research, based on the needs of researchers in each region. The networks will strengthen links among researchers in developing countries and from them to their counterparts in developed countries; open channels to articles and data; assist with data collection; offer training; and sponsor publications and meetings.

Partnerships

Partnerships with external agencies, development organizations, and shareholder countries are fundamental to the Bank's strategic agenda and are increasingly recognized as indispensable to enhancing development effectiveness. In FY99, the Bank's Partnership Group strengthened a number of key institutional partnerships, including those with multilateral development banks, the OECD-DAC, and foundations. Partnerships with multilateral development banks and other multilateral financial institutions have been strengthened through initiatives such as regular meetings of the agencies' presidents and the creation of joint working groups to seek coherence and, where appropriate, harmonization of policies and practices. The Partnership Group also undertook a series of international consultations on proposed actions for the World Bank on Partnerships (see Box 2, page 6).

In FY99, the Bank continued work begun at a roundtable in April 1998 to identify the risks associated with commodity price fluctuations in developing countries. Participants had agreed

that current mechanisms, created in the 1970s to help developing countries cope with commodity price volatility (for example, price stabilization funds, buffer stocks, and commodity agreements), have had limited success. To address these issues and after extensive consultations, the Bank took the lead in convening an International Task Force on Commodity Risk Management in Developing Countries to explore new, market-based approaches to commodity price risk management. Final recommendations of the task force will be discussed at a roundtable to be held in fall 1999.

Partnership work has been mainstreamed organizationally, and major partnership relationships are now broadly based throughout the Bank. To oversee the mainstreaming process, a senior management Partnership Council has been established to track ongoing partnerships and provide guidance to the staff. Working with partners highlights the importance for the Bank to use strategically the full range of its instruments, including grant programs from its own resources (Box 3-6); project cofinancing; and the trust funds it administers for other donors.

BOX 3-6 SUPPORTING PARTNERSHIPS AND INNOVATION THROUGH GRANT MAKING

Grant making has become an important complement to the Bank's lending and advisory services. It supports innovation and cutting-edge approaches and technologies, providing seed money for high-risk, high pay-off pilot projects for which lending is inappropriate. Through grants, the Bank leverages its financial and human resources as well as convening power to combine forces with partner organizations in pursuit of shared regional and global objectives. In FY99, Bank grants helped catalyze close to $1 billion for activities that it could not otherwise support through country-based loans or credits. Grants are also broadening the scope of regular Bank services, helping provide a wider range of products and services relevant to client needs and increasing development effectiveness.

The Development Grant Facility (DGF, established in 1997 as a successor to the Special Grants Program) has emerged as an effective mechanism for Bank grant making. In FY99, the DGF supported 50 programs, for a total budget of $125 million, in rural development, environment, health, education, economic policy, and private sector development. More than one fifth of these were new initiatives. A new strategic approach to grant selection was introduced during the year to ensure that grants reflect and reinforce both Bankwide and sectoral priorities and strategies.

DGF-supported programs that promote innovation and cutting-edge approaches across a range of Bank sectors include:

- *the International AIDS Vaccine Initiative, which is stimulating private investment in HIV vaccine research for poor areas most affected by the epidemic*
- *the development of World Education Indicators (a joint OECD-UNESCO project), which is helping poor countries develop comparable data to measure educational progress*
- *the Solar Development Corporation, which seeks to accelerate private sector involvement in the distribution, retail, and financing of solar energy in developing countries.*

Other DGF-supported programs are long-standing initiatives, tackling persistent challenges in the fight against poverty, for which Bank financing has galvanized the participation of UN agencies, bilateral and multilateral donors, NGOs, and the private sector:

- *the Onchocerciasis Control Programs (OCP/APOC), which have nearly eliminated the transmission of river blindness in much of West Africa*
- *the Institutional Development Fund, which provides small grants to assist capacity building in developing countries*
- *the Consultative Group to Assist the Poorest, which is expanding the availability of finance to the very poor*
- *the Consultative Group on International Agricultural Research, which, according to a recent external review, has been the single most effective use of official development assistance*
- *the Post-Conflict Fund, which is helping countries plan the transition from conflict to sustainable peace and economic growth.*

Partnerships with NGOs and civil society

Involving people in development activities that affect their lives is a top priority for the Bank. Involvement is sought at all phases of the Bank's work—planning and design of projects, implementation, and impact evaluation—because participation improves the quality, effectiveness, and sustainability of development activities. Nongovernmental organizations (NGOs) and other civil society groups play an increasingly critical role in ensuring that Bank-supported projects are participatory in nature, through both their own involvement and their ability to reach out to other stakeholders—especially poor and excluded communities.

In his proposal for a Comprehensive Development Framework, President Wolfensohn cites civil society as "probably the single largest factor in development," given its size, experience, and history. The Bank has found that

TABLE 3-5 PATTERNS IN WORLD BANK–NGO OPERATIONAL COLLABORATION, FISCAL YEARS 1987–99

	Total 1987–96		1997		1998		1999	
	No. of projects	%	No. of projects	%	No. of projects	%	No. of projects	%
By Region								
Africa	733	36	49	61	59	54	62	61
East Asia and Pacific	424	22	37	32	45	51	54	43
South Asia	260	37	19	84	25	73	23	76
Europe and Central Asia	286	18	67	24	69	37	79	34
Latin America and the Caribbean	497	26	52	60	68	51	56	59
Middle East and North Africa	201	15	17	41	20	52	25	64
Total	**2,401**	**28**	**241**	**47**	**286**	**50**	**299**	**52**
By Sector								
Agriculture	476	46	45	82	47	74	39	72
Education	219	31	18	56	36	63	26	77
Electric power and energy	184	7	17	18	15	40	6	50
Environment	87	45	9	100	18	78	11	82
Finance	126	3	13	23	17	6	18	39
Health, nutrition, and population	157	65	15	60	24	79	22	82
Industry	90	27	5	40	2	33	7	14
Mining	24	17	2	50	4	100	2	50
Multisector	209	7	21	10	19	30	34	26
Oil and gas	56	27	5	20	2	0	1	0
Public sector management	168	8	20	5	28	24	36	19
Social sector	77	91	17	65	12	80	36	74
Telecommunications	38	0	0	0	3	0	1	100
Transportation	257	8	28	29	27	71	28	46
Urban development	123	40	13	46	19	55	21	66
Water supply and sanitation	110	21	13	69	13	62	11	55
Total	**2,401**	**28**	**241**	**47**	**286**	**50**	**299**	**52**

Figures are based on a desk review of project appraisal documents for projects approved by the board at the end of the fiscal year. As such, they often reflect intended involvement of NGOs and community-based organizations, as well as actual participation in the project design. The extent to which intended or sustained involvement of NGOs actually occurs during later stages of the project is not yet known. Moreover, the quality of participation can vary considerably, ranging from quick consultative meetings to major responsibility for implementation and monitoring of project components.

engaging civil society groups in projects and policy dialogue improves design, implementation, and sustainability because when communities and their representatives have direct involvement in development activities, they feel greater ownership of the results.

NGOs play an increasingly important role in a variety of Bank activities; examples of NGO involvement in Bank work can be found throughout the pages of this *Annual Report*. As Table 3-5 illustrates, 52 percent of projects approved included NGOs in some capacity, a significant increase over the previous year. Involvement is most common in project implementation and planning but can include a range of other activities (Figure 3-7). NGOs also played a greater role in policy-related work, including economic and sector work and Country Assistance Strategy preparation. Three quarters of CASS prepared in the second half of fiscal 1998 and fiscal 1999 included consultations with civil society and NGOs, and nearly half involved broad and substantial participation, including a major outreach into rural or high-poverty areas or civil society involvement in planning the consultations.

During FY99 the Bank renewed its efforts to support NGO and civil society participation by reorganizing its Civil Society Thematic Team (CSTT) to include senior staff from all regions and Networks, in addition to the NGO Unit. The team is responsible for monitoring Bank-NGO interaction, identifying examples of best practice, strengthening Bank–NGO collaboration, coordinating approaches to collaboration in policy dialogue and operations, and improving knowledge of NGOs and civil society by sharing and disseminating experience.

Partnerships between civil society, government, and business are key to development effectiveness but are often difficult to manage and sustain. To better understand the links between civil society involvement and poverty reduction, the Bank launched a "Civil Society Initiative" in FY99 that builds capacity among Bank staff for engagement with NGOs and other civil society groups. In addition, as the Bank increasingly decentralizes its operations, NGO and

FIGURE 3-7 NGO INVOLVEMENT THROUGHOUT THE PROJECT CYCLE, FISCAL YEAR 1999

(As a percentage of projects with NGO involvement)

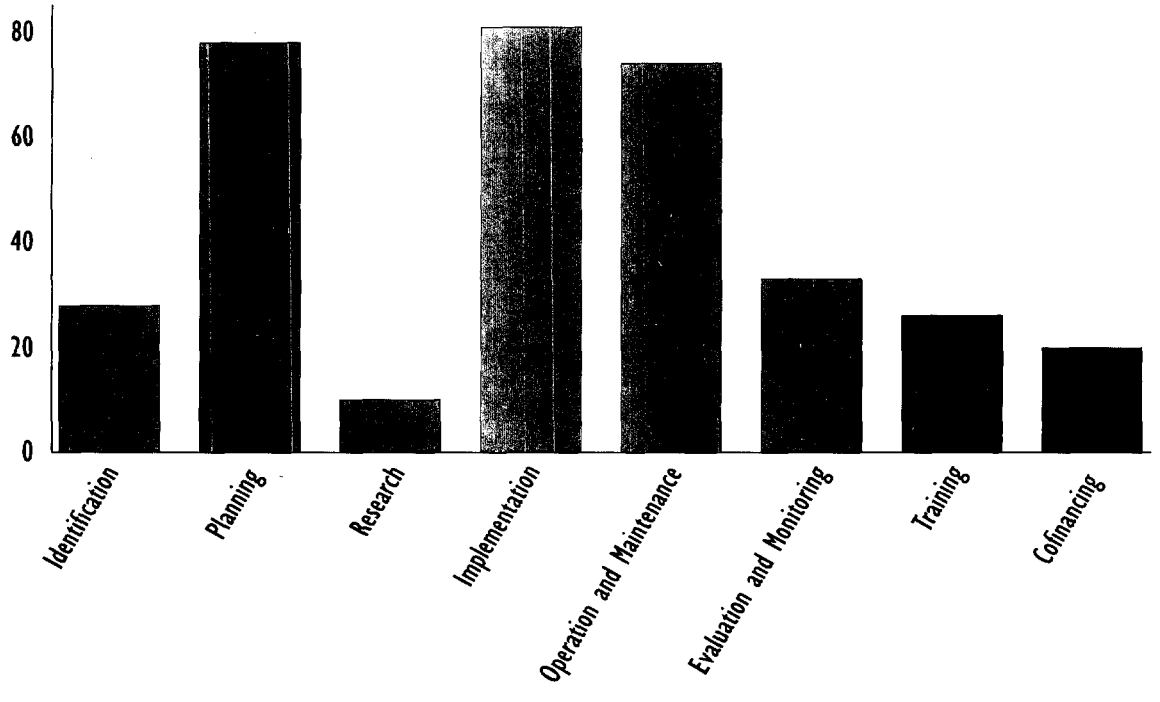


TABLE 3-6 TOTAL IBRD AND IDA LENDING AND COFINANCING OPERATIONS, FISCAL YEARS 1996–99

(amounts in millions of U.S. dollars)

	1996	1997	1998	1999
	Amount	Amount	Amount	Amount
Lending	21,352	19,147	28,594	28,994
Cofinancing[a]	8,301	7,671	9,705	11,350
Cofinancing/Lending (ratio)	38.9%	40.1%	33.9%	39.1%

a. Based on cofinancing plans presented at the time of approval. Includes cofinancing with Bank loans, IDA credits, and Bank guarantees, and projects financed by Bank-managed trust funds.

Civil Society Specialists in over 60 country offices have been appointed, to enhance interaction with local groups.

The CSTT works in cooperation with the Bank's NGO Working Group, whose 26 NGO members meet twice a year with senior Bank management as part of the NGO–World Bank Committee. The Working Group established a more decentralized structure in FY99 and now operates through six regional working groups that seek to broaden effective participation by NGOs in dialogue with the Bank. During the year, the Working Group developed proposals to strengthen its capacity to more consistently monitor NGO participation in Bank-supported policy and project work. A two-day International Conference on "Upscaling and Mainstreaming Participation of Primary Stakeholders: Lessons Learned and Ways Forward" in November 1998 brought together more than 150 participants from Northern and Southern NGOs, the Bank, USAID, and other agencies. Recommendations included creation of incentives for Bank and other institutions' staff, to encourage meaningful participation; minimum standards for consultation with stakeholders, to ensure quality and expand transparency and accountability; and efforts to ensure that stakeholder involvement begins at the policy development phase, so that policies and projects reflect the needs of all stakeholders.

During the year, the Bank and the NGO Working Group helped initiate the International Forum on Capacity Building, which brings together NGOs, donors, and other agencies to share experience and develop more effective capacity-building strategies and approaches. The Bank also provides funding for NGOs in developing countries through its Small Grants Program. During FY99, funding reached $1.8 million—nearly double the FY98 level—and the program was further decentralized, making 35 Resident Missions responsible for grant-making decisions.

Cofinancing and trust funds

Cofinancing and trust funds provide flexible financial instruments for the World Bank to engage in partnerships for a broad range of country-based, regional, and global development programs.

Trends in cofinancing

Cofinancing refers to funding committed by an external official bilateral or multilateral partner, an export credit agency, or a private source in the context of a specific Bank-funded project. In FY99, cofinancing amounted to $11,350 million in 103 operations, an increase of 17 percent over the previous year (see Table 3-6, including note a). Official bilateral and multilateral partners continued to be the largest source of cofinancing, providing 89 percent (Table 3-7). The largest cofinancing partners included the Inter-American Development Bank ($4,608 million); Japan ($2,018 million);

TABLE 3-7 WORLD BANK COFINANCING OPERATIONS BY REGION, BY FISCAL YEAR, FISCAL YEARS 1998–99[a]

(amounts in millions of U.S. dollars)

	Source of cofinancing												
							Private						
	Projects cofinanced		Official[b]		Export credit		Total private		(of which IBRD guarantees)		World Bank contribution		Total project
Region and year	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	IBRD	IDA	costs
Africa													
1998	35	1,887	35	1,735	1	60	3	92	—	—	57	1,873	8,166
1999	33	1,998	31	1,896	—	—	4	102	(1)	(35)	—	1,682	5,406
East Asia and Pacific													
1998	9	196	9	196	—	—	—	—	—	—	89	339	834
1999	12	2,571	11	1,719	1	375	1	478	(1)	(300)	2,483	100	6,126
Middle East and North Africa													
1998	13	1,469	13	775	1	510	2	184	(1)	(184)	285	155	2,854
1999	12	937	12	927	—	—	1	10	—	—	840	25	2,048
Latin America and the Caribbean													
1998	21	1,710	21	1,026	1	291	1	394	—	—	1,001	244	5,294
1999	14	5341	13	5,026	—	—	1	315	—	—	3,812	153	9,572
Europe and Central Asia													
1998	33	1,647	33	1,647	—	—	2	—	—	—	1,606	259	4,001
1999	27	234	25	223	—	—	3	11	—	—	269	222	888
South Asia													
1998	13	2,795	13	2,235	—	—	1	560	—	—	840	1,431	18,155
1999	5	268	5	268	—	—	—	—	—	—	210	370	1,279
Total													
1998	124	9,705	124	7,614	3	861	9	1,230	(1)	(184)	3,878	4,301	39,303
1999	103	11,350	97	10,059	1	375	10	916	(2)	(335)	7,614	2,552	25,319

— Zero.

Note: *The number of operations shown under different sources add up to a figure exceeding the total number of cofinanced projects because a number of projects were cofinanced from more than one source. Cofinancing data are reported by the fiscal year in which the project is presented to the Bank's Executive Board. Numbers may not add to totals because of rounding.*

a. Cofinancing figures represent planned cofinancing at the time of Bank approval of each operation. The official cofinancing amounts shown, in most cases, are firm commitments at this stage; export credits and private cofinancing, however, are generally only estimates, to be firmed up during project implementation.

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

European Union institutions ($491 million); the African Development Bank ($473 million); and the United Kingdom ($323 million).

With regard to regional distribution (Figure 3-8), cofinancing in the East Asia and Pacific Region and the Latin America and Caribbean Region increased in the past year, reflecting large commitments for countries affected by the financial crisis (Argentina, Brazil, Indonesia, Philippines, and Thailand). By sector, cofinancing was concentrated in macroeconomic and financial sector reform and social protection operations, generally involving official partners, and in electric power, which attracted private cofinancing partners as well.

Highlights for the year include:

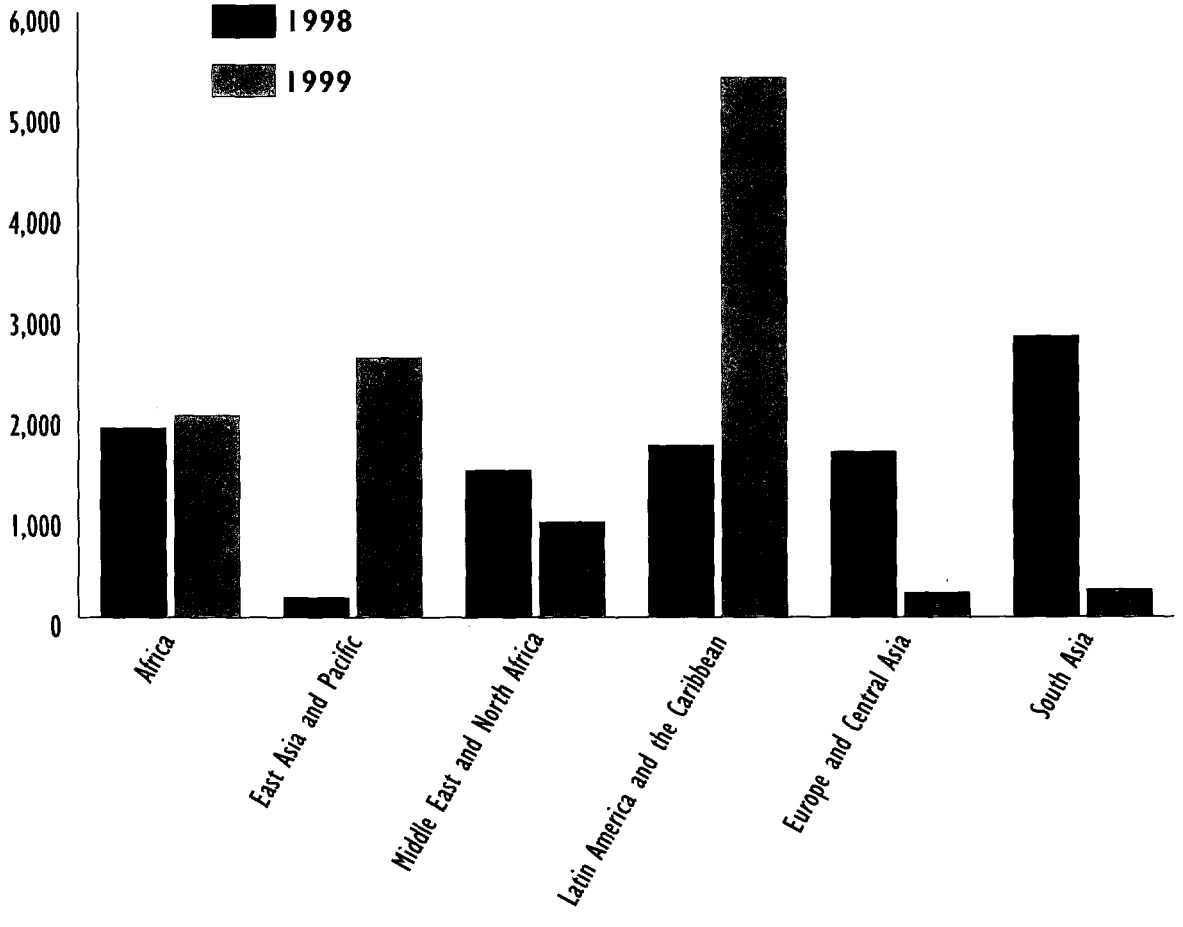
• *Asian crisis response.* The Bank has been collaborating closely with donors to deal with the Asian financial crisis, most notably with Japan in the context of the "New Miyazawa Initiative" announced by the Japanese government in October 1998. Under this initiative, Japan stands ready to provide a package of support measures totaling $30 billion, of which $15 billion will be made available for the medium- to long-term financial needs for economic recovery in Asian countries, through financial assistance from the Export–Import Bank of Japan (JEXIM) and the Overseas Economic Cooperation Fund (OECF). To date,

JEXIM and the OECF have provided cofinancing of $1.55 billion to four programs to support economic and financial adjustment in Thailand, policy reform and social safety net adjustment in Indonesia, and banking and sector restructuring in the Philippines.

• *Special Program of Assistance for Africa.* The Special Program of Assistance for Africa (SPA) is considered the major coordinating instrument for aid to Africa, having mobilized more than $15 billion in donor resources, in aggregate, since 1987 to support eligible countries' economic reform programs, over and above about $13 billion from the Bank and the Fund. About $5 billion in highly concessional, quick-disbursing cofinancing and coordinated assistance was pledged by SPA donors and supporting institutions for the current phase (SPA-4, 1997–99). Looking toward SPA-5, the partnership completed a review, including an independent evaluation, to explore how it might adapt the SPA framework and modalities in response to changes in African needs that have occurred since the partnership was launched. The donors affirmed the importance of the SPA mechanism. They agreed to continue their focus on support for reforms but also concluded that high-quality sectoral programs constitute an important instrument for enhancing aid effectiveness. A working group is pursuing technical work in two areas: monitoring donor support for sector programs and moving to a fiscal framework for financing gap calculations.

FIGURE 3-8 COFINANCING BY REGION, FISCAL YEARS 1998–99

(millions of U.S. dollars)



Trends in trust funds

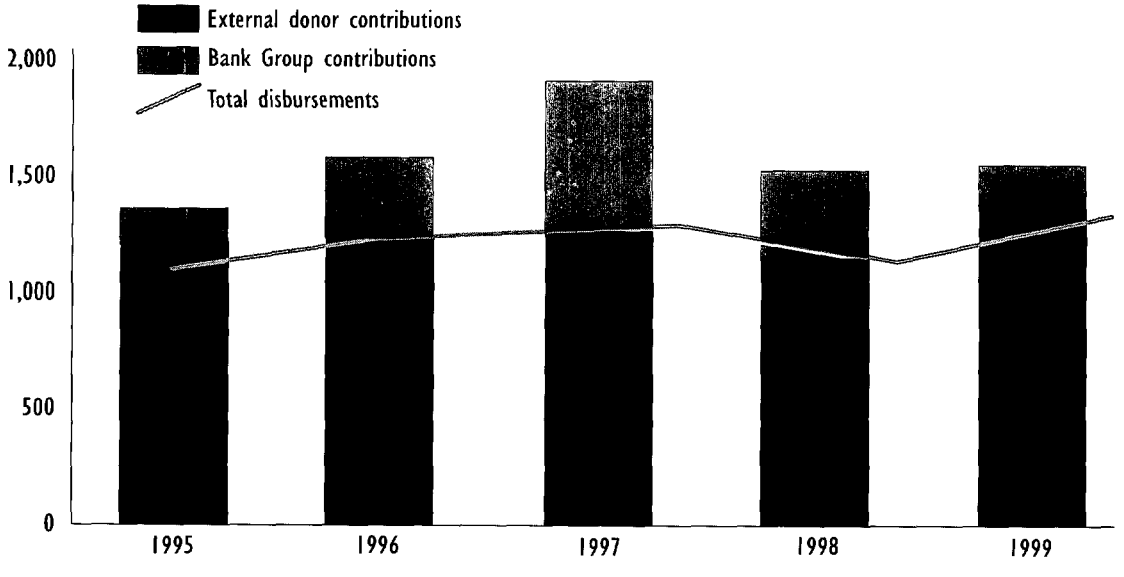
Trust fund resources continued to make important contributions to the Bank's development and partnership agenda during FY99. Trust funds enable the Bank, along with bilateral and multilateral donors, to mobilize grant funding to cofinance investment operations, debt relief, emergency reconstruction, and technical assistance. (Refer to Figure 3-9, including note a, for aggregate financial information on the trust fund portfolio.)

During FY99 trust fund disbursements increased by 17 percent, to $1,333 million. Table 3-8 provides disbursement data for major programs in the trust fund portfolio. During the fiscal year, total contributions to trust funds increased by 2 percent to $1,568 million. Contributions from external donors increased by 19 percent to $1,368 million. Contributions from the Bank Group declined from $391 million during FY98 to $200 million during FY99, including IBRD's pledge of $100 million to the Heavily Indebted Poor Countries (HIPC) Trust Fund.

The increase in external contributions reflects donor funding of the HIPC Trust Fund ($229 million), the Central America Emergency Trust Fund ($109 million), and activities in Bosnia and Herzegovina ($50 million). The main external donors to the Trust Fund Program during FY99 were the Netherlands ($221 million), Japan ($199 million), the United States ($94 million), the United Kingdom ($87 million), and Sweden ($74 million). Support continued for trust funds providing financial and social advisory services to East Asian crisis countries. European donors and Japan financed more than 89 activities, for $58 million, to help meet urgent technical assistance and advisory services needs. In FY99, the Netherlands and Japan negotiated new framework and partnership agreements with the Bank. Under the new Bank-Netherlands Partnership Program, replenishments for ongoing programs and funding for new programs are reviewed jointly each year to ensure alignment of strategic priorities in allocating funds. During FY98, the program supported the environment, mainstreaming of poverty reduction, gender issues, promotion of good governance, and joint activities with U.N. agencies, in addition to continued funding for

FIGURE 3-9 TRUST FUND CONTRIBUTIONS AND DISBURSEMENTS, FISCAL YEARS 1995–99[a]

(millions of U.S. dollars)



a. The financial information presented for the trust fund portfolio reflects reporting on an accrual basis for contributions to the Heavily Indebted Poor Countries Trust Fund, and reporting on a cash basis for contributions to all other trust funds. Disbursements for all trust funds (including the Heavily Indebted Poor Countries Trust Fund) are reported on a cash basis.

TABLE 3-8 TRUST FUND DISBURSEMENTS, FISCAL YEARS 1998–99[a]

(amounts in millions of U.S. dollars)

	1998	1999
Trust funds for multidonor special programs		
Highly Indebted Poor Countries (HIPC)	0.0	150.8
Global Environment Facility (GEF)	184.4	269.5
West Bank and Gaza	75.0	49.7
Bosnia and Herzegovina	65.8	54.6
Montreal Protocol/Ozone	60.7	50.5
Onchocerciasis Control (ONCHO)	33.4	21.7
Central America Emergency	N/A	82.3
Brazilian Rain Forest	16.1	14.3
Other trust fund programs		
Policy and Human Resources Development (PHRD) Fund[b]	147.9	134.3
Consultant Trust Fund Program[c]	74.4	72.3
Institutional Development Fund	20.2	17.7
Other trust funds[d]	457.7	415.7

a. Trust fund disbursements are reported on a cash basis. Amounts shown for FY99 include a payment in the form of a promissory note for the HIPC Trust Fund.
b. These figures exclude the portion of PHRD that is allocated to Japanese Consultant Trust Funds (FY98: $9.2 million, FY99: $12.1 million).
c. These figures include Japanese Consultant Trust Funds, as explained in Note b.
d. This category includes smaller programs and single-purpose trust funds that finance debt reduction, cofinancing, technical assistance, and other advisory services.

Bosnia and Herzegovina, debt reduction, and the Onchocerciasis Control Program.

Policy and Human Resources Development Fund. FY99 also saw some important changes in Japan's Policy and Human Resources Development (PHRD) Fund. These changes sought to further improve the accountability and monitoring of PHRD-financed activities. A special monitoring unit is being established at the Bank to intensify supervision, oversight, and accountability of grant activities. The Bank has also established a program to enhance the accessibility of information on PHRD within Japan, including expanded information on the Bank's web page.

Japan contributed $146 million equivalent to PHRD in FY99, about 1 percent below last year's contribution. PHRD funded two major new initiatives during the year. The first, a special allocation of $15 million from PHRD for technical assistance activities to support the Miyazawa Initiative, aims to help crisis countries in East Asia carry out activities in connection with corporate debt restructuring, financial sector reforms, social safety net strengthening, and credit crunch issues. This program follows on Japan's earlier support for the Financial Sector Advisory Services Program. The second new program is designed to strengthen the partnership between Japan and the Bank to promote development. The PHRD Fund also continued to support technical assistance for project preparation and capacity building for implementation, the Japan Consultant Trust Fund, the Japan Post-Conflict Fund, training and research at the World Bank Institute, and scholarships for graduate students from Bank member countries.

The Consultant Trust Fund Program. The Consultant Trust Fund (CTF) Program continued to finance a range of Bank operational activities, including those of special interest to the development community, in areas such as the environment, gender, governance, and participation.

During the year, a new Consultant Trust Fund was established with the French Ministry of Finance, Economy, and Industry, and agreement was reached with Germany to establish a German Consultant Trust Fund. Among the special contributions received under existing CTFs was a $1 million contribution from Spain for the Post–Hurricane Mitch Reconstruction and Rehabilitation of Central America and a $4 million commitment from Finland to fund seconded experts. The CTF program helps to broaden the pool of expertise on which the Bank draws to support economic and sector studies, policy-oriented studies, project appraisal, supervision and evaluation, and advisory services to client countries.

HIPC Trust Fund. Implementation of the *HIPC Initiative* gained momentum in FY99, with HIPC Trust Fund disbursements increasing to $151 million during the fiscal year. During FY99, the HIPC Trust Fund received $329 million in contributions. To date, the HIPC Trust Fund has received $1,233 million in contributions from bilateral and multilateral donors, including the Bank Group.

Cofinancing and trust fund management. A number of regular activities are strengthening cooperation with cofinancing partners. During FY99, new cofinancing framework agreements were finalized with Denmark and Italy. Seventeen consultations were held with donors, covering a wide agenda—including the Bank's response to the Asian and Central American crises, implementation of the Strategic Compact, and the expanded partnership agenda, including the Comprehensive Development Framework. A new cofinancing web site under preparation during FY99 will provide information on the cofinancing process, statistics, donor policies and procedures, and cofinancing opportunities within the Bank.

The Bank continued to strengthen trust fund oversight, mainstreaming trust fund activities in its regular work programming, budgeting, and evaluation processes, with improved transparency and accountability. A new formal monitoring and evaluation system for trust fund activities was launched in FY99. Also, to improve trust funds management, a report summarizing lessons learned as well as expanded guidelines on Trust Fund Administration has been issued, and new training programs for operational task teams have started.

Finally, to deal with the introduction of the Euro currency on January 1, 1999, the Bank—after consulting with donors—adopted a gradual approach for redenomination of the relevant trust funds, while consolidating trust fund balances as of that date for investment purposes. The Bank preserved the ability to maintain balance accounts in national currencies according to the wishes of some donors.

Knowledge building through World Bank Institute

The World Bank Institute (WBI) supports the Bank's poverty-reduction lending activities by disseminating knowledge and experiences on the types of economic policy frameworks and institutional set-ups clients need if they are to effectively reduce poverty. It does so through a combination of learning activities, structured dialogue with policymakers, researchers, and civil society organizations, and support for networks of practitioners in poverty reduction.

In FY99, WBI's work was heavily influenced by two initiatives. First, the merger of the Economic Development Institute (responsible for providing client learning activities) with the Learning and Leadership Center (responsible for staff learning activities) provided opportunities to exploit more fully the synergies between internal and external learning. The Bank is now close to achieving its objective of having an integrated learning program on poverty reduction that makes the best knowledge available to Bank staff and professionals in client countries. Second, the Institute has taken the leadership in coordinating a process of consultations with civil society and researchers from around the world on the *WDR-2000/01*, which will examine poverty. These consultations not only are providing valuable input for the *WDR* but are promoting broad-based regional forums and dialogue on poverty reduction while strengthening poverty networks around the world.

Noteworthy contributions of WBI in FY99, some begun in recent years, included:

- support for building anticorruption strategies. The Bank's support to client efforts to

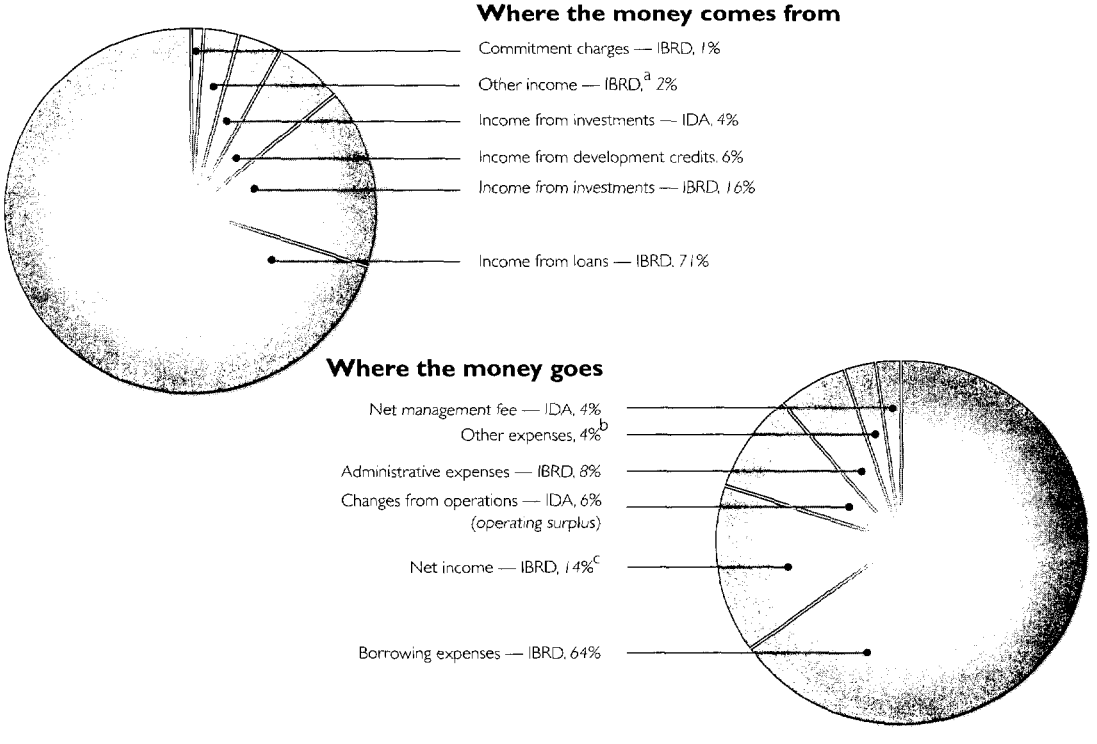
implement anticorruption strategies continued to grow in FY99 as countries requested assistance to make anticorruption an integral part of their development framework and poverty-reduction efforts. WBI's good governance programs helped countries such as Bolivia, Chile, Ethiopia, Mauritius, Nicaragua, Uganda, and Ukraine undertake in-depth analysis of the institutional factors behind corrupt practices and behavior, understand policy and institutional shortcomings, and, with the participation of stakeholder groups, design strategies to improve governance.

• training for financial sector supervision. The Toronto International Leadership Centre for Financial Sector Supervision—launched by the World Bank Group and the government of Canada, together with the IMF and other partners—offers training for senior public sector executives with responsibility for financial sector regulation and supervision, while providing an international forum for them to exchange practical experience of strengthening financial markets.

• promoting learning on clean air issues. The Clean Air Initiative for Latin American Cities is a joint program of WBI and the LAC Region, under which leaders from local and central government agencies, NGOs, research and academic institutions, donor agencies, and the international private sector have joined forces to improve air quality in Latin American cities. The unique program is raising awareness about the impact of air pollution on health and productivity in the region and on global climate change. It supports Latin American cities in finding concrete ways to reduce urban air pollution through international loans and private sector investments.

FIGURE 3-10 IBRD/IDA INCOME AND EXPENDITURE AT A GLANCE, FISCAL YEAR 1999

Total $10,646 million



a. Other income — IBRD includes a net effect of $249 million from the Staff Retirement Plan and other Post-retirement Benefits accounts.
b. Other expenses include a loan loss provision of $246 million.
c. Including income from pension investment.

Administrative budget

The executive directors approved a total administrative budget of $1,461.5 million (Appendix 5) to carry out the Bank's FY99 work program, which includes implementation of Strategic Compact initiatives. The budget reflected a decrease of 1.0 percent in real terms over the prior year. The net administrative budget, which takes into account reimbursements and fee revenues that offset the cost of programs not funded by the regular budget, amounted to $1,256.1 million, a reduction of 1.1 percent in real terms from FY98. The decrease reflected the impact of a moratorium on Bank contributions to the Retired Staff Benefits Plan, as approved by the Pension Finance Committee.

The FY99 budget—the second budget under the Strategic Compact—displayed a clear relationship between the Bank's resource allocation and its business priorities, and was designed to enhance service to clients and effectiveness in fighting poverty. The budget also demonstrated a Bank on the move: it showed that the Strategic Compact and the related processes of internal renewal were beginning to show results—with improvements in quality, quantity, and responsiveness of services to clients. Figure 3-10 shows IBRD and IDA income and expenditure in FY99.

As part of the year's budget, the executive directors approved additional resources of up to $25 million for the Financial Sector Reinforcement Program. Under this program, the Bank is responding to the global financial crisis through technical assistance, policy reform, and additional lending, in an effort to restore investor confidence, promote rapid economic recovery, and mitigate the effects of the crisis on vulnerable groups.

In June 1999, the executive directors approved a total administrative budget of $1,445.1 million for FY00, to implement the Bank's work program for the final year of the Strategic Compact.

Human resources

As part of the Strategic Compact, the Bank undertook a comprehensive reform of human resources policies and systems, that was approved by the executive directors in April 1998. Significant progress has been made on the Bank's employment policy, compensation system, and staff and managers' development. The conflict resolution system has also been reformed.

Employment policy

A new employment framework went into effect July 1, 1998, requiring all new appointments, worldwide, to be either term or open-ended, and launching the 30-month "Non-Regular" Staff Phaseout, a category for new hires that is being retired. The changes reflect greater emphasis on consistency and equity in the application of human resource policy.

Other efforts supporting Strategic Compact priorities included completion of a Bank-wide strategic staff planning exercise and the mainstreaming of diversity, increasingly recognized as a business imperative.

Compensation policy

After extensive consultations with managers and staff, in December 1998 the board unanimously approved a new compensation system for the Bank Group. The new system will better align the Bank's salary structure to the market, strengthen the links between pay and performance, and yield significant budgetary savings. In FY99, the Bank also accelerated the "global grading" project aimed at putting staff in field offices into the same grade structure as those at headquarters. The global grading project will be completed in 2002. Effective September 1, 1998, field staff also began to benefit from a new medical benefits plan available to national staff and their families.

Staff development

Good progress has been made in management and staff development, with particular emphasis on professional training needs. New programs are being implemented to meet the special needs of national staff in field offices. These include a comprehensive training and orientation, conducted through field offices and "hubs," to ensure that national staff receive the same breadth and depth of information about key Bank policies and processes as headquarters

staff. Other staff development initiatives include a revised approach to performance management, with strong emphasis on results and behaviors relevant to organizational and culture change; and a comprehensive and coherent approach to leadership development, including a systematic process of assessing the performance and potential of managers, and a range of programs to develop leadership capacity.

Grievance process review

The Grievance Process Review Committee, set up in June 1998 to bring the conflict resolution system in line with Strategic Compact goals, completed its work at the end of December 1998. The mandate of the committee—including representatives from IBRD, IDA, IFC, and MIGA, as well as the chair of the Staff Association—was to develop the best and most cost-effective conflict resolution system possible to meet the Bank's human, cultural, and business needs. The board's Personnel Committee endorsed the new Conflict Resolution System on January 27, 1999. The changes focus on cost-effective prevention and informal, nonadversarial channels more likely to result in resolution in the earlier stages of a conflict, reserving adjudication as a last resort. The new Conflict Resolution System is being phased in under the general direction of the newly established Conflict Resolution Network.

Section Four
World Bank Finances

IBRD financial highlights

Highlights of the IBRD's financial performance in the fiscal year ended June 30, 1999, are these:

- net income of $1,518 million
- new loan commitments to member countries of $22,182 million
- loan disbursements to member countries of $18,205 million
- outstanding borrowings at fiscal year end of $118,631 million, after swaps
- average cost of all borrowings, after swaps, of 5.92 percent
- an equity capital-to-loans ratio of 20.65 percent
- strong demand for single currency loans as borrowers selected LIBOR-based single currency loan terms for $15,790 million and fixed-rate single currency loan terms for $5,925 million
- completion of the program of currency choice offered to borrowers with multicurrency pool loans for which the invitation to negotiate was issued prior to September 1, 1996, resulting in total conversions of $21,115 million of undisbursed multicurrency pool loans to single-currency loan terms and $48,549 million of disbursed and undisbursed multicurrency pool loans to single-currency pool terms
- loan loss provisions maintained at a level equal to 3 percent of total loans disbursed and outstanding plus the present value of callable guarantees. At the end of the year, there were eight countries with loans in nonaccrual status with an aggregate principal balance outstanding of $2,053 million representing 2 percent of the total IBRD outstanding loan portfolio.

In July 1998, the Board of Executive Directors allocated $750 million of net income earned in the fiscal year ended June 30, 1998, to the General Reserve and $182 million to the pension reserve.

The Board of Governors agreed at the October 1998 Annual Meetings to approve transfers out of FY98 unallocated Net Income and Surplus as follows:

- SDR equivalent of $352 million ($210 million from unallocated net income and $142 million from surplus) as a grant to IDA; to be drawn down after donor contributions available to IDA for purposes of the Eleventh Replenishment have been drawn down; and
- $100 million to the Heavily Indebted Poor Countries Debt Initiative Trust Fund.

Further information about IBRD's financial policies and results of operations is contained in the Management's Discussion and Analysis section preceding the financial statements.

IDA finances

IDA's commitment authority. IDA is funded by donor contributions, which are made available in annual tranches, and RITO resources (Reflows, Investment Income, IBRD Net Transfers, and Other resources). Donor contributions are "replenished" by an agreement among donors every three years. FY99 was the third year of the Eleventh Replenishment of IDA (IDA-11), which was designed to provide IDA with resources to fund credits committed during the period July 1, 1996, to June 30, 1999 (Box 4-1).

IDA-11 resources. At the end of FY99, total commitment authority for IDA-11 was SDR 14.5 billion, including the Interim Trust Fund (ITF) administered by IDA. The ITF was established by all IDA donors, except the United States, to fund operations while the United States became current on IDA-10. The commitment authority for IDA-11 comprised SDR 4.6 billion from IDA-11 donor contributions, SDR 2.1 billion from ITF donor contributions, SDR 1.3 billion from the unreleased portion of contributions carried over from the IDA-10 period, SDR 0.1 billion from special contributions from Brazil, Denmark, and Korea, and SDR 6.4 billion from RITO resources—mostly comprising advanced commitment authority from expected repayments of past IDA credits and IBRD net income transfers.

IDA resources and uses in FY99. During FY99, available IDA-11 resources totaled SDR 5,693 million. Donor funds amounted to SDR 4,377 million, which consisted of SDR 18 million from IDA-10 donor resources, SDR 4,003 million from IDA-11 donor resources, and SDR 356 million from ITF donor resources. In addition, SDR 150 million was received from Brazil,

BOX 4-1 HIGHLIGHTS FROM IDA-11

IDA-11 (FY97–FY99), ending this fiscal year, witnessed the following initiatives and efforts:

- strengthened performance assessments as a basis for IDA resource allocations
- improved poverty monitoring and analysis, and integration of the results into CASS and project design
- greater attention to the role of governance in development, with more focus on this issue in CASS and a growing number of projects (together with economic and sector work and policy dialogue) focusing on civil service reform
- broader participation and consultations in preparing CASS and projects and growing use of social and beneficiary assessments
- a large share for the social sectors in the IDA-11 portfolio, and strong disbursement performance
- continued strong support for private sector development, including microfinance and small and medium enterprise development, and a pilot program for IDA guarantees
- follow-up to national environmental action plans or strategies through environmental management and other projects
- continued improvements in the IDA portfolio, with the percentage of projects "at risk" falling from 32 percent at end-FY96 to 20 percent at end-FY99, including significant turnaround in the portfolios of several African and South Asian countries.

Total commitments under IDA-11 reached SDR 13.9 billion shared across regions as follows: AFR SDR 4.9 billion, SAS SDR 4.2 billion, EAP SDR 1.9 billion, ECA SDR 1.6 billion, LAC SDR 0.8 billion, and MNA SDR 0.6 billion. Investment lending represented 79 percent of total commitments. Disbursements reached $17.6 billion, distributed across sectors as follows: social sectors 30 percent, agriculture and rural development 18 percent, infrastructure 24 percent, industry and finance 5 percent, economy-wide 23 percent. Disbursements for investment projects in the social sectors reached $5.2 billion, an increase of 49 percent over the IDA-10 level.

Denmark, and Korea, as special contributions to IDA, and SDR 1,166 million was made available from RITO resources, including the transfer of SDR 225 million from FY98 IBRD net income and SDR 941 million of commitment authority against repayments and other income.

Against the resources available in FY99, IDA made commitments of SDR 5,127 million, including a partial risk guarantee for $30 million (SDR 23 million). Total FY99 commitments were funded by IDA-11 donor resources (SDR 3,912 million), RITO resources (SDR 781 million), ITF resources (SDR 266 million), special contributions to IDA (SDR 150 million), and IDA-10 donor resources (SDR 18 million). Thus, at the end of FY99, there remained an uncommitted balance of SDR 566 million.

IDA's commitment fee. For each fiscal year, the level of commitment fee is set by executive directors based on an annual review of IDA's financial position. The commitment fee for Fiscal 2000 was set at 0 percent for all IDA credits. IDA's commitment fee was 0 percent from FY89 through FY99.

Summaries of Projects Approved for IBRD, IDA, IDA Interim Trust Fund, and Trust Fund for Gaza and the West Bank Assistance in Fiscal 1999

The following section contains projects approved by the board in fiscal year 1999. Projects are listed according to their primary sector classification. Lending totals obtained by adding up loan amounts for projects listed correspond to original, not reclassified, sector data (see Table 1, p. 10).

§ denotes projects included in the Program of Targeted Interventions (PTI). A project is included in the PTI if it has a specific mechanism for targeting the poor and/or if the proportion of poor people among its beneficiaries is significantly larger than the proportion of poor in the total population.

† denotes adjustment operations categorized as poverty-focused. An operation is considered poverty-focused if it eliminates distortions that disadvantage the poor, reorients public expenditures toward the poor, and/or supports programs that provide safety nets or target specific groups of the poor.

◊ denotes projects in which NGOs have a marked involvement in activities ranging from project design to monitoring and evaluation of results.

AGRICULTURE

◊ **Albania** — IDA—$24 million. This project will establish sustainable and equitable use of irrigation and water for agricultural production so as to reduce the risk of floods. It will also help the government take the first steps toward establishing an institutional framework for dam safety. Total cost: $41 million.

Armenia — IDA—$26.6 million. The project aims at protecting the population and the socioeconomic infrastructure downstream of the dams at highest risk of failure. It constitutes a five-year effort to improve the safety of 20 priority dams and establish an effective system for monitoring the safety of all dams in Armenia. Total cost: $30 million.

§ **Azerbaijan** — IDA—$30 million. The project will establish an interim, short-term agricultural lending program and a new privately funded and operated rural agricultural finance system. The credit is the first of three adaptable program credits, totaling $100 million, to be implemented over a 10-year period. Total cost: $34 million.

◊ **Bangladesh** — IDA—$45 million. This supplemental credit to the River Bank Protection Project will finance the repair and reconstruction of physical facilities and replacement of equipment damaged by the 1998 floods in Bangladesh. Total cost: $192 million.

◊ **Bangladesh** — IDA—$16.5 million. Cyclone protection, improved agricultural production, and the introduction of improved technology and methods of embankment maintenance will be achieved through the rehabilitation of 12 sea-facing embankments and afforestation of embankment slopes. Total cost: $97.6 million.

◊ **Brazil**	IBRD—$44 million. This project will increase competitiveness and productivity in Brazil's agricultural and livestock sectors by controlling the incidence of animal and plant disease, strengthening monitoring and surveillance systems, reorienting the public sector role, and increasing private sector participation in animal and plant health protection services. Total cost: $88 million.
† **Bulgaria**	IBRD—$75.8 million. The loan will support rapid development of a more efficient and responsive agricultural sector. It will provide balance of payments support conditioned upon an extensive program of policy reform to develop a competitive, market-based agricultural sector. Total cost: $76 million.
◊ § **Burkina Faso**	IDA—$5.2 million. Small and poor rural farming families constitute more than 70 percent of the beneficiaries of this operation to build capacity for widespread adoption of simple, low-cost technologies for small- and medium-scale irrigation and complementary commercial activities. Total cost: $7 million.
◊ § **Cameroon**	IDA—$15.1 million. An estimated 30 percent of farmers in each of Cameroon's 10 provinces will benefit from improved agricultural productivity and incomes through an integrated, farmer-oriented agricultural extension system and a demand-driven research system. Total cost: $46 million.
§ **China**	IBRD—$90 million; IDA—$30 million. Besides half a million indirect beneficiaries, more than 250,000 poor families in the Anning Valley will directly benefit from increased income and living standards and productivity through efforts to raise productivity of marginal land through better irrigation, crop varieties, and extension. Total cost: $239 million.
China	IBRD—$80 million; IDA—$20 million. Improved irrigation systems in the Guanzhong Plain of Shanghai Province will raise agricultural production, of grains in particular, and incomes of farming communities as a result of this project. Total cost: $200 million.
China	IBRD—$40 million; IDA—$40 million. About 2.5 million people affected by the disastrous floods in China will benefit from the reconstruction and rehabilitation of basic services such as water systems, township hospitals, health centers, schools, and rural roads. Total cost: $132 million.
◊ § **China**	IBRD—$60 million; IDA—$100 million. About 1.7 million people in remote and inaccessible villages in the Inner Mongolia Autonomous Region, Gansu, and Qinghai with annual incomes between $25 and $60 will benefit from significant health, education, employment, and farming improvements. Total cost: $311 million.
◊ § **Côte d'Ivoire**	IDA—$50 million. The entire farming population, particularly smallholders, will benefit from this adaptable program loan, which will establish a responsive and cost-effective agricultural research and extension system and support farmers' organizations. Total cost: $202 million.
◊ § **Egypt**	IDA—$25 million. An estimated 3.1 million rural poor, particularly unemployed youth and women, will have access to sustainable basic economic and social services in the Sohag Governate through this participatory approach to rural development. Total cost: $93 million.

§ **Egypt**	IBRD—$120 million. About 700,000 rural smallholders will avoid losses in crop yields and farm incomes through efforts to improve efficiency in operations and maintenance of pumping stations, enhance reliability of irrigation water delivery, and strengthen ministry capacity to ensure a sustainable irrigation and drainage system. Total cost: $252 million.
Egypt	IBRD—$225 million; IDA—$75 million. This project supports government efforts to encourage broad-based private sector–led growth by strengthening the financial and institutional viability of the Principal Bank for Development and Agricultural Credit and promoting rural economic development, creating increased income and employment. Total cost: $479.06 million.
◊ § **Guatemala**	IBRD—$23 million. About 7,500 poor rural families will benefit from increased access to land, improved efficiency of land markets, technical assistance, training, and complementary investments to operate more efficiently. Total cost: $23 million.
◊ § **Guinea**	IDA—$22 million. An estimated 1.4 million people, particularly women and youth, will benefit from this adaptable program credit that supports Phase I of the government's strategy to strengthen local governance in rural Guinea and promote social and economic empowerment of the population. Total cost: $38.7 million.
◊ § **India**	IDA—$194.1 million. About 375,000 farm families in 10 districts of Uttar Pradesh will benefit from reclaimed barren and low-yielding crop lands and higher incomes by increasing crop yields and intensity in the most needed areas. Total cost: $287 million.
◊ § **India**	IBRD—$85 million; IDA—$50 million. More than 1 million people in the Shivalik areas, mostly women, will benefit from efforts to raise agricultural productivity by improving management of scarce land and water resources and to arrest environmental decline. Total cost: $193 million.
◊ **Indonesia**	IBRD—$300 million. Balance of payments assistance will be provided to Indonesia to support a structural adjustment program of policy, institutional, regulatory, legal, and organizational reforms in the management of water resources and the irrigation sector. Total cost: $300 million.
◊ **Kyrgyz Republic**	IDA—$10 million. An estimated 38,000 of the rural population will benefit from rehabilitated and reconstructed flood protection infrastructure along rivers and major irrigation infrastructure in flood-damaged areas of Jalal-Abad and Osh oblasts. Total cost: $14 million.
◊ § **Kyrgyz Republic**	IDA—$15 million. This project is designed to develop a sustainable rural financial system, contribute to poverty reduction in rural areas, and expand access to credit for people with limited collateral. Total cost: $23 million.
◊ § **Latvia**	IBRD—$10.5 million. The first of a two-phase adaptable loan, this project supports a 10-year National Rural Development Program to develop a sustainable rural finance system, foster economic growth, and generate employment to benefit small farmers and small entrepreneurs. Total cost: $19 million.

◊ § **Mexico**	IBRD—$444.4 million. This project will increase capitalization and improve productivity and income of an estimated 240,000 small commercial farmers by promoting the adoption of a sustainable agricultural production system through an innovative, demand-driven matching grant program, jointly funded and administered by the federal and state governments. Total cost: $555 million.
◊ § **Morocco**	IBRD—$4 million. This pilot project will help more than 30,000 rural inhabitants in mountainous areas improve living conditions and incomes through a participatory approach to land use and natural resource management. Total cost: $5 million.
◊ **Morocco**	IBRD—$5 million. This pilot project will improve fish product quality, upgrade landing infrastructures, consolidate dialogue with local industry, and strengthen ministry capacity to manage and develop the fishing sector, benefiting a local population of 40,000 (mostly fishermen). Total cost: $12 million.
◊ § **Mozambique**	IDA—$30 million. An estimated 3 million smallholder subsistence farmers will benefit from this adaptable lending credit, which will improve food security and reduce poverty by supporting institutional reforms in the Ministry of Agriculture and Fisheries to enhance the efficiency of public expenditures and create sustainable and equitable growth. Total cost: $656.5 million.
◊ § **Nicaragua**	IDA—$9 million. This project supports reforestation and land rehabilitation activities in areas most affected by Hurricane Mitch through enhancing forestry management, improving the business environment, reducing the perception of risk in forestry sector activities, and defining forestry institutional policies and reforms through a participatory process. Total cost: $15 million.
◊ § **Philippines**	IBRD—$150 million. The rural economy will be bolstered and poverty alleviated through provision of medium-term credit facilities to about 700 subprojects; financial and institutional support to the country's microfinance system; and reinforcement of participating financial institutions. Total cost: $216 million.
§ **Poland**	IBRD—$15.9 million. About 1.5 million consumers in the Gdansk-Gdynia-Sopot metropolitan area will benefit from the construction of a commercially self-sustaining urban wholesale market, complete with attendant physical infrastructure. Total cost: $23 million.
Poland	IBRD—$11.1 million. A large proportion of the 500,000 Lublin metropolitan-area residents will benefit from the construction of a commercially self-sustaining urban wholesale market, complete with attendant physical infrastructure. Total cost: $19 million.
◊ § **Senegal**	IDA—$27.4 million. The first phase of this adjustable lending program will support technological changes and innovation in crop, livestock, fishery, forestry production, and agroprocessing in Senegal. Total cost: $47.1 million.
◊ **Tajikistan**	IDA—$20 million. This project supports the government's program for land privatization and restructuring of pilot state and collective farms. Total cost: $24 million.

Turkey	IBRD—$4 million. Commodity traders, agricultural producers, and consumers will benefit from assistance during the transition from intervention-based agricultural policy to a liberal market by increasing the marketing efficiency of two major agricultural commodities and providing a model for development of other private exchanges. Total cost: $5 million.
◊ **Uganda**	IDA—$12.4 million. This program will support government efforts to conserve wildlife, cultural heritage, and assets, and promote the development of the tourist industry on an economically, environmentally, and socially sustainable basis. Total cost: $14 million.
◊ § **Uganda**	IDA—$26 million. This project will support agricultural research and technology dissemination and adoption by smallhold farmers in Uganda. Total cost: $72 million.
◊ § **Vietnam**	IDA—$101.8 million. Rural populations in the Mekong Delta will benefit from increased agricultural production, improved living conditions, flood protection, and sustainable water resource development in the project area. Total cost: $148 million.

EDUCATION

◊ § **Azerbaijan**	IDA—$5 million. This learning and innovation credit will support innovations in curriculum development in basic education and the development of training programs, materials, and delivery mechanisms in about 5 pilot teacher-training institutions and about 20 pilot schools. Total cost: $6 million.
◊ § **Brazil**	IBRD—$202 million. This project will expand and strengthen the innovative school improvement program FUNDESCOLA, which targets Brazil's poorest regions with the lowest education indicators. A key objective is to ensure that every child from these regions successfully completes a relevant and effective eighth-grade education. Total cost: $402 million.
◊ § **Cape Verde**	IDA—$6 million. This project will develop an education and training system that will ensure an educated and flexible workforce, responding to Cape Verde's social and economic goals. Total cost: $7 million.
◊ **Chile**	IBRD—$145.4 million. This project will advance Chile's higher education system by improving the legal and regulatory framework, promoting study programs that respond to labor market needs, and encouraging participation of students from low-income families. Total cost: $241 million.
Chile	IBRD—$5 million. This learning and innovation loan will demonstrate improved performance in a highly selective segment of the Chilean science and technology system by supporting advanced training of human capital by world-class scientists engaged in cutting-edge research. Total cost: $15 million.
China	IBRD—$20 million; IDA—$50 million. Students will benefit from enhanced quality and relevance of undergraduate basic science and engineering programs in 28 universities and at least 31 partner institutions. The project is consistent with national efforts to transform a planned economy into a market economy. Total cost: $104 million.

◊ § **Colombia**	IBRD—$5 million. This learning and innovation loan will test and evaluate alternative, multisectoral, and participatory approaches to developing and delivering services and providing activities to engage low-income youth. Total cost: $7.8 million.
◊ **Egypt**	IDA—$50 million. One-third to one-half of secondary students will benefit from a more equitable educational system through increased access to general secondary education, improved curricular and assessment methods, and enhanced administrative and management efficiency. Total cost: $250 million.
§ **Egypt**	IDA—$5 million. This project will develop and test integrated programs to improve services for disabled children and at-risk youth—among the country's poorest—through cost-effective project activities targeting better outcomes, including greater access to and improved quality of services. Lessons learned will feed into national strategy. Total cost: $5.3 million.
◊ § **Gambia, The**	IDA—$20 million. This project promotes sectorwide development from primary school through university, with a special emphasis on girls' education, by an enrollment increase of about 168,000 students and a reduction in cost per student. Total cost: $106 million.
◊ § **Ghana**	IDA—$32 million. About a million learners living in areas with high rates of illiteracy and poverty will acquire literacy and functional skills to help improve their own development and that of the community. Total cost: $46 million.
◊ § **Guinea**	IDA—$4.1 million. This learning and innovation credit supports development of a school-based teacher education system that targets primary education for all children, particularly young rural girls. Total cost: $4.3 million.
◊ § **India**	IDA—$85.7 million. More than 600,000 6- to 10-year olds, especially girls, will benefit from expanded access, improved learning achievement, and better state and district capacity to manage primary education. Total cost: $101 million.
◊ § **Indonesia**	IBRD—$54.5 million; IDA—$20.1 million. This project supports the reinforcement of social safety nets in three provinces—Sumatra Utara, Riau, and Beghulu—by delivering basic education services to the poor through the support of students and schools. Total cost: $84.3 million.
◊ § **Indonesia**	IBRD—$47.9 million; IDA—$15.9 million. This project aims to mitigate the effects of Indonesia's economic crisis in seven provinces by supporting students and schools with a successful back-to-school campaign. Total cost: $63.8 million.
◊ § **Indonesia**	IBRD—$21.5 million. Early child development needs of 1.2 million low-income children in selected provinces will be met by improving access to health, nutrition, and cognitive stimulation services, and enhancing delivery and management of such programs. Total cost: $25 million.
◊ § **Latvia**	IBRD—$31.1 million. This project aims to increase education sector capacity in Latvia and strengthen the management of both resource inputs and learning processes. Total cost: $40 million.

◊ § **Lesotho** — IDA—$21 million. An estimated 10,000 poor children not enrolled in schools, and about 440,000 current pupils, will benefit from Phase I of this adaptable program credit, which will increase access to and equity of education in Basatho. Total cost: $106 million.

◊ **Malaysia** — IBRD—$244 million. An estimated 45,000 children from economically disadvantaged backgrounds will benefit from school and hostel construction and the pilot school-to-work program. Training and upgrading more than 5,000 teaching staff will result in enhanced education standards. Total cost: $362 million.

◊ § **Mozambique** — IDA—$71 million. This program will address the wide disparities between rural and urban areas and among regions by gradually shifting resources, increasing enrollment rates for an estimated 1.4 million students, and improving education services delivery capacity. Total cost: $717 million.

◊ § **Nepal** — IDA—$12.5 million. This adaptable program credit will help strengthen institutional capacity, deliver more efficient education services, and raise learning achievements for an estimated 3.3 million children, especially girls. Total cost: $106 million.

Nicaragua — IDA—$13.2 million. This supplemental credit will repair and rehabilitate 300 primary schools, provide new educational materials, and extend financing for an estimated 150,000 financially disadvantaged students to return to school in the aftermath of Hurricane Mitch. Total cost: $14 million.

◊ § **Tajikistan** — IDA—$5 million. This learning and innovation credit will help develop innovative teacher-training programs and delivery mechanisms, help rehabilitate 20 pilot schools, provide textbooks to all primary level students through an innovative textbook rental program, and build management capacity in the Ministry of Education. Total cost: $6 million.

§ **Uruguay** — IBRD—$28 million. An estimated 12,300 young children and 18,000 students will benefit from more equitable and efficient education through the expansion of a new pedagogical single-shift (full-time) model of teaching within preschool and elementary education. Total cost: $40 million.

Vietnam — IDA—$83.3 million. The higher education system will improve through capacity building and monitoring to support system-level changes and institutional-level reforms and through creation of a fund to support changes, reforms, and improvements. Total cost: $103 million.

◊ **Zambia** — IDA—$40 million. This adaptable program credit supports the government's basic education strategy to increase child enrollment by a projected 0.5 million students, and improve learning outcomes for more than 4 million participating students. Total cost: $340 million.

ELECTRIC POWER AND OTHER ENERGY

◊ § **Argentina** — IBRD—$30 million; GEF—$10 million. Seventy thousand rural low-income households will benefit from reliable electricity supply using renewable electrical technologies. This project will also promote private sector investment through concessions for power provision—minimizing government subsidies yet enabling concessionaires to obtain a fair profit. Total cost: $40 million.

Armenia	IBRD—$21 million. This adaptable program loan supports Phase I of the Power Sector Restructuring and Development Program, which seeks to rehabilitate the electricity transmission and distribution network, reduce losses and the cost of service, commercialize sector enterprises, and attract private investment. Total cost: $33 million.
China	IBRD—$100 million; GEF—$35 million. This project will allow for schools, households, and small businesses in the poorest parts of northwest rural China to be supplied with solar-generated electricity while wind-generated electricity will be used to increase power supply to those already connected. Total cost: $444 million.
† **Georgia**	IDA—$25 million. The credit supports—and helps mitigate the social cost of—the government's energy sector reform program, which aims to enhance financial management, combat corruption, increase the availability of energy on a sustainable basis, catalyze private investment, realize Georgia's pipeline potential, and upgrade environmental management. Total cost: $25 million.
◊ **India**	IBRD—$210 million. This adaptable program loan supports the first phase of the Power Sector Restructuring Program by establishing a new legal, regulatory, and institutional framework and industry structure, and the preparatory work for privatizing power distribution. Total cost: $300 million.
◊ **Yemen**	IBRD—$54 million. Business and residential consumers will benefit from a more reliable and adequate power supply in Sana'a, the key load center, and the development of power sector reforms emphasizing economic and environmental sustainability. Total cost: $60 million.

ENVIRONMENT

Armenia	IBRD—$8 million. Private farmers, small and medium-sized enterprises, and urban property owners will benefit from a more reliable registration system for land and other property, including a chronological record of property owners and their rights and obligations. Total cost: $10 million.
◊ § **Bangladesh**	IDA—$138.6 million. More than 11 million urban poor will benefit from financing of critical urban infrastructure and services such as water supply, drainage, sanitation, urban roads, solid waste management, and bus terminals. Total cost: $154 million.
◊ **Brazil**	IBRD—$15 million. The project will help prevent and control wildfires in the southern Brazilian Amazon by assisting federal, state, and municipal environmental agencies in monitoring the risk of fire, implementing public awareness campaigns, providing training in fire prevention and control, and establishing a rapid response task force. Total cost: $27 million.
◊ § **China**	IBRD—$100 million; IDA— $50 million. This project will continue the first Loess Plateau Watershed and develop the plateau by increasing agricultural production and incomes and improving environmental conditions in the tributary watersheds of the Yellow River. Total cost: $252 million.

§ **China**	IBRD—$150 million; IDA—$2 million. This project will provide a safe environmental setting for the sustainable long-term economic growth of urban areas in Sichuan Province by providing an adequate supply of safe water to its growing urban population and protecting public health. Total cost: $378 million.
◊ § **Gambia, The**	IDA—$15 million. An estimated 250,000 urban poor will enjoy improved living conditions through sustained provision of adequate public infrastructure and the development of a lasting, enabling environment for municipal investment financing, employment creation, and income generation. Total cost: $18 million.
◊ **Georgia**	IDA—$4.4 million; GEF—$1 million. The project will strengthen institutional capacity to manage Black Sea coastal resources by developing, testing, and evaluating methods to integrate environmental planning and management into economic development activities. Total cost: $7 million.
◊ § **Guatemala**	IBRD—$31 million. About 500,000 people in Petén, 210,000 living in extreme poverty, will benefit from increased legal security of land tenure and a strengthened legal and institutional framework for land registry services through a participatory process for conflict mitigation and resolution. Total cost: $39 million.
◊ § **Honduras**	IDA—$8.3 million. This project supports the creation of an interactive learning center on sustainable development for children and teachers and will finance rehabilitation of sites in Honduran archeological parks damaged by Hurricane Mitch, thereby restoring tourism flow. Total cost: $9.3 million.
◊ § **Lao People's Democratic Republic**	IDA—$2 million. The livelihoods of rural communities in the upland districts will improve through better protection and management of vital natural resources with the adoption of intensified agricultural practices by local communities through this learning and innovation credit. Total cost: $2 million.
◊ **Slovenia**	IBRD—$15 million. The loan aims to improve the efficiency and effectiveness of real estate administration systems in Slovenia. Total cost: $29 million.

FINANCE

◊ § **Albania**	IDA—$12 million. This project will help establish a private, sustainable rural finance system, based on the current system of village credit funds. It will also address private sector development and poverty alleviation by increasing the availability of financial services to rural farmers and entrepreneurs. Total cost: $23 million.
† **Argentina**	IBRD—$505 million. This project, in conjunction with the Special Structural Adjustment Loan, will strengthen the Argentine financial system's safety net and safeguard economic and social achievements. Total cost: $505 million.

Bosnia and Herzegovina	IDA—$50 million. The credit will support the privatization of solvent publicly owned commercial banks and liquidation of insolvent ones (design, legal framework and regulation, institutional capacity); financial sector reforms (bank supervision, banking laws, deposit insurance); and completion of the institutional and legal framework for enterprise privatization, to include rapid startup of small enterprise privatization. Total cost: $50 million.
China	IBRD—$27.4 million; IDA—$5.6 million. China's accounting system will be modernized by developing and promulgating internationally accepted accounting standards and familiarizing finance professionals with new accounting principles and practices. Total cost: $85 million.
China	IBRD—$10 million; IDA—$35 million. The project will help the government strengthen institutions, develop structural reform programs, and strengthen agencies involved in poverty reduction. Total cost: $67 million.
◊ **Ghana**	IDA—$50.5 million. Through the Gateway Program, the government aims to attract foreign and domestic investment through a comprehensive private sector–led development strategy. Total cost: $56 million.
◊ **Korea, Republic of**	IBRD—$48 million. This technical assistance loan will strengthen institutional capacity for bank supervision and corporate restructuring, enhance development of securities markets, improve monitoring of corporate performance, and establish a more reliable system to ward off and deal with corporate insolvency. Total cost: $54.5 million.
◊ § **Madagascar**	IDA—$16.4 million. The first institution-building phase of this adaptable program credit is part of a 15-year program to improve the lives of approximately 187,000 low-income families by increasing access to financial services. Total cost $39 million.
◊ § **Mexico**	IBRD—$505.5 million. An estimated 2.5 million people, mostly in urban and working poor households, will benefit from the restructuring of Banco de Mexico's low-income housing trust fund (FOVI), through increased funds for the social interest housing sector, strengthened products and services, and a more transparent subsidy policy. Total cost: $506 million.
◊ § **Pakistan**	IDA—$90 million. The project will support a Poverty Alleviation Fund that will provide much needed loans, grants, and technical assistance to the poorest individuals and communities, especially women. Improved access to physical infrastructure will improve the poor's livelihood opportunities and raise their incomes. Enhanced institutional capacity and financial sustainability of NGOs will also result. Total cost: $107 million.
† **Peru**	IBRD—$300 million. To promote the longer-term development and resiliency of the financial system, this loan will support implementation of a modernized bank resolution framework coupled with improved surveillance, prompt corrective actions, and finer-tuned rules for providing liquidity support to healthy banks. Total cost: $300 million
Philippines	IBRD—$300 million. This adjustment operation supports banking reforms that include changes to legislation aimed at strengthening the banking system and enabling it to better cope with current difficulties and withstand future shocks. Total cost: $300 million.

Sri Lanka	IDA—$29 million. Technical assistance will be provided for Year 2000 remediation activities of possible systems crashes and preservation or restoration of day-to-day functions for the financial sector and critical government agencies. Total cost: $38 million.
Thailand	IBRD—$400 million. Measures to strengthen the corporate and financial sectors will be supported by this adjustment operation and will allow for a closer tracking of the evolving crisis to commit the government to remedial measures, while remaining focused on the needed fundamental restructuring of the economy. Total cost: $400 million.
Tunisia	IBRD—$159 million. This adjustment loan supports the second phase of financial sector reforms to improve the international competitiveness of the Tunisian economy, upgrade the financial sector's performance, and increase its contribution to economic growth. Total cost: $159 million.
◊ § **Uganda**	IDA—$13 million. The project will improve the regulation of deposit-taking institutions and strengthen the management capabilities of insurance and contractual savings institutions. Total cost: $14 million.
Ukraine	IBRD—$300 million. This adjustment loan will underpin the macroeconomic reform program with a comprehensive set of policy measures intended to strengthen the financial sector, with special emphasis on the banking system. Total cost: $300 million.
Venezuela	IBRD—$20 million. This project will help Venezuela's Ministry of Finance set up policies and management systems that will reduce costs associated with delivering public services and support government efforts to integrate the 160 branch offices of the National Treasury with a central accounting system, thereby streamlining transactions and better managing and controlling public debt and projects financed by multilateral institutions. Total cost: $24 million.

HEALTH, NUTRITION, AND POPULATION

◊ § **Argentina**	IBRD—$4.8 million. This learning and innovation loan will test the applicability of a multisectoral drug prevention strategy to promote local solutions to drug use in selected municipalities, by training local community members, sector professionals, and youth leaders and financing the implementation of municipal drug prevention plans. Total cost: $6.9 million.
◊ § **Bolivia**	IDA—$25 million. This project will help reduce infant mortality by complementing other interventions in education, rural productivity, and water and sanitation, through efforts to increase coverage and quality of health services, empower communities to improve their health status, and strengthen local capacity to respond to health needs. Total cost: $75 million.
◊ § **Bosnia and Herzegovina**	IDA—$10 million. The project will support the development of a viable Basic Health System of primary health care, public health, and disease control. Total cost: $15 million.

◊ § **Brazil**	IBRD—$100 million. Brazil's mortality rates from communicable diseases will decline as a result of strengthened national disease surveillance and control, which will enhance the data management telecommunications system, rehabilitate the laboratory network, and provide staff training. Total cost: $200 million.
◊ **Brazil**	IBRD—$165 million. This project will help reduce the incidence of HIV infection by an estimated 43,000 cases and expand and improve diagnosis and treatment of an estimated 338,000 people living with HIV. A prevention program will focus on behavioral change, high-risk groups, community-based interventions, counseling, and testing. Total cost: $300 million.
◊ **Chad**	IDA—$10.9 million. About 250,000 people will enjoy increased access to, and improved quality of, health services from supplemental financing to the ongoing Health and Safe Motherhood Project. Total cost: $17 million.
◊ § **China**	IBRD—$10 million; IDA—$50 million. Maternal and child morbidity will be reduced in poor areas of China, and early child development programs will be introduced. This project will have two main components: maternal health and child development; and HIV/AIDS and STD control. Total cost: $94 million.
§ **Ethiopia**	IDA—$100 million. Mothers, children, and the rural poor will benefit from more comprehensive and integrated primary care services, based mainly at community health facilities. Total cost: $737 million.
◊ § **Guinea**	IDA—$11.3 million. About 30 percent of Guinea's population will benefit from this adaptable lending program loan supporting efforts to prevent risks related to reproductive health; reduce the occurrence of STI; and lower infant, child, and maternal mortality rates. Total cost: $44 million.
◊ **Honduras**	IDA—$10.4 million. This supplemental credit will support the ongoing Health and Nutrition Project, to rehabilitate health centers and water and sanitation projects damaged during Hurricane Mitch. The project will increase access to basic services, raise the nutritional status of children and nursing mothers, and develop institutional capacity to control the spread of communicable diseases. Total cost: $12 million.
◊ § **India**	IDA—$191 million. This project will support the second phase of India's National AIDS Control Program through efforts to reduce the growth rate of HIV and improve capacity to respond to the epidemic. Total cost: $229 million.
◊ § **India**	IDA—$134 million. More than 4.5 million people in the state of Maharashtra, especially the poor, will benefit from institutional reforms in health care delivery and improved quality, effectiveness, and coverage at the first referral and community health center stages. Total cost: $158 million.
§ † **Indonesia**	IBRD—$44.7 million. The health of rural and low-income populations will be improved by distributing health personnel more equitably, enhancing the quality of health services, and improving the skills and efficiency of health professionals. Total cost: $56 million.

◊ **Jordan** — IBRD—$35 million. This project will increase the efficiency, quality, and financial sustainability of Jordan's health services through reforms to efficiently utilize resources and contain growth in health expenditures. Benefits will include increased hospital occupancy rates, adoption of treatment protocols, and reduced drug costs. Total cost: $48 million.

Kazakhstan — IBRD—$42.5 million. This adaptable program credit supports government efforts to implement a long-term health restructuring strategy and achieve a sustainable performance-oriented health system that will benefit an estimated 3.2 million people. Total cost: $49.53 million.

Latvia — IBRD—$12 million. This adaptable program loan will create a framework for a modern and effective health care system to assist in the implementation of a long-term health services restructuring strategy. Total cost: $17 million.

◊ § **Malawi** — IDA—$5 million. This learning and innovation credit will increase access to, and improve quality of, family planning services and contraceptive education for men, women of reproductive age, and adolescents living in rural and other underserved areas. Total cost: $5 million.

◊ § **Mali** — IDA—$40 million. This program will improve the population's health status and accelerate the region's demographic transition toward slower population growth by enhancing affordable, quality health care. Total cost: $227.45 million.

◊ § **Mauritania** — IDA—$4.9 million. This project will test the effectiveness of two different "prototypes" of programs, one urban and one rural, to reduce child malnutrition through growth monitoring of children, nutritional supplements for pregnant women and lactating mothers, income-generating activities, and social mobilization. Total cost: $5.3 million.

◊ **Morocco** — IBRD—$66 million. More than 7 million people in Morocco's poorest provinces will benefit from efforts to enhance the efficiency of public hospital services, mobilize additional resources through new financing mechanisms, and strengthen the health ministry's policy formulation and sector management capacity. Total cost: $76 million.

◊ § **Panama** — IBRD—$4.3 million. This learning and innovation loan will assist Panama's public health institutions in piloting strategies to broadly address poverty reduction and institutional development by building institutional capacity of health officials and piloting new technical, financial, and social interventions. Total cost: $6 million.

◊ § **Uzbekistan** — IBRD—$30 million. Four million people in three oblasts, especially women and children, will benefit from the implementation of a health care reform strategy to improve the quality and efficiency of health care services. Total cost: $69 million.

INDUSTRY

◊ **Bangladesh** — IDA—$32 million. This credit will expand the range, depth, and quantity of country exports by increasing access to world markets and making public policies and institutions more supportive of export needs. Total cost: $49 million.

Bolivia	IDA—$40 million. This project supports regulatory reforms in Bolivia that facilitate competition and private investment, contribute to the stability and efficiency of the financial sector, and improve coverage, quality, and productivity of key infrastructure services. Total cost: $40 million.
Georgia	IDA—$15 million. The project supports self-sustainable and continuous adjustment of privatized enterprises through restructuring of 100 owner- and creditor-led enterprises over a five-year period and through job training for about 200 consultants and 400 managers. Total cost: $21 million.
Malaysia	IBRD—$100 million. Technical assistance—including for monitoring and contingency plans—will be provided to contain and minimize disruptions of social and economic infrastructure caused by the potential failure of critical central, state, and local government computer systems (Y2K). Total cost: $134 million.
Tunisia	IBRD—$35 million. This project will enhance the ability of private exporters to integrate into the global economy and foster export competitiveness, by improving access to export outlets and buyers and to preshipment export finance, and simplifying import- and export-related procedures. Total cost: $50.6 million.
Turkey	IBRD—$155 million. The project will support the harmonization of Turkish technology infrastructure with European Customs Union standards and assist firms in upgrading their technological capabilities in order to improve the competitiveness of Turkish industry, in domestic and foreign markets. Total cost: $387 million.
Ukraine	IBRD—$300 million. This adjustment loan supports the privatization of public sector enterprises, development of capital markets, accounting and bankruptcy reforms, and deregulation programs. Total cost: $300 million.

MINING AND OTHER EXTRACTIVE

Mauritania	IDA—$15 million. This project will help the government improve the availability of geological information about Mauritania, redress institutional weaknesses of public mining institutions, and stimulate foreign direct investment. Total cost: $16 million.
†◊ **Poland**	IBRD—$300 million. This loan will facilitate structural reform and the start of the privatization process in the hard coal sector, help improve corporate governance in the sector, and mitigate the adverse social effects of sector reform on local communities. Total cost: $300 million.

MULTISECTOR

† **Albania**	IDA—$45 million. The credit supports government efforts to restore and sustain growth and improve living standards through reforms that would improve government functioning and enhance the climate for private sector development. Total cost: $45 million.
†◊ **Albania**	IDA—$30 million. The credit seeks to help safeguard functioning public institutions during the Kosovo crisis, maintain macroeconomic stabilization, monitor and enforce an orderly public expenditure pattern during the crisis, and establish a cofinancing vehicle for other donors. Total cost: $30 million.

	Argentina	IBRD—$30.3 million. This project will contain the potential disruptions to Argentina's social and economic infrastructure resulting from Y2K-related failure of critical central government systems through replacement or upgrade of all noncompliant equipment and a series of other efforts. Total cost: $43 million.
†	**Argentina**	IBRD—$2.5 billion. This project, in conjunction with the Special Repurchase Facility Support Loan, will support government efforts to transform Argentina's economy by mitigating the deleterious effect of the current international financial instability on the economy, safeguarding economic and social achievements, and protecting vulnerable groups. Total cost: $3 billion.
†	**Armenia**	IDA—$65 million. This structural adjustment credit will support government reforms in public sector management, private sector development, energy, and social protection and will also improve financing mechanisms in health and education. Total cost: $65 million.
	Azerbaijan	IDA—$7 million. This supplemental credit was added to the second tranche of the Structural Adjustment Credit to assist those affected by the Russian crisis. Total cost: $7 million.
◊	**Bangladesh**	IDA—$200 million. This emergency recovery project will provide quick-disbursing assistance to maintain macroeconomic stability and help finance import costs associated with restoring damaged infrastructure, production levels, and food grain stocks. Total cost: $200 million.
†◊	**Burkina Faso**	IDA—$15 million. This credit will support government reforms to accelerate economic growth, foster the development of the private sector, and correct public sector institutional weaknesses. Total cost: $15 million.
†	**Chad**	IDA—$30 million. This adjustment credit will support government efforts to directly affect Chad's growth performance, contribute to poverty alleviation, increase public services in social sectors, and establish a more favorable environment for private sector growth. Total cost: $30 million.
◊	**Dominican Republic**	IBRD—$111.1 million. This project will help maintain growth in important sectors, support the reconstruction and rehabilitation of key social and economic infrastructure damaged or destroyed by Hurricane Georges, and strengthen the country's capacity to prepare for and respond to future natural disasters. Total cost: $125 million.
§	**Georgia**	IDA—$16.5 million. The credit supports technical assistance to accelerate change in the roles of the private and public sectors in delivering key services. Efforts will cover privatization, financial sector supervision, public sector reforms, and social sustainability measures, as well as hospital restructuring. Total cost: $20 million.
†	**Georgia**	IDA—$60 million. This credit supports government economic reforms to strengthen fiscal performance while ensuring budgetary provisions for health care, education, and social protection; improve the legal and regulatory framework for private sector growth; and support the process of ownership change and market liberalization. Total cost: $60 million.

†	**Ghana**	IDA—$178.2 million. This credit will assist the government's medium-term strategy outlined in "Ghana Vision 2020," which aims to turn Ghana into a middle-income country by the turn of the next decade. Total cost: $180 million.
◊	**Honduras**	IDA—$200 million. This project will assist Honduras in maintaining macroeconomic stability by financing imports associated with rebuilding social and economic infrastructure and reestablishing production levels after the devastation of Hurricane Mitch. Total cost: $200 million.
†	**Indonesia**	IBRD—$1 billion. Balance of payments assistance will support policy reforms to overcome the economic crisis and restore rapid growth, covering financial and corporate restructuring, improved governance, protection of the poor, investment in basic health and education services, and stronger management of the environment. Total cost: $1 billion.
†◊	**Indonesia**	IBRD—$500 million. This loan will protect social safety net budget expenditures crucial for the poor; support policy reforms to rebuild an efficient banking sector and build a foundation for renewed growth; and reduce corruption in public and private sector activity. Total cost: $500 million.
	Jordan	IBRD—$120 million. This loan supports trade, privatization, financial sector, and regulatory reforms that will foster integration with world markets, and reduce costly administrative obstacles through streamlined customs procedures for exports and the planned conversion of the Aqaba area into a free port. Total cost: $120 million.
†	**Korea, Republic of**	IBRD—$2 billion. This adjustment operation will aim to restore financial stability and deepen structural reforms in the financial and corporate sectors as well as labor markets while easing the social impact of the crisis by strengthening social safety nets. Total cost: $2 billion.
	Macedonia, former Yugoslav Republic of	IDA—$50 million. This emergency recovery credit will help the government maintain macroeconomic stability and support economic growth through financing of imports and government budget support amid the severe disruptions and large inflows of refugees caused by the Kosovo conflict. Total cost: $50 million.
†	**Madagascar**	IDA—$100 million. This adjustment credit will help the government improve governance and brighten prospects for private sector growth by strengthening the business environment to promote private investment and job creation, reducing state intervention in productive activities, and raising the quality of basic health and education services. Total cost: $100 million.
†	**Malawi**	IDA—$92 million. This program will support government reforms to accelerate economic growth and reduce poverty by improving public expenditure management and promoting private sector development. Total cost: $92 million.
◊	**Mozambique**	IDA-HIPC grant—$150 million. This operation builds on earlier economic reforms and supports the progress achieved in jump-starting and stabilizing Mozambique's economy since the end of the war in 1992. Total cost: $150 million.

◊	**Nicaragua**	IDA—$50 million. This operation will assist Nicaragua in maintaining macroeconomic stability by financing imports associated with rebuilding social and economic infrastructure and reestablishing production levels to help Nicaragua recover from the effects of Hurricane Mitch. Total cost: $50 million.
	Organization of Eastern Caribbean States	IBRD—$14.1 million; IDA—$5.5 million. The Organization of Eastern Caribbean States disaster management program will support physical investments and institutional strengthening to safeguard people and key infrastructure from future disasters and strengthen the capacity of national emergency management agencies, the private insurance industry, and community-level disaster committees to deal with disaster preparedness and recovery. Total cost: $57 million.
	Pakistan	IDA—$350 million. This credit supports the government in improving governance in the key public sector activities of banking, tax, administration, public utilities, and public expenditure. Total cost: $350 million.
†	**Panama**	IBRD—$61 million. This loan supports Panama's Public Policy Reform Program aimed at accelerated growth and poverty reduction. Reforms will promote a climate for private sector–led growth, fiscal sustainability, and increased overall economic efficiency, along with efforts to develop a comprehensive Poverty Reduction Strategy and Action Plan. Total cost: $61 million.
	Russian Federation	IBRD—$1.5 billion. This third structural adjustment loan, the largest ever Bank loan to Europe and Central Asia, will implement economic reforms required to stimulate sustained growth and cushion the social impact of the transition to a market economy. Total cost: $1.5 billion.
†	**Rwanda**	IDA—$75 million. This credit will consolidate the ongoing economic recovery and stability, reduce rural poverty, lay the foundation for private sector–led growth, and enhance prospects for national reconciliation by increasing economic opportunity. Total cost: $75 million.
†	**Solomon Islands**	IDA—$12 million. This credit aims to restore financial stability and investor confidence by supporting reforms to develop the private sector, and policies to promote sustainable forestry growth as well as enhance health strategies. Total cost: $12 million.
	Tanzania	IDA—$40 million. The government will address its fiscal problems by reforming tax laws, expanding the tax base, building capacity, and providing the necessary physical infrastructure at the Tax Revenue Authority. Total cost: $70 million.
†	**Thailand**	IBRD—$600 million. This adjustment operation will strengthen the competitive foundations of the economy, track financial and corporate sector reforms, and support the government's proposed fiscal stimulus, particularly social protection programs. Total cost: $600 million.
†	**Zambia**	IDA—$170 million. This credit supports the government's economic reform program, which aims at reducing widespread poverty by promoting private sector–led growth and improving the delivery of essential social services. Total cost: $170 million.

OIL AND GAS

◊ **Cape Verde**	IDA—$17.5 million; GEF—$4.7 million. The project will improve the supply of water, power, and sanitation to the main islands of Cape Verde, which are experiencing rapid urban growth. In addition, a Global Environment Facility grant will help reduce the effects of greenhouse gases by substituting thermal power with renewable energy sources. Total cost: $48 million.

PUBLIC SECTOR MANAGEMENT

Argentina	IBRD—$10 million. This project will finance the creation of a social and fiscal national identification program to improve efficiency, effectiveness, and impact of social services and fiscal programs by creating an institutionalized information exchange. Total cost: $12 million.
Bosnia and Herzegovina	IDA—$12 million. The objective of the project is to support sustainable economic growth by facilitating and expanding viable export activity, thus reducing the economy's dependence on aid. Total cost: $12 million.
† **Bosnia and Herzegovina**	IDA—$72 million. This second credit supporting fiscal and institutional reform will focus on tax policy and administration, foreign debt management, pension reform and management, foreign trade and tariffs, and customs administration. Total cost: $72 million.
◊ § **Cambodia**	IDA—$5 million. This project will introduce decentralized, participatory, poverty-oriented rural development approaches in the poorest areas, allowing government to gain the experience needed toward formulating and carrying out a cohesive national strategy for future rural development. Total cost: $6.3 million.
Cape Verde	IDA—$9 million. The credit will help the government reduce its role in economic activity and accelerate privatization in the utilities, transport, manufacturing, trade, and financial sectors. Total cost: $10 million.
China	IDA—$5 million. This learning and innovation credit will help the government identify potential improvements in enterprise reform methods and adapt them to local circumstances. The implementation of reform methods beyond the four pilot cities is envisioned. Total cost: $8 million.
Croatia	IBRD—$7.3 million. The loan will finance technical assistance to support improvements in the business-enabling environment for private sector growth, and will finance consultant services, training, and equipment. Total cost: $8 million.
Georgia	IDA—$13.4 million. The objective of this project is to assist in the development of an independent and professional judiciary, committed to high standards of judicial ethics and capable of efficient, effective dispute resolution. Total cost: $16 million.
Georgia	IDA—$2.3 million. This project will transform a traditional Soviet-style ministerial structure into the kind of policy formulation and deregulation transport sector entity needed in a market economy. It will also define, and help to achieve, operational autonomy and accountability. Total cost: $2.5 million.

	Ghana	IDA—$14.3 million. The first phase of a 10-year adaptable lending program will support government efforts to improve the efficiency, effectiveness, and quality of public services in Ghana. Total cost: $173 million.
◊	**Guatemala**	IBRD—$33 million. This project will create a more effective, accessible, and credible judicial system that would foster public trust and confidence, improve consistency and equity in the application of the law, and ultimately contribute toward social reconstruction and peace in rural and urban areas. Total cost: $50 million.
	Indonesia	IBRD—$31.5 million. Technical assistance will be provided to support banking and financial sector reforms and assist the government in accelerating corporate restructuring to resume growth in the private sector, restore the ability of corporations to borrow and service their debts, and improve corporate governance. Total cost: $35 million.
◊	**Kazakhstan**	IBRD—$16.5 million. This project will provide technical assistance to the government for modernizing its legal framework, strengthening judicial systems, and deepening the ongoing economic reform program. Total cost: $19 million.
	Latvia	IBRD—$5 million. This loan will help the government to develop a sustainable state revenue system, based on voluntary compliance, lower compliance cost, and reduced corruption and tax evasion. Total cost: $45 million.
	Mauritania	IDA—$0.1 million. This credit supplements the Public Resource Management Credit aimed at improving economic management capacity, strengthening and deepening recent fiscal gains, improving efficiency of public expenditure, and increasing domestic savings, through a policy reform and capacity-building program. Total cost: $0.1 million.
†	**Moldova**	IDA—$40 million. This second adjustment credit carries forward the government's reform program, focusing on promoting ownership change as a precondition to improved corporate governance, financial discipline, and growth through investment. It will also pursue privatization in agriculture, energy, and the enterprise sectors. Total cost: $40 million.
	Mongolia	IDA—$12 million. This project will make available medium-term finance to be on-lent by eligible commercial banks for the development of Mongolia's private sector. Technical assistance for institutional strengthening will also be provided for participating banks and the central bank. Total cost: $14 million.
†◊	**Morocco**	IBRD—$250 million. The loan will advance the government's broad-based economic and social reform program to maintain macroeconomic stability while accelerating economic growth and reducing poverty within a framework of institutional reform that promotes better governance and greater transparency. Total cost: $250 million.
†	**Morocco**	IBRD—$101 million. This adjustment loan supports reforms in the telecommunications, post, and information technology sectors to increase private sector competitiveness, broaden access to communications services, particularly for the rural poor, and facilitate Morocco's transition toward a global, information-based society. Total cost: $101 million.

	Niger	IDA—$18.6 million. Technical assistance will be provided to improve efficiency of the public sector and selected utilities such as telecommunications, water, and electricity. Total cost: $20 million.
†	**Niger**	IDA—$64 million. This credit, aimed at restoring the credibility of Niger's public finances, will support the implementation of Niger's economic reform program. Total cost: $64 million.
◊ §	**Peru**	IBRD—$38 million. An estimated 4 million people, one-sixth of Peru's total population, will benefit from formal and sustainable rights to real property in predominantly poor urban areas and greater security of ownership through the financing of 960,000 properties, of which 800,000 will be individually titled. Total cost: $66 million.
	Philippines	IBRD—$150 million. The long-term resources of the Development Bank of the Philippines and a number of other banks will be increased to better assist private sector enterprises affected by the credit crunch and currency crisis. Total cost: $315 million.
†	**Romania**	IBRD—$300 million. This loan will support the restructuring and privatizing of state-owned banks, including strengthening of the regulation and supervision capacity of the national bank and the development of the government securities market. Total cost: $300 million.
◊ §	**Romania**	IBRD—$5 million. This learning and innovation loan will support a new national cultural heritage strategy designed to preserve priority cultural heritage sites and assets by testing different partnership approaches. Total cost: $6 million.
	Romania	IBRD—$25 million. The project will enhance the private sector's role in the economy and support institution building to improve the business environment for private sector growth. Total cost: $33 million.
	Russian Federation	IBRD—$30 million. The project will support the initial phase of the long-term program to strengthen the state statistical system. It will help restructure the National Statistical Agency and also strengthen other data collection agencies. Total cost: $39 million.
†	**Tajikistan**	IDA—$50 million. This adjustment credit will support economic reforms to restore macroeconomic stability, develop the private sector through privatization of state-owned enterprises, reform the financial sector, and lower the adverse impact of reforms on the poor by enhancing budgetary provisions for health, education, and social safety nets. Total cost: $50 million.
	Tajikistan	IDA—$6.7 million. This supplemental credit supports structural reforms to restore macroeconomic stability, develop the private sector, reform the financial sector, and support basic social spending. Total cost: $6.7 million.
	Tajikistan	IDA—$6.7 million. The objective of the credit is aimed at building and improving the country's institutional capacity to reform public administration, improve the budget management system, and privatize medium and large enterprises in order to develop the private sector. Total cost: $7.4 million.

	Trinidad and Tobago	IBRD—$14.8 million. This project will support the development of Trinidad and Tobago's Post Office into an efficient, market-driven, high-quality provider of postal communication and financial services, thus benefiting consumers, government, local businesses, labor, and the private sector. Total cost: $23 million.
	Uzbekistan	IBRD—$25 million. This project will help improve the policy environment for financial activity, restructure the banking sector, upgrade the financial sector's legal and supervisory framework, and develop capital markets. Total cost: $30 million.
†	**Yemen**	IDA—$50 million. This project aims to redefine the role of the state to focus attention and resources on essential functions while developing an incentive framework for civil servants to carry out their new mandates and strengthen budget implementation, monitoring, and control. Total cost: $50 million.
◊	**Yemen**	IDA—$2.5 million. This project is a pilot program of judicial training to assess and enhance the effectiveness of the judiciary, provide business advice, develop economic legislation through judicial and legal development, and design a public awareness campaign. Total cost: $2.9 million.

SOCIAL PROTECTION AND OTHER SOCIAL SECTORS

◊ §	**Albania**	IDA—$9 million. Rural poor and unemployed will benefit from local economic development, strengthened local institutions, and alleviation of bottlenecks in small-scale infrastructure. Total cost: $17 million.
	Albania	IDA—$5 million. This credit will support the Community Works Project that promotes economic development through rehabilitating small, sustainable, social and economic infrastructure, and also to local community and government capacity building. Total cost: $5.5 million.
◊ §	**Argentina**	IBRD—$90.8 million. This project will reinforce the capacity of poor communities to develop small projects by mobilizing resources on a participatory basis, improving social programs, and strengthening the information management capacity of provincial and national agencies. Total cost: $133 million.
◊	**Azerbaijan**	IDA—$7.5 million. The project will enhance awareness of, and support for, Azerbaijan's culture and will help strengthen national identity and social cohesion at a difficult time of national transition. Total cost: $9 million.
†	**Brazil**	IBRD—$252.5 million. This loan supports government efforts to protect social expenditures targeted at those likely to suffer from increased economic vulnerability, including children and the retired, disabled, and unemployed. Total cost: $253 million.
	Brazil	IBRD—$757.6 million. This loan is the first of two to support Brazil's Social Security Reform, which aims at imparting financial integrity to the pension system by introducing the principle of actuarial balance, basing pension on years of contribution, eliminating most special pension regimes, and reducing inequalities between benefits of public and private sector workers. Total cost: $758 million.

† **Bulgaria**	IBRD—$80 million. Poor and vulnerable population groups will benefit from a more effective and sustainable system of income support and poverty relief through this adjustment loan, which will focus on unemployment programs, social insurance, and social assistance. Total cost: $80 million.
◊ § **Bulgaria**	IBRD—$5 million. This pilot project will test the social investment fund mechanism to improve the living standards of the poor and unemployed during Bulgaria's economic transition by financing 100 microprojects and conducting a labor market analysis. Total cost: $6 million.
◊ § **Cambodia**	IDA—$25 million. This credit will continue support to the Social Fund Project and improve on it through programs promoting increased community participation and local ownership of subprojects, and use of technical standards to raise subproject quality and productivity. Total cost: $27 million.
◊ § **Cape Verde**	IDA—$16.1 million. Approximately 117,000 people will benefit from poverty reduction programs that will improve household food security, hygiene, health, nutrition, environment, and education. Total cost: $18 million.
China	IDA—$5 million. Enterprise workers in the city of Qingdao will benefit from this learning and innovation credit that aims to reform China's pension program, by reducing the cost of transitioning pension assets and strengthening future pension planning. Total cost: $6 million.
◊ § **Djibouti**	IDA—$2.7 million. Through this learning and innovation credit, 21,000 ex-combatants will have more opportunities to lead productive civilian lives as an alternative to taking up arms. Total cost: $3 million.
◊ § **Djibouti**	IDA—$14.8 million. Approximately 156,000 people will benefit from government efforts to enhance living standards of the poor by creating low-skilled employment opportunities through a public works project. Total cost: $15 million.
◊ § **Egypt**	IDA—$50 million. This project will create jobs and provide community infrastructure and services through small-scale public works in partnership with communities and local government, to be executed by small local private contractors. A Community Development Program will support education and training, microenterprise, and health services. Total cost: $65 million.
◊ § **Ghana**	IDA—$5 million. This learning and innovation credit will help the government test approaches and methods to achieve sustainability in delivering nutrition and street-children programs. Total cost: $7 million.
◊ § **Guatemala**	IBRD—$30 million. Approximately 500,000 people, mostly indigenous and poor, will enjoy improved living standards through strengthened local community organizations and municipal governments; decentralization and transfer of management and financial resources to the local level; and funding of community-based, social, and economic infrastructure and cultural heritage subprojects. Total cost: $38 million.

◊ § **Guatemala**	IDA—$50 million. This project supports the government's poverty alleviation efforts by channeling investments to the poorest areas, as well as to immediate needs in the wake of Hurricane Mitch, for small-scale infrastructure in education, health, water supply, and sanitation and for social infrastructure. Total cost: $64 million.
Guyana	IDA—$9 million. This project will restore Guyana's agricultural capacity in drought-stricken areas, supply potable water service to an estimated 63,000 people, provide flood relief for about 45,000 people in low-lying areas of Georgetown, and safeguard the region from future flooding and droughts through a more reliable drainage and irrigation system. Total cost: $9 million.
◊ § **Honduras**	IDA—$45 million. This project will continue support to the ongoing Social Investment Fund Program, aimed at providing the urban, rural, and indigenous populations with increased access to small-scale social and economic infrastructure, development of social assistance programs, and improved efficiency, transparency, and equity in social expenditures and public investment. Total cost: $137 million.
◊ † **Indonesia**	IBRD—$600 million. This loan will support creation of a national structure to ensure implementation of safety net programs as designed, anticorruption efforts, and timely delivery of benefits. Total cost: $600 million.
† **Kyrgyz Republic**	IDA—$36.5 million. Poor and vulnerable populations will benefit from this adjustment credit that will improve efficiency and effectiveness of social insurance and social assistance systems as well as strengthen the fiscal sustainability of the pension system. Total cost: $36.5 million.
Macedonia, former Yugoslav Republic of	IDA—$1 million. Technical assistance will be provided to support the design and implementation of the government's pension policy reforms that form an integral part of the Social Sector Adjustment Reform Program. Total cost: $1 million.
† **Macedonia, former Yugoslav Republic of**	IDA—$29 million. This adjustment credit will support systemic reforms in pension, health, and insurance, and improve the long-term financial solvency of social sector programs. Total cost: $29 million.
§ **Macedonia, former Yugoslav Republic of**	IDA—$10 million. This project aims to help mitigate the economic disruption caused by the conflict in Kosovo and the negative social and economic impact of bankruptcy and labor restructuring of majority state-owned enterprises. Total cost: $12 million.
◊ § **Madagascar**	IDA—$15 million. Rural communities, where more than 85 percent of Madagascar's poor live, will benefit from rehabilitation and construction of communal infrastructures, social funds, and capacity building. Total cost: $17 million.
◊ § **Malawi**	IDA—$66 million. This project builds on the Social Action Fund to support poverty alleviation in both rural and urban communities. Total cost: $66 million.
◊ § **Malaysia**	IBRD—$60 million. Poor and vulnerable populations will benefit from poverty alleviation programs such as social services and basic health and social assistance, which will also strengthen government capacity to monitor poverty and strengthen impact. Total cost: $89 million.

◊ § **Moldova** — IBRD—$15 million. This project will support public sector reforms that focus on poverty alleviation and improving basic social and economic services, targeting women and children in poor rural communities. Total cost: $19.8 million.

◊ **Moldova** — IDA—$11.1 million. The objective of this project is to develop the capacity required to implement pension reform and to support the development of an efficient and sustainable social protection system in Moldova. Total cost: $14 million.

◊ § **Nicaragua** — IDA—$45 million. Almost half of Nicaragua's population currently living below the poverty line will benefit from the government's poverty alleviation efforts through financing of small-scale infrastructure in education, health, water supply, and sanitation in the wake of Hurricane Mitch. Total cost: $166 million.

◊ § **Romania** — IBRD—$10 million. This project will contribute to poverty alleviation at the community level, support community-driven development by strengthening local organizations, and provide training and technical assistance to poor rural communities and disadvantaged groups. Total cost: $27 million.

◊ **Rwanda** — IDA—$5 million. Female-headed households, widows, the homeless, and orphans will benefit from strengthened capacity of their communities and reformed administrative capacity at the communal and national levels through this learning and innovation credit. Total cost: $5 million.

◊ § **Thailand** — IBRD—$300 million. An estimated 1.7 million person-months of employment and more than 900,000 person-months of training will benefit from rapid creation of employment opportunities and the provision of essential social services through decentralization, local capacity building, and community development. Total cost: $462 million.

◊ § **Togo** — IDA—$5 million. This project supports the human resources development and poverty alleviation objectives of the Bank's Country Assistance Strategy, targeting disadvantaged populations and fostering access to funds for community-identified projects. Total cost: $6 million.

◊ **West Bank and Gaza** — Trust Fund for Gaza and West Bank—$8 million. This project builds on the first Community Development Project to improve infrastructure services and stimulate the local economy through about 200 small-scale infrastructure projects, targeting at least 100 poor and marginalized communities, particularly refugee camps. Total cost: $15 million.

TELECOMMUNICATIONS AND INFORMATION TECHNOLOGY

◊ § **Mauritania** — IDA—$10.8 million. The project will assist the government in developing a legal, regulatory, and institutional framework for delivering competitively priced and high-quality telecommunications and postal services. Total cost: $12 million.

TRANSPORTATION

◊ **Bangladesh** — IDA—$177 million. Dhaka's entire population, but especially the urban poor, will benefit from improved bus services, better pedestrian facilities, and support for cycle rickshaws operating as feeder services and employing a large number of the poor population. Total cost: $234 million.

◊ **Bangladesh** — IDA—$20 million. This project will supplement the Second Rural Roads and Markets Improvement and Maintenance project, designed to reduce rural poverty, by removing physical bottlenecks, reducing transport and marketing costs, creating employment and income-generating opportunities, and increasing institutional capacity for efficient rural infrastructure management. Total cost: $20 million.

◊ **Bangladesh** — IDA—$6.3 million. This project will improve inland water transport operations and the effectiveness of sector agencies through institution building, a vessel safety improvement component, a waterways development component, and a country boat component to provide extension services to the country boat sector. Total cost: $6.3 million.

Bangladesh — IDA—$80 million. This project will help initiate physical implementation of the Road Master Plan for the main road network in Bangladesh, thus preserving the capital base of the road system and improving high-priority sections in a systematic manner. Total cost: $80 million.

◊ § **Bangladesh** — IDA—$273 million. This project will provide and improve critical road links in the overall transport system and improve institutional capacity of the Roads and Highway Department in road maintenance, benefiting an estimated 22 million people. Total cost: $528 million.

◊ **Bolivia** — IDA—$88 million. This project will improve transport conditions along a strategic north-south corridor, linking local Bolivian departments to Argentina and Paraguay, thus lowering transport costs, fostering economic development, improving incomes of the indigenous peoples, and establishing economic transport links between local and neighboring territories. Total cost: $120 million.

◊ **Brazil** — IBRD—$150 million. This project supports the development of a fully integrated urban transport system by transferring the ownership and management of the Salvador subdivision of the Brazilian Urban Transport Company system from federal government to state and municipality hands. Total cost: $308 million.

China — IBRD—$200 million. Construction of the 152-km Hefei-Anqing Expressway will provide a key trade link between some of China's major cities and ports and its poorer inland provinces to alleviate the income disparity between coastal and interior regions by speeding access to coastal markets. Project includes highway maintenance and traffic safety workers' training. Total cost: $453 million.

China — IBRD—$71 million. This project will reduce the economic disparities between coastal and inland areas by developing an inland distribution system for containers, improving service quality, and introducing market elements of competition and enterprise reform. Total cost: $159 million.

	China	IBRD—$150 million. Improved traffic flow, lower transport costs, cleaner air quality, and increased safety of the urban transport system in three cities in Liaoning Province will be achieved by strengthening vehicle emission controls, regulations, policymaking, and implementation capacity of transport institutions. Total cost: $383 million.
	China	IBRD—$350 million. The construction of this 300-km section of the highway between Beijing and Guangzhou will provide an important trade link between the country's major cities and remote areas and will serve approximately 40 million people. Total cost: $952 million.
	China	IBRD—$200 million. About 10 million people will benefit from the construction of the 140-km coastal Zhangzhou-Zhao'an Expressway. The highway will give an economic boost to the area surrounding the Fujian and Shenzhen Provinces by promoting commerce, trade, and tourism in the region. Total cost: $596 million.
◊	Colombia	IBRD—$137 million. This sustainable private-public partnership will improve transport conditions along a strategic road corridor linking Bogotá with Medellín and the ports on the north coast. Efforts will seek to reduce transport costs, maintain adequate private services to mobilize equity and debt finance for road improvements, and strengthen capacity for project preparation and policy implementation. Total cost: $572 million.
	Côte d'Ivoire	IDA—$25.6 million. This project will provide general budgetary support, contribute to narrowing the external financing gap, and strengthen the government's ability to ensure availability of routine and periodic road maintenance funding at sufficient levels and at appropriate times; and facilitate transition of several sector organizations from public to private sector status. Total cost: $25.6 million.
◊	Croatia	IBRD—$101 million. This project will support modernization and restructuring of the Croatian railway company in order to diminish its financial burden on the national budget and improve infrastructure. Total cost: $183 million.
	Honduras	IDA—$20 million. This supplemental credit will provide urgently needed financial assistance for rehabilitating and reconstructing key roads and bridges damaged by Hurricane Mitch to help improve transport infrastructure, foster export growth, and develop the institutional and regulatory framework of the transport sector. Total cost: $200 million.
	Kazakhstan	IBRD—$100 million. This project will rehabilitate and maintain key parts of road infrastructure, restructure the road construction industry, and encourage domestic and international trade through reforms in sector policies and institutions. Total cost: $135 million.
◊ §	Lao People's Democratic Republic	IDA—$27.8 million. Critical basic infrastructure will be extended to two remote northern provinces, benefiting an estimated 52,000 people in 125 villages and district communities by helping to improve living standards and socioeconomic potential and to achieve gradual integration into the national economy. Total cost: $31 million.

Macedonia, former Yugoslav Republic of	IBRD—$32 million. This project will improve efficiency of the road and railway systems and finance installation of new computer systems for the railways and equipment to help consolidate data on road conditions. Total cost: $41 million.
◊ **Malawi**	IDA—$30 million. This five-year project aims to help the government reform its road sector, in support of economic growth and diversification by reducing transport costs and improving access. Total cost: $70 million.
◊ § **Nepal**	IDA—$5 million. This learning and innovation credit aims to strengthen the institutional capacity of a decentralized local governance system in its planning and managing capabilities to improve the quality, efficiency, and sustainability of rural roads in selected districts with active participation of project beneficiaries. Total cost: $5.8 million.
◊ **Panama**	IBRD—$85 million. This project will improve transport efficiency and safety, reduce traffic congestion, improve the administration and maintenance of roads and environmental impact analysis, as well as upgrade efficiency in the public road passenger transport industry. Total cost: $124 million.
◊ **Russian Federation**	IBRD—$400 million. The loan will improve the selected high-priority road network on the federal road system, including in Siberia and the Far East, and improve contract management by the Russian Federation Federal Highway Administration. Total cost: $667 million.
§ **Senegal**	IDA—$90 million. An estimated 2 million people will benefit from improvements in the supply and performance of transport infrastructure, including services, in order to create an environment for improved economic growth through expanded mobility and reduced transport costs. Total cost: $581 million.
Tajikistan	IDA—$5 million. This project will assist in post-flood reconstruction efforts to repair and rebuild essential infrastructure, establish the conditions for economic growth in affected rural areas, and reduce the region's vulnerability to future flood damage. Total cost: $5 million.
Uganda	IDA—$91 million. This adjustable program credit will help the government improve access to rural and economically productive areas and build up road sector planning and management capability. Total cost: $357 million.
Uruguay	IBRD—$64.5 million. This project will improve efficiency in transport services and maintenance of road infrastructure through rehabilitation of selected national roads and bridges, increased private sector participation in the maintenance and rehabilitation of national roads, and reinforcement of road sector management. Total cost: $137 million.
Vietnam	IDA—$42.7 million. Support for stronger traffic management in the central areas of Hanoi and Ho Chi Minh City will be strengthened with measures to improve traffic flows, provide new traffic signals and controls, segregate two- and four-wheeled traffic, improve facilities for pedestrians, and provide necessary training. Total cost: $47 million.

URBAN DEVELOPMENT

§ **Azerbaijan**	IDA—$20 million. About 3,600 families will benefit from the first phase of this pilot program, which will improve living standards and facilitate the repatriation of people internally displaced as a result of the Nagorno-Karabakh conflict. Total cost: $54 million.
§ **Benin**	IDA—$25.5 million. This adaptable program credit is part of a six-year program designed to improve the quality of life for urban residents, particularly those in low-income areas of the major cities. Total cost: $69 million.
◊ **Bolivia**	IDA—$32 million. This project will improve the effectiveness, efficiency, and transparency of the Bolivian public administration, to support development and poverty alleviation. Over 10 years, it will improve the quality of service delivery and client orientation of government operations by creating more honest, cost-effective, results-oriented institutions. Total cost: $50 million.
◊ **Bosnia and Herzegovina**	IDA—$15 million. The project is designed to strengthen the institutional and financial capacity of local governments to enable them to improve municipal infrastructure and services as well as to initiate, on a pilot basis, the development of a municipal credit market to provide a long-term source of financing for creditworthy municipalities for infrastructure investment. Total cost: $15 million.
◊ **Bosnia and Herzegovina**	IDA—$4 million. This multi-donor-supported Pilot Cultural Heritage Project aims to improve the climate for national reconciliation through restoration of cultural heritage in the city of Mostar. It includes rebuilding of the Mostar Bridge, reconstruction of monuments important to each of the ethnic groups, and upgrading of historic neighborhoods. Total cost: $15.5 million
§ **Cambodia**	IDA—$45.3 million. Rehabilitation of about 110 km of high-priority national roads and 52 bridges, linking provincial areas with the port of Sihanoukville, will be supported in order to realize the development potential of agriculture, fisheries, tourism, and trade in rural areas. Total cost: $47 million.
Chile	IBRD—$10.1 million. A total of 341 municipalities will benefit from improved local governance and more efficient provision of public services through strengthened capacity of the national government to formulate, implement, and monitor decentralization policies and programs, and undertake municipal planning, financial and human resources. Total cost: $23 million.
◊ § **Gabon**	IBRD—$5 million. This learning and innovation loan will help finance a pilot project to design and test management methods and procedures for carrying out small-scale urban infrastructure works and disseminate information on such methods in poor urban areas. Total cost: $7 million.
◊ § **Guinea**	IDA—$18 million. This adaptable program credit will assist the government in addressing economic and social imbalances prevalent in urban areas by bettering living conditions through, for instance, improved sanitation, benefiting an estimated 800,000 people. Total cost: $60 million.

◊ § **India**	IBRD—$105 million. This project supports the Tamil Nadu state's ongoing reforms to improve urban finance through an urban development fund and municipal bond financing, decentralize urban planning and help raise living standards by financing basic infrastructure investments, including an integrated sanitation program targeted to the urban poor. Total cost: $205 million.
◊ § **Indonesia**	IDA—$100 million. Poor, urban neighborhoods will benefit from improved basic infrastructure that will allow for sustainable income generation. Local agencies will be strengthened to help assist poor communities. Total cost: $130 million.
◊ **Indonesia**	IBRD—$5 million. Improved delivery of services to the poor and increased urban productivity are expected to result from institutional reforms through innovative approaches such as community-based waste recycling programs, upgrading of vendor locations, development of small businesses, cultural heritage preservation, and improved information and urban management. Total cost: $7.2 million.
◊ § **Kenya**	IDA—$40 million. An estimated 8.1 million people will benefit from this fast-track credit that will mitigate the effects of flooding caused by El Niño. Proceeds will be used to minimize life-threatening conditions, protect health, and repair damage to essential economic infrastructure. Total cost: $40 million.
Lithuania	IBRD—$20.1 million. This project supports government local administration and finance reforms (consistent with EU-Accession goals) as well as investment projects to improve the quality and cost-effectiveness of municipal services. It will also strengthen municipal capacity delivery. Total cost: $35.73 million
◊ § **Morocco**	IBRD—$14 million. This project helps alleviate poverty in the Medina of Fes, a major Moroccan cultural and commercial center, benefiting roughly a third of the local population through an improved infrastructure network that will facilitate access for medical emergencies, fire brigades, and security services. Total cost: $27 million.
◊ **Philippines**	IBRD—$100 million. Participating local government units will be assisted in expanding and upgrading their basic infrastructure, services, and facilities and in strengthening their capacities in municipal governance, investment planning, revenue generation, and project development and implementation. Total cost: $134 million.
Samoa	IDA—$14.4 million. This project will ensure that transport and coastal infrastructure assets are economically, environmentally, and socially sustainable. The project is also designed to increase private sector participation and reform in infrastructure. Total cost: $19 million.
Uganda	IDA—$22.4 million. This project will help build the institutional capacity of Kampala City Council to plan and execute complex investment programs, establish a framework for general maintenance of infrastructure and equipment, and physically rehabilitate the Nakivubo Channel. Total cost: $25 million.

◊ § **Venezuela** — IDA—$60.7 million. An estimated 184,000 people in Caracas' informal settlements will enjoy improved living standards through the development and implementation of a community-driven, sustainable, and replicable infrastructure improvement program, covering water, sanitation, drainage, community centers, public lighting, electricity, resettlement housing, and risk mitigation of geologically unstable areas. Total cost: $153 million.

◊ **West Bank and Gaza** — Trust Fund for Gaza and West Bank—$25 million. This project will support development of the Bethlehem area by helping local municipalities improve basic infrastructure services and build managerial, financial, and technical capacity. It will also support the organization and marketing of the Bethlehem 2000 celebrations, in partnership with the local private sector and other agencies and donors. Total cost: $65 million.

◊ § **Yemen** — IDA—$50 million. This project will help poor communities by creating jobs and providing infrastructure to improve services and environmental conditions, especially for women and children. Community involvement and the development of local contracting and consulting firms will help sustainability. Total cost: $60 million.

WATER SUPPLY AND SANITATION

◊ § **Argentina** — IBRD—$30 million. This project will support water sector reforms in medium-sized cities with populations of about 50,000 to 500,000, including the introduction of private sector participation in the operation and management of water utilities, adoption of appropriate regulatory frameworks, and institution of tariff policies and tested investment alternatives to better reach poor consumers. Total cost: $47.1 million.

◊ § **Bangladesh** — IDA—$32.4 million. This project will help Bangladesh address the problem of arsenic-contaminated groundwater through emergency mitigation efforts, better planning of groundwater use, research for alternative water supply, and raising public awareness. Total cost: $44 million.

◊ § **China** — IBRD—$16 million; IDA—$30 million. About 3 million rural poor in four Chinese provinces will benefit from this program for a clean, safe water supply and improved sanitation and health behaviors through education and pilot investments. Total cost: $92 million.

Jordan — IBRD—$55 million. An estimated 2 million people, particularly in low-income households and refugee camps, will enjoy health benefits through more efficient management, operation, and delivery of water services, achieved through better leakage management, network rehabilitation, and a meter repair program. Total cost: $136 million.

Kazakhstan — IBRD—$16.5 million. This pilot project aims to strengthen the capacity of the city of Aytrau to provide reliable and safe drinking water and to dispose of sewage in a sustainable, efficient, and environmentally responsible manner. Total cost: $21 million.

◊ **Mozambique** — IDA—$75 million. About 1.1 million people will directly benefit from improved quality, reliability, and sustainability of water services. Total cost: $115 million.

	Philippines	IBRD—$23.3 million. This first phase of this adaptable program loan will help local government units provide sustainable water and sanitation services and support Phase I of the government program to strengthen capacity to manage water utilities. Total cost: $31 million.
	Turkey	IBRD—$369 million. This project will assist in post-flood and earthquake reconstruction efforts to restore basic infrastructure in municipalities and affected rural areas, rebuild homes in the Adana Province, and reduce the region's vulnerability to damage from future natural disasters. Total cost: $685 million.
	Vietnam	IBRD—$80.5 million. Sustainable public health improvements will be implemented in three cities. Some 1.5 million people will benefit from reduced incidence of waterborne disease, environmental degradation, flooding, and poor sanitation from increased efficiency in sanitation and drainage companies. Total cost: $119.53 million.
◊	**West Bank and Gaza**	Trust Fund for Gaza and West Bank—$21 million. This project aims to improve water and sanitation services (quality and quantity) in the southern West Bank and implement an appropriate institutional framework for water and wastewater service provision. Total cost: $52 million.
◊	**Yemen**	IDA—$25 million. This project will improve sanitary conditions in targeted areas through rehabilitated sewage and water networks, increased bulk water supply, and improved efficiency of the Sana'a National Water and Sanitation Authority. Total cost: $28 million.

IBRD/IDA Appendixes

Governors and Alternates of the World Bank

June 30, 1999

Member	Governor	Alternate
Afghanistan	(vacant)	(vacant)
Albania	Arben Malaj	Fatos Ibrahimi
Algeria	Abdelkrim Harchaoui	Omar Bougara
Angola	Emmanuel Moreira Carneiro	Sebastiao Bastos Lavrador
Antigua and Barbuda +	John E. St. Luce	Ludolph Brown
Argentina	Roque Benjamin Fernandez	Pedro Pou
Armenia	Armen R. Darbinian	Garnik Nanagulyan
Australia	Peter Costello	Kathy Sullivan
Austria	Wolfgang Ruttenstorfer	Hans-Dietmar Schweisgut
Azerbaijan	Elman Siradjogly Rustamov	Fuad Akhundov
Bahamas, The +	William C. Allen	Ruth Millar
Bahrain +	Abdulla Hassan Saif	Zakaria Ahmed Hejres
Bangladesh	Shah A.M.S. Kibria	Masihur Rahman
Barbados +	Owen S. Arthur	Erskine R. Griffith
Belarus +	Gennady V. Novitsky	Vladimir N. Shimov
Belgium	Jean-Jacques Viseur	Guy Quaden
Belize	Said W. Musa	Yvonne S. Hyde
Benin	Albert Tevoedjre	Pierre John Igue
Bhutan	Yeshey Zimba	(vacant)
Bolivia	Herbert Mueller Costas	Alberto Valdes Andreatta
Bosnia and Herzegovina	Mirsad Kurtovic	Drago Bilandzija
Botswana	Ponatshego H.K. Kedikilwe	Serwalo S.G. Tumelo
Brazil	Pedro Sampaio Malan	Arminio Fraga Neto
Brunei Darussalam +	Haji Hassanal Bolkiah	Haji Selamat Haji Munap
Bulgaria +	Muravei Radev	Martin Zaimov
Burkina Faso	Tertius Zongo	Patrice Nikiema
Burundi	Astere Girukwigomba	Leon Nimbona
Cambodia	Keat Chhon	Sun Chan Thol
Cameroon	Justin Ndioro	Daniel Njankouo Lamere
Canada	Paul Martin	Huguette Labelle
Cape Verde	Antonio Gualberto do Rosario	Jose Ulisses Correia e Silva
Central African Republic	Anicet Georges Dologuele	Jacob Mbaitadjim
Chad	Mahamat Ali Hassan	Abderhamane Dadi
Chile	Eduardo Aninat	Joaquin Vial
China	Xiang Huaicheng	Jin Liqun
Colombia	Juan Camilo Restrepo Salazar	Jaime Ruiz
Comoros	Mohamed Abdou Madi	Maoulana Charif
Congo, Democratic Republic of	Fernand Tala-Ngai	Jean-Claude Masangu Mulongo
Congo, Republic of	Mathias Dzon	Clement Mierassa
Costa Rica	Leonel Baruch	Eduardo Lizano Fait

Member	Governor	Alternate
Côte d'Ivoire	Daniel Kablan Duncan	N'Goran Niamien
Croatia	Borislav Skegro	Josip Kulisic
Cyprus	Takis Klerides	Antonis Malaos
Czech Republic	Ivo Svoboda	Oldrich Dedek
Denmark	Poul Nielson	Ellen Margrethe Loj
Djibouti	Yacin Elmi Bouh	Nouh Omar Miguil
Dominica	Julius C. Timothy	Cary A. Harris
Dominican Republic	Hector Manuel Valdez Albizu	Luis Manuel Piantini M.
Ecuador	Ana Lucia Armijos Hidalgo	Mauricio Pareja Canelos
Egypt, Arab Republic of	Atef Mohamed Mohamed Ebeid	Youssef Boutros Ghali
El Salvador	Juan Jose Daboub	Jose Luis Trigueros
Equatorial Guinea	Antonio Nve Ngu	Miguel Abia Biteo
Eritrea	Gebreselassie Yosief	(vacant)
Estonia +	Siim Kallas	Mihkel Parnoja
Ethiopia	Sufian Ahmed	Girma Birru
Fiji	Mahendra Pal Chaudhry	Savenaca Narube
Finland	Sauli Niinisto	Pekka Haavisto
France	Dominique Strauss-Kahn	Jean Lemierre
Gabon	Casimir Oye-Mba	Claude Ayo Iguendha
Gambia, The	Famara L. Jatta	Yusupha A. Kah
Georgia	David Onoprishvili	Vladimer Papava
Germany	Heidemarie Wieczorek-Zeul	Caio Koch-Weser
Ghana	Richard Kwame Peprah	Victor Selormey
Greece	Yannos Papantoniou	Christos Pachtas
Grenada	Keith Mitchell	Garvey Louison
Guatemala	Pedro Miguel Lamport K.	Edin Homero Velasquez Escobedo
Guinea	Elh. Th. Mamadou Cellou Diallo	Cellou Dalein Diallo
Guinea-Bissau	Issufo Sanha	Issufi Sane
Guyana	Bharrat Jagdeo	Michael Shree Chand
Haiti	Fred Joseph	Fritz Jean
Honduras	Gabriela Nunez de Reyes	Victoria Asfura de Diaz
Hungary	Zsigmond Jarai	Werner Riecke
Iceland	Halldor Asgrimsson	Geir Hilmar Haarde
India	Yashwant Sinha	Vijay Laxman Kelkar
Indonesia	Bambang Subianto	Miranda S. Goeltom
Iran, Islamic Republic of	Hossein Namazi	Mehdi Navab Motlagh
Iraq	Issam Rashid Hwaish	Hashim Ali Obaid
Ireland	Charlie McCreevy	Paddy Mullarkey
Israel	Jacob A. Frenkel	Ben-Zion Zilberfarb
Italy	Antonio Fazio	Mario Draghi

GOVERNORS AND ALTERNATES OF THE WORLD BANK *(continued)*

June 30, 1999

Member	Governor	Alternate
Jamaica +	Omar Lloyd Davies	Wesley Hughes
Japan	Kiichi Miyazawa	Masaru Hayami
Jordan	Rima Khalaf Humaidi	Abderrzaq Bani Hani
Kazakhstan	Oraz Jandosov	Roman Solodchenko
Kenya	Yekoyada F.O. Masakhalia	Margaret Chemengich
Kiribati	Beniamina Tinga	Bureti Williams
Korea, Republic of	Bong-Kyun Kang	Chol-Hwan Chon
Kuwait	Ali Salem Al-Ali Al-Sabah	Bader Meshari Al-Humaidhi
Kyrgyz Republic	Marat Sultanov	Urkaly T. Isaev
Lao People's Democratic Republic	Khamphoui Keoboualapha	Phiane Philakone
Latvia	Roberts Zile	Ingrida Udre
Lebanon	Georges Corm	Nasser Saidi
Lesotho	Leketekete Victor Ketso	Molelekeng E. Rapolaki
Liberia	John Weseh McClain	(vacant)
Libya	Mohamed A. Bait Elmal	(vacant)
Lithuania +	Algirdas G. Semeta	Arvydas Kregzde
Luxembourg	Luc Frieden	Jean Guill
Macedonia, former Yugoslav Republic of	Boris Stojmenov	Zlatka Popovska
Madagascar	Pierrot J. Rajaonarivelo	Constant Horace
Malawi	Cassim Chilumpha	Ted A. Kalebe
Malaysia	Mustapa Mohamed	Othman Mohd. Rijal
Maldives	Fathulla Jameel	Adam Maniku
Mali	Ahmed El Madani Diallo	Soumaila Cisse
Malta +	John Dalli	Joseph P. Portelli
Marshall Islands	Tony de Brum	David Blake
Mauritania	Mohamed Ould Nany	Abdallah Ould Hormtallah
Mauritius	Rundheersing Bheenick	Dharam Dev Manraj
Mexico	Jose Angel Gurria Trevino	Martin M. Werner
Micronesia, Federated States of	John Ehsa	Sebastian L. Anefal
Moldova	Anatol Arapu	Dumitru Ursu
Mongolia	Yansanjav Ochirsukh	Jigjid Unenbat
Morocco	Fathallah Oualalou	Ahmed Lahlimi Alami
Mozambique	Adriano Afonso Maleiane	Luisa Dias Diogo
Myanmar	Khin Maung Thein	Soe Lin
Namibia +	Saara Kuugongelwa	Usutuaije Maamberua
Nepal	Mahesh Acharya	Ram Binod Bhattarai
Netherlands	Gerrit Zalm	Eveline Herfkens
New Zealand	Bill English	Alan Bollard
Nicaragua	Esteban Duque Estrada	Mario De Franco
Niger	Ide Gnandou	Adamou Salao

Member	Governor	Alternate
Nigeria	Adamu Ciroma	Samuel Chukwuma Nwokedi
Norway	Hilde Frafjord Johnson	Leiv Lunde
Oman	Ahmed Bin Abdulnabi Macki	Mohammed bin Nasser Al-Khasibi
Pakistan	M. Ishaq Dar	Zaheer Sajjad
Palau	Tommy Remengesau, Jr.	Elbuchel Sadang
Panama	Fernando Aramburu Porras	Rene Luciani Lasso
Papua New Guinea	Iairo Lasaro	Brown Bai
Paraguay	Federico Zayas	Anibal Fernando Paciello Rodriguez
Peru	Victor Joy Way	Alfredo Jalilie Awapara
Philippines	Edgardo B. Espiritu	Gabriel C. Singson
Poland	Hanna Gronkiewicz-Waltz	Ryszard Kokoszczynski
Portugal	Antonio de Sousa Franco	Fernando Teixeira dos Santos
Qatar +	Youssef Hussain Kamal	Abdullah Bin Khalid Al-Attiyah
Romania +	Decebal Traian Remes	Emil Iota Ghizari
Russian Federation	Yuri Maslyukov	Andrei Shapovaliants
Rwanda	Donald Kaberuka	Jean Marie Karekezi
St. Kitts and Nevis	Denzil Douglas	Timothy Harris
St. Lucia	Kenny D. Anthony	Bernard La Corbiniere
St. Vincent and the Grenadines	James F. Mitchell	Maurice Edwards
Samoa	Tuilaepa S. Malielegaoi	Epa Tuioti
São Tomé and Principe	Acacio Elba Bonfim	Maria das Neves Batista de Sousa
Saudi Arabia	Ibrahim A. Al-Assaf	Jobarah Al-Suraisry
Senegal	Mohamed El Moustapha Diagne	El Hadj Ibrahima Sall
Seychelles +	Jeremie Bonnelame	Alain Butler-Payette
Sierra Leone	James O.C. Jonah	James Bucknall
Singapore +	Richard Hu Tsu Tau	Lim Siong Guan
Slovak Republic	Ivan Miklos	Vladimir Masar
Slovenia	Mitja Gaspari	Irena Sodin
Solomon Islands	Alpha Kimata	George Kiriau
Somalia	(vacant)	(vacant)
South Africa	Trevor Andrew Manuel	Gill Marcus
Spain	Rodrigo de Rato Figaredo	Elena Pisonero Ruiz
Sri Lanka	Chandrika Bandaranaika Kamaratunga	Dixon Nilaweera
Sudan	Abdel Wahab Osman	Izzedin Ibrahim Hassan
Suriname +	Tjandrikapersad Gobardhan	Lesley Winter
Swaziland	Majozi Sithole	Musa D. Fakudze
Sweden	Bosse Ringholm	Pierre Schori
Switzerland	Pascal Couchepin	Joseph Deiss
Syrian Arab Republic	Mohammed Khaled Al-Mahayni	Mohamad Bittar
Tajikistan	Yakhyo N. Azimov	Murotali M. Alimardanov

GOVERNORS AND ALTERNATES OF THE WORLD BANK *(continued)*

June 30, 1999

Member	Governor	Alternate
Tanzania	Nassoro Malocho	Raphael O. Mollel
Thailand	Tarrin Nimmanahaeminda	Suphachai Phisitvanich
Togo	Abdoul-Hamid S.B. Tidjani-Dourodjaye	Kossi Assimaidou
Tonga	Kinikinilau Tutoatasi Fakafanua	'Aisake V. Eke
Trinidad and Tobago	Brian Kuei Tung	Kamal Mankee
Tunisia	Mohamed Ghannouchi	Abdelhamid Triki
Turkey	Yener Dincmen	Cuneyt Sel
Turkmenistan +	Hudaiberdy A. Orazov	Ovez Agaev
Uganda	Gerald M. Ssendaula	Emmanuel Tumusiime-Mutebile
Ukraine +	Sergiy L. Tigipko	Roman Shpek
United Arab Emirates	Hamdan bin Rashid Al-Maktoum	Mohamed K. Khirbash
United Kingdom	Clare Short	Gordon Brown
United States	Robert E. Rubin	Stuart E. Eizenstat
Uruguay +	Luis Mosca	Ariel Davrieux
Uzbekistan	Bakhtiyar S. Khamidov	Akram Mukhidov
Vanuatu	Sela Molisa	Jeffry Wilfred
Venezuela +	Jorge Giordani	Maritza Izaguirre
Vietnam	Nguyen Tan Dung	Le Duc Thuy
Yemen, Republic of	Ahmed Mohamed Sofan	Anwar Rizq Al-Harazi
Zambia	Edith Zewelani Nawakwi	Benjamin Mweene
Zimbabwe	Herbert M. Murerwa	Leonard Ladislas Tsumba

+ Not a member of IDA

Executive Directors and Alternates of The World Bank and Their Voting Power

June 30, 1999

Appendix 2

Executive director	Alternate	Casting votes of	IBRD Total votes	IBRD % of total	IDA Total votes	IDA % of total
Appointed						
Jan Piercy	Michael Marek	United States	265,219	16.53	1,745,962	14.99
Satoru Miyamura	Akira Kamitomai	Japan	127,250	7.93	1,252,764	10.75
Helmut Schaffer	Eckhardt Biskup	Germany	72,649	4.53	820,259	7.04
Jean-Claude Milleron	Jean Pesme	France	69,647	4.34	497,297	4.27
Stephen Pickford	Myles Wickstead	United Kingdom	69,647	4.34	582,514	5.00
Elected						
Ruth Bachmayer (Austria)	Luc Hubloue (Belgium)	Austria, Belarus,[a] Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey	76,720	4.78	498,386	4.28
Pieter Stek (Netherlands)	Tamara Solyanyk (Ukraine)	Armenia, Bosnia and Herzegovina, Bulgaria,[a] Croatia, Cyprus, Georgia, Israel, Macedonia (former Yugoslav Republic of), Moldova, Netherlands, Romania,[a] Ukraine[a]	72,208	4.50	420,880	3.61
Federico Ferrer (Spain)	(vacant)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, Venezuela[a]	68,475	4.27	244,522	2.10
Terrie O'Leary (Canada)	Alan David Slusher (Belize)	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	62,217	3.88	478,284	4.11
Murilo Portugal (Brazil)	Patricio Rubianes (Ecuador)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname,[a] Trinidad and Tobago	58,124	3.62	330,694	2.84
Young-Hoi Lee[b] (Republic of Korea)	Lewis D. Holden (New Zealand)	Australia, Cambodia, Kiribati, Korea (Republic of), Marshall Islands, Micronesia (Federated States of), Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Vanuatu	55,800	3.48	342,480	2.94
Godfrey Gaoseb (Namibia)	Girmai Abraham (Eritrea)	Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia,[a] Nigeria, Seychelles,[a] Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	55,190	3.44	465,400	4.00

EXECUTIVE DIRECTORS AND ALTERNATES OF THE WORLD BANK AND THEIR VOTING POWER *(continued)*

June 30, 1999

Executive director	Alternate	Casting votes of	IBRD Total votes	IBRD % of total	IDA Total votes	IDA % of total
Franco Passacantando (Italy)	Helena Cordeiro (Portugal)	Albania, Greece, Italy, Malta,[a] Portugal	55,093	3.43	458,030	3.93
Surendra Singh[c] (India)	Syed Ahmed (Bangladesh)	Bangladesh, Bhutan, India, Sri Lanka	54,945	3.43	496,937	4.27
Inaamul Haque (Pakistan)	Mohamed Dhif (Algeria)	Algeria, Ghana, Iran (Islamic Republic of), Iraq, Morocco, Pakistan, Tunisia	54,052	3.37	237,322	2.04
Ilkka Niemi (Finland)	Anna M. Brandt (Sweden)	Denmark, Estonia,[a] Finland, Iceland, Latvia, Lithuania,[a] Norway, Sweden	50,839	3.17	565,573	4.86
Matthias Meyer (Switzerland)	Jerzy Hylewski (Poland)	Azerbaijan, Kyrgyz Republic, Poland, Switzerland, Tajikistan, Turkmenistan,[a] Uzbekistan	46,096	2.87	404,736	3.47
Zhu Xian (China)	Zou Jiayi (China)	China	45,049	2.81	219,696	1.89
Khalid H. Alyahya (Saudi Arabia)	Khaled Al-Aboodi (Saudi Arabia)	Saudi Arabia	45,045	2.81	412,982	3.55
Andrei Bugrov (Russian Federation)	Eugene Miagkov (Russian Federation)	Russian Federation	45,045	2.81	31,593	0.27
Khalid M. Al-Saad (Kuwait)	Mohamed Kamel Amr (Arab Republic of Egypt)	Bahrain,[a] Egypt (Arab Republic of), Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar,[a] Syrian Arab Republic, United Arab Emirates, Yemen (Republic of)	43,984	2.74	262,432	2.25
Jannes Hutagalung (Indonesia)	Wan Abdul Aziz Wan Abdullah (Malaysia)	Brunei Darussalam,[a] Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore,[a] Thailand, Tonga, Vietnam	41,096	2.56	311,463	2.67
Valeriano F. Garcia (Argentina)	Ivan Rivera (Peru)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay[a]	37,499	2.34	220,223	1.89
Bassary Toure (Mali)	Paulo F. Gomes (Guinea-Bissau)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (Democratic Republic of), Congo (Republic of), Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Principe, Senegal, Togo	32,252	2.01	348,156	2.99

In addition to the executive directors and alternates shown in the foregoing list, the following served after October 31, 1998:

Executive director	End of period of service	Alternate director	End of period of service
Li Yong (China)	December 31, 1998	Kacim Brachemi (Algeria)	June 14, 1999
		Christopher Legg (Australia)	March 31, 1999
		Mihai Tanasescu (Romania)	May 31, 1999
		Zhao Xiaoyu (China)	February 28, 1999

Note: Afghanistan (550 votes in IBRD and 13,557 votes in IDA) and Somalia (802 votes in IBRD and 10,506 votes in IDA) did not participate in the 1998 Regular Election of Executive Directors.
a. Member of the IBRD only.
b. To be succeeded by Neil Hyden (Australia) effective August 1, 1999.
c. To be succeeded by B.P. Singh (India) effective August 1, 1999.

OFFICERS OF THE WORLD BANK

June 30, 1999

President	James D. Wolfensohn
Managing Director	Sven Sandström
Managing Director and Corporate Secretary	Shengman Zhang
Managing Director and Executive Vice President, IFC	Peter Woicke
Senior Vice President and Chief Financial Officer	Gary Perlin
Senior Vice President, Development Economics, and Chief Economist	Joseph E. Stiglitz
Vice President and Head, Poverty Reduction and Economic Management Network	Masood Ahmed
Vice President, Latin America and the Caribbean	Shahid Javed Burki
Vice President, Financial Sector and Network Head, Private Sector and Infrastructure	Manuel Conthe
Vice President and Head, Human Development Network	David de Ferranti
Vice President, Middle East and North Africa	Kemal Dervis
Vice President and Head, Environmentally and Socially Sustainable Development Network	Ian Johnson
Vice President, Resource Mobilization and Cofinancing	Motoo Kusakabe
Vice President, Europe and Central Asia	Johannes F. Linn
Vice President, Africa	Callisto Madavo
Vice President, External Affairs	Mark Malloch Brown
Vice President and Treasurer	Afsaneh Mashayekhi Beschloss
Vice President and Controller	Jules W. Muis
Vice President, South Asia	Mieko Nishimizu
Vice President and General Counsel	Andres Rigo Sureda (Acting)
Vice President, External Affairs, Europe	Jean-François Rischard
Vice President, Africa	Jean-Louis Sarbib
Vice President, Special Programs	M. Ismail Serageldin
Vice President, East Asia and Pacific	Jean-Michel Severino
Vice President, Infrastructure and Private Sector Development and Network Head, Finance, Private Sector and Infrastructure	Nemat Shafik
Vice President and Head, Operational Core Services Network	Katherine Sierra
Vice President, Strategy and Resource Management	Anil Sood
Vice President, Human Resources	Richard Stern
Chief Information Officer and Head, Information Solutions Network	Mohamed Muhsin
Director-General, Operations Evaluation	Robert Picciotto

June 30, 1999

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New York Office: Office of the Special Representative to the United Nations, 809 United Nations Plaza, Suite 900, New York, N.Y., 10017, U.S.A

Europe: The World Bank, 66 avenue d'Iéna, 75116 Paris, France

Brussels: The World Bank, 10 rue Montoyer, B-1000 Brussels, Belgium

London: The World Bank, New Zealand House, 15th floor, Haymarket, London, SW1 Y4TE, England

Tokyo: The World Bank, Fukoku Seimei Building, 10th Floor, 2-2-2 Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011, Japan

* **Regional Mission in Eastern Africa:** The World Bank, Hill Park Building, Upper Hill, Nairobi, Kenya (mailing address: P.O. Box 30577)

* **Regional Mission in Western Africa:** Banque Mondiale, Corner of Booker Washington and Jacques Aka Streets, Cocody, Abidjan 01, Côte d'Ivoire (mailing address: B.P. 1850)

Albania: The World Bank, Deshmoret e 4 Shkurtit, No. 34, Tirana, Albania

Angola Liaison Office: Banco Mundial, Rua Alfredo Troni, (Edificio BPC), No. 15, 14 Andar (14th Floor) Luanda, Angola (mailing address: Caixa Postal 1331)

* **Argentina:** Banco Mundial, Edificio Bouchard, Bouchard 547, 3er Piso, 1106 Buenos Aires, Argentina

Armenia: The World Bank, Republic Square, 2 Khorhertarani Street, Yerevan 10, Armenia

Azerbaijan: The World Bank, 91-95 Mirza Mansur Street, Icheri Sheher, Baku 370004, Azerbaijan

* **Bangladesh:** The World Bank, 3A Paribagh, Dhaka 1000, Bangladesh (mailing address: G.P.O. 97)

Belarus: The World Bank, 6A Partizansky Avenue, 5th Floor, Minsk, 220033, Republic of Belarus

Benin: The World Bank, Zone Residentielle de la Radio, Cotonou, Benin (mailing address: B.P. 03-2112)

Bolivia: Banco Mundial, Edificio BISA, Piso 9, 16 de Julio 1628, La Paz, Bolivia (mailing address: Casilla 8692)

Bosnia and Herzegovina: The World Bank, Hamdije Kresevljakovica 19/5, 71000 Sarajevo, Bosnia and Herzegovina

* **Brazil:** Banco Mundial, SCN Quadra 02 - Lote A - Edificio, Corporate Financial Center, Conjuntos 303/304, 603, Brasilia, DF 70712-900, Brazil

Brazil: Banco Mundial, Avenida Isaac Povoas, No. 1251, Edificio Nacional Palacius, Sala 603 - Centro, 78.045-640 Cuiaba - (MT) Brazil

Brazil: Banco Mundial, Edificio SUDENE, Sala 1S-108, Cidade Universitaria, 50670-900 Recife, PE, Brazil

Bulgaria: The World Bank, World Trade Center - Interpred, 36, Dragan Tsankov Blvd., Sofia 1057, Bulgaria

Burkina Faso: The World Bank, Immeuble BICIA, 3-ème étage, Ouagadougou, Burkina Faso (mailing address: B.P. 622)

Burundi: The World Bank, Avenue du 18 Septembre, Bujumbura, Burundi (mailing address: B.P. 2637)

Cambodia: The World Bank, 164 Pasteur Street (STR 51), Phnom Penh, Cambodia (mailing address: P.O. Box 877)

Cameroon: The World Bank, Street 1.792, No. 186, Yaounde, Cameroon (mailing address: P.O. Box 1128)

Central African Republic: Banque Mondiale, rue des Missions, Bangui, C.A.R.

Chad: The World Bank, Avenue Charles de Gaulle, et Avenue du Commandant Lamy, Quartier Bololo N'Djamena, Chad (mailing address: P.O. Box 146)

* **China:** The World Bank Resident Mission in China, 9th Floor, Building A, Fuhua Mansion, No. 8, Chaoyangmen Beidajie, Dongcheng District, Beijing 100027, China

Colombia: Banco Mundial, Diagonal 35 No. 5-98, Bogota, Colombia
(mailing address: Apartado Aereo 10229)

Dominican Republic: Calle Virgilio Díaz Ordoñez #36 esq. Gustavo Mejía Ricart, Edificio Mezzo Tempo, Suite 401, 4ta planta, Santo Domingo, R.D.

Ecuador: Banco Mundial, Calle 12 de Octubre y Cordero, World Trade Center, 13 piso, Quito, Ecuador

* **Egypt:** The World Bank, World Trade Center, 1191 Corniche El-Nil, 15th Floor, Boulaq, Cairo, Egypt 11221

Eritrea: The World Bank, ALPHA Building, First Floor, Andinet Avenue, Asmara, Eritrea

Estonia: The World Bank, Suur-Ameerika 1, 13th floor, Tallinn EE0100, Estonia

Ethiopia: The World Bank, Africa Avenue, Bole Road, Addis Ababa, Ethiopia
(mailing address: P.O. Box 5515)

Georgia: The World Bank, 18 A Chonkadze St., Tbilisi, Georgia

* **Ghana:** The World Bank, 69, Dr. Isert Road, (formerly 69, Eighth Avenue Extension), North Ridge Residential Area, Accra, Ghana
(mailing address: P.O. Box M27)

Guatemala: Banco Mundial, 13 Calle 3-40, Zona 10, Edificio Atlantis, Piso 14, Suite Andromeda, Guatemala City, Guatemala

Guinea: Banque Mondiale, Immeuble de l'Archevêche, Face Baie des Anges, Conakry, Guinea
(mailing address: B.P. 1420)

Haiti: The World Bank, 18 rue Emeric (Montana), Port-au-Prince, Haiti

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Kazakhstan: The World Bank, 41 Kazybeck bi Street, 4th Floor, 480100 Almaty, Republic of Kazakhstan

* **Korea, Republic of:** The World Bank, 11th Floor, Youngpoong Building, # 33 Suhrin-Dong, Chongro-ku, Seoul 110-110, Republic of Korea

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Laos: The World Bank, Nehru Road, Pathou Xay, Vientiane, Lao P.D.R.

Latvia: The World Bank, 2 Smilsu Street, Riga, Latvia LV-1162

Lesotho: The World Bank Liaison Office, UN House, United Nations Road, Maseru, Lesotho

Lithuania: The World Bank, Vilniaus Str. 28, 2600 Vilnius, Lithuania

Macedonia, former Yugoslav Republic of: The World Bank, 34 Leninova Street, 91000 Skopje, Macedonia

Madagascar: Banque Mondiale, 1 bis, rue Patrice Lumumba, Antananarivo 101, Madagascar (mailing address: B.P. 4140)

Malawi: The World Bank, Development House, Capital City, Lilongwe 3, Malawi (mailing address: P.O. Box 30557)

Mali: Banque Mondiale, Immeuble SOGEFIH, Centre Commercial Rue 321, Quartier du Fleuve, Bamako, Mali (mailing address: B.P. 1864)

Mauritania: The World Bank, Villa No. 30, Lot A, Quartier Socogim, Nouakchott, Mauritania (mailing address: B.P. 667)

* **Mexico:** The World Bank, Insurgentes Sur 1605, Piso 24, San Jose Insurgentes, 03900 Mexico, D. F. Mexico

Moldova: The World Bank, Sciusev str., 76/6, MD 2012, Chisinau, Republic of Moldova

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Morocco: The World Bank, 7, rue Larbi Ben Abdellah, Rabat-Souissi, Morocco

Mozambique: The World Bank, Ave. Kenneth Kaunda, 1224, Maputo, Mozambique (mailing address: Caixa Postal 4053)

* **Nepal:** The World Bank, Yak and Yeti Hotel Complex, Lal Durbar, Kathmandu, Nepal (mailing address: P.O. Box 798)

Nicaragua: Banco Mundial, De los Semaforos de la Centroamerica, 400 mts. Abajo, Segundo Piso Edificio SYSCOM, Managua, Nicaragua

Niger: Banque Mondiale, 42 rue des Dallols, Niamey, Niger (mailing address: B.P. 12402)

Nigeria: The World Bank, Plot 433, Yakubu Gowon Crescent, Opposite Ecowas Secretariat, Asokoro District, Abuja, Nigeria (mailing address: P.O. Box 2826, Garki)

* **Pakistan:** The World Bank, 20 A, Shahrah-e-Jamhuriyat, Ramna 5, G-5/1, Islamabad, Pakistan (mailing address: P.O. Box 1025)

Papua New Guinea: World Bank Liaison Office, c/o Islander Travelodge Hotel, Suite 102, Port Moresby, Papua New Guinea (mailing address: P.O. Box 1877)

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Peru: Banco Mundial, Avenida Pardo y Aliaga 640, Piso 16, San Isidro, Lima, Peru

* **Philippines:** The World Bank, Resident Mission Philippines, 23rd Floor, The Taipan Place Bldg., Emerald Avenue, Ortigas Center, Pasig City, Manila, Philippines

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Saudi Arabia: The World Bank, UNDP Building King Faisal Street, Riyadh 11432, Saudi Arabia
(mailing address: P.O. Box 5900)

Senegal: Banque Mondiale, 3 Place de l'Indépendance, Dakar, Senegal (mailing address: B.P. 3296)

Sierra Leone: The World Bank Liaison Office, Regent House, 14 Wilberforce Street, Freetown, Sierra Leone

South Africa: The World Bank, 1st Floor, Pro Equity Court, 1250 Pretorius Street, Hatfield, Pretoria 0083, Republic of South Africa
(mailing address: P.O. Box 12629)

* **Sri Lanka:** The World Bank, Development Finance Corporation of Ceylon, (DFCC) Bank Building, 1st Floor, 73/5 Galle Road, Colombo 3, Sri Lanka
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* **Tanzania:** The World Bank, 50 Mirambo Street, Dar-es-Salaam, Tanzania (mailing address: P.O. Box 2054)

* **Thailand:** The World Bank, 14th Floor, Tower A, Diethelm Towers, 93/1 Wireless Road, Bangkok 10330, Thailand

Togo: The World Bank, 169 Boulevard du 13 Janvier, Immeuble BTCI, 8-ème étage, Lomé, Togo (mailing address: B.P. 3915)

* **Turkey:** The World Bank, Ataturk Bulvari, No. 211, Gama-Guris Building Kat 6, 06683 Kavaklidere, Ankara, Turkey

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* **Uganda:** The World Bank, Lumumba Road, Rwenzori House, 4th Floor, Kampala, Uganda (mailing address: P.O. Box 4463)

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* **Vietnam:** The World Bank, 53 Tran Phu Street, Hanoi, Vietnam

* **West Bank and Gaza:** The World Bank, Gaza City, Gaza (mailing address: P.O. Box 54842, Jerusalem)

Yemen: The World Bank, Hadda, Street No. 40; Off Damascus Road, Sana'a, Republic of Yemen
(mailing address: P.O. Box 18152)

Zambia: The World Bank, Anglo American Building, 74 Independence Avenue, 3rd Floor, Lusaka, Zambia 10101
(mailing address: P.O. Box 35410)

Zimbabwe: The World Bank, Finsure House, 5th Floor, 84 - 86 Union Avenue, Harare, Zimbabwe
(mailing address: P.O. Box 2960)

* Country Directors are in the field.

World Bank Budget by Program
Fiscal Years 1996–99

(millions of U.S. dollars)

	Actual			
	FY1996	FY1997	FY1998	FY1999
Program				
Regional	669.5	650.7	711.8	738.1
Networks	61.6	61.2	84.1	99.4
Other Operational Programs	1.1	2.1	4.6	10.7
Development Economics and World Bank Institute	80.5	87.8	95.3	101.8
Financial	74.9	74.4	74.9	83.3
Administrative	124.6	122.0	139.5	126.5
Corporate Management and Services	85.1	88.6	91.9	93.5
Centrally Managed Overheads and Benefits	202.6	195.0	67.5	60.3
Financial Sector Restructuring Program	0.0	0.0	4.1	14.5
Administrative Budget	1,299.8	1,281.8	1,273.7	1,328.2
Less:				
Reimbursements and Fee Income	(102.4)	(107.6)	(102.9)	(115.1)
Net Administrative Budget	1,197.4	1,174.3	1,170.8	1,213.1
Development Grant Facility	112.7	120.0	110.3	129.4
Corporate Secretariat	51.0	53.0	57.1	58.1
Operations Evaluation	14.9	15.2	16.0	16.8
Less:				
Reimbursements and Fee Income	(0.1)	(0.5)	(1.0)	(1.3)
Total Administrative Budget	1,375.8	1,362.0	1,353.3	1,416.2

COUNTRY ELIGIBILITY FOR BORROWING FROM THE WORLD BANK

(as of June 30, 1999)

COUNTRIES ELIGIBLE FOR IBRD FUNDS ONLY

Income category and country	1998 GNP per capita (US$)[a]
Per capita income over $5,280	
Slovenia	9,760
Argentina	8,970
Antigua and Barbuda	8,300
Korea, Republic of	7,970
Seychelles	6,450
Uruguay	6,180
St. Kitts and Nevis	6,130
Per capita income $3,031–$5,280	
Czech Republic	5,040
Chile	4,810
Brazil	4,570
Croatia	4,520
Hungary	4,510
Trinidad and Tobago	4,430
Mexico	3,970
Gabon	3,950
Poland	3,900
Mauritius	3,700
Slovak Republic	3,700
Botswana	3,600
Malaysia	3,600
Lebanon	3,560
Venezuela	3,500
Estonia	3,390
Turkey	3,160
Panama	3,080
Palau	n.a.
Per capita income $1,461–$3,030	
South Africa	2,880
Costa Rica	2,780
Belize	2,610
Colombia	2,600
Peru	2,460
Lithuania	2,440
Latvia	2,430
Russian Federation	2,300
Belarus	2,200
Thailand	2,200
Fiji	2,110
Tunisia	2,050
Namibia	1,940
El Salvador	1,850
Micronesia, Federated States of	1,800
Dominican Republic	1,770
Iran, Islamic Republic of	1,770
Paraguay	1,760
Jamaica	1,680
Suriname	1,660
Guatemala	1,640
Algeria	1,550
Marshall Islands	1,540
Ecuador	1,530
Jordan	1,520
Equatorial Guinea[b]	1,500
Per capita income $760–$1,460	
Swaziland	1,400
Romania	1,390
Kazakhstan	1,310
Egypt, Arab Republic of[b]	1,290
Morocco	1,250
Bulgaria	1,230
Philippines	1,050
Syrian Arab Republic	1,020
Papua New Guinea	890
Uzbekistan	870
Ukraine	850
Iraq	n.a.
Per capita income less than $760	
China[b]	750
Turkmenistan	n.a.

COUNTRIES ELIGIBLE FOR A BLEND OF IBRD AND IDA FUNDS[c]

Per capita income $3,031–$5,280	
St. Lucia[d]	3,410
Grenada[d]	3,170
Per capita income $1,461–$3,030	
Dominica[d]	3,010
St. Vincent and the Grenadines[d]	2,420
Per capita income $760–$1,460	
Macedonia, FYR of	1,290
Georgia	930
Bosnia and Herzegovina	n.a.

(continued next page)

(as of June 30, 1999)

Income category and country	1998 GNP per capita (US$)[a]
Per capita income $760 or less	
Indonesia	680
Zimbabwe	610
Azerbaijan	490
Armenia	480
Pakistan	480
India	430
Moldova	410
Kyrgyz Republic	350
Nigeria	300

COUNTRIES ELIGIBLE FOR IDA FUNDS ONLY[c]

Per capita income $1,461-$3,030	
Tonga[d]	1,690
Per capita income $760-$1,460	
Vanuatu[d]	1,270
Maldives[d]	1,230
Kiribati	1,180
Cape Verde[d]	1,060
Samoa[d]	1,020
Bolivia	1,000
Albania	810
Sri Lanka	810
Guyana	770
Djibouti	n.a.
Per capita income less than $760	
Solomon Islands	750
Honduras	730
Côte d'Ivoire	700
Congo, Republic of	690
Cameroon	610
Lesotho	570
Guinea	540
Senegal	530
Haiti	410
Mauritania	410
Mongolia	400
Ghana	390
Nicaragua	390
Benin	380
Comoros	370
Bangladesh	350
Tajikistan	350
Angola	340
Gambia, The	340
Kenya	330
Lao People's Dem. Rep.	330
Togo	330
Vietnam	330
Zambia	330
Uganda	320
Central African Republic	300
Yemen, Republic of	300
Sudan	290
Cambodia	280
São Tomé and Principe	280
Madagascar	260
Mali	250
Burkina Faso	240
Rwanda	230
Chad	230
Mozambique	210
Nepal	210
Tanzania	210
Eritrea	200
Malawi	200
Niger	190
Guinea-Bissau	160
Burundi	140
Sierra Leone	140
Congo, Democratic Republic	110
Ethiopia	100
Afghanistan	n.a.
Bhutan	n.a.
Liberia	n.a.
Myanmar	n.a.
Somalia	n.a.

n.a. Precise figures not available
a. World Bank Atlas methodology.
b. Graduated from IDA on June 30, 1999.
c. Countries are eligible for IDA on the basis of (a) relative poverty and (b) lack of creditworthiness. The operational cutoff for IDA eligibility for FY00 is a 1998 GNP per capita of US$895, using Atlas methodology. To receive IDA resources, countries also meet tests of performance. In exceptional circumstances, IDA extends eligibility temporarily to countries that are above the operational cutoff and are undertaking major adjustment efforts but are not creditworthy for IBRD lending. An exception has also been made for small island economies (see below).
d. During the IDA-12 period (FY00-02), an exception to the GNP per capita operational cutoff for IDA eligibility ($895 for FY00) has been made for some small island economies, which otherwise would have little or no access to Bank Group assistance because they lack creditworthiness. For such countries, IDA funding is considered case by case for the financing of projects and adjustment programs designed to strengthen creditworthiness.

DISBURSEMENTS AND PROCUREMENT

The procurement rules and procedures to be followed in the execution of each project depend on individual circumstances. Four considerations generally guide the Bank's requirements:

- economy and efficiency in the execution of a project;
- opportunity for all eligible bidders from borrowing and nonborrowing member countries to compete in providing goods, works, and services financed by the Bank;
- development of local contractors, manufacturers, and consulting services in borrowing countries; and
- transparency in the procurement process.

Appendix 7A shows consolidated foreign and local disbursements for the IBRD and IDA through the end of fiscal 1994 and for period fiscal 1995 through fiscal 1999. Advance disbursements consist of payments made into special accounts of borrowers, from which funds are paid to specific suppliers as expenditures are incurred. Because balances in these accounts cannot be attributed to any specific supplying country until expenditures have been reported to the Bank, these are shown as a separate category.

Appendix 7B provides details on foreign disbursements by countries eligible to borrow from the World Bank and nonborrowing countries[1] for the IBRD and IDA separately.

Appendix 7C shows disbursements made in fiscal 1999 by the IBRD and IDA for local procurement by current borrowing countries and disbursements made for goods, works, and services procured from them by other Bank borrowers (foreign procurement) for projects funded by the Bank.

Appendix 8 shows the amounts disbursed from the IBRD and IDA separately for foreign procurement of goods, works and services from selected member countries in fiscal 1999 and cumulatively through fiscal 1999.

Appendix 9 shows the proportion of foreign disbursements from the IBRD and IDA for specific categories of goods and services provided by selected member countries in fiscal 1999.

Appendix 10 provides a summary listing of the amounts paid to eligible World Bank borrowing country suppliers and nonborrowing country suppliers in each fiscal year from 1997 to 1999 under investment projects. Amounts disbursed are compared with respect to significant categories of goods procured from foreign suppliers. The extent to which eligible borrowing countries and nonborrowing countries participated in supplying these major categories of goods in each of the past three fiscal years is also compared.

Under simplified procedures for structural and sectoral adjustment loans approved by the executive directors in fiscal 1996, disbursements are no longer directly linked to procurement under adjustment loans. Thus, while appendixes 7b to 10 report on disbursements from the IBRD and IDA, they do not include disbursements under adjustment loans. The information in appendix 11 reflects adjustment loan disbursements to each borrower as pro-rata shares of that borrower's eligible imports from supplying countries using import data drawn from United Nations trade statistics.

In all these tables and appendixes, IBRD figures exclude disbursements for loans to the IFC and "B" loans. IDA figures include Special Facility for Sub-Saharan Africa and Interim Trust Fund credits. Disbursements for Project Preparation Facility advances are excluded for both the IBRD and IDA.

1. Appendix 6 lists countries eligible for IBRD and IDA funds.

IBRD and IDA Disbursements for Foreign and Local Expenditures — Appendix 7A

(amounts in millions of U.S. dollars)

Period	IBRD and IDA: Foreign[a] Amount	Foreign[a] %	Local Amount	Local %	Net advance disbursements[b] Amount	Net advance disbursements[b] %	Total Amount
Cumulative to June 30, 1994	131,294	57	93,059	41	4,331	2	228,684
Fiscal 1995	9,094	51	8,724	49	–97	—	17,720
Fiscal 1996	10,013[c]	52	8,787	46	456	2	19,256
Fiscal 1997	8,733	44	10,543	53	487	2	19,763
Fiscal 1998	14,292	57	10,112	41	449	2	24,853
Fiscal 1999	14,781	60	8,859	37	736	3	24,376
Cumulative to June 30, 1999	188,209	56	140,084	42	6,360	2	334,653

NOTE: Foreign expenditures are expenditures in the currency of any country other than that of the borrower or guarantor, for goods or services supplied from the territory of any country other than the territory of the borrower or guarantor. Local expenditures are expenditures in the currency of the borrower or guarantor or for goods or services supplied from the territory of the borrower or guarantor. Amounts may not add to totals because of rounding.

a. Amounts exclude debt-reduction disbursements of $3,038 million through FY94, $655 million in FY95, $213 million in FY97, and $82 million in FY98. Amounts include disbursements under simplified procedures for structural and sectoral adjustment loans of $556 million in FY96, $3,333 million in FY97, $9,540 million in FY98, and $10,423 million in FY99. Amounts include HIPC Debt Initiative grant disbursements of $74 million in FY98 and $149 million in FY99.

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

c. Disbursements for FY96 include the refinanced/rescheduled overdue charges of $168 million for Bosnia and Herzegovina.

IBRD and IDA Disbursements for Foreign Expenditures, by Source of Supply — Appendix 7B

(amounts in millions of U.S. dollars)

Period	IBRD: Countries not eligible to borrow Amount	%	Countries eligible to borrow Amount	%	Total Amount	IDA: Countries not eligible to borrow Amount	%	Countries eligible to borrow Amount	%	Total Amount
Cumulative to June 30, 1994	84,691	88	11,619	12	96,310	28,229	81	6,755	19	34,984
Fiscal 1995	4,787	81	1,109	19	5,896	2,116	66	1,081	34	3,197
Fiscal 1996	5,264	77	1,541	23	6,806	1,762	66	891	34	2,652
Fiscal 1997	3,082	86	521	14	3,602	1,374	76	425	24	1,798
Fiscal 1998	2,734	85	468	15	3,202	1,103	75	374	25	1,477
Fiscal 1999	2,228	89	275	11	2,503	1,164	68	542	32	1,706
Cumulative to June 30, 1999	102,785	87	15,532	13	118,317	35,749	78	10,068	22	45,817

NOTE: Amounts exclude disbursements for debt reduction, net advance disbursements, disbursements under simplified procedures for structural and sectoral adjustment loans, and disbursements under HIPC debt initiative grants. Countries eligible to borrow from IBRD and IDA are listed in Appendix 6. For consistency of comparison, the Republic of Korea is included as a country eligible to borrow for all periods covered by this table. Korea became eligible to borrow in December 1997. Amounts may not add to totals because of rounding.

IBRD and IDA Payments to Supplying Eligible[a] Borrowing Countries for Local and Foreign Procurement in Fiscal Year 1999

(millions of U.S. dollars)

Borrowing countries	Local procurement	Foreign procurement	Total amount	Percentage of total disbursements[b]
Albania	25	1	27	0.11
Algeria	48	—	48	0.20
Angola	14	—	14	0.06
Argentina	824	28	852	3.52
Armenia	27	+	27	0.11
Azerbaijan	6	+	6	*
Bangladesh	173	3	176	0.73
Barbados	5	+	5	*
Belarus	1	—	1	*
Belize	2	+	2	*
Benin	37	+	37	0.15
Bhutan	1	—	1	*
Bolivia	59	+	59	0.24
Bosnia and Herzegovina	43	+	43	0.18
Botswana	—	+	+	*
Brazil	816	19	835	3.45
Bulgaria	8	3	11	*
Burkina Faso	39	+	39	0.16
Burundi	10	+	10	*
Cambodia	4	+	4	*
Cameroon	66	+	66	0.27
Cape Verde	6	—	6	*
Central African Republic	1	5	7	*
Chad	14	—	14	0.06
Chile	64	4	68	0.28
China	1,387	186	1,573	6.49
Colombia	113	7	120	0.50
Comoros	1	—	1	*
Congo, Democratic Republic of	—	+	+	*
Costa Rica	11	11	22	0.09
Côte d'Ivoire	88	3	92	0.38
Croatia	24	1	25	0.10
Cyprus	8	17	25	0.10
Czech Republic	9	19	28	0.12
Djibouti	1	+	1	*
Dominica	1	+	1	*
Dominican Republic	6	+	6	*
Ecuador	65	5	69	0.29
Egypt, Arab Republic of	40	6	46	0.19
El Salvador	8	2	10	*
Equatorial Guinea	+	+	+	*
Eritrea	2	—	2	*
Estonia	10	1	10	*
Ethiopia	23	1	23	0.10
Fiji	3	+	3	*
Gabon	3	—	3	*
Gambia, The	1	1	2	*
Georgia	9	5	14	0.06
Ghana	127	1	128	0.53
Grenada	1	—	1	*
Guatemala	20	5	25	0.10
Guinea	23	1	25	0.10
Guinea-Bissau	+	—	+	*
Guyana	4	+	4	*
Haiti	10	+	10	*
Honduras	15	1	16	0.07
Hungary	25	7	32	0.13
India	1,285	107	1,392	5.75

Borrowing countries	Local procurement	Foreign procurement	Total amount	Percentage of total disbursements[b]
Indonesia	298	16	314	1.30
Iran, Islamic Republic of	45	3	47	0.20
Jamaica	22	+	22	0.09
Jordan	30	6	37	0.15
Kazakhstan	9	+	10	*
Kenya	50	5	55	0.23
Korea, Republic of	63	96	159	0.66
Kyrgyz Republic	9	+	9	*
Lao People's Dem. Rep.	15	+	15	0.06
Latvia	18	—	18	0.08
Lebanon	26	2	28	0.12
Lesotho	9	+	9	*
Liberia	—	+	+	*
Lithuania	10	+	10	*
Macedonia, FYR of	10	1	11	*
Madagascar	48	—	48	0.20
Malawi	44	+	44	0.18
Malaysia	15	11	27	0.11
Maldives	+	—	+	*
Mali	25	+	25	0.10
Mauritania	10	+	10	*
Mauritius	3	1	5	*
Mexico	505	16	521	2.15
Moldova	16	+	16	0.07
Mongolia	6	—	6	*
Morocco	90	6	96	0.40
Mozambique	33	+	33	0.14
Nepal	30	+	30	0.13
Nicaragua	34	+	34	0.14
Niger	41	2	43	0.18
Nigeria	123	2	124	0.51
Pakistan	209	11	220	0.91
Panama	22	6	28	0.12
Papua New Guinea	7	—	7	*
Paraguay	19	5	25	0.10
Peru	137	1	138	0.57
Philippines	97	2	99	0.41
Poland	101	15	116	0.48
Romania	25	1	27	0.11
Russian Federation	112	6	118	0.49
Rwanda	17	+	17	0.07
Samoa	+	—	+	*
São Tomé and Principe	1	—	1	*
Senegal	32	11	43	0.18
Seychelles	+	—	+	*
Sierra Leone	10	+	10	*
Slovak Republic	7	2	10	*
Slovenia	5	7	12	*
Solomon Islands	1	—	1	*
South Africa	—	56	56	0.23
Sri Lanka	37	2	39	0.16
St. Kitts and Nevis	+	+	+	*
St. Lucia	1	—	1	*
Sudan	—	3	3	*
Swaziland	1	1	2	*
Syrian Arab Republic	—	1	1	*
Tajikistan	4	—	4	*
Tanzania	46	3	49	0.20
Thailand	53	12	65	0.27

IBRD and IDA Payments to Supplying Eligible[a] Borrowing Countries for Local and Foreign Procurement in Fiscal Year 1999 *(continued)*

Appendix 7C

(millions of U.S. dollars)

Borrowing countries	Local procurement	Foreign procurement	Total amount	Percentage of total disbursements[b]
Togo	10	+	11	*
Tonga	—	+	+	*
Trinidad and Tobago	9	1	10	*
Tunisia	118	3	121	0.50
Turkey	161	11	172	0.71
Turkmenistan	—	+	+	*
Uganda	45	2	47	0.20
Ukraine	6	1	8	*
Uruguay	31	1	33	0.13
Uzbekistan	2	1	3	*
Vanuatu	1	—	1	*
Venezuela	88	43	131	0.54
Vietnam	105	+	106	0.44
Yemen, Republic of	29	3	32	0.13
Zambia	30	1	31	0.13
Zimbabwe	23	2	26	0.11
Total	8,859	834	9,694	40.01

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

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

a. Countries eligible to borrow from IBRD and IDA are listed in Appendix 6. In addition, payments under disbursing loans to Barbados and Cyprus, which are no longer eligible borrowing countries, are included. Amounts exclude disbursements for debt reduction, net advance disbursements, disbursements under simplified procedures for structural and sectoral adjustment loans, and disbursements under HIPC Debt Initiative grants.

b. Refers to the share of all IBRD and IDA payments for fiscal 1999 which totaled $24,376 million.

IBRD and IDA Payments to Supplying Countries for Foreign Procurement

(amounts in millions of U.S. dollars)

Supplying country	IBRD cumulative to June 30, 1999		IBRD fiscal 1999		IDA cumulative to June 30, 1999		IDA fiscal 1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Albania	4	*	1	0.05	2	*	—	*
Argentina	864	0.73	11	0.43	132	0.29	17	1.02
Armenia	—	*	—	*	1	*	+	*
Australia	1,215	1.03	19	0.77	720	1.57	30	1.75
Austria	1,818	1.54	90	3.58	272	0.59	11	0.64
Azerbaijan	3	*	—	*	24	0.05	+	*
Bahamas, The	100	0.08	+	*	8	*	+	*
Bahrain	68	0.06	—	*	131	0.29	+	*
Bangladesh	18	*	2	0.06	48	0.10	1	0.07
Barbados	15	*	+	*	5	*	+	*
Belgium	1,599	1.35	3	0.12	1,075	2.35	13	0.79
Belize	2	*	+	*	6	*	+	*
Benin	4	*	—	*	17	*	+	*
Bolivia	28	*	+	*	3	*	+	*
Bosnia and Herzegovina	+	*	+	*	—	*	—	*
Botswana	6	*	—	*	8	*	—	*
Brazil	1,961	1.66	13	0.53	347	0.76	6	0.33
Bulgaria	49	*	3	0.10	55	0.12	+	*
Burkina Faso	1	*	—	*	13	*	+	*
Burundi	1	*	—	*	12	*	+	*
Cambodia	1	*	—	*	+	*	+	*
Cameroon	5	*	+	*	27	0.06	+	*
Canada	2,760	2.33	69	2.76	850	1.85	37	2.15
Central African Rep.	4	*	1	*	6	*	5	0.27
Chile	386	0.33	2	0.09	40	0.09	2	0.11
China	1,571	1.33	37	1.48	1,420	3.10	149	8.73
Colombia	251	0.21	5	0.20	25	0.06	2	0.11
Congo, Democratic Rep. of	6	*	—	*	41	0.09	+	*
Costa Rica	63	0.05	6	0.24	45	0.10	5	0.32
Côte d'Ivoire	50	*	+	*	258	0.56	3	0.20
Croatia	18	*	+	*	9	*	1	*
Cyprus	94	0.08	14	0.55	38	0.08	3	0.19
Czech Republic	100	0.08	18	0.71	9	*	1	0.08
Denmark	795	0.67	11	0.46	358	0.78	10	0.60
Djibouti	+	*	—	*	26	0.06	+	*
Dominica	5	*	+	*	2	*	—	*
Dominican Republic	6	*	+	*	7	*	—	*
Ecuador	197	0.17	4	0.17	12	*	1	*
Egypt, Arab Republic of	61	0.05	2	0.07	43	0.09	5	0.27
El Salvador	18	*	+	*	9	*	2	0.13
Equatorial Guinea	+	*	—	*	14	*	+	*
Estonia	3	*	1	*	4	*	—	*
Ethiopia	2	*	—	*	6	*	1	*
Fiji	1	*	—	*	4	*	+	*
Finland	589	0.50	22	0.89	151	0.33	13	0.78
France	8,474	7.16	226	9.05	4,904	10.70	135	7.94
Gambia, The	4	*	1	*	1	*	+	*
Georgia	12	*	3	0.12	7	*	2	0.12
Germany	13,427	11.35	300	11.98	3,759	8.20	131	7.69
Ghana	11	*	—	*	17	*	1	0.08
Greece	220	0.19	6	0.25	94	0.20	6	0.36
Grenada	2	*	—	*	5	*	—	*
Guatemala	19	*	+	*	26	0.06	4	0.26
Guinea	5	*	1	*	41	0.09	+	*
Guyana	9	*	+	*	1	*	—	*
Haiti	6	*	+	*	4	*	—	*
Honduras	15	*	—	*	8	*	1	0.08
Hungary	343	0.29	7	0.26	28	0.06	+	*
Iceland	12	*	1	0.06	2	*	+	*
India	464	0.39	9	0.35	1,011	2.21	98	5.73
Indonesia	179	0.15	10	0.42	137	0.30	5	0.32

IBRD AND IDA PAYMENTS TO SUPPLYING COUNTRIES FOR FOREIGN PROCUREMENT *(continued)*

(amounts in millions of U.S. dollars)

Supplying country	IBRD cumulative to June 30, 1999		IBRD fiscal 1999		IDA cumulative to June 30, 1999		IDA fiscal 1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Iran, Islamic Rep. of	146	0.12	+	*	200	0.44	3	0.15
Ireland	182	0.15	5	0.22	132	0.29	10	0.57
Israel	270	0.23	2	0.09	133	0.29	15	0.90
Italy	7,214	6.10	159	6.36	2,052	4.48	122	7.13
Jamaica	17	*	—	*	1	*	+	*
Japan	15,161	12.81	275	10.98	4,373	9.54	105	6.18
Jordan	50	*	—	*	153	0.33	6	0.38
Kazakhstan	75	0.06	—	*	33	0.07	+	*
Kenya	28	*	+	*	296	0.65	5	0.29
Korea, Republic of	1,778	1.50	28	1.11	991	2.16	68	3.98
Kuwait	270	0.23	1	*	258	0.56	1	0.06
Kyrgyz Republic	11	*	—	*	+	*	+	*
Lao People's Dem. Rep.	12	*	—	*	7	*	—	*
Lebanon	99	0.08	1	0.05	26	0.06	1	0.05
Lesotho	+	*	—	*	+	*	+	*
Liberia	26	*	+	*	21	0.05	—	*
Lithuania	24	*	+	*	2	*	—	*
Luxembourg	74	0.06	+	*	36	0.08	+	*
Macedonia, FYR of	+	*	—	*	3	*	1	0.07
Malawi	2	*	—	*	11	*	+	*
Malaysia	347	0.29	1	0.05	261	0.57	10	0.59
Mali	+	*	—	*	14	*	+	*
Malta	21	*	—	*	+	*	+	*
Mauritania	8	*	—	*	17	*	+	*
Mauritius	1	*	—	*	22	0.05	1	0.07
Mexico	577	0.49	7	0.26	109	0.24	10	0.57
Moldova	3	*	+	*	1	*	+	*
Morocco	178	0.15	—	*	64	0.14	6	0.34
Mozambique	4	*	—	*	7	*	+	*
Nepal	1	*	—	*	7	*	+	*
Netherlands	2,238	1.89	37	1.48	1,312	2.86	45	2.66
New Zealand	190	0.16	3	0.11	113	0.25	6	0.36
Nicaragua	10	*	+	*	7	*	+	*
Niger	6	*	2	0.06	14	*	1	*
Nigeria	390	0.33	1	*	408	0.89	+	*
Norway	537	0.45	12	0.48	173	0.38	12	0.70
Oman	38	*	+	*	15	*	+	*
Pakistan	125	0.11	4	0.17	185	0.40	7	0.38
Panama	397	0.34	1	*	56	0.12	5	0.29
Paraguay	119	0.10	4	0.16	14	*	1	0.07
Peru	129	0.11	+	*	21	0.05	1	*
Philippines	75	0.06	1	0.06	85	0.18	+	*
Poland	300	0.25	14	0.58	53	0.12	+	*
Portugal	77	0.07	3	0.11	368	0.80	23	1.37
Romania	324	0.27	1	0.06	75	0.16	+	*
Russian Federation	729	0.62	1	*	87	0.19	5	0.31
Rwanda	3	*	—	*	3	*	+	*
Saudi Arabia	588	0.50	—	*	244	0.53	3	0.18
Senegal	28	*	1	*	108	0.24	10	0.57
Sierra Leone	5	*	+	*	3	*	+	*
Singapore	1,170	0.99	39	1.56	745	1.63	8	0.45
Slovak Republic	18	*	2	0.10	1	*	—	*
Slovenia	53	*	6	0.26	5	*	+	*
South Africa	453	0.38	16	0.63	1,061	2.31	40	2.33
Spain	1,452	1.23	40	1.61	329	0.72	19	1.13
Sri Lanka	27	*	2	0.08	18	*	+	*
St. Kitts and Nevis	1	*	+	*	1	*	—	*
Sudan	9	*	2	0.08	21	0.05	1	*
Swaziland	34	*	+	*	32	0.07	+	*
Sweden	1,705	1.44	13	0.52	490	1.07	10	0.58

Supplying country	IBRD cumulative to June 30, 1999		IBRD fiscal 1999		IDA cumulative to June 30, 1999		IDA fiscal 1999	
	Amount	%	Amount	%	Amount	%	Amount	%
Switzerland	4,625	3.91	60	2.38	1,221	2.66	21	1.21
Syrian Arab Republic	38	*	—	*	17	*	1	0.05
Tanzania	7	*	—	*	35	0.08	3	0.18
Thailand	148	0.13	+	*	392	0.85	12	0.69
Togo	31	*	—	*	30	0.07	+	*
Tonga	+	*	—	*	1	*	+	*
Trinidad and Tobago	21	*	+	*	23	0.05	1	*
Tunisia	92	0.08	1	*	42	0.09	2	0.12
Turkey	585	0.49	5	0.21	128	0.28	5	0.31
Turkmenistan	5	*	—	*	51	0.11	+	*
Uganda	3	*	—	*	8	*	2	0.11
Ukraine	167	0.14	—	*	53	0.12	1	0.08
United Arab Emirates	571	0.48	+	*	375	0.82	4	0.22
United Kingdom	8,834	7.47	203	8.12	5,890	12.86	132	7.73
United States	22,779	19.25	311	12.44	4,533	9.89	195	11.45
Uruguay	113	0.10	+	*	6	*	1	0.05
Uzbekistan	4	*	—	*	14	*	1	0.06
Venezuela	573	0.48	35	1.38	209	0.46	8	0.47
Vietnam	46	*	+	*	55	0.12	+	*
Yemen, Republic of	+	*	—	*	211	0.46	3	0.17
Zambia	52	*	—	*	115	0.25	1	0.06
Zimbabwe	34	*	—	*	117	0.26	2	0.14
Others	3,841	3.25	300	12.00	685	1.49	40	2.37
Total	118,317	100	2,503	100	45,817	100	1,706	100

*— Zero, + less than $0.5 million, * less than 0.05 percent*

NOTE: Amounts exclude disbursements for debt reduction, net advance disbursements, and disbursements under simplified procedures for structural and sectoral adjustment loans, and disbursements under HIPC Debt Initiative grants. Amounts may not add to totals because of rounding.

IBRD and IDA Payments to Supplying Countries for Foreign Procurement, by Description of Goods, Fiscal Year 1999

(amounts in millions of U.S. dollars)

Supplying country	Equipment		Civil works		Consultants		All other goods		Total disbursements	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Albania	—	*	1	0.14	—	*	—	*	1	*
Argentina	10	0.40	14	1.57	5	0.68	+	*	28	0.67
Armenia	—	*	—	*	+	*	—	*	+	*
Australia	23	0.96	1	0.14	23	3.33	1	0.61	49	1.17
Austria	83	3.40	14	1.55	4	0.57	+	0.18	101	2.39
Azerbaijan	—	*	—	*	—	*	+	0.10	+	*
Bahamas, The	+	*	—	*	—	*	—	*	+	*
Bahrain	+	*	—	*	—	*	—	*	+	*
Bangladesh	1	*	2	0.23	—	*	—	*	3	0.07
Barbados	—	*	—	*	+	*	+	*	+	*
Belgium	12	0.50	+	*	4	0.62	+	*	17	0.39
Belize	—	*	—	*	+	*	—	*	+	*
Benin	+	*	—	*	+	*	—	*	+	*
Bolivia	—	*	—	*	+	*	—	*	+	*
Bosnia and Herzegovina	+	*	+	*	—	*	—	*	+	*
Botswana	—	*	—	*	—	*	—	*	—	*
Brazil	9	0.38	9	0.98	1	0.20	—	*	19	0.45
Bulgaria	1	*	2	0.20	+	*	—	*	3	0.06
Burkina Faso	—	*	—	*	+	*	—	*	+	*
Burundi	—	*	—	*	+	*	—	*	+	*
Cambodia	—	*	—	*	+	*	—	*	+	*
Cameroon	—	*	—	*	+	*	—	*	+	*
Canada	49	2.02	7	0.82	50	7.02	+	0.06	106	2.51
Central African Republic	5	0.21	+	*	+	*	—	*	5	0.12
Chile	2	0.06	1	0.17	1	0.17	—	*	4	0.10
China	69	2.85	114	13.05	3	0.44	+	*	186	4.42
Colombia	5	0.22	+	*	1	0.20	—	*	7	0.16
Congo, Democratic Republic of	—	*	—	*	+	*	—	*	+	*
Costa Rica	5	0.22	—	*	6	0.83	+	0.07	11	0.27
Côte d'Ivoire	+	*	3	0.30	1	0.09	—	*	3	0.08
Croatia	+	*	1	0.06	—	*	—	*	1	*
Cyprus	6	0.24	1	0.14	1	0.17	9	4.27	17	0.40
Czech Republic	19	0.78	—	*	+	*	+	*	19	0.45
Denmark	11	0.45	3	0.34	8	1.10	+	*	22	0.51
Djibouti	+	*	—	*	—	*	—	*	+	*
Dominica	+	*	—	*	—	*	—	*	+	*
Dominican Republic	—	*	—	*	+	*	+	*	+	*
Ecuador	+	*	—	*	5	0.66	—	*	5	0.11
Egypt, Arab Republic of	+	*	6	0.68	+	*	—	*	6	0.15
El Salvador	2	0.10	—	*	+	*	—	*	2	0.06
Equatorial Guinea	+	*	—	*	—	*	—	*	+	*
Estonia	1	*	—	*	+	*	+	*	1	*
Ethiopia	—	*	+	*	+	*	—	*	1	*
Fiji	+	*	—	*	+	*	—	*	+	*
Finland	30	1.22	1	0.14	4	0.63	+	0.10	36	0.85
France	232	9.56	81	9.33	47	6.63	2	0.77	362	8.60
Gambia, The	+	*	—	*	1	0.09	—	*	1	*
Georgia	2	0.10	—	*	3	0.36	—	*	5	0.12
Germany	288	11.87	108	12.40	26	3.75	8	3.97	431	10.24
Ghana	—	*	1	0.09	1	0.09	—	*	1	*
Greece	6	0.24	4	0.44	3	0.37	+	0.10	12	0.29
Grenada	—	*	—	*	—	*	—	*	—	*
Guatemala	4	0.18	—	*	+	0.05	—	*	5	0.11
Guinea	1	0.05	—	*	+	*	—	*	1	*
Guyana	—	*	—	*	+	*	—	*	+	*

Supplying country	Equipment		Civil works		Consultants		All other goods		Total disbursements	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Haiti	—	*	—	*	+	*	—	*	+	*
Honduras	1	0.05	—	*	+	*	—	*	1	*
Hungary	6	0.26	—	*	+	*	+	0.13	7	0.16
Iceland	+	*	—	*	1	0.20	—	*	2	*
India	94	3.87	9	1.05	4	0.50	+	*	107	2.53
Indonesia	6	0.24	—	*	10	1.42	—	*	16	0.38
Iran, Islamic Republic of	3	0.11	—	*	+	*	—	*	3	0.06
Ireland	2	0.06	—	*	14	1.93	—	*	15	0.36
Israel	4	0.18	10	1.18	3	0.41	+	*	17	0.42
Italy	86	3.54	174	20.00	19	2.70	2	0.74	281	6.67
Jamaica	+	*	—	*	+	*	—	*	+	*
Japan	348	14.35	21	2.44	11	1.49	+	*	380	9.03
Jordan	6	0.26	—	*	+	*	—	*	6	0.15
Kazakhstan	+	*	—	*	+	*	—	*	+	*
Kenya	3	0.14	1	0.10	1	0.10	+	*	5	0.12
Korea, Republic of	38	1.55	58	6.65	+	*	+	0.07	96	2.28
Kuwait	—	*	—	*	1	0.15	1	0.45	2	0.05
Kyrgyz Republic	—	*	+	*	—	*	—	*	+	*
Lao People's Democratic Republic	—	*	—	*	—	*	—	*	—	*
Lebanon	—	*	—	*	2	0.29	—	*	2	0.05
Lesotho	—	*	+	*	+	*	—	*	+	*
Liberia	—	*	—	*	+	*	—	*	+	*
Lithuania	+	*	—	*	—	*	+	*	+	*
Luxembourg	+	*	—	*	+	*	—	*	1	*
Macedonia, FYR of	—	*	1	0.14	—	*	—	*	1	*
Malawi	—	*	—	*	+	*	—	*	+	*
Malaysia	9	0.38	—	*	2	0.25	+	0.10	11	0.27
Mali	+	*	—	*	+	*	—	*	+	*
Malta	—	*	—	*	+	*	—	*	+	*
Mauritania	—	*	—	*	+	*	—	*	+	*
Mauritius	+	*	—	*	1	0.11	+	*	1	*
Mexico	11	0.46	2	0.26	3	0.37	—	*	16	0.38
Moldova	+	*	—	*	+	*	+	0.11	+	*
Morocco	6	0.24	—	*	+	*	—	*	6	0.14
Mozambique	—	*	—	*	+	*	—	*	+	*
Nepal	—	*	+	*	+	*	—	*	+	*
Netherlands	59	2.45	2	0.25	21	2.94	+	0.10	83	1.96
New Zealand	+	*	+	*	8	1.20	—	*	9	0.21
Nicaragua	+	*	—	*	+	*	—	*	+	*
Niger	+	*	+	*	2	0.22	—	*	2	0.05
Nigeria	+	*	1	0.15	+	*	—	*	2	*
Norway	13	0.52	7	0.77	5	0.66	+	*	24	0.57
Oman	+	*	—	*	+	0.05	—	*	+	*
Pakistan	8	0.34	1	0.13	1	0.18	—	*	11	0.26
Panama	5	0.21	+	0.05	+	0.06	—	*	6	0.14
Paraguay	—	*	4	0.45	1	0.19	—	*	5	0.12
Peru	+	*	+	*	+	0.05	—	*	1	*
Philippines	+	*	—	*	2	0.26	—	*	2	0.05
Poland	7	0.29	3	0.34	4	0.63	+	*	15	0.35
Portugal	4	0.15	13	1.51	9	1.22	1	0.28	26	0.62
Romania	1	*	+	0.05	+	*	+	*	1	*
Russian Federation	5	0.21	—	*	1	0.13	+	*	6	0.14
Rwanda	+	*	—	*	—	*	—	*	+	*
Saudi Arabia	3	0.12	—	*	+	*	—	*	3	0.07
Senegal	+	*	8	0.90	3	0.37	+	*	11	0.25
Sierra Leone	—	*	+	*	+	*	—	*	+	*
Singapore	43	1.78	+	*	3	0.49	+	*	47	1.11
Slovak Republic	2	0.09	+	*	—	*	—	*	2	0.06
Slovenia	6	0.23	1	0.09	+	*	—	*	7	0.16

(continued next page)

IBRD AND IDA PAYMENTS TO SUPPLYING COUNTRIES FOR FOREIGN PROCUREMENT, BY DESCRIPTION OF GOODS, FISCAL YEAR 1999 *(continued)*

(amounts in millions of U.S. dollars)

Supplying country	Equipment		Civil works		Consultants		All other goods		Total disbursements	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
South Africa	33	1.37	17	1.90	5	0.76	1	0.27	56	1.32
Spain	19	0.79	26	2.95	11	1.54	4	1.82	60	1.41
St. Kitts and Nevis	—	*	—	*	—	*	+	0.06	+	*
Sudan	+	*	—	*	2	0.34	—	*	3	0.06
Swaziland	+	*	—	*	+	0.05	—	*	1	*
Sweden	18	0.75	+	*	5	0.69	+	*	23	0.55
Switzerland	66	2.72	4	0.49	10	1.39	+	*	80	1.91
Syrian Arab Republic	—	*	—	*	1	0.11	—	*	1	*
Tanzania	1	*	2	0.21	+	*	—	*	3	0.07
Thailand	11	0.44	+	*	1	0.15	—	*	12	0.29
Togo	+	*	—	*	+	*	—	*	+	*
Tonga	+	*	+	*	+	*	—	*	+	*
Trinidad and Tobago	1	*	+	*	+	*	—	*	1	*
Tunisia	—	*	+	*	2	0.34	—	*	3	0.06
Turkey	5	0.22	3	0.36	2	0.26	+	0.12	11	0.25
Turkmenistan	+	*	—	*	—	*	—	*	+	*
Uganda	+	*	2	0.18	+	*	—	*	2	*
Ukraine	1	0.05	—	*	+	*	—	*	1	*
United Arab Emirates	4	0.16	+	*	—	*	—	*	4	0.10
United Kingdom	211	8.67	12	1.37	112	15.90	1	0.27	335	7.96
United States	304	12.53	35	4.06	162	22.98	5	2.47	507	12.04
Uruguay	1	*	—	*	+	*	—	*	1	*
Uzbekistan	1	*	—	*	+	*	—	*	1	*
Venezuela	27	1.10	15	1.70	1	0.16	—	*	43	1.01
Vietnam	+	*	—	*	+	*	—	*	+	*
Yemen, Republic of	+	*	2	0.28	1	0.07	—	*	3	0.07
Zambia	+	*	1	0.07	—	*	—	*	1	*
Zimbabwe	+	*	+	*	2	0.24	—	*	2	0.06
Others	61	2.51	59	6.79	53	7.50	168	82.32	341	8.10
Total	2,428	100.00	871	100.00	706	100.00	204	100.00	4,209	100.00

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

NOTE: Amounts exclude disbursements for debt reduction, net advance disbursements, disbursements under simplified procedures for structural and sectoral adjustment loans, and disbursements under HIPC Debt Initiative grants. Amounts may not add to totals because of rounding.

IBRD and IDA Disbursements[a] for Foreign Expenditures, by Description of Goods (for Investment Lending), Fiscal Years 1997–99

Appendix 10

Item	FY1997			FY1998			FY1999		
	Countries not eligible to borrow	Countries eligible to borrow	Total	Countries not eligible to borrow	Countries eligible to borrow	Total	Countries not eligible to borrow	Countries eligible to borrow	Total
				Millions of U.S. dollars					
Civil works	668	256	924	652	227	880	586	286	871
Consultants	784	80	864	795	84	879	615	87	702
Goods	2,566	457	3,023	2,124	504	2,628	1,977	441	2,417
All other	151	18	169	131	18	149	107	3	110
Total	4,169	811	4,980	3,702	833	4,536	3,285	817	4,100
				Percent[b]					
Civil works	72	28	19	74	26	19	67	33	21
Consultants	91	9	17	90	10	19	88	12	17
Goods	85	15	61	81	19	58	82	18	59
All other	90	10	3	88	12	3	98	2	3
Total	84	16	100	82	18	100	80	20	100

Note: Countries eligible to borrow from IBRD and IDA are listed in Appendix 6. For consistency of comparison, the Republic of Korea is included as a country eligible to borrow for all periods covered by this table. The Republic of Korea became eligible to borrow in December 1997. Amounts may not add to totals because of rounding.

a. Amounts exclude disbursements for debt reduction and net advance disbursements. Amounts also exclude disbursements for structural and sectoral adjustment loans and hybrids (loans that support policy and institutional reforms in a specific sector by financing both a policy component disbursed against imports and an investment component), and disbursements under HIPC Debt Initiative grants.

b. Percentages are based on the dollar amounts shown under the total disbursements section. These percentages show both the breakdown between countries eligible to borrow from the IBRD and/or IDA, and countries not eligible to borrow, for individual goods categories and the share of each goods category compared with total disbursements.

Estimates[a] of IBRD and IDA Payments to Supplying Countries for Foreign Procurement under Adjustment Lending, Fiscal Year 1999

(millions of U.S. dollars)

Supplying countries	Amount	Percent
Albania	+	0.0%
Algeria	21.4	0.2%
Argentina	190.2	1.8%
Armenia	6.7	0.1%
Aruba	+	0.0%
Australia	230.9	2.2%
Austria	51.9	0.5%
Barbados	+	0.0%
Belgium	126.7	1.2%
Belize	+	0.0%
Bolivia	12.3	0.1%
Brazil	360.4	3.4%
Bulgaria	18.5	0.2%
Canada	137.0	1.3%
Chile	94.8	0.9%
China	414.2	3.9%
Colombia	24.8	0.2%
Costa Rica	10.5	0.1%
Croatia	19.1	0.2%
Cyprus	1.0	0.0%
Czech Republic	23.0	0.2%
Denmark	44.6	0.4%
Dominican Republic	1.1	0.0%
Ecuador	15.0	0.1%
Egypt	5.6	0.1%
El Salvador	5.7	0.1%
Estonia	12.0	0.1%
Finland	77.5	0.7%
France	457.8	4.3%
Germany	744.0	7.0%
Greece	32.4	0.3%
Greenland	+	0.0%
Grenada	+	0.0%
Guatemala	9.1	0.1%
Honduras	1.0	0.0%
Hong Kong	22.7	0.2%
Hungary	25.5	0.2%
Iceland	1.0	0.0%
India	80.8	0.8%
Indonesia	112.6	1.1%
Ireland	35.8	0.3%
Israel	34.5	0.3%
Italy	402.4	3.8%
Jamaica	+	0.0%
Japan	1486.2	14.1%
Kenya	38.8	0.4%
Korea, Republic of	334.5	3.2%
Kuwait	1.5	0.0%
Latvia	6.5	0.1%
Libya	8.8	0.1%
Lithuania	22.7	0.2%
Macau	+	0.0%
Madagascar	+	0.0%
Malaysia	214.3	2.0%
Malta	1.0	0.0%
Mauritius	1.0	0.0%
Mexico	65.5	0.6%
Morocco	5.5	0.1%
Nepal	+	0.0%
Netherlands	149.5	1.4%
New Zealand	35.2	0.3%
Nicaragua	1.0	0.0%
Norway	26.1	0.2%
Oman	52.0	0.5%
Pakistan	17.8	0.2%
Panama	1.0	0.0%
Paraguay	12.8	0.1%
Peru	14.5	0.1%
Philippines	37.4	0.4%
Poland	80.0	0.8%
Portugal	23.3	0.2%
Romania	17.0	0.2%
Russia	438.1	4.1%
South Africa	175.9	1.7%
Singapore	246.9	2.3%
Slovakia	15.6	0.1%
Slovenia	16.0	0.2%
Spain	188.8	1.8%
Suriname	1.0	0.0%
Sweden	106.2	1.0%
Switz. Liecht.	91.2	1.0%
Syrian Arabic Republic	8.1	0.1%
Tanzania	4.0	0.0%
Thailand	100.7	1.0%
Trinidad and Tobago	2.4	0.0%
Tunisia	3.8	0.0%
Turkey	74.6	0.7%
United Kingdom	307.2	2.9%
Uruguay	33.8	0.3%
United States	2151.2	20.3%
Venezuela	38.3	0.4%
Yugoslavia	17.6	0.2%
Zimbabwe	32.4	0.3%
TOTAL	10,572.2	100%

† Amount below $0.5 million.

NOTE: *Amounts exclude disbursements under investment lending. See Appendix 8 for payments to supplying countries for foreign procurement under investment lending, fiscal 1999. Details may not add to total because of rounding.*

a. Based on import data drawn from the latest information available on borrowers' trade statistics compiled by the United Nations trade system COMTRADE.

IBRD and IDA Cumulative Lending by Major Purpose and Region, June 30, 1999

(millions of U.S. dollars)

	IBRD loans to borrowers, by region[a]						
Purpose[b]	Africa	East Asia and Pacific	Middle East and North Africa	Latin America and the Caribbean	Europe and Central Asia	South Asia	Total
Agriculture	3,605.2	13,728.2	5,588.3	16,942.6	7,834.0	3,144.7	50,843.0
Education	553.1	5918.8	2,181.5	6,682.3	1,703.6	55.0	17,049.3
Electric power and other energy	1,887.1	16,103.6	2,218.8	12,452.3	6,438.0	10,807.6	49,907.4
Environment	21.9	1,661.1	244.5	2,051.5	470.5	310.0	4,759.6
Finance	717.2	11,315.5	2,479.4	10,765.0	5,239.8	3,440.2	33,957.1
Industry	1,289.1	3,828.2	1,955.3	5,671.3	4,388.4	3,420.7	20,553.0
Mining	216.5	503.0	131.7	1,148.8	1,940.8	1,304.0	5,244.8
Multisector	2,275.2	8,419.3	3,010.4	12,041.3	12,564.2	1,030.0	39,340.4
Oil and gas	381.2	1,646.9	711.2	1,527.5	2,485.1	3,359.7	10,111.6
Population, health, and nutrition	267.9	1,070.4	686.3	4,114.6	1,115.0	31.3	7,285.5
Public-sector management	105.1	944.8	1,003.2	5,157.7	2,533.9	400.0	10,144.7
Social sector	26.9	1,027.5	83.0	2,701.9	1,790.8	301.3	5,931.4
Telecommunications	510.2	1,894.2	691.5	533.9	575.3	747.5	4,952.6
Transportation	3,040.0	16,703.1	3,013.7	16,140.6	7,428.2	3,342.6	49,668.1
Urban development	933.2	4,239.0	2,142.7	5,669.4	1,569.2	399.1	14,952.6
Water supply and sanitation	1,309.3	1,890.5	2,585.6	5,364.7	2,030.5	605.4	13,786.0
Total	17,139.1	90,894.1	28,727.1	108,965.6	60,107.3	32,699.1	338,532.3

(continued next page)

— Zero.

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

a. No account is taken of cancellations subsequent to original commitment. IBRD loans to the IFC are excluded.

b. Operations have been classified by the major purpose they finance. Many projects include activity in more than one sector or subsector.

IBRD AND IDA CUMULATIVE LENDING BY MAJOR PURPOSE AND REGION, JUNE 30, 1999 *(continued)*

(millions of U.S. dollars)

	IDA credits to borrowers, by region							
Purpose[b]	Africa	East Asia and Pacific	Middle East and North Africa	Latin America and the Caribbean	Europe and Central Asia	South Asia	Total	Total IBRD and IDA
Agriculture	8,255.4	6,682.0	1,085.9	441.5	578.2	14,751.0	31,794.0	82,637.0
Education	3,937.6	1,896.2	545.8	356.6	60.6	4,243.3	11,040.1	28,134.4
Electric power and other energy	2,608.9	927.5	306.9	291.4	267.8	3,901.1	8,303.6	58,211.0
Environment	411.9	481.2	15.0	162.0	32.4	856.6	1,959.1	6,718.7
Finance	2,338.1	409.4	154.8	206.6	165.4	916.0	4,190.3	38,147.4
Industry	1,142.4	151.2	84.4	122.2	52.0	1,861.4	3,413.6	23,966.6
Mining	198.5	51.0	—	66.7	—	84.0	400.2	5,645.0
Multisector	7,599.2	481.7	80.0	911.9	1,199.6	3,876.2	14,148.6	53,489.0
Oil and gas	535.7	66.0	101.0	94.2	52.4	520.7	1,370.0	11,481.6
Population, health, and nutrition	2,020.5	1,143.7	237.8	147.6	118.8	4,152.4	7,820.8	15,106.3
Public-sector management	2,196.6	218.7	67.7	397.5	447.8	512.5	3,840.8	13,985.6
Social sector	971.5	289.7	398.0	382.8	274.0	818.9	3,134.9	9,066.3
Telecommunications	452.0	101.8	83.0	2.4	18.0	884.2	1,541.4	6,494.0
Transportation	6,920.8	1,676.5	309.7	654.7	169.5	3,879.3	13,610.5	63,278.7
Urban development	1,791.1	753.2	164.5	149.2	191.5	1,657.0	4,706.1	19,658.7
Water supply and sanitation	1,428.9	724.3	238.4	111.1	102.6	2,003.6	4,608.9	18,394.9
Total	42,809.1	16,054.1	3,872.9	4,498.4	3,730.1	44,918.2	115,882.9	454,415.2

— Zero.

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

a. No account is taken of cancellations subsequent to original commitment. IBRD loans to the IFC are excluded.

b. Operations have been classified by the major purpose they finance. Many projects include activity in more than one sector or subsector.

IBRD and IDA Cumulative Lending by Country, June 30, 1999

(amounts in millions of U.S. dollars)

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Afghanistan	—	—	20	230.1	20	230.1
Africa region	1	15.0	1	45.5	2	60.5
Albania	—	—	33	481.7	33	481.7
Algeria	62	5,558.5	—	—	62	5,558.5
Angola	—	—	10	277.8	10	277.8
Argentina	104	17,714.3	—	—	104	17,714.3
Armenia	1	12.0	19	523.3	20	523.3
Australia	7	417.7	—	—	7	417.7
Austria	9	106.4	—	—	9	106.4
Azerbaijan	—	—	12	369.2	12	369.2
Bahamas, The	5	42.8	—	—	5	42.8
Bangladesh	1	46.1	160	9,140.8	161	9,186.9
Barbados	11	103.2	—	—	11	103.2
Belarus	3	170.2	—	—	3	170.2
Belgium	4	76.0	—	—	4	76.0
Belize	8	71.8	—	—	8	71.8
Benin	—	—	47	696.3	47	696.3
Bhutan	—	—	7	41.9	7	41.9
Bolivia	14	299.3	60	1,564.4	74	1,863.7
Bosnia and Herzegovina	—	—	25	547.6	25	547.6
Botswana	20	280.7	6	15.8	26	296.5
Brazil	249	27,412.9	—	—	249	27,412.9
Bulgaria	18	1,210.1	—	—	18	1,210.1
Burkina Faso	—	1.9	50	902.2	50	904.1
Burundi	1	4.8	46	694.0	47	698.8
Cambodia	—	—	11	343.4	11	343.4
Cameroon	44	1,294.4	25	1,025.0	69	2,319.4
Cape Verde	—	—	14	146.4	14	146.4
Caribbean region	5	89.8	2	47.7	7	137.5
Central African Republic	—	—	24	403.5	24	403.5
Chad	—	—	36	622.2	36	622.2
Chile	60	3,585.9	—	19.0	60	3,604.9
China	148	23,106.3	71	9,946.7	219	33,053.0
Colombia	152	8,890.6	—	19.5	152	8,910.1
Comoros	—	—	16	101.7	16	101.7
Congo, Democratic Republic of	7	330.0	59	1,151.5	66	1,481.5
Congo, Republic of	10	216.7	10	183.6	20	400.3
Costa Rica	38	888.9	—	5.5	38	894.4
Côte d'Ivoire	62	2,887.9	22	1,802.3	84	4,690.2
Croatia	14	733.7	—	—	14	733.7
Cyprus	30	418.8	—	—	30	418.8
Czech Republic	2	326.0	—	—	2	326.0
Czechoslovakia	1	450.0	—	—	1	450.0
Denmark	3	85.0	—	—	3	85.0
Djibouti	—	—	11	75.6	11	75.6
Dominica	1	3.1	3	14.1	4	17.1
Dominican Republic	27	851.0	3	22.0	30	873.0
East African Community	10	244.8	—	—	10	244.8
Eastern Africa region	—	—	1	45.0	1	45.0
Ecuador	66	2,442.6	5	36.9	71	2,479.5
Egypt, Arab Republic of	61	4,367.5	41	1,984.0	102	6,351.5

IBRD AND IDA CUMULATIVE LENDING BY COUNTRY, JUNE 30, 1999 *(continued)*

(amounts in millions of U.S. dollars)

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
El Salvador	32	820.6	2	25.6	34	846.2
Equatorial Guinea	—	—	9	45.0	9	45.0
Eritrea	—	—	5	125.4	5	125.4
Estonia	7	125.7	—	—	7	125.7
Ethiopia	12	108.6	60	2,927.7	73	3,036.3
Fiji	13	152.9	—	—	13	152.9
Finland	18	316.8	—	—	18	316.8
France	1	250.0	—	—	1	250.0
Gabon	14	227.0	—	—	14	227.0
Gambia, The	—	—	26	213.2	26	213.2
Georgia	—	—	22	509.6	22	509.6
Ghana	9	207.0	94	3,502.8	103	3,709.8
Greece	17	490.8	—	—	17	490.8
Grenada	1	3.8	1	8.8	2	12.7
Guatemala	34	1,058.1	—	—	34	1,058.1
Guinea	3	75.2	53	1,129.2	56	1,204.4
Guinea-Bissau	—	—	21	234.9	21	234.9
Guyana	12	80.0	16	302.8	28	382.8
Haiti	1	2.6	36	626.5	37	629.1
Honduras	33	717.3	22	978.6	55	1,695.9
Hungary	39	4,302.0	—	—	39	4,302.0
Iceland	10	47.1	—	—	10	47.1
India	172	25,828.1	229	26,161.3	401	51,989.4
Indonesia	241	27,043	47	1,067	288	28,111.1
Iran, Islamic Republic of	39	2,058.1	—	—	39	2,058.1
Iraq	6	156.2	—	—	6	156.2
Ireland	8	152.5	—	—	8	152.5
Israel	11	284.5	—	—	11	284.5
Italy	8	399.6	—	—	8	399.6
Jamaica	62	1,326.0	—	—	62	1,326.0
Japan	31	862.9	—	—	31	862.9
Jordan	50	1,882.0	15	85.3	65	1,967.3
Kazakhstan, Republic of	20	1,679.1	—	—	20	1,679.1
Kenya	46	1,200.0	73	2,870.8	119	4,070.8
Korea, Republic of	114	15,647.0	6	110.8	120	15,757.8
Kyrgyz Republic	—	—	18	500.0	18	500.0
Lao People's Democratic Republic	—	—	27	576.0	27	576.0
Latvia	14	314.9	—	—	14	314.9
Lebanon	15	783.5	—	—	15	783.5
Lesotho	2	155.0	26	292.0	28	447.0
Liberia	21	156.0	14	114.5	35	270.5
Lithuania	12	293.3	—	—	11	293.3
Luxembourg	1	12.0	—	—	1	12.0
Macedonia, FYR	8	205.5	9	293.8	17	499.3
Madagascar	5	32.9	75	1,743.4	80	1,776.3
Malawi	9	124.1	66	1,854.1	75	1,978.2
Malaysia	87	4,150.6	—	—	87	4,150.6
Maldives	—	—	6	47.3	6	47.3
Mali	—	1.9	59	1,241.5	59	1,243.4
Malta	1	7.5	—	—	1	7.5

(continued next page)

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Mauritania	3	146.0	42	512.7	45	658.7
Mauritius	30	413.1	4	20.2	34	433.3
Mexico	169	30,009.6	—	—	169	30,009.6
Moldova	9	302.8	6	146.0	15	448.8
Mongolia	—	—	11	175.7	11	175.7
Morocco	123	8,435.3	3	50.8	126	8,486.1
Mozambique	—	—	33	1,812.0	33	1,812.0
Myanmar	3	33.4	30	804.0	33	837.4
Nepal	—	—	70	1,557.5	70	1,557.5
Netherlands	8	244.0	—	—	8	244.0
New Zealand	6	126.8	—	—	6	126.8
Nicaragua	27	233.6	20	754.5	47	988.1
Niger	—	—	45	816.6	45	816.6
Nigeria	84	6,248.2	14	902.9	98	7,151.1
Norway	6	145.0	—	—	6	145.0
OECS countries	1	3.6	—	2.4	1	6.0
Oman	11	157.1	—	—	11	157.1
Org. of Eastern Caribbean States	1	14.1		5.5	1	19.6
Pakistan	84	6,614.2	107	5,468.1	191	12,082.3
Panama	42	1,179.8	—	—	42	1,179.8
Papua New Guinea	29	597.0	9	113.2	38	710.2
Paraguay	36	807.9	6	45.5	42	853.4
Peru	82	5,053.6	—	—	82	5,053.6
Philippines	150	10,666.4	5	294.2	155	10,960.6
Poland	30	4,969.5	—	—	30	4,969.5
Portugal	32	1,338.8	—	—	32	1,338.8
Romania	58	5,195.8	—	—	58	5,195.8
Russian Federation	42	11,721.5	—	—	42	11,721.5
Rwanda	—	—	48	869.4	48	869.4
Samoa			1	14.4	1	14.4
São Tomé and Principe	—	—	8	58.9	8	58.9
Senegal	19	164.9	71	1,702.4	90	1,867.3
Seychelles	2	10.7	—	—	2	10.7
Sierra Leone	4	18.7	21	403.7	25	422.4
Singapore	14	181.3	—	—	14	181.3
Slovak Republic	2	135.0	—	—	2	135.0
Slovenia	4	168.2	—	—	4	168.2
Solomon Islands	—	—	7	45.9	7	45.9
Somalia	—	—	39	492.1	39	492.1
South Africa	12	287.8	—	—	12	287.8
Spain	12	478.7	—	—	12	478.7
Sri Lanka	12	210.7	71	2,271.2	83	2,481.9
St. Kitts and Nevis	1	1.5	—	1.5	1	3.0
St. Lucia	3	8.5	—	11.2	3	19.7
St. Vincent and the Grenadines	1	1.4	1	6.4	2	7.8
Sudan	8	166.0	48	1,352.9	56	1,518.9
Swaziland	12	104.8	2	7.8	14	112.6
Syrian Arab Republic	17	613.2	3	47.3	20	660.5
Taiwan, Province of China	14	329.4	4	15.3	18	344.7
Tajikistan	—	—	10	180.3	10	180.3
Tanzania	18	318.2	91	3,101.6	109	3,419.8

IBRD AND IDA CUMULATIVE LENDING BY COUNTRY, JUNE 30, 1999 *(continued)*

(amounts in millions of U.S. dollars)

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Thailand	117	7,579.1	6	125.1	123	7,704.2
Togo	1	20.0	41	733.5	42	753.5
Tonga	—	—	2	5.0	2	5.0
Trinidad and Tobago	21	313.6	—	—	21	313.6
Tunisia	109	4,423.7	5	74.6	114	4,498.3
Turkey	125	13,770.5	10	178.5	135	13,949.0
Turkmenistan	3	89.5	—	—	3	89.5
Uganda	1	8.4	70	2,714.4	71	2,722.8
Ukraine	16	2,821.8	—	—	16	2,821.8
Uruguay	44	1,640.7	—	—	44	1,640.7
Uzbekistan	9	434.0	—	—	9	434.0
Vanuatu	—	—	4	15.4	4	15.4
Venezuela	38	3,293.1	—	—	38	3,293.1
Vietnam	—	—	24	2,354.6	24	2,354.6
Western Africa region	1	6.1	3	52.5	4	58.6
Western Samoa	—	—	8	46.6	8	46.6
Yemen, Republic of	—	—	114	1,630.9	114	1,630.9
Yugoslavia	90	6,114.7	—	—	90	6,114.7
Zambia	28	679.1	44	2,115.7	72	2,794.8
Zimbabwe	24	983.2	11	656.9	35	1,640.1
Bankwide total	4,346	338,532.5	3,060	115,883.0	7,406	454,415.5

— Zero

NOTE: Joint IBRD/IDA operations are counted only once, as IBRD operations. When more than one loan is made for a single project, the operation is counted only once. Details may not add to totals because of rounding.

Projects Approved for IBRD and IDA Assistance in Fiscal Year 1999, by Region, July 1, 1998 - June 30, 1999

Appendix 14

(amounts in millions of U.S. dollars)

Region and Country	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Africa						
Benin	—	—	1	25.5	1	25.5
Burkina Faso	—	—	2	20.2	2	20.2
Cameroon	—	—	1	28.2	1	28.2
Cape Verde	—	—	4	48.6	4	48.6
Chad	—	—	1	40.9	1	40.9
Côte d'Ivoire	—	—	1	75.6	1	75.6
Djibouti	—	—	2	17.5	2	17.5
Ethiopia	—	—	1	100.0	1	100.0
Gabon	1	5	—	—	1	5.0
Gambia, The	—	—	2	35.0	2	35.0
Ghana	—	—	5	281.8	5	281.8
Guinea	—	—	4	55.4	4	55.4
Kenya	—	—	1	40.0	1	40.0
Lesotho	—	—	1	21.0	1	21.0
Madagascar	—	—	3	131.4	3	131.4
Malawi	—	—	4	193.0	4	193.0
Mali	—	—	1	40.0	1	40.0
Mauritania	—	—	3	30.8	3	30.8
Mozambique	—	—	3	176.0	3	176.0
Niger	—	—	2	82.6	2	82.6
Rwanda	—	—	2	80.0	2	80.0
Senegal	—	—	2	117.4	2	117.4
Tanzania	—	—	1	40.0	1	40.0
Togo	—	—	1	5.0	1	5.0
Uganda	—	—	5	164.8	5	164.8
Zambia	—	—	2	212.8	2	212.8
Total	1	5	55	2,063.5[1]	56	2,068.5[1]
East Asia						
Cambodia	—	—	3	75.3	3	75.3
China	17	1,674.4	2	422.6	19	2,097.0
Indonesia	10	2,605.1	1	136.0	11	2,741.1
Korea, Republic of	2	2,048.0	—	—	2	2,048.0
Lao, People's Democratic Republic	—	—	2	29.8	2	29.8
Malaysia	3	404.0	—	—	3	404.0
Mongolia	—	—	1	12.0	1	12.0
Philippines	5	723.3	—	—	5	723.3
Samoa	—	—	1	14.4	1	14.4
Solomon Islands	—	—	1	12.0	1	12.0
Thailand	3	1,300.0	—	—	3	1,300.0
Vietnam	—	—	4	308.3	4	308.3
Total	40	8,754.8	15	1,010.4	55	9,765.2
Europe and Central Asia						
Albania	—	—	5	125.0	5	125.0
Armenia	—	—	4	120.6	4	120.6
Azerbaijan	—	—	4	79.5	4	79.5
Bosnia and Herzegovina	—	—	6	163.0	6	163.0
Bulgaria	3	160.8	—	—	3	160.8
Croatia	2	108.3	—	—	2	108.3
Georgia	—	—	7	136.6	7	136.6
Kazakhstan	4	175.5	—	—	4	175.5
Krygyz Republic	—	—	3	61.5	3	61.5
Latvia	4	58.6	—	—	4	58.6
Lithuania	1	20.1	—	—	1	20.1
Macedonia, former Yugoslavia Rep. of	1	32.0	4	90.0	5	122.0
Moldova	—	—	3	66.1	3	66.1
Poland	3	327.0	—	—	3	327.0
Romania	4	340.0	—	—	4	340.0
Russian Federation	3	1,930.0	—	—	3	1,930.0

PROJECTS APPROVED FOR IBRD AND IDA ASSISTANCE IN FISCAL YEAR 1999, BY REGION, JULY 1, 1998 - JUNE 30, 1999 *(continued)*

(amounts in millions of U.S. dollars)

Region and Country	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Slovenia	1	15.0	—	—	1	15.0
Tajikistan	—	—	5	93.4	5	93.4
Turkey	3	528.0	—	—	3	528.0
Ukraine	2	600.0	—	—	2	600.0
Uzbekistan	2	55.0	—	—	2	55.0
Total	33	4,350.3	41	935.7	74	5,286.0
Latin America and the Caribbean						
Argentina	8	3226.1	—	—	8	3226.1
Bolivia	—	—	4	186.8	4	186.8
Brazil	8	1,686.1	—	—	8	1,686.1
Chile	3	160.5	—	—	3	160.5
Colombia	2	142.0	—	—	2	142.0
Dominican Republic	1	111.1	—	—	1	111.1
Guatemala	5	167.0	—	—	5	167.0
Guyana	—	—	1	9.0	1	9.0
Honduras	—	—	3	283.7	3	283.7
Mexico	2	949.9	—	—	2	949.9
Nicaragua	—	—	3	118.6	3	118.6
Organization of Eastern Caribbean States	1	14.1	—	5.5	1	19.6
Panama	3	150.3	—	—	3	150.3
Peru	2	338.0	—	—	2	338.0
Trinidad and Tobago	1	14.8	—	—	1	14.8
Uruguay	2	92.5	—	—	2	92.5
Venezuela	2	80.7	—	—	2	80.7
Total	40	7,133.3	11	603.6	51	7,736.8
Middle East and North Africa						
Egypt, Arab Republic of	2	345.0	4	205.0	6	550.0
Jordan	3	210.0	—	—	3	210.0
Morocco	6	440.0	—	—	6	440.0
Tunisia	2	194.0	—	—	2	194.0
Yemen, Republic of	—	—	5	181.5	5	181.5
Total	13	1189.0	9	386.5	22	1,575.5
South Asia						
Bangladesh	—	—	6	1,020.7	6	1,020.7
India	3	400.0	4	654.8	7	1,054.8
Nepal	—	—	2	17.5	2	17.5
Pakistan	1	350.0	1	90.0	2	440.0
Sri Lanka	—	—	1	29.0	1	29.0
Total	4	750.0	14	1,812.0	18	2,562.0
Bankwide total	131	22,182.3	145	6,811.8	276	28,994.1

— Zero.

NOTE: Supplements are included in the amount but are not counted as separate lending operations. Joint IBRD/IDA operations are counted only once, as IBRD operations.

1.Excludes an IDA HIPC grant of $150 million to Mozambique.

Projects Approved for IBRD and IDA Assistance in Fiscal Year 1999, by Purpose July 1, 1998 - June 30, 1999

(amounts in millions of U.S. dollars)

	IBRD	IDA	Total
Agriculture			
Albania	—	24.0	24.0
Armenia	—	26.6	26.6
Azerbaijan	—	30.0	30.0
Bangladesh	—	45.0	45.0
Bangladesh	—	16.5	16.5
Brazil	44.0	—	44.0
Bulgaria	75.8	—	75.8
Burkina Faso	—	5.2	5.2
Cameroon	—	15.1	15.1
China	60.0	100.0	160.0
China	90.0	30.0	120.0
China	80.0	20.0	100.0
China	40.0	40.0	80.0
Côte d'Ivoire	—	50.0	50.0
Egypt, Arab Republic of	—	25.0	25.0
Egypt, Arab Republic of	120.0	—	120.0
Egypt, Arab Republic of	225.0	75.0	300.0
Guatemala	23.0	—	23.0
Guinea	—	22.0	22.0
India	85.0	50.0	135.0
India	—	194.1	194.1
Indonesia	300.0	—	300.0
Kyrgyz Republic	—	10.0	10.0
Kyrgyz Republic	—	15.0	15.0
Latvia	10.5	—	10.5
Mexico	444.4	—	444.4
Morocco	4.0	—	4.0
Morocco	5.0	—	5.0
Mozambique	—	30.0	30.0
Nicaragua	—	9.0	9.0
Philippines	150.0	—	150.0
Poland	15.9	—	15.9
Poland	11.1	—	11.1
Senegal	—	27.4	27.4
Tajikistan	—	20.0	20.0
Turkey	4.0	—	4.0
Uganda	—	12.4	12.4
Uganda	—	26.0	26.0
Vietnam	—	101.8	101.8
Total Agriculture	1,787.7	1,020.1	2,807.8
Education			
Azerbaijan	—	5.0	5.0
Brazil	202.0	—	202.0
Cape Verde	—	6.0	6.0
Chile	145.4	—	145.4
Chile	5.0	—	5.0
China	20.0	50.0	70.0
Colombia	5.0	—	5.0
Egypt, Arab Republic of	—	50.0	50.0
Egypt, Arab Republic of	—	5.0	5.0
Gambia, The	—	20.0	20.0
Ghana	—	32.0	32.0
Guinea	—	4.1	4.1
India	—	85.7	85.7
Indonesia	21.5	—	21.5
Indonesia	54.5	20.1	74.6

PROJECTS APPROVED FOR IBRD AND IDA ASSISTANCE IN FISCAL YEAR 1999, BY PURPOSE JULY 1 1998 - JUNE 30, 1999 *(continued)*

(amounts in millions of U.S. dollars)

	IBRD	IDA	Total
Indonesia	47.9	15.9	63.8
Latvia	31.1	—	31.1
Lesotho	—	21.0	21.0
Malaysia	244.0	—	244.0
Mozambique	—	71.0	71.0
Nepal	—	12.5	12.5
Nicaragua	—	13.2	13.2
Tajikistan	—	5.0	5.0
Uruguay	28.0	—	28.0
Vietnam	—	83.3	83.3
Zambia	—	40.0	40.0
Total Education	804.4	539.8	1,344.3
Electric power and other energy			
Argentina	30.0	—	30.0
Armenia	—	21.0	21.0
China	100.0	—	100.0
Georgia	—	25.0	25.0
India	210.0	—	210.0
Yemen, Republic of	—	54.0	54.0
Total Electric Power & Other Energy	340.0	100.0	440.0
Environment			
Armenia	—	8.0	8.0
Bangladesh	—	138.6	138.6
Brazil	15.0	—	15.0
China	150.0	2.0	152.0
China	100.0	50.0	150.0
Gambia, The	—	15.0	15.0
Georgia	—	4.4	4.4
Guatemala	31.0	—	31.0
Honduras	—	8.3	8.3
Lao People's Democratic Republic	—	2.0	2.0
Slovenia	15.0	—	15.0
Total Environment	311.0	228.3	539.3
Finance			
Albania	—	12.0	12.0
Argentina	505.0	—	505.0
Bosnia-Herzegovina	—	50.0	50.0
China	10.0	35.0	45.0
China	27.4	5.6	33.0
Ghana	—	50.5	50.5
Korea, Republic of	48.0	—	48.0
Madagascar	—	16.4	16.4
Mexico	505.5	—	505.5
Pakistan	—	90.0	90.0
Peru	300.0	—	300.0
Philippines	300.0	—	300.0
Sri Lanka	—	29.0	29.0
Thailand	400.0	—	400.0
Tunisia	159.0	—	159.0
Uganda	—	13.0	13.0
Ukraine	300.0	—	300.0
Venezuela	20.0	—	20.0
Total Finance	2,574.9	301.5	2,876.4

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	IBRD	IDA	Total
Industry			
Bangladesh	—	32.0	32.0
Bolivia	—	40.0	40.0
Georgia	—	15.0	15.0
Malaysia	100.0	—	100.0
Tunisia	35.0	—	35.0
Turkey	155.0	—	155.0
Ukraine	300.0	—	300.0
Total Industry	590.0	87.0	677.0
Mining			
Mauritania	—	15.0	15.0
Poland	300.0	—	300.0
Total Mining	300.0	15.0	315.0
Multisector			
Albania	—	45.0	45.0
Albania	—	30.0	30.0
Argentina	30.3	—	30.3
Argentina	2,525.3	—	2,525.3
Armenia	—	65.0	65.0
Azerbaijan	—	7.0	7.0
Bangladesh	—	200.0	200.0
Bolivia	—	1.8	1.8
Burkina Faso	—	15.0	15.0
Cameroon	—	13.1	13.1
Chad	—	30.0	30.0
Dominican Republic	111.1	—	111.1
Georgia	—	60.0	60.0
Georgia	—	16.5	16.5
Ghana	—	178.2	178.2
Ghana	—	1.8	1.8
Honduras	—	200.0	200.0
Indonesia	1,000.0	—	1,000.0
Indonesia	500.0	—	500.0
Jordan	120.0	—	120.0
Korea, Republic of	2,000.0	—	2,000.0
Macedonia, former Yugoslav Republic of	—	50.0	50.0
Madagascar	—	100.0	100.0
Malawi	—	92.0	92.0
Nicaragua	—	50.0	50.0
Org. of Eastern Caribbean States (OECs)	14.1	5.5	19.6
Pakistan	350.0	—	350.0
Panama	61.0	—	61.0
Russian Federation	1,500.0	—	1,500.0
Rwanda	—	75.0	75.0
Solomon Islands	—	12.0	12.0
Tanzania	—	40.0	40.0
Thailand	600.0	—	600.0
Zambia	—	170.0	170.0
Total Multisector	8,811.7	1,457.9	10,269.6
Oil and gas			
Cape Verde	—	17.5	17.5
Total Oil and gas	—	17.5	17.5
Population, Health & Nutrition			
Argentina	4.8	—	4.8
Bolivia	—	25.0	25.0

PROJECTS APPROVED FOR IBRD AND IDA ASSISTANCE IN FISCAL YEAR 1999, BY PURPOSE JULY 1 1998 - JUNE 30, 1999 *(continued)*

(amounts in millions of U.S. dollars)

	IBRD	IDA	Total
Bosnia and Herzegovina	—	10.0	10.0
Brazil	100.0	—	100.0
Brazil	165.0	—	165.0
Chad	—	10.9	10.9
China	10.0	50.0	60.0
Ethiopia	—	100.0	100.0
Guinea	—	11.3	11.3
Honduras	—	10.4	10.4
India	—	191.0	191.0
India	—	134.0	134.0
Indonesia	44.7	—	44.7
Jordan	35.0	—	35.0
Kazakhstan	42.5	—	42.5
Latvia	12.0	—	12.0
Malawi	—	5.0	5.0
Mali	—	40.0	40.0
Mauritania	—	4.9	4.9
Morocco	66.0	—	66.0
Panama	4.3	—	4.3
Uzbekistan	30.0	—	30.0
Total Population, Health & Nutrition	514.2	592.5	1,106.7
Public Sector Management			
Argentina	10.0	—	10.0
Bosnia and Herzegovina	—	72.0	72.0
Bosnia and Herzegovina	—	12.0	12.0
Cambodia	—	5.0	5.0
Cape Verde	—	9.0	9.0
China	—	5.0	5.0
Croatia	7.3	—	7.3
Georgia	—	2.3	2.3
Georgia	—	13.4	13.4
Ghana	—	14.3	14.3
Guatemala	33.0	—	33.0
Indonesia	31.5	—	31.5
Kazakhstan	16.5	—	16.5
Latvia	5.0	—	5.0
Mauritania	—	.1	.1
Moldova	—	40.0	40.0
Mongolia	—	12.0	12.0
Morocco	101.0	—	101.0
Morocco	250.0	—	250.0
Nicaragua	—	1.4	1.4
Niger	—	18.6	18.6
Niger	—	64.0	64.0
Peru	38.0	—	38.0
Philippines	150.0	—	150.0
Romania	25.0	—	25.0
Romania	5.0	—	5.0
Romania	300.0	—	300.0
Russian Federation	30.0	—	30.0
Tajikistan	—	50.0	50.0
Tajikistan	—	6.7	6.7
Tajikistan	—	6.7	6.7
Trinidad and Tobago	14.8	—	14.8
Uzbekistan	25.0	—	25.0
Yemen, Republic of	—	2.5	2.5
Yemen, Republic of	—	50.0	50.0
Zambia	—	2.8	2.8
Total Public Sector Management	1,042.1	387.8	1,430.0

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	IBRD	IDA	Total
Social sector			
Albania	—	5.0	5.0
Argentina	90.8	—	90.8
Azerbaijan	—	7.5	7.5
Azerbaijan	—	10.0	10.0
Brazil	757.6	—	757.6
Brazil	252.5	—	252.5
Bulgaria	80.0	—	80.0
Bulgaria	5.0	—	5.0
Cambodia	—	25.0	25.0
Cape Verde	—	16.1	16.1
China	—	5.0	5.0
Djibouti	—	14.8	14.8
Djibouti	—	2.7	2.7
Egypt, Arab Republic of	—	50.0	50.0
Ghana	—	5.0	5.0
Guatemala	50.0	—	50.0
Guatemala	30.0	—	30.0
Guyana	—	9.0	9.0
Honduras	—	45.0	45.0
Indonesia	600.0	—	600.0
Kyrgyz Republic	—	36.5	36.5
Macedonia, former Yugoslav Republic of	—	29.0	29.0
Macedonia, former Yugoslav Republic of	—	1.0	1.0
Macedonia, former Yugoslav Republic of	—	10.0	10.0
Madagascar	—	15.0	15.0
Malawi	—	66.0	66.0
Malaysia	60.0	—	60.0
Moldova	—	15.0	15.0
Moldova	—	11.1	11.1
Nicaragua	—	45.0	45.0
Romania	10.0	—	10.0
Rwanda	—	5.0	5.0
Thailand	300.0	—	300.0
Togo	—	5.0	5.0
Total Social sector	2,235.9	442.7	2,678.6
Telecommunications			
Mauritania	—	10.8	10.8
Total Telecommunications	—	10.8	10.8
Transportation			
Bangladesh	—	177.0	177.0
Bangladesh	—	273.0	273.0
Bangladesh	—	80.0	80.0
Bangladesh	—	20.0	20.0
Bangladesh	—	6.3	6.3
Bolivia	—	88.0	88.0
Brazil	150.0	—	150.0
China	71.0	—	71.0
China	350.0	—	350.0
China	150.0	—	150.0
China	200.0	—	200.0
China	200.0	—	200.0
Colombia	137.0	—	137.0
Côte d'Ivoire	—	25.6	25.6
Croatia	101.0	—	101.0
Honduras	—	20.0	20.0
Kazakhstan	100.0	—	100.0

PROJECTS APPROVED FOR IBRD AND IDA ASSISTANCE IN FISCAL YEAR 1999, BY PURPOSE JULY 1 1998 - JUNE 30, 1999 *(continued)*

(amounts in millions of U.S. dollars)

	IBRD	IDA	Total
Lao People's Democratic Republic	—	27.8	27.8
Macedonia, former Yugoslav Republic of	32.0	—	32.0
Malawi	—	30.0	30.0
Nepal	—	5.0	5.0
Panama	85.0	—	85.0
Russian Federation	400.0	—	400.0
Senegal	—	90.0	90.0
Tajikistan	—	5.0	5.0
Uganda	—	91.0	91.0
Uruguay	64.5	—	64.5
Vietnam	—	42.7	42.7
Total Transportation	2,040.5	981.3	3,021.8
Urban development			
Azerbaijan	—	20.0	20.0
Benin	—	25.5	25.5
Bolivia	—	32.0	32.0
Bosnia and Herzegovina	—	15.0	15.0
Bosnia and Herzegovina	—	4.0	4.0
Cambodia	—	45.3	45.3
Chile	10.1	—	10.1
Gabon	5.0	—	5.0
Guinea	—	18.0	18.0
India	105.0	—	105.0
Indonesia	—	100.0	100.0
Indonesia	5.0	—	5.0
Kenya	—	40.0	40.0
Lithuania	20.1	—	20.1
Morocco	14.0	—	14.0
Philippines	100.0	—	100.0
Samoa	—	14.4	14.4
Uganda	—	22.4	22.4
Venezuela	60.7	—	60.7
Yemen, Republic of	—	50.0	50.0
Total Urban development	319.9	386.6	706.5
Water supply and sanitation			
Argentina	30.0	—	30.0
Bangladesh	—	32.4	32.4
China	16.0	30.0	46.0
Jordan	55.0	—	55.0
Kazakhstan	16.5	—	16.5
Mozambique	—	75.0	75.0
Philippines	23.3	—	23.3
Turkey	369.0	—	369.0
Vietnam	—	80.5	80.5
Yemen, Republic of	—	25.0	25.0
Total Water supply and sanitation	509.8	242.9	752.7
Bankwide Total	22,182.3	6,811.8	28,994.1

NOTE: Supplements are included in the amount but are not counted as separate lending operations.
Joint IBRD/IDA operations are counted only once, as IBRD operations.
— Zero.

COMMUNIQUÉ

1. *The 58th meeting of the Development Committee was held in Washington, D.C. on October 5, 1998 under the chairmanship of Mr. Tarrin Nimmanahaeminda, Minister of Finance of Thailand*.*
2. *Anwar Ibrahim* The Committee expressed its great appreciation to Mr. Anwar Ibrahim, who had served so ably as Chairman of the Committee.
3. *Implications of the Asian Crisis.* The Committee paid particular attention on this occasion to development priorities and the response of the World Bank Group.
4. Ministers recognized that the economic and social aftershocks of the crisis were more severe than earlier anticipated. The crisis had now spread beyond Indonesia, Korea, Thailand and Malaysia, and its global ramifications had increased the vulnerability of all countries. Ministers therefore noted the need to support an early and sustained recovery in East Asia and contain the risks of crises elsewhere, and to assist countries more generally to develop the prerequisites for sustainable economic growth in a more integrated international financial and economic system.
5. Ministers agreed that a concerted strategy for restoring sustainable growth and reversing the dramatic increase in poverty in East Asia should include the following key elements: i) maintaining and accelerating progress on structural reforms, including governance structures required for the efficient working of markets; ii) restructuring the banking system and corporate sectors and, in the short term, restoring credit to viable businesses; iii) mobilizing necessary resources to finance growth; iv) regenerating demand; and v) protecting the environment. Crucial to all these elements is a focus on social concerns and the need to mitigate the most harmful effects of the crisis on the poor.
6. Ministers further noted that, if it were allowed to continue, financial turmoil could result in major setbacks to the global economy, and particularly to the progress most developing countries had achieved in the 1990s. The Committee agreed that actions were needed to help restore confidence and prevent contagion in the event of market pressures. Emerging market countries should strengthen their policies and institutions at an early stage to minimize their vulnerability to adverse shifts in investor sentiment. Industrial countries should take early and decisive actions to help regain or maintain growth momentum and global financial stability. All countries should continue the process of market opening and resist protectionism. All countries and the IFIs need to attach high priority to the promotion of good governance and the elimination of corruption.
7. Ministers stressed that, given the magnitude of reversals in capital flows that East Asia and other regions had experienced, resumption of private flows was key to recovery. Ministers also emphasized the important catalytic role played by official flows from multilateral agencies and bilateral sources.
8. In this context, the Committee agreed that, beyond responding to the immediate crisis, and in parallel with ongoing efforts to improve the international financial architecture, concerted actions were needed to help countries bolster their structural and social policies and institutions. These include strengthening the financial sector; establishing a sound business environment; improving public and private sector governance, particularly transparency and accountability; and strengthening social protection. Ministers noted that the primary role of the World Bank was to help eliminate poverty and improve social well-being, in line with international development goals. They therefore encouraged the World Bank to work with the United Nations, the Fund and other partners to develop general principles of good practice in structural and social policies (including labor standards).
9. *Bank Group Response.* The Committee welcomed the prompt response of the Bank Group to the crisis, including the pledge of up to $17 billion in financing for affected countries in the region. Ministers expressed appreciation for the significant steps already taken by the Bank Group to assist countries to address the social consequences of the crisis; restructure their financial and corporate sectors; and strengthen structural reforms. They welcomed the Bank Group's intention to further enhance, within the Strategic Compact, its capacity (including through consideration of new instruments) to support member governments' structural and social development programs.
10. The Committee noted the decisions and recommendations recently made by the Executive Board related to the Bank's income dynamics. Given the increasing demands on the Bank's financial resources, Ministers asked the Executive Board to explore appropriate options to ensure that the

Bank remains able to respond quickly and effectively to the development needs of its members. Ministers reaffirmed the fundamental importance of maintaining a financially strong Bank.

11. *Bank-Fund Collaboration.* The Committee noted the important roles to be played by the International Financial Institutions in meeting the range of new challenges facing the international community. In this context, the Committee expressed its appreciation for the major efforts undertaken by the Fund and Bank to help countries deal with the crisis and its broad consequences. They stressed the importance they attached to effective coordination between the Bank and the Fund. Ministers noted the joint report from the Fund's Managing Director and the Bank's President which set out the respective responsibilities of the two institutions and how each would support the macroeconomic policy and structural reform agendas of member governments. Ministers welcomed the proposed measures to improve operational mechanisms and the environment for collaboration, including information sharing, so as to enhance the institutions' capacity to serve member countries. Ministers requested that the Bank and Fund Executive Boards keep implementation of these actions, as well as the scope for further strengthening of collaboration, under review.

12. Ministers also encouraged the Executive Boards of the Fund and Bank to review the roles of the Interim and Development Committees as part of the ongoing consideration of steps to strengthen the international financial architecture.

13. *Partnerships.* Ministers also welcomed the continued deepening of the partnerships between the World Bank, the Asian and African Development Banks, and other multilateral and bilateral agencies in addressing the crisis and its longer-term impact. (Ministers looked forward to receiving at the Committee's next meeting the Bank President's report on progress achieved in strengthening World Bank cooperation with regional development banks.) Given the importance of trade for sustained recovery, Ministers urged the IFIs to intensify cooperation in the Integrated Framework for Trade Related Technical Assistance for the Least Developing Countries. They also encouraged the World Bank to work closely with WTO, UNCTAD and other interested parties in building poor countries' capacity to prepare for a new global trade round. Ministers also urged enhanced cooperation between IFIs and the United Nations system at the country level.

14. *Implementation of the Debt Initiative for Heavily Indebted Poor Countries (HIPC).* Ministers were encouraged by the progress made during the Initiative's first two years. They noted that nine countries have so far reached the decision point, and total commitments to the seven requiring assistance under the Initiative amount to about $6.1 billion in nominal debt service relief ($3.1 billion in NPV terms). Ministers welcomed the fact that Bolivia had reached its completion point, based on continued strong policy performance; savings in nominal debt service were about $760 million (or about $450 million in NPV terms). The Committee also welcomed the recent agreement that Mali had reached its decision point and was expected to reach its completion point in December 1999.

15. Ministers expressed continued strong support for the Initiative. They endorsed the extension of the entry deadline, from September 1998 until end-2000, and the decision to add a degree of flexibility in its evaluation of track records of policy performance for countries receiving post-conflict assistance. Ministers encouraged potentially eligible countries, including those emerging from conflict, to undertake the necessary Bank/Fund supported programs as soon as possible so that by the year 2000 every eligible country is included in the Initiative. They also stressed the importance of additional contributions to the Initiative to assist all multilateral institutions to meet their share of the cost, including, in particular, the African Development Bank.

16. Ministers encouraged the establishment of closer ties between debt relief and support for poverty reduction, as ways of making progress toward achievement of the international development targets. Ministers also supported the plan to carry out a comprehensive review of the Initiative, including an update of cost estimates, as early as 1999.

17. *Assistance to Post-Conflict Countries.* Ministers discussed the special problems faced by post-conflict countries. They noted that a wide range of support had been provided these countries by the Bank and Fund, along with the UN System and bilateral partners. Ministers encouraged them, within their respective mandates, to assist these countries with effective conflict prevention policies, thereby paving the way for a durable and successful post-con-

flict resolution. Ministers recognized, however, that in a number of cases, especially those with large and protracted arrears to multilateral institutions, the international community should explore additional ways to provide assistance more quickly and effectively. In particular, Ministers emphasized the need to provide (and, where needed, increase) positive net transfers from official creditors to post-conflict countries that are adopting sound economic and social policies. The Committee welcomed the initial work done by the Bank and the Fund in identifying the issues. Ministers recognized that providing additional assistance, especially from the IFIs, raised significant policy and resource issues which would need to be considered more fully. Given the need to provide more effective support to post-conflict countries, Ministers requested that the Bank and the Fund, in cooperation with the African Development Bank and other major creditors, develop an approach to guide assistance to these countries on a case-by-case basis, taking account of the specific capabilities of each institution. The Bank and Fund were asked to report back to the Committee at its next meeting.

18. *IMF and IDA Resources.* Ministers urged all members to implement the agreed IMF quota increase without delay to ensure the Fund has adequate resources to meet the substantial additional demands placed upon it. Ministers also stressed the urgency of securing the financing of the ESAF. Moreover, given the vital need for concessional resources to sustain support for poverty reduction in poor countries, particularly in Africa, they urged IDA Deputies to reach a successful conclusion of IDA 12 negotiations before the end of 1998.

19. *Executive Secretary.* The Committee extended Alexander Shakow's term as Executive Secretary until October 1999.

20. *Next Meeting.* The Committee's next meeting is provisionally scheduled for April 28, 1999 in Washington, DC.

COMMUNIQUÉ

1. *The 59th meeting of the Development Committee was held in Washington, D.C., on April 28, 1999 under the chairmanship of Mr. Tarrin Nimmanahaeminda, Minister of Finance of Thailand. Mr. Renato Ruggiero, Director-General of the World Trade Organization, Mr. James D. Wolfensohn, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, and Mr. G.L. Peiris, Minister of Justice and Constitutional and Ethnic Affairs and Deputy Minister of Finance of Sri Lanka, Chairman of the Group of Twenty-Four, addressed the plenary session. Observers from a number of international and regional organizations also attended.*

2. Debt Initiative for Heavily Indebted Poor Countries (HIPC): Encouraged by the progress made over the last two-and-half years, Ministers expressed their continued strong support for the Initiative and reaffirmed its overarching objective of poverty reduction. They discussed ways to strengthen the Initiative and welcomed the results of the extensive external consultation process in this regard. The Committee endorsed the current review and examination of options designed to enable HIPC Initiative debt relief to be broader, deeper and faster. Ministers reiterated the importance of ensuring a clear link between debt relief and the goals of sustainable development and poverty reduction and looked forward to the results of ongoing consultations in this area. From the outset, the underlying reform programs should have an integral pro-poor growth focus. Programs for HIPC should fully reflect social concerns by protecting social expenditures.

3. Ministers endorsed a set of principles that should be used in considering changes to the current HIPC framework. These guiding principles include recommendations that debt relief should: (i) reinforce the wider tools of the international community to promote sustainable development

* Mr. James D. Wolfensohn, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Abdelkrim Harchaoui, Minister of Finance of Algeria and Chairman of the Group of Twenty-Four, addressed the plenary session. Observers from a number of international and regional organizations also attended.

and poverty reduction; (ii) strengthen the incentives for debtor countries to adopt and implement economic and social reform programs; (iii) provide a clear exit from an unsustainable debt burden-taking into account external vulnerabilities of each eligible country; and (iv) be consistent with the need to preserve the financial integrity of the IFIs. Moreover, any changes should simplify implementation of the Initiative.

4. Ministers took note of the updated and higher cost estimates of the current framework, as the alternative costs of potential enhancements to the Initiative, and the importance of early debt service reduction. They emphasized that the review of options for change should continue to be based on cost estimates provided by the Bank and the IMF which take into account those countries likely to qualify for relief, and an estimate of total resources required as well as the likely time period of expenditures. The review would need to be matched by a broad-based effort to find appropriate and equitable financing solutions. In particular, there is a need for increased bilateral contributions-with fair burden sharing-to the HIPC Trust Fund to help those multilateral creditors unable to meet additional costs from their own resources. In addition, ministers stressed the need to secure financing for the IMF ESAF/HIPC Trust. While acknowledging the financial constraints facing multilateral creditors, ministers encouraged them to examine further the funding they can provide for the HIPC Initiative. Ministers requested that changes to the HIPC Initiative framework and financing plans be presented for their consideration at the Committee's next meeting, including specific proposals for multilateral institutions to provide cash flow relief between the decision and completion points.

5. Ministers also welcomed the proposals from bilateral creditors to consider enhanced debt relief, including more relief of the eligible HIPCs' ODA debts. The Committee supported a better coordinated effort to ensure that new financing to HIPCs be in the form of grants or on highly concessional terms. Ministers urged an intensification of efforts on both the aid and trade fronts, emphasizing that HIPC Initiative debt relief alone would be insufficient to reach the overarching International Development Goal of halving the proportion of people living in absolute poverty by 2015.

6. *Assistance to Post-Conflict Countries:* Ministers noted the progress achieved by the Bank and the Fund in enhancing their capacity to assist post-conflict countries. They welcomed the recent agreement by the IMF Executive Board to enhance post-conflict emergency financial assistance and to take into account, on a case-by-case basis, the special circumstances of post-conflict countries with arrears to the Fund. The Committee also welcomed the Bank's progress in designing financial instruments aimed at providing positive net transfers to post-conflict countries implementing policies conducive to stabilization, growth and poverty reduction. Ministers stressed the need, where relevant, to link such efforts to preparing countries for participation in the HIPC Initiative. They encouraged the two institutions to continue to work together, and with U.N. agencies, bilateral partners, and other institutions, to strengthen their assistance to post-conflict countries and to implement enhanced assistance in individual countries as soon as possible, in the context of appropriate macroeconomic and structural policies. They stressed that these initiatives would need to complement strengthened efforts by the international community to assist in the early and orderly transition from conflict to stabilization and economic growth. They emphasized the need for demonstrated commitment to lasting peace by the previously conflicting parties to enable donors and creditors to provide exceptional support.

7. *Bank Group Financial Capacity:* The Committee welcomed the successful conclusion of the IDA12 replenishment agreement and the MIGA general capital increase which will provide essential resources for two key parts of the World Bank Group. Ministers also welcomed the attention being devoted by the Bank's Executive Board and management to the financial strength of the IBRD and IFC. Ministers reaffirmed their strong commitment to preserve the IBRD's and IFC's financial integrity. They recognized that the institutions must respect appropriate financial limits in the conduct of their operations. Ministers accordingly asked that the Executive Board review IBRD and IFC priorities, particularly in light of recent global economic and financial developments, and report back to the Committee at its next meeting with balanced options for maintaining and supporting the institutions' financial capacity to help them meet the future development needs of borrowing member countries.

8. *Comprehensive Development Framework (CDF):* The Committee welcomed the holistic approach to sustainable development envisaged in the CDF. Min-

isters appreciated that the CDF emphasizes the ultimate importance of country ownership of decision-making as well as partnership and coordination between government, civil society, the private sector and other multilateral and bilateral actors in pursuit of poverty reduction-the Bank's central goal. They underscored the importance, within the CDF, of each partner sharpening its focus. They noted that many governments had expressed interest in working as partners with the Bank in helping to develop the CDF. Ministers recognized that the ultimate test of the CDF would be in its implementation, and they called on the Executive Board to monitor and evaluate progress in the pilot country cases as they evolve over the next eighteen months.

9. *Multilateral Development Bank (MDB) Cooperation:* Ministers welcomed the President's report on strengthened World Bank cooperation with regional development banks, an important set of development partners. They underscored the importance of continuing to strengthen cooperation between the World Bank, regional development banks, and the IMF. Ministers believe such enhanced collaboration, while respecting each institution's unique mandate, can improve lending efficiency and effectiveness; they urged further concrete steps be taken by the MDBs as, for example, in developing comparable methods for evaluating development effectiveness and in establishing best-practice MDB procurement rules.

10. *Principles and Good Practice in Social Policy:* Ministers noted the important contributions of the Bank and the Fund in current efforts to strengthen the architecture of the international financial system through their participation in the formulation of international standards, principles and best practices. Reflecting on the lessons of the recent financial crisis, Ministers reiterated the importance of concerted action to help countries bolster their social policies and institutions. They considered a draft note on principles and good practice in social policy, prepared at the Committee's request by the World Bank in cooperation with the U.N. and others. Ministers agreed that further development of these basic social principles was best pursued within the framework of the United Nations, as part of the international community's follow-up on the Copenhagen Declaration of the World Summit for Social Development. Ministers encouraged the Bank to help countries mobilize the necessary domestic and external resources to implement these principles and to share best practice on the effective use of such resources. Ministers emphasized the importance of the Bank concentrating on strengthening its support for member countries in translating broad principles into practical country-specific results, based on the Bank's extensive operational role in promoting broad-based poverty-reducing development-experience of best-practice which should be an important part of the Bank's contribution to the United Nations discussion of principles. They emphasized the importance and urgency of work by the Bank and the Fund to help countries be better prepared for crisis situations, and to ensure that when crisis strikes the most vulnerable groups are protected and the process of longer term development is sustained; ministers asked the World Bank to report back to the Committee at the Annual Meetings on associated policies and practices that could support national and international implementation of these objectives.

11. *Strengthening International Fora:* Ministers discussed a number of options for strengthening the Development and Interim Committees. They recognized the importance of reaching agreement as soon as possible and asked the two Executive Boards to develop proposals for consideration by the Committees at their next meetings.

12. The Balkan Crisis. Ministers were informed of the results of the special high-level meeting of governments and international agencies held on April 27. Convened by the World Bank and the International Monetary Fund, the meeting focussed on the economic impact of the Kosovo crisis on neighboring countries in the Balkan region. The Committee welcomed the attention being paid to the region's short-term financial needs, as well as a medium-term approach to economic stability in these countries. They emphasized that conflict and post-conflict situations elsewhere also required a high level of attention by the international community. Ministers welcomed the request that the World Bank and the European Union coordinate these efforts for the Balkan crisis. Ministers looked forward to being informed of follow-up actions in due course.

13. *Next Meeting.* The Committee's next meeting is scheduled for September 27, 1999, in Washington D.C.

International Bank for Reconstruction and Development

Management's Discussion and Analysis
June 30, 1999

Certain forward-looking statements contained herein are subject to risks and uncertainties. IBRD's actual results may differ materially from those set forth in such forward-looking statements.

1. FINANCIAL OVERVIEW

The International Bank for Reconstruction and Development (IBRD) is an international organization established in 1945 and owned by its member countries. IBRD's main goals are promoting sustainable economic development and reducing poverty. It pursues these goals primarily by providing loans, guarantees and related technical assistance for projects and programs in its developing member countries. IBRD's ability to intermediate funds from international capital markets for lending to its developing member countries is an important element in achieving its development goals. IBRD's objective is not to maximize profit, but to earn adequate net income to ensure its financial strength and to sustain its development activities on an ongoing basis.

Table 1 presents selected financial data for the last five fiscal years:

Table 1:

	1999	*1998*	*1997*	*1996*	*1995*
For the Year *(U.S. $ millions)*					
Loan Income (comprised of)	7,649	6,881	7,235	7,922	8,187
Interest	7,535	6,775	7,122	7,804	8,069
Commitment Charges	114	106	113	118	118
Provision for Loan Losses	(246)	(251)	(63)	(42)	(12)
Investment Income	1,680	1,233	834	720	1,082
Borrowing Expenses	(6,846)	(6,144)	(5,952)	(6,570)	(6,944)
Net Noninterest Expense	(719)	(476)	(769)	(843)	(959)
Net Income	1,518	1,243	1,285	1,187	1,354
Performance Ratios *(%)*					
Net Return on Average Earning Assets[a]	1.05	0.96	1.02	0.89	1.00
Gross Return on:					
Average Earning Assets[a]	6.47	6.29	6.41	6.50	6.82
Average Outstanding Loans[a]	6.58	6.43	6.62	6.78	6.98
Average Cash and Investments	6.01	5.63	5.02	4.47	5.78
Cost of Average Borrowings (after swaps)	5.92	6.01	6.06	6.31	6.48
Interest Coverage Ratio	1.22	1.20	1.22	1.18	1.19
Return on Equity	6.16	5.29	5.21	4.61	5.41
Equity Capital-to-Loans Ratio	20.65	21.44	22.06	21.80	21.42
Total at Year-end *(U.S. $ millions)*					
Total Assets	230,808	205,042	161,945	152,004	168,579
Cash and Liquid Investments[b]	30,122	24,837	18,250	15,990	18,435
Loans Outstanding	117,228	106,576	105,805	110,246	123,499
Accumulated Provision for Loan Losses	(3,560)	(3,240)	(3,210)	(3,340)	(3,740)
Borrowings Outstanding[c]	115,739	103,477	96,679	96,719	108,290
Total Equity	28,021	26,514	27,228	28,300	30,461

a. *Includes income from commitment and other loan charges.*
b. *Includes investments designated as held-to-maturity for fiscal years 1995-98.*
c. *Outstanding borrowings, before swaps, net of premium/discount.*

The financial strength of IBRD is based on the support it receives from its shareholders and on its array of financial policies and practices. Shareholder support for IBRD is reflected in the capital backing it has received from its members and in the record of its borrowing members in meeting their debt-service obligations to it. IBRD's financial policies and practices have led it to build reserves, to diversify its funding sources, to hold a large portfolio of liquid investments and to limit a variety of risks, including credit, market and liquidity risks.

IBRD's principal assets are its loans to member countries. The majority of IBRD's outstanding loans are priced on a cost pass-through basis, in which the cost of funding the loans, plus a lending spread,[a] is passed through to the borrower.

To raise funds IBRD issues debt securities in a variety of currencies to both institutional and retail investors. These borrowings together with IBRD's equity are used to fund its lending and investment activities as well as general operations.

IBRD holds its assets and liabilities primarily in U.S. dollars, euro (and national currency sub-units of the euro), and Japanese yen. IBRD mitigates its exposure to exchange rate risks by matching the currencies of its assets with those of its liabilities and reserves; however, the reported levels of its assets, liabilities and income in the financial statements are affected by exchange rate movements of major currencies compared to IBRD's reporting currency, the U.S. dollar. This financial statement reporting effect does not impact IBRD's risk-bearing capacity.

During the fiscal year ended June 30, 1999, the growth in the loan portfolio continued at the unprecedented level of FY 1998 as IBRD continued to respond to the financial crisis that had begun in East and South East Asia and spread to other parts of the developing world. A portion of this loan growth took place in the form of special structural adjustment loans (SSALs), which IBRD introduced in the second quarter of FY 1999 as a new type of loan tailored to be part of a broader financial support package for the borrowing country. SSALs made up 18% of IBRD's total FY 1999 loan commitments of $22,182 million, and 25% of its total FY 1999 net loan disbursements of $8,133 million. Relative to other IBRD loan terms, SSALs carry wider lending spreads and shorter maturities.[b]

At the beginning of FY 1999 IBRD's Executive Directors took several actions to augment its financial capacity. These measures included allocating income to IBRD's reserves, increasing the contractual charges on new IBRD loans, and reducing the interest waiver from 25 basis points to 5 basis points on outstanding loans to eligible borrowers negotiated prior to July 31, 1998. These loans carry a lending spread of 50 basis points. The interest waiver on loans for which the invitation to negotiate was issued on or after July 31, 1998 remained at 25 basis points. However, the lending spread was increased to 75 basis points. This pricing strategy effectively brought the net spread on loans to 45 basis points for loans negotiated prior to July 31, 1998 and to 50 basis points for loans negotiated on or after July 31, 1998.

FY 1999 net income increased $275 million from the preceding year, due in part to the decisions taken on loan pricing and waivers. The largest contributing factor, however, was the $237 million gain realized on liquidation of investments that had been classified as held-to-maturity.

On July 29, 1999, the Executive Directors approved the allocation of $700 million of FY 1999 net income to reserves, and recommended to IBRD's Board of Governors the transfer of $563 million from unallocated net income and $102 million from surplus for other development purposes and organizations. They also approved the continuation of the FY 1999 level of loan interest and commitment charge waivers through FY 2000.

IBRD has scheduled the introduction of new loan and hedging products for its borrowers beginning September 1, 1999. These products will carry an additional charge to cover the increased market risks inherent in providing them. From a longer-term perspective, IBRD continues to evaluate alternative strategies to enhance its risk-bearing capacity to ensure that it can respond to borrowers as needed, while preserving its financial strength.

2. DEVELOPMENT ACTIVITIES

IBRD offers loans and guarantees to its member countries to help meet their development needs. It also provides technical assistance and other services to support poverty reduction in these countries.

Loans

From its establishment through June 30, 1999, IBRD had approved loans, net of cancellations, totaling $302,840 million to borrowers in 128 countries. The loans held by IBRD, including loans approved but not yet effective, at June 30, 1999 totaled $168,600 million, of which $117,228 million was outstanding and $51,372 million was undisbursed. Cumulative loan repayments at June 30, 1999, based on U.S. dollar equivalents at the time of receipt, were $131,036 million.

The amount of loans outstanding at June 30, 1999 was $10,652 million higher than that at June 30, 1998. The increase is attributable to net disbursements of $8,133 million, and translation adjustments of $2,519, as a result of a depreciation in the value of the U.S.

a. See Section 2, Financial Terms of Loans for more details.

b. See Section 2, Adjustment Lending.

dollar during the year against the other currencies in which IBRD holds a portion of its loans.

During FY 1999 commitments of new loans reached a record of $22,182 million, up from $21,086 million in FY 1998. Relative to the preceding fiscal year, the regional composition of commitments and disbursements in FY 1999 shifted more toward Latin America and somewhat away from South Asia.

Under IBRD's Articles of Agreement (the Articles), as applied, the total amount outstanding of direct loans made by IBRD, participation in loans and callable guarantees may not exceed the statutory lending limit. At June 30, 1999, outstanding loans and callable guarantees (net of loan loss provisions) totaled $114,134 million, equal to 56% of the statutory lending limit.

IBRD's lending operations have conformed generally to five principles derived from its Articles. These principles, taken together, seek to ensure that IBRD loans are made to member countries for financially and economically sound purposes to which those countries have assigned high priority, and that funds lent are utilized as intended. The five principles are:

(i) IBRD makes loans to governments, governmental authorities or private enterprises in the territories of member countries. A loan that is not made directly to the member in whose territories the project is located must be guaranteed as to principal, interest and other charges by the member or its central bank or a comparable agency of the member acceptable to IBRD. A guarantee by the member itself has been obtained in all such cases to date.

(ii) IBRD's loans are designed to promote the use of resources for productive purposes in its member countries. Projects financed by IBRD loans are required to meet IBRD's standards for technical, economic, financial, institutional and environmental soundness.

(iii) In making loans, IBRD must act prudently and pay due regard to the prospects of repayment. Decisions to make loans are based upon, among other things, studies by IBRD of a member country's economic structure, including assessments of its resources and ability to generate sufficient foreign exchange to meet debt-service obligations.

(iv) IBRD must be satisfied that in the prevailing market conditions (taking into account the member's overall external financing requirements), the borrower would be unable to obtain financing under conditions which, in the opinion of IBRD, are reasonable for the borrower. IBRD is intended to promote private investment, not to compete with it.

(v) The use of loan proceeds is supervised. IBRD makes arrangements to ensure that funds loaned are used only for authorized purposes and, where relevant, with due attention to considerations of cost-effectiveness. This policy is enforced primarily by requiring borrowers (a) to submit documentation establishing, to IBRD's satisfaction, that the expenditures financed with the proceeds of loans are made in conformity with the applicable lending agreements and (b) to procure goods and services through procedures, including international competitive bidding, which IBRD judges to be likely to lead to cost-efficient procurement.

Within the scope permitted by the Articles, these policies must be developed and adjusted in light of experience and changing conditions.

The process of identifying and appraising a project and approving and disbursing a loan often extends over several years. The appraisal of projects is carried out by IBRD's operational staff (engineers, financial analysts, economists and other sector and country specialists). With minor exceptions, all loans must be approved by IBRD's Executive Directors. Loan disbursements are subject to the fulfillment of conditions set out in the loan agreement. During project implementation, IBRD staff with experience in the sector or the country involved periodically visit project sites to review progress, monitor compliance with IBRD policies and assist in resolving any problems that may arise. After completion, projects are evaluated by an independent unit and the findings reported directly to the Executive Directors to determine the extent to which its major objectives were met. Similar appraisal, approval, supervision and evaluation procedures apply in the case of IBRD adjustment and other non-project loans.

Lending Instruments

IBRD lending generally falls into one of two categories: investment or adjustment lending.

Investment Lending

IBRD has several lending instruments that support investment activities, either discrete projects or programs of investments. **Table 2** presents a breakdown of IBRD's investment lending by instrument approved in FY 1999 and in each of the two preceding fiscal years. These loans broadly fall into the following categories:

- *Adaptable Program Loans* (APLs) are designed to provide funding for long-term development program through a series of operations. Succeeding operations are committed on the basis of satisfactory performance on agreed milestones, indicators, periodic reviews, and the evaluation of implementation progress and emerging needs. Authority for approval is with the Executive Directors for the first loan of each program and the long-term program agreement. Authority for approval of subsequent APLs under programs

approved by the Executive Directors is with IBRD's management, subject to oversight and review by the Executive Directors.

- *Emergency Recovery Loans* are made to restore assets and productivity immediately after a major emergency (such as war, civil disturbance, or natural disaster) that seriously disrupts a member country's economy.
- *Financial Intermediary Loans* support the development of financial institutions and provide funds to be channeled through intermediaries for general credit or for the development of specific sectors or subsectors. The primary objective of these loans is to improve the operational efficiency of financial institutions in a competitive environment.
- *Learning and Innovation Loans* (LILs) are designed to support small, time-sensitive programs to build capacity, pilot promising initiatives, or to experiment with and develop locally-based models prior to large scale interventions. LILs are modest in size with each loan not exceeding $5 million. Approvals of LILs are at the management level rather than at the Executive Director level.
- *Sector Investment and Maintenance Loans* are designed to bring investments, policies and performance in specific sectors or subsectors in line with agreed economic priorities.
- *Specific Investment Loans* fund the creation of new productive assets or economic, social and institutional infrastructure or their rehabilitation to full capacity.
- *Technical Assistance Loans* are designed to strengthen capacity in entities concerned with policies, strategies and institutional reforms in such areas as public enterprise reform and divestiture, civil service and judicial reform, government budgetary management and the formulation of economic policy.

Table 2:

In millions of U.S. dollars

	FY 1999		*FY 1998*		*FY 1997*	
Investment Lending Instrument	*Amount*	*As a % of Total Loans*	*Amount*	*As a % of Total Loans*	*Amount*	*As a % of Total Loans*
Adaptable Program Loans	$ 502	2	$ 682	4	$ -	-
Emergency Recovery Loans	549	2	415	2	-	-
Financial Intermediary Loans	20	*	122	*	92	1
Learning and Innovation Loans	43	*	33	*	-	-
Sector Investment & Maintenance Loans	120	1	599	3	545	4
Specific Investment Loans	6,791	31	9,062	43	9,477	65
Technical Assistance Loans	220	1	238	1	273	2
Total	$8,245	37	$11,151	53	$10,387	72

* *Indicates amounts less than 0.5%.*

Adjustment Lending

Historically, most IBRD loans have been for investment projects or programs. IBRD also makes adjustment loans designed to support the introduction of basic changes in economic, financial and other policies of key importance for the economic development of member countries. Disbursements on these loans are conditioned on certain performance objectives. Current operating guidelines state that adjustment lending, excluding debt and debt-service reduction loans, will normally not exceed 25% of total IBRD lending. This guideline was established with the understanding that it was likely to be exceeded if world economic conditions worsened. This guideline is not a rigid limit but rather a trigger for a reevaluation of such lending. As a result of several large adjustment loans made by IBRD during the fiscal year, 63% of IBRD's lending in FY 1999 consisted of such loans (47% for FY 1998). The Executive Directors are aware that, in light of the specific and unusual financial circumstances in the world at present, the guideline has been exceeded for the past two fiscal years, and may possibly be exceeded again in subsequent years. **Table 3** provides the details by instrument of IBRD's adjustment lending approved in FY 1999 and each of the two preceding fiscal years. Adjustment loans are broadly classified as follows:

- *Structural Adjustment Loans (SAL)* support specific policy changes and institutional reforms. These loans require agreement on a satisfactory macroeconomic framework and policy actions that can be monitored on a specific schedule.
- *Sector Adjustment Loans* support comprehensive policy changes and institutional reforms in major sectors. They also require agreement on a satisfactory macroeconomic framework and its imple-

mentation, and a specific program that can be monitored.

- *Rehabilitation Loans* support government policy reform programs to assist the private sector where foreign exchange is required for urgent rehabilitation of key infrastructure and productive facilities.
- *Debt and Debt-Service Reduction Loans* assist an eligible, highly-indebted member country in financing an approved debt and debt-service reduction operation on its commercial debt that is designed to reduce the country's total debt to a manageable level and contribute to a viable medium-term financing plan and the attainment of medium-term growth objectives.
- *Special Structural Adjustment Loans* (SSAL). These loans, introduced in the second quarter of FY 1999, are fast-disbursing loans providing support to countries facing a sectoral or economy-wide crisis with a substantial structural dimension.

Adjustment lending committed for FY 1999 totaled $13,937 million, of which $10,002 million has been disbursed at June 30, 1999. At June 30, 1999, disbursements on SSALs committed during FY 1999 totaled $2,035 million, representing 50% of FY 1999 SSAL commitments.

Table 3:

In millions of U.S. dollars

	FY 1999		*FY 1998*		*FY1997*	
Adjustment Lending Instrument	*Amount*	*As a % of Total Loans*	*Amount*	*As a % of Total Loans*	*Amount*	*As a % of Total Loans*
Structural Adjustment Loans	$ 7,690	35	$8,285[a]	39	$1,295	9
Sector Adjustment Loans	2,206	10	1,650	8	2,590	18
Rehabilitation Loans	—	—	—	—	70	*
Special Structural Adjustment Loans	4,041	18	—	—	—	—
Sub-total	13,937	63	9,935	47	3,955	27
Debt and Debt-Service Reduction Loans	—	—	—	—	183	1
Total	$13,937	63	$9,935	47	$4,138	28

a. *Includes a $3,000 million economic reconstruction loan.*
* *Indicates amounts less than 0.5%.*

Enclave Lending

On rare occasions IBRD will lend for a large, foreign exchange generating project in a member country usually eligible only for loans from the International Development Association (IDA). In these circumstances appropriate risk mitigation measures are incorporated (including off-shore escrow accounts and debt-service reserves acceptable to IBRD) to ensure that the risks to IBRD are minimized. At June 30, 1999, IBRD had $171 million in outstanding loans for enclave projects.

Lending by Sector

A breakdown by sector of IBRD's loans outstanding at the end of FY 1999 and loans approved in each of the last three fiscal years is provided in **Table 4**.

Table 4:

Sectors	Total loans outstanding at June 30, 1999		Loans approved during FY 1999		FY 1998		FY 1997	
	USD M	%	USD M	%	USD M	%	USD M	%
Agriculture	$ 11,573	10	$ 1,788	8	$ 1,455	7	$ 2,811	19
Education	5,314	5	804	4	1,928	9	762	5
Electric Power and Other Energy	13,864	12	340	2	1,115	5	1,613	11
Environment	1,492	1	311	1	653	3	32	*
Finance	15,772	13	2,575	12	6,103	29	994	7
Health, Population and Nutrition	3,105	3	514	2	911	4	246	2
Industry	5,709	5	590	3	-	-	145	1
Mining and Other Extractive	1,961	2	300	1	1,369	7	300	2
Multi-Sector	22,545	19	8,812	40	1,188	6	1,373	9
Oil and Gas	3,873	3	-	-	130	1	114	1
Public Sector Management	5,743	5	1,042	5	1,738	8	720	5
Social	3,239	3	2,236	10	934	4	1,304	9
Telecommunications and Informatics	1,307	1	-	-	68	*	-	-
Transportation	13,367	11	2,041	9	2,285	11	3,225	22
Urban Development	5,028	4	320	1	770	4	506	3
Water Supply and Sanitation	3,336	3	510	2	439	2	380	3
Total [a]**	$117,228	100	$22,182	100	$21,086	100	$14,525	100

a. Excludes loans to the International Finance Corporation.
* *Indicates amounts less than 0.5%.*
** *May differ from sum of individual figures shown due to rounding.*

Financial Terms of Loans

Currently IBRD offers new loans with three types of financial terms: multicurrency pool loans, LIBOR-based single currency loans, and fixed rate single currency loans. This choice of financial terms is intended to provide borrowers with flexibility to select terms that are both compatible with their debt management strategy and suited to their debt-servicing capability. Most loans carry a three- to five-year grace period for principal and are amortized over a period that ranges from twelve to twenty years.

For most products IBRD charges a lending rate composed of a spread plus its average cost of borrowings. Until July 31, 1998, that spread was 50 basis points. However, during the first quarter of fiscal year 1999, the lending spread was increased to 75 basis points, for loans where the invitation to negotiate was issued on or after July 31, 1998. Also, a front-end fee of 100 basis points, payable for each such loan at the time it becomes effective, was introduced. In addition, all loans carry a commitment charge of 75 basis points per annum on undisbursed amounts.

Waivers of a portion of interest owed by all eligible borrowers are determined annually and have been in effect for each of the previous eight fiscal years. Waivers of a portion of the commitment charge owed on the undisbursed portion of loans are also determined annually and have been in effect for each of the last ten fiscal years. For interest periods beginning during FY 2000, the interest waiver is 5 basis points, except for loans with a 75 basis point lending spread, whose interest waiver is 25 basis points. The commitment charge waiver for FY 2000 is 50 basis points. Both interest and commitment charge waivers are unchanged from the level determined in July 1998. Further details are provided in the Notes to Financial Statements-Note C.

Multicurrency Pool Loans

Multicurrency pool loan (CPL) terms are available for new loans. The currency composition of CPLs is determined on the basis of a pool, which provides a currency composition that is the same for all loans in the pool. Pursuant to a policy established by the Executive Directors and subject to their periodic review, at least 90% of the U.S. dollar equivalent value of the pool is in a fixed ratio of one U.S. dollar to 125 Japanese yen to one euro.

The lending rate on these cost pass-through loans is variable, adjusted every six months to reflect the previous semester's average cost of outstanding borrowings allocated to fund these loans, weighted by the average currency composition of the pool. IBRD adds its lending spread to that average cost. For interest

periods that commence on dates between July 1, 1999 and December 31, 1999, the applicable lending rate is 5.59% for loans where the invitation to negotiate was issued before July 31, 1998 and 5.84% for loans where the invitation to negotiate was issued thereafter.

Loan Conversion Options

In FY 1997 in response to borrower demand for broader currency choice, the Executive Directors approved the offer of currency choice for all IBRD multicurrency pool loans for which the invitation to negotiate was issued before September 1, 1996. The purpose of this invitation was to provide borrowers the flexibility to amend the terms of their existing multicurrency pool loans to reflect their choice of the offered currencies. Under this offer, from 1996 to 1998 borrowers had three options: (a) retain the terms of their existing multicurrency pool loans; (b) convert undisbursed loan amounts to single currency loan (SCL) terms; and (c) convert disbursed loan balances and undisbursed loan amounts (to the extent not converted to SCL terms) to one of four new single currency pools (SCPs). The last conversion date was July 1, 1998. Those options have now expired and all conversions under the offer have been completed.

Conversion to Single Currency Loan Terms

Aggregate conversions of undisbursed balances to SCL terms were $21,115 million, with U.S. dollars comprising 79.7% of the total.

Conversion to Single Currency Pools

SCP terms are not available for new commitments. Aggregate conversions to SCPs were $48,549 million, of which $615 million was undisbursed at the time of conversion from the multicurrency pool to single currency pools. Among the single currency pool choices, conversions to the U.S. dollar SCP loan pool accounted for 85.6%. Conversions to Deutsche mark and Japanese yen SCPs accounted for 14.2% and 0.2%, respectively. To accommodate this preference for the U.S. dollar, IBRD borrowings in other currencies, which generally carried lower nominal interest rates, were converted to U.S. dollar terms. This increase in nominal funding costs is reflected in higher average lending rates, although the contractual lending spread remained at 50 basis points. The U.S. dollar SCP lending rates for interest periods commencing July 1, 1998 through December 31, 1998 and commencing in January 1, 1999 through June 30, 1999 were 7.54% and 7.97% respectively, compared to the corresponding CPL lending rates of 6.18% and 6.03% (6.28% for loans for which the invitation to negotiate was issued on or after July 31, 1998) for the same periods. For the interest periods commencing on July 1, 1999 through December 31, 1999, the lending rate for the U.S. dollar SCP is 8.53%.

Single Currency Loans

For new loans, borrowers may also select LIBOR-based or fixed rate SCL terms. In general, the fixed rate SCL terms will be replaced by the new fixed spread loan scheduled to be introduced for loans whose invitations to negotiate are issued on or after September 1, 1999 and accordingly, the fixed rate SCL product will only be available for new loans if the invitation to negotiate has been issued before December 1, 1999. IBRD currently offers SCLs in U.S. dollars, Japanese yen, euro, pounds sterling and Swiss francs, and will consider borrower requests for SCL loans in other currencies.

LIBOR-based SCLs carry a lending rate that is reset semi-annually. The lending rate consists of a base rate, which is the prevailing six-month London interbank offered rate (LIBOR) for the applicable currency plus a spread. The spread consists of: (a) IBRD's weighted average cost margin for funding for the preceding semester allocated to these loans relative to the base rate; and (b) IBRD's lending spread. These variable rate loans are designed to pass IBRD's funding spread to LIBOR through to its borrowers. This lending rate is set every six months, in January and July. At June 30, 1999, the proportion of outstanding LIBOR-based SCLs denominated in U.S. dollars was 92.3%, (97.3% at June 30, 1998).

Recently, IBRD approved and disbursed several large loans on non-standard SCL terms. During FY 1999, IBRD approved and disbursed a structural adjustment loan for $2,000 million. This loan carries a six-month U.S. dollar LIBOR interest rate plus a fixed spread of 75 basis points and a front-end fee. During FY 1998, IBRD had also approved and disbursed two LIBOR-based single currency loans with non-standard SCL terms. The first, a $3,000 million economic reconstruction loan, carries a six-month U.S. dollar LIBOR interest rate plus a fixed spread of 100 basis points and a front-end fee. The second, a $2,000 million structural adjustment loan, carries a six-month U.S. dollar LIBOR interest rate plus a fixed spread of 75 basis points and a front-end fee. None of these loans is eligible for waivers of interest or commitment charges.

SSALs also carry non-standard SCL terms. SSAL terms include a six-month U.S. dollar LIBOR interest rate plus a minimum fixed spread, currently set at 400 basis points, which may vary for new loans over time depending on IBRD's overall risk-bearing capacity and market conditions. These loans have a maturity of five years with a three-year grace period, a front-end fee of one percent of the principal amount payable on effectiveness, and are not eligible for waivers of interest or commitment charges.

Fixed rate SCLs carry lending rates that are set on specified semi-annual rate fixing dates for amounts disbursed during the preceding six months. The lending rate consists of a base rate, which reflects market interest rates for the applicable currency on the rate-fixing date for the equivalent loan maturity, plus a spread. The spread consists of: (a) IBRD's funding cost margin relative to the base rate for these loans;

(b) a risk premium to compensate IBRD for market risks it incurs in funding these loans; and (c) IBRD's lending spread.

New Loan and Hedging Products

During the third quarter of FY 1999 IBRD approved the introduction of new loan and hedging products for its borrowers to respond to their needs for more flexible financial products and better risk management tools. These products are scheduled to be introduced for loans whose invitation to negotiate is issued on or after September 1, 1999.

The new financial products are:

- *Fixed-spread loans* with an interest rate based on LIBOR, plus a spread that would be fixed for the life of the loan. Borrowers selecting this product would have the flexibility to change the currency or interest rate basis over the life of the loan and have more flexibility in selecting loan maturities; and
- *Hedging products* that would be linked to borrowers' existing IBRD loans to assist them in managing their currency, interest rate and, on a case-by-case basis, commodity price risks.

Table 5 presents a breakdown of IBRD's loan portfolio by loan product:

Table 5:

In millions of U.S. dollars

	FY 1999		*FY 1998*		*FY 1997*	
Loan Product	*Principal Balance*	*As a % of Total Loans*	*Principal Balance*	*As a % of Total Loans*	*Principal Balance*	*As a % of Total Loans*
Adjustable rate multicurrency pool loans						
Outstanding	$ 37,203	32	$ 56,274	53	$ 91,842	87
Undisbursed	6,344	12	8,765	17	27,422	53
LIBOR-based single currency loans[a]						
Outstanding	25,462	22	15,018	14	4,493	4
Undisbursed	33,862	66	29,801	58	19,144	37
Fixed rate single currency loans						
Outstanding[b]	11,238	9	5,683	5	2,563	2
Undisbursed	10,787	21	12,356	24	5,007	10
Single currency pool loans						
Outstanding	40,693	35	25,658	24	-	-
Undisbursed	374	*	131	*	-	-
Other loans						
Outstanding	2,631	2	3,943	4	6,907	7
Undisbursed	5	*	12	*	3	*
Total **						
Outstanding loans	$117,228	100	$106,576	100	$105,805	100
Undisbursed loans	$ 51,372	100	$ 51,065	100	$ 51,576	100

a. *Of which, SCLs with non-standard SCL terms represent $9,035 million outstanding and $2,005 million undisbursed at June 30, 1999.*

b. *Includes fixed rate single currency loans whose rate had not yet been fixed at fiscal year-end.*

* *Indicates amounts less than 0.5%.*

** *May differ from the sum of individual figures due to rounding.*

For more information, see the Notes to Financial Statements-Note C.

Guarantees

IBRD offers guarantees to its members, and in exceptional cases will offer enclave guarantees in a member country usually eligible only for credits from IDA, subject to a limit of $300 million. IBRD guarantees are intended as flexible instruments that provide the credit enhancement required to mobilize private sector financing for individual projects through targeted and limited support, thus enhancing IBRD's impact by catalyzing private sector participation. On a pilot basis guarantees are being made available to support agreed upon policies and reforms in member countries. IBRD applies the same country creditworthiness and project evaluation criteria to guarantees as it applies to loans. Projects in any member country that is eligible for IBRD lending are also eligible for IBRD guarantees.

IBRD guarantees can be customized to suit varying country and project circumstances. They can be targeted to mitigate specific risks, generally risks relating to political, regulatory and government performance, which the private sector is not normally in a position to absorb or manage. Two basic types of guarantees are offered:

- *Partial risk guarantees* cover debt-service defaults on a loan that may result from nonperformance of government obligations. These are defined in the contracts negotiated between the government or a government-sponsored entity and the private company responsible for implementing the project. The IBRD guarantee is limited to backing the government's obligations; the obligations of the private company contained in the project agreements are not covered and thus the private lenders assume the risk of nonperformance by the private company.
- *Partial credit guarantees* are used for public sector projects when there is a need to extend loan maturities, but not necessarily to cover sovereign contractual obligations. This approach may be most appropriate when the lenders are not willing to accept the sovereign risk of the host government for a term long enough to meet the needs of the project. By guaranteeing later maturities, such partial credit guarantees help induce the market to extend the term to the maximum risk it can bear. The presence of the guarantee may also induce a lower interest rate.

As part of IBRD's strategy of continuing to expand its range of instruments in response to client demand, the Executive Directors approved the introduction of a new guarantee instrument in April 1999. This guarantee is an extension of the existing partial credit guarantee instrument for projects:

- *Policy-based guarantees* are partial credit guarantees that cover a portion of debt-service on a borrowing by an eligible member country from private foreign creditors in support of agreed structural, institutional and social policies and reforms. The guaranteed portion of the debt-service could consist of a combination of interest and principal payments, but the actual structure is determined on a case-by-case basis. Eligibility for IBRD adjustment lending is a necessary condition for eligibility for this type of instrument. The terms of this instrument are the same as project-based partial credit guarantees. Maturity, level of fees, and possible waivers will be standard if the guarantee is made in situations comparable to those under which a SAL would be made; however, if the guarantee is made in connection with a SSAL, then it will be at SSAL-equivalent terms. Initially, IBRD will proceed with a pilot program of up to $2,000 million. Once the $2,000 million is reached the Executive Directors will review the program.

IBRD may also provide partial risk guarantees for export-oriented projects in an IDA-only country (enclave guarantees) if the project is expected to generate foreign exchange outside the country, and IBRD determines that the country will have adequate foreign exchange to meet its obligations under the counter-guarantee if the guarantee is called. The government is expected to use revenue accruing to it from any such project for productive development purposes. A project covered by an enclave guarantee includes security arrangements with appropriate risk mitigation measures—such as offshore revenue escrow accounts and debt-service reserves acceptable to IBRD —to minimize IBRD's exposure and the risk of a call on the guarantee. The commitment of enclave guarantees is initially limited to an aggregate guaranteed amount of $300 million.

Each guarantee requires the counter-guarantee of the member government. Guarantees are priced within a limited range to reflect the risks involved, and preparation fees may be charged where there are exceptional costs involved for IBRD. Generally, IBRD has retained a fee of 25 basis points per annum on its exposure on guarantees; however, on enclave guarantees IBRD would retain a higher fee.

IBRD's exposure at June 30, 1999 on its guarantees (measured as their present value in terms of their first call date) is $1,524 million. For additional information see the Notes to Financial Statements-Note C.

Other Activities

In addition to its financial operations, IBRD provides technical assistance to its member countries, both in connection with, and independently of, loan operations. Such assistance includes the assignment of qualified professionals to survey development opportunities in member countries, analysis of their fiscal, economic and other development problems, assistance to member countries in drawing up development programs, appraisal of projects suitable for investment and assistance to member countries in improving their asset and liability management techniques. To assist its developing member countries, IBRD has also established the World Bank Institute, which provides courses and other training activities related to economic policy development and administration for governments and organizations working closely with IBRD, and has made contributions for research and other developmental activities. IBRD has on a number of occasions, at the request of members concerned, facilitated efforts toward the settlement of international economic and financial disputes. Additionally, IBRD, alone or jointly with IDA, administers on behalf of donors, funds restricted for specific uses. These funds are held in trust and are not included in the assets of IBRD. See the Notes to Financial Statements-Note H.

3. RISK MANAGEMENT

IBRD assumes various kinds of risk in the process of providing development banking services. Its activities can give rise to three major types of risk: credit risk; market risk; and liquidity risk. IBRD is also exposed to operating risk.

The objective of Asset-Liability Management (ALM) for IBRD is to ensure adequate funding for each product at the most attractive available cost, and to manage the currency composition, maturity profile and interest rate sensitivity characteristics of the portfolio of liabilities supporting each lending product in accordance with the particular requirements for that product and within prescribed risk parameters.

The major inherent risk to IBRD is country credit risk, or loan portfolio risk. IBRD is also subject to commercial credit risk, market (interest and exchange rate), operating and liquidity risk. In a reorganization of the risk managment function, IBRD established a Senior Vice President and Chief Financial Officer (CFO) position with several units reporting to it, and vested it with the overall responsibility for the financial and risk management of IBRD. IBRD also established a Risk Management Department charged with identifying, measuring and monitoring market risks, liquidity risks, and counterparty credit risks in IBRD's financial operations.

The risk management governance structure also includes the Asset-Liability Management Committee (ALCO) chaired by the CFO. ALCO makes decisions and recommendations to senior management in the areas of financial policy, the adequacy and allocation of risk capital, and oversight of financial reporting. Among the standing subcommittees reporting to ALCO, the Market Risk and Currency Management Subcommittee meets most frequently. This subcommittee develops and monitors the policies under which market and commercial credit risks faced by IBRD are measured, reported and managed. The subcommittee also monitors compliance with policies governing commercial credit exposure and currency management. Specific areas of activity include establishing guidelines for limiting balance sheet and market risks, the use of derivative instruments, and monitoring matches between assets and their funding.

For the day-to-day management of risk, IBRD's risk management structure extends into its business units. Risk management processes have been established to facilitate, control and monitor risk-taking. These processes are built on a foundation of initial identification and measurement of risks by each of the business units.

The processes and procedures by which IBRD manages its risk profile continually evolve as its activities change in response to market, credit, product, and other developments. The Executive Directors periodically review trends in IBRD's risk profiles and performance as well as any significant developments in risk management policies and controls.

Credit Risk

Credit risk, the risk of loss from default by a borrower or counterparty, is inherent in IBRD's development activities. Under the direction of the ALCO, policies and procedures for measuring and managing such risks are formulated, approved and communicated throughout IBRD. Senior managers represented on ALCO are responsible for maintaining sound credit assessments, addressing transaction and product risk issues, providing an independent review function and monitoring the loans, investments and borrowings portfolios.

Country Credit Risk

Country credit risk is the primary risk faced by IBRD. It has three components as described below. Probable expected losses from all three components are covered by the accumulated provision for loan losses, while unexpected losses are covered by IBRD's income generating capacity and risk-bearing capital. IBRD continuously reviews the creditworthiness of its borrowing member countries and adjusts its overall country programs and lending operations to reflect the results of these reviews.

(i) The first component is idiosyncratic risk. This is the risk that individual countries will accumulate extended debt-service arrears—or move closer to accumulating extended debt-service arrears—for country specific reasons.

(ii) The second component is covariance risk. This is the risk that one or more borrowers will accumulate extended payment arrears—or move closer to accumulating extended payment arrears—as a result of a common external shock. This shock could be, for example, a regional political crisis or an adverse change in the global environment (such as a fall in commodity prices or a rise in international interest rates).

(iii) The third component is portfolio concentration risk, which arises when a small group of borrowers account for a large share of loans outstanding. Portfolio concentration increases the potential financial impact of idiosyncratic and covariance risk. Portfolio concentration risk is managed using the portfolio concentration limit described below.

In 1997 the Executive Directors approved an approach to portfolio concentration under which IBRD's largest loan portfolio exposure to a single borrowing country is restricted to the lower of an equitable access limit or a concentration risk limit. The equitable access limit is equal to 10% of IBRD's subscribed capital, reserves and unallocated surplus. The concentration risk limit is based on the adequacy of

IBRD's risk-bearing capacity relative to its largest loan portfolio exposure to a single borrowing country. The concentration risk limit takes into account not only current exposure (loans outstanding, plus the present value of guarantees), but also projected exposure over the ensuing three- to five-year period. The limit is determined by the Executive Directors each year at the time they consider IBRD's reserves adequacy and the allocation of its net income from the preceding fiscal year. For FY 2000 the concentration risk limit is $13,500 million, unchanged from FY 1999. The equitable access limit is $20,529 million. IBRD's largest loan portfolio exposure (including the present value of guarantees) to a single borrowing country was $11,553 million at June 30, 1999.

Overdue and Non-performing Loans

It is IBRD's policy that if a payment of principal, interest or other charges on an IBRD loan or IDA credit becomes 30 days overdue, no new loans to that member country, or to any other borrower in that country, will be presented to the Executive Directors for approval, nor will any previously approved loan be signed, until payment for all amounts 30 days overdue or longer has been received. In addition, if such payment becomes 60 days overdue, disbursements on all loans to or guaranteed by that member country are suspended until all overdue amounts have been paid. Where the member country is not the borrower, the time period for suspension of the approval and signing of new loans to or guaranteed by the member country is 45 days and the time period for suspension of disbursements is 60 days. It is the policy of IBRD to place all loans made to or guaranteed by a member of IBRD in nonaccrual status, if principal, interest or other charges on any such loan are overdue by more than six months, unless IBRD determines that the overdue amount will be collected in the immediate future. IBRD maintains an accumulated provision for loan losses to recognize the risk inherent in current and probable overdue payments. The methodology for determining the accumulated provision for loan losses is discussed in the following paragraphs. Additional information on IBRD's provisioning policy and status of nonaccrual loans can be found in the Notes to Financial Statements—Summary of Significant Accounting and Related Policies, and Note C.

In 1991 the Executive Directors adopted a policy to assist members with protracted arrears to IBRD to mobilize sufficient resources to clear their arrears and to support a sustainable growth-oriented adjustment program over the medium term. Under this policy IBRD will develop a lending strategy and will process loans, but not sign or disburse such loans, during a pre-clearance performance period with respect to members that: (a) agree to and implement a medium-term, growth-oriented structural adjustment program endorsed by IBRD; (b) undertake a stabilization program, if necessary, endorsed, or financially supported, by the International Monetary Fund; (c) agree to a financing plan to clear all arrears to IBRD and other multilateral creditors in the context of a medium-term structural adjustment program; and (d) make debt-service payments as they fall due on IBRD loans during the performance period. The signing, effectiveness and disbursement of such loans will not take place until the member's arrears to IBRD have been fully cleared.

Accumulated Provision for Loan Losses

IBRD's accumulated provision for loan losses reflects the following:

- Management's assessment of the overall collectibility risk on accruing loans (which includes callable guarantees); and
- The present value losses on nonaccruing loans. Such losses are equal to the difference between the discounted present value of the debt-service payments on a loan at its contractual terms and the expected cash flows on that loan.

The adequacy of the accumulated provision for loan losses is determined by assessing the amount required to cover probable expected losses in the accrual portfolio and losses inherent in the nonaccrual portfolio as of the balance sheet date. The amount required to cover probable expected losses in the accrual portfolio is related to the mean of the distribution of losses facing the institution over the next three years, which has been developed to estimate the probable losses inherent in the accrual portfolio at the balance sheet date. This is calculated using a risk-adjusted capital allocation framework that takes into account the concentration and covariance risk in the portfolio. The amount required to cover losses inherent in the nonaccrual portfolio is based on the calculation of the discounted present value of cash flows.

Estimating probable expected losses is inherently uncertain and depends on many factors, including general macroeconomic and political conditions, unexpected correlations within the portfolio, and other external factors. IBRD periodically reviews such factors and reassesses the adequacy of the accumulated provision for loan losses accordingly.

Commercial Credit Risk

IBRD's commercial credit risk is concentrated in investments in debt instruments issued by sovereigns, agencies, banks and corporate entities. The majority of these investments are in AAA and AA rated instruments.

In the normal course of its business, IBRD utilizes various derivatives and foreign exchange financial instruments to meet the financial needs of its borrowers, to generate income through its investment activities and to manage its exposure to fluctuations in interest and currency rates.

Derivative and foreign exchange transactions involve credit risk. The effective management of credit risk is vital to the success of IBRD's funding, investment and ALM activities. The monitoring and managing of these risks is a continuous process due to changing market environments.

IBRD seeks to control the credit risk arising from derivatives and foreign exchange transactions through its credit approval process, the use of collateral agreements and risk control limits and monitoring procedures. The credit approval process involves evaluating counterparty creditworthiness, assigning credit limits and determining the risk profile of specific transactions. Credit limits are calculated and monitored on the basis of potential exposures taking into consideration current market values, estimates of potential future movements in those values and collateral agreements with counterparties. If there is a collateral agreement with the counterparty to reduce credit risk, then the amount of collateral obtained is based on the credit rating of the counterparty. Collateral held includes cash and government securities.

IBRD treats the credit risk exposure as the replacement cost of the derivative or foreign exchange product. This is also referred to as replacement risk or the mark-to-market exposure amount. While contractual principal amount is the most commonly used volume measure in the derivative and foreign exchange markets, it is not a measure of credit or market risk.

Mark-to-market exposure is a measure, at a point in time, of the value of a derivative or foreign exchange contract in the open market. When the mark-to-market is positive, it indicates the counterparty owes IBRD and, therefore, creates a replacement risk for IBRD. When the mark-to-market is negative, IBRD owes the counterparty and does not have replacement risk.

When IBRD has more than one transaction outstanding with a counterparty, and there exists a legally-enforceable master netting agreement with the counterparty, the "net" mark-to-market exposure represents the netting of the positive and negative exposures with the same counterparty. If this net mark-to-market is negative, then IBRD's exposure to the counterparty is considered to be zero. Net mark-to-market is, in IBRD's view, the best measure of credit risk when there is a legally-enforceable master netting agreement between IBRD and the counterparty. For the contractual value, notional amounts and related credit risk exposure amounts by instrument, see the Notes to Financial Statements—Note E.

Table 6 provides details of IBRD's estimated credit exposure on its investments and swaps, net of collateral held, by counterparty rating category.

Table 6:

In millions of U.S. dollars

	At June 30, 1999					*At June 30, 1998*		*At June 30, 1997*	
	Investments		*Swap Exposure*						
Counterparty Rating	*Sovereigns*	*Agencies, Banks & Corporates*		*Total Exposure on Investments and Swaps*	*% of Total*	*Total Exposure on Investments and Swaps*	*% of Total*	*Total Exposure on Investments and Swaps*	*% of* [illegible]
AAA	$4,459	$ 7,943	$111	$12,513	41	$ 9,740	37	$ 4,074	[illegible]
AA	1,815	13,543	91	15,449	51	14,725	56	12,889	68
A		2,283	28	2,311	8	1,939	7	2,134	11
Total	$6,274	$23,769	$230	$30,273	100	$26,404	100	$19,097	100

The FY 1999 increase in credit exposure parallels the increase in the size of the investment portfolio. The credit exposure from swaps declined from FY 1998 to FY 1999 by $387 million to $230 million. The increase in the relative weight of credit exposures to AAA rated entities was in part due to the increase of investments in AAA rated asset-backed securities.

The FY 1998 increase in credit exposure over that of FY 1997 reflects the growth in the size of the investment portfolio. The credit exposure from swaps declined from FY 1997 to FY 1998 by $38 million to $617 million.

Interest Rate Risk

There are two potential sources of interest rate risk to IBRD. The first is the interest rate sensitivity associated with the net spread between the rate IBRD earns on its assets and the cost of borrowings which fund those assets. The second is the interest rate sensitivity of the income earned from funding a portion of IBRD assets with equity. The borrowing cost pass-through formulation incorporated in the lending rates charged on most of IBRD's existing loans has traditionally helped limit the interest rate sensitivity of the net spread earnings on its loan portfolio. Such cost pass-through loans currently account for more than 82% of the existing outstanding loan portfolio (87% at the end of FY 1998). However, the majority of cost pass-through loans do entail some residual interest rate risk, given the one-semester lag inherent in the lending rate calculation. If new borrowings are at interest rates above the average of those already in the debt pool, the higher average debt costs would not be passed through to the lending rate charged to the borrowers

and thus would not affect the interest income generated on cost pass-through loans until the following semester. The reverse is true when market interest rates decline.

Another potential risk arises because the cost pass-through currency pool products have traditionally been funded with a large share of medium- and long-term fixed rate borrowings, so as to provide the borrowers with a reasonably stable interest basis. Given the sustained interest rate declines seen over the last several years, the cost of these historical fixed rate borrowings in the multicurrency pool and the single currency pools is currently considerably higher than IBRD's new borrowing costs. In particular, the amount of "above market" debt allocated to the CPL debt pool exceeds the outstanding CPL's beyond FY 2012, i.e. the pool is over-funded beyond FY 2012. Over-funding reaches a maximum of approximately $4,396 million in FY 2015. In the absence of new disbursements and additions to the multicurrency pool, IBRD would be subject to some risk associated with potentially having to redeploy these above-market borrowings, as the loans in the CPL pool repay.

Interest rate risk on non-cost pass-through products, which currently account for 18% of the existing loan portfolio (13% at the end of FY 1998), is managed by using interest rate swaps to closely align the rate sensitivity characteristics of the loan portfolio with those of their underlying funding. The interest rate risk on IBRD's liquid portfolio is managed within specified duration-mismatch limits and is further limited by stop-loss limits.

Because equity funds a portion of outstanding loans, IBRD's level of net income is sensitive to movements in the level of nominal interest rates. In general, lower nominal interest rates result in lower lending rates which, in turn, reduce the nominal earnings on IBRD's equity.

Interest rate risk also arises from a variety of other factors, including differences in the timing between the contractual maturity or repricing of IBRD's assets, liabilities and derivative financial instruments. On floating rate assets and liabilities, IBRD is exposed to timing mismatches between the re-set dates on its floating rate receivables and payables.

As part of its ALM process IBRD employs interest rate swaps to manage and align the rate sensitivity characteristics of its assets and liabilities. IBRD uses derivative instruments to adjust the interest rate repricing characteristics of specific balance sheet assets and liabilities, or groups of assets and liabilities with similar repricing characteristics.

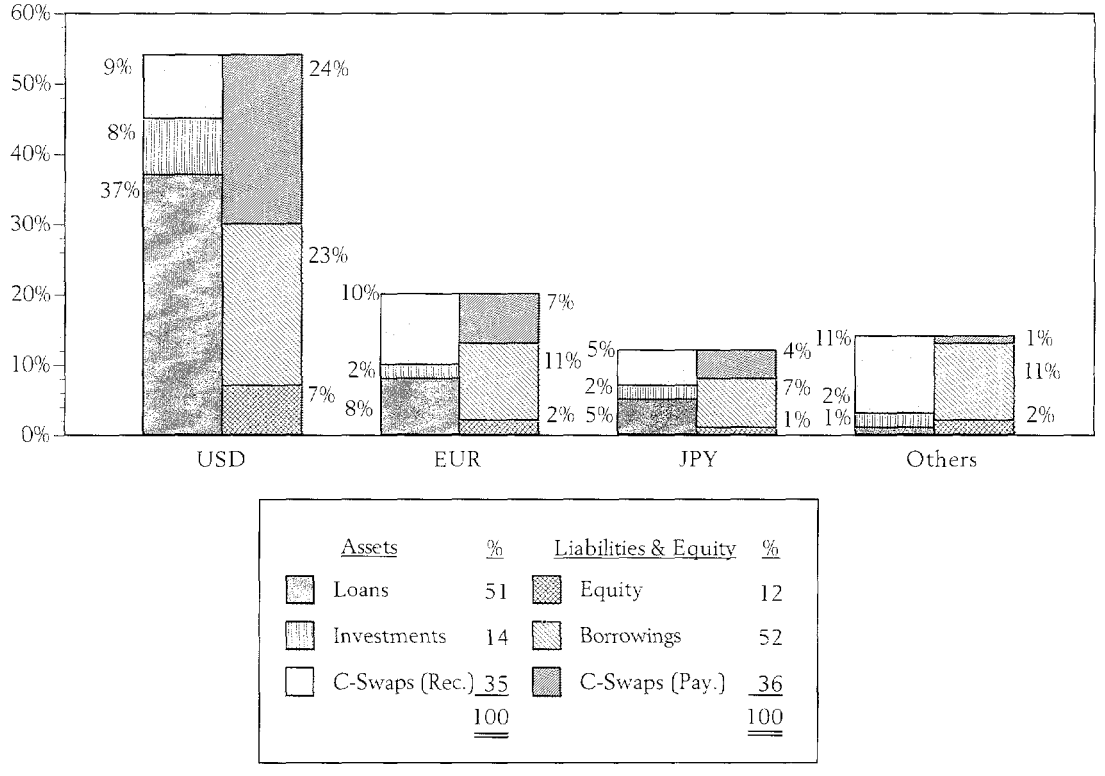
Exchange Rate Risk

In order to minimize exchange rate risk in a multicurrency environment, IBRD matches its borrowing obligations in any one currency (after swap activities) with assets in the same currency, as prescribed by the Articles. In addition, IBRD's policy is to minimize the exchange rate sensitivity of its reserves-to-loans ratio. It carries out this policy by undertaking currency conversions periodically to align the currency composition of its reserves to that of its outstanding loans. This policy is designed to minimize the impact of market rate fluctuations on the reserves-to-loans ratio, thereby preserving IBRD's ability to better absorb potential losses from arrears regardless of the market environment.

Figure 1 presents the currency composition of significant balance sheet components at the end of FY 1999 and 1998.

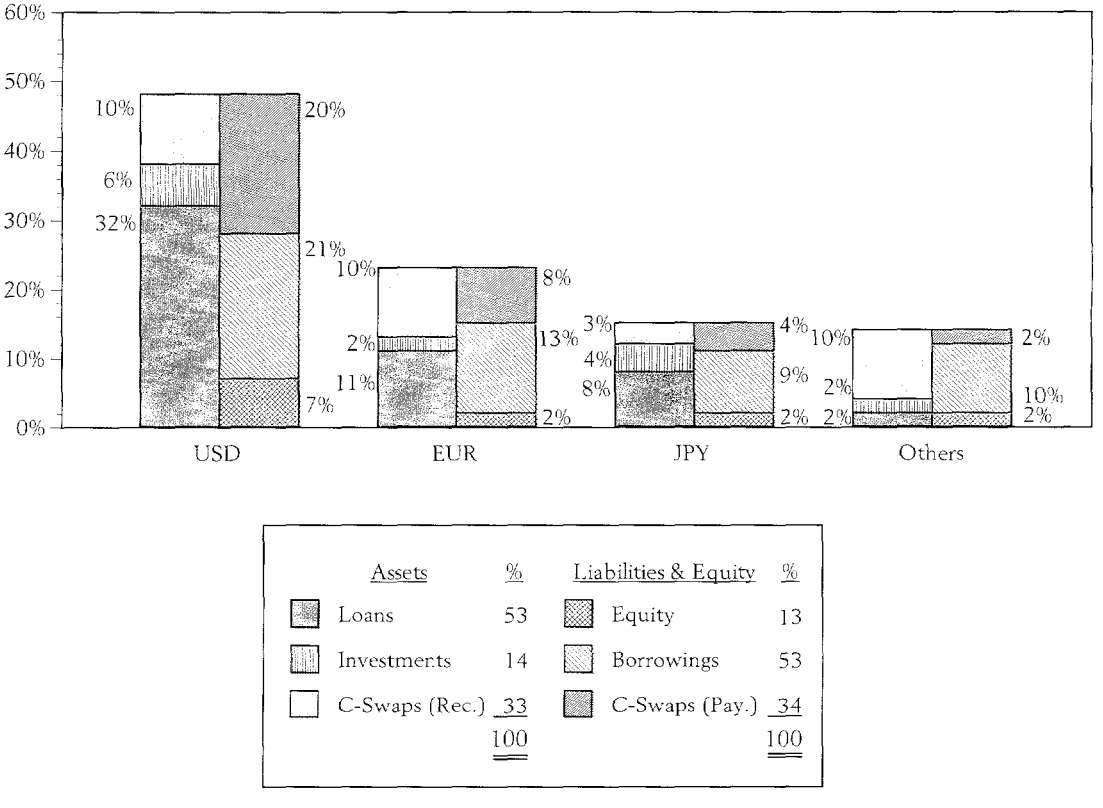
Figure 1:

FY 1999



FY 1998

For comparability, FY 1998 amounts have been restated to reflect the introduction of the euro.



Operating Risk

Operating risk is the potential for loss arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities. IBRD, like all financial institutions, is exposed to many types of operating risks, including the risk of fraud by staff or outsiders. IBRD attempts to mitigate operating risk by maintaining a system of internal controls that is designed to keep operating risk at appropriate levels in view of the financial strength of IBRD and the characteristics of the activities and markets in which IBRD operates. In the past IBRD has suffered certain immaterial losses from operating risk and while it maintains an adequate system of internal controls, there can be no absolute assurance that IBRD will not suffer such losses in the future.

In FY 1996, IBRD adopted the COSO[a] control framework and a self-assessment methodology to evaluate the effectiveness of its internal controls, and it has an on-going program in place to assess all business units. In each of the last three fiscal years, IBRD obtained an attestation report from its external auditors that IBRD's assertion that as of June 30 of each of these fiscal years, its "system of internal control over its financial reporting met the criteria for effective internal control over financial reporting described in COSO" is fairly stated in all material respects.

Economic and Monetary Union in Europe

Since January 1, 1999, in the normal course of business as a multicurrency organization, IBRD has been conducting euro-denominated transactions in paying and receiving, investments, bond issuance, loan disbursements, loan billing and new lending commitments.

IBRD has adopted a gradual approach to redenominate national currency balance sheet items and IBRD-administered donor trust funds to euro during the transition period. However, recognizing the operational risks and complexities of operating simultaneously in national currencies and euro, and the resulting incremental transactions, accounts, and cash flows between these currencies, it has been concluded that redenomination could improve operating efficiency and operational control. Strategies of individual business areas have been developed and integrated into an overall transition plan to ensure sufficient flexibility for each unit to respond to its specific business needs.

There is no financial benefit foreseen, for either IBRD or its borrowers, for an early redenomination of loans with national currency components before their automatic conversion to euro on January 1, 2002. However, to reduce on-going costs and operational control risks of operating in mixed currencies, an early conversion of loans before December 2001 is being considered. Due to the contractual nature of loan agreements, borrowers would have to consent to an early redenomination. Furthermore, loan accounting systems will require significant modification for national currency redenomination to euro.

IBRD is currently adopting new information technology systems which will facilitate the redenomination of many national currency balances. One major new system, SAP, has replaced numerous systems in areas including operations, resource management, capital and trust funds. A new system for liability management, called Summit, has recently been installed which will process the redenomination of national currency bonds and derivatives, the timing of which will be determined by IBRD based on international capital market developments during the transition period.

Due to the ongoing information systems changes, the incremental cost of euro conversion is being minimized. Past euro preparation costs were limited through the redeployment of existing staff resources. IBRD's direct euro preparation costs to date are under $5 million and have been funded by the administrative budget.

Year 2000 Issues

General

The Year 2000 issue is the result of computer programs using two digits rather than four to define the applicable year. Some of IBRD's legacy computer programs have date-sensitive software that might be unable to properly interpret dates beyond the year 1999. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions. IBRD presently believes that timely modifications to existing software and/or hardware, as well as introducing new systems software, will mitigate its Year 2000 risks.

IBRD's Year 2000 Program has been in active operation for over two years. The overall responsibility for the Program rests with IBRD's Chief Information Officer (CIO). A parallel program of Year 2000 activities is directed towards raising the awareness of IBRD's member countries, providing limited grant funding for planning and remediation, and ensuring that IBRD-funded projects' Year 2000 risks are assessed and that appropriate actions are taken.

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a. "COSO" refers to the *Internal Control-Integrated Framework* formulated by the Committee of Sponsoring Organizations of the Treadway Commission which was convened by the U.S. Congress in response to the well-publicized irregularities that occurred in the financial sector during the late 1980's.

The CIO has oversight and reporting responsibilities for both the information technology (IT) and non-IT components (facilities, communications, equipment and infrastructure) of the Program. IBRD's Year 2000 Program Office is staffed with three full-time professionals. IT and non-IT staff working on Year 2000 activities reside in operating and support units of IBRD. These staff report on Year 2000 work to the CIO and the Year 2000 Program Office as well as their line managers. While work on the project is ongoing, there is a biweekly meeting with the CIO and the Year 2000 Program Office, and once a month, representatives of the responsible operating units meet to review progress and coordinate on issues. A monthly report on the status of the Program is provided to IBRD's President and Managing Directors. The Executive Directors are apprised of the Program's status on a quarterly basis through a report and meeting with the Audit Committee of the Executive Directors.

Internal Computer Systems

Early in the Program, IBRD adopted the following U.S. Government Accounting Office five-phase approach for the Year 2000 issue (i.e., awareness, assessment, renovation/remediation, validation (testing) and implementation):

(i) Awareness: As noted above, the Program is recognized as important not only to IBRD internally but also to clients and partners. IBRD's senior management has assigned overall accountability for the Program to the CIO. A strategy, approach and timetable have been defined and agreed upon and responsible organizational units and individuals have been identified. Key milestone dates have been established within the timetable, and these are being actively monitored. Information and documentation have been distributed within IBRD on the Year 2000 issue, how it affects IBRD and its clients, and the program to address it. A series of briefings by internal and outside experts has been conducted, and these briefings continue to be run periodically. Year 2000 Program Office staff and other key individuals in IBRD are actively coordinating with other multilateral development banks, the International Monetary Fund, the United Nations and other international organizations, U.S. government officials, and private sector groups on areas of mutual interest. There is also a continuing program of targeted information dissemination on key Year 2000 topics, including status reporting, test platform availability plus specific guidance on testing phases and using the agreed institutional testing methodology for both unit and integration testing.

(ii) Assessment: The assessment phase of the Program has been completed. The information resources (e.g. systems and infrastructure) have been inventoried and categorized (i.e. compliant or non-compliant) to be retained, decommissioned, or replaced. Where contingency plans are required for business continuity purposes, they have been developed. The resources for Year 2000 work are a part of the base budget allocation of each unit; additional funding has been made available by IBRD management according to need;

(iii) Renovation/Remediation: Work falling under this phase includes repair of systems that are deemed non-compliant and are to be retained, as well as a large Systems Renewal Project and implementation of Summit Software solutions for several current financial systems. A significant part of the Systems Renewal Project involves the replacement of 60 information systems by new, Year 2000 compliant SAP R/3 modules. The SAP project work was essentially completed and implemented in July 1999. The Summit implementation was completed in the third quarter of FY 1999. Project status and contingency plans for remaining systems are reviewed weekly and discussed monthly with the business units involved. The remaining eight applications under remediation are judged to be on schedule for completion by September 15, 1999. Of 108 applications to be decommissioned before January 2000, 73% had been retired by June 30, 1999, with the remainder to be retired by the end of December 1999.

(iv) Validation (Testing): This is the phase of the Program that is using the most resources. It involves not only the actual testing and re-testing at a unit and integration level, but also creating the test environments and scheduling testing. Applications to be retained, which total 133, are 87% Year 2000 tested as of June 30, 1999. Completion of testing is scheduled for September 30, 1999.

(v) Implementation: IBRD's Year 2000 Program calls for completion of preparation activities by the end of September 1999. Upon completion of the testing of compliant systems, they will be implemented into production status. SAP modules are certified to be Year 2000 compliant, and this will be verified by IBRD's own Year 2000 testing, which will be completed by the end of September 1999. As an additional safety measure, systems slated to be replaced by SAP have been modified to ensure that they will be able to operate through the first half of the IBRD's fiscal year 2000. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from these plans. Specific factors that might cause such material differences include, but are not limited to, the availability and costs of personnel trained in this area, the ability to locate and correct all relevant computer code and similar uncertainties.

The key Year 2000 milestone dates are set out in **Table 7**.

Third Party Providers

IBRD has identified its key vendors and service providers to determine the extent of their Year 2000 compliance and has made appropriate inquiries and investigations into the state of their readiness, where such readiness could have a material impact on IBRD's operations. External financial entities (e.g. correspondent banks, fund managers, swap counterparties) with whom IBRD does business have been contacted to determine the status of their systems compliance. Of the 82% responding, 81% expected to be compliant by June 30, 1999. Follow up activities have included the statement that IBRD will be unable to continue business relations with any banking correspondent not expected to be Year 2000 compliant by June 30, 1999.

Cash Settlements

The majority of IBRD's financial transactions are executed through the SWIFT global messaging system, which is already Year 2000 compliant. IBRD completed the SWIFT Year 2000 Customer Program in May and June 1999, and is using a Year 2000 compliant version of the SWIFT messaging system. Contingency plans to transmit transactions by alternate means are already in place and tested as part of the normal on-going disaster recovery planning.

Member Countries

The initial focus of Year 2000 efforts in member countries was on raising awareness, promoting education and encouraging preventive action and timely contingency planning. Since the second quarter of FY 1999, operations staff have focussed on an internal assessment of IBRD's portfolio of loan projects for Year 2000 risks. Risks for member countries primarily relate to critical systems in banking, telecommunications, power and water, health and government services. Each project has been categorized as carrying high, medium, or low risk for potential disruptions due to Year 2000 problems. Approximately one-third of the projects are classified as high-risk. High Year 2000 risk, in this context, means that the project includes components or depends on services that could be vulnerable to the Year 2000 rollover. IBRD actively encourages mitigation action on the part of the Project Implementing Agencies to avoid disruptions, and offers financing of such work through new loans and reallocation of existing loan funds. Should such efforts fail, projects may experience setbacks and delays while problems are rectified. Serious disruptions to national infrastructure and public administration due to Year 2000 problems could, in the extreme, affect borrowers' ability to service IBRD loans. No projections have been attempted as to the magnitude of such risks, as there are too many variables, and as information on Year 2000 readiness, in many cases, is scarce and cursory at best.

Estimated Costs to Complete

The cost of completing IBRD's Year 2000 Program is estimated at approximately $12 million. To date approximately $8 million of this amount has been spent. Costs for the Information Systems Renewal project (SAP implementation), and the Summit implementation are estimated at approximately $68 million. To date $49 million of that amount has been spent. SAP and Summit address a considerable part of IBRD's Year 2000 remediation requirements, but since they would be implemented anyway, their costs are not considered direct Year 2000 remediation expenses.

Contingency Plans

Contingency plans are required for all critical systems needing repair or replacement. For the Systems Renewal Project, the contingency plan is to repair the legacy applications it will replace. Some of this work has already been completed, some is scheduled to be performed in any case, and the remainder will be triggered if scheduled reviews of the Systems Renewal Project reveal unsatisfactory progress. The level of effort required has been assessed and the required resources have been earmarked.

Table 7: Year 2000 Action Timeline

Date	*Systems to be Retained*	*Systems Renewal*	*Other New Systems*
June 30, 1999	Testing 97% Completed	Production Transition	Production Implementation
September 30, 1999	Testing 100% Completed and in Production	In Production	In Production

4. LIQUIDITY MANAGEMENT

Liquidity risk arises in the general funding of IBRD's activities and in the management of its financial positions. It includes the risk of being unable to fund its portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner at a reasonable price. The objective of liquidity management is to ensure the availability of sufficient cash flows to meet all of IBRD's financial commitments.

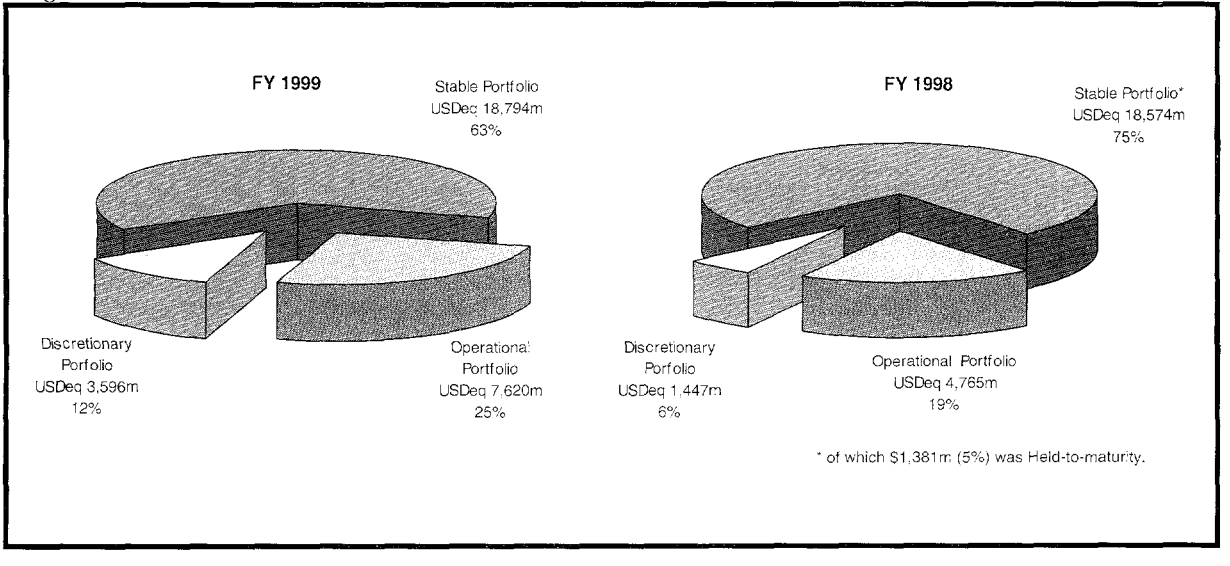
Under IBRD's liquidity management policy, aggregate liquid asset holdings should be kept at or above a specified prudential minimum. That minimum is equal to the highest six months of debt-service for a fiscal year plus one-half of net loan disbursements as projected for a fiscal year based on commitments at the beginning of that year. The FY 2000 prudential minimum liquidity level has been set at $18,000 million, representing a $500 million decrease over that for FY 1999. IBRD also holds liquid assets over the specified minimum to provide flexibility in timing its borrowing transactions and to meet working capital needs.

IBRD's liquid assets are held principally in obligations of governments and other official entities, time deposits and other unconditional obligations of banks and financial institutions, asset-backed securities, and futures and options contracts pertaining to such obligations.

Liquid assets are held in three distinct sub-portfolios: stable; operational; and discretionary, each with different risk profiles, funding, structures and performance benchmarks. The stable portfolio is principally an investment portfolio holding the prudential minimum level of liquidity, which is set at the beginning of each fiscal year. The operational portfolio provides working capital for IBRD's day-to-day cash flow requirements. The discretionary portfolio provides flexibility for the execution of IBRD's borrowing program and can be used to take advantage of attractive market opportunities.

At the end of FY 1999, the aggregate size of the IBRD liquid asset portfolio stood at $30,010 million, an increase of $5,224 million over FY 1998. This increase over the prior year is in part a result of a decision to deliberately pre-fund a portion of the FY 2000 borrowing program and create discretionary liquidity. In the aggregate, the IBRD liquid asset portfolio is largely composed of U.S. dollars, with the currency composition of the operational portfolio varying the most as a result of the multicurrency cash flows generated by disbursements, debt-service payments, new borrowings and reserves conversions. **Figure 2** represents IBRD's liquid asset portfolio size and structure at the end of FY 1999 and FY 1998.

Figure 2:



The cumulative performance of the liquid asset portfolio in FY 1999 compared to FY 1998 is presented in **Table 8**.

Table 8:

	Annualized Financial Return (%)	
	FY 1999	*FY 1998*
IBRD Overall Portfolio	6.00	5.62
Stable Portfolio of which:		
Actively Managed	5.35	5.62
Held-to-maturity Portfolio	82.96	8.44
Operational Portfolio	4.48	4.72
Discretionary Portfolio	5.23	5.68

During the first quarter of FY 1999 IBRD decided to liquidate the sterling UK government securities in the held-to-maturity portfolio. At the time of their liquidation these securities in the held-to-maturity portfolio had fair and carrying values of $1,389 million and $1,152 million, respectively. This resulted in a realized gain of $237 million upon liquidation. The underlying fixed rate debt which had previously funded this held-to-maturity portfolio was simultaneously swapped into floating rates.

For further information, refer to the Notes to Financial Statements-Note B.

5. FUNDING RESOURCES

Equity

Total shareholders' equity at June 30, 1999 was $28,021 million compared with $26,514 million at June 30, 1998. The increase from FY 1998 primarily reflects the increase in retained earnings of $976 million, the decrease in cumulative translation adjustment of $323 million, and the increase in paid-in capital of $107 million. **Table 9** presents the composition of usable equity at June 30, 1999 and 1998.

The increase in shareholders' equity over FY 1998 did not keep up with the pace of loan growth. As a result, the ratio of equity capital-to-loans fell to 20.65% at June 30, 1999, from 21.44% one year earlier. Similarly, the reserves-to-loans ratio declined from 14.06% to 13.69%. **Figure 3** depicts these ratios over the last five years.

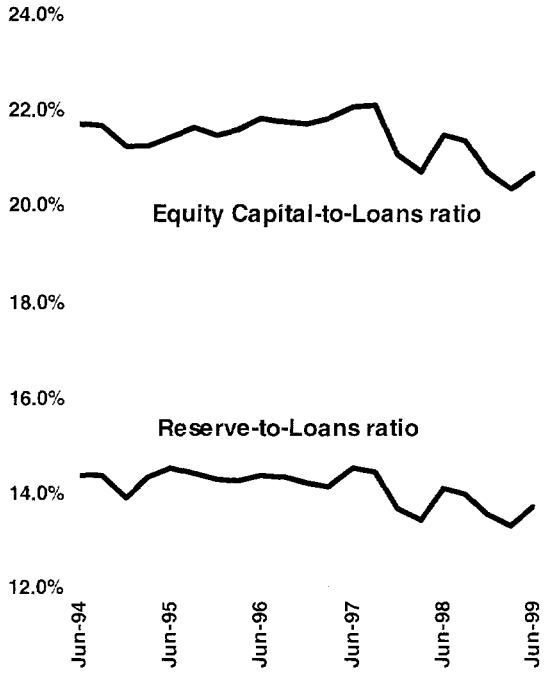
During FY 1999 IBRD increased the emphasis it placed on the equity capital-to-loans measure and de-emphasized the reserves-to-loans measure it had used in the past. The equity capital-to-loans ratio is one method among multiple approaches, such as cash flow analysis, by which IBRD measures its income generating capacity and its capital adequacy. IBRD continues to consider additional methodologies for evaluating its risk-bearing capacity.

Table 9:

In millions of U.S. dollars

	FY 1999	*FY 1998*
Usable Capital		
Paid-in Capital	$11,395	$11,288
Net Receivable for Maintenance of Value	(869)	(944)
Restricted Paid-in Capital	(2,509)	(2,603)
Total Usable Capital	**8,017**	**7,741**
Retained Earnings and Cumulative Translation Adjustments		
Special Reserve	293	293
General Reserve	15,409	14,659
Pension Reserve	294	112
Surplus	195	426
Unallocated Net Income	1,518	1,243
Cumulative Translation Adjustments (CTA)	(637)	(960)
Total Retained Earnings and CTA	**17,072**	**15,773**
Total Usable Equity	**$25,089**	**$23,514**

Figure 3:



Capital

The authorized capital of IBRD at June 30, 1999 was $190,811 million, of which $188,220 million had been subscribed. Of the subscribed capital, $11,395 million had been paid in and $176,825 million was callable. Of the paid-in capital, $7,946 million was available for lending and $3,449 million was not available for lending. The terms of payment of IBRD's capital and the restrictions on its use that are derived from the Articles and from resolutions of IBRD's Board of Governors are:

(i) $2,521 million of IBRD's capital was initially paid in gold or U.S. dollars or was converted by the subscribing members into U.S. dollars. This amount may, under the Articles, be freely used by IBRD in its operations.

(ii) $8,874 million of IBRD's capital was paid in the currencies of the subscribing members. Under the Articles this amount is subject to maintenance-of-value obligations and may be loaned only with the consent of the member whose currency is involved. In accordance with such consents, $5,279 million of this amount had been used in IBRD's lending operations at June 30, 1999.

(iii) $150,576 million of IBRD's capital may, under the Articles, be called only when required to meet obligations of IBRD for funds borrowed or on loans guaranteed by it. This amount is thus not available for use by IBRD in making loans. Payment on any such call may be made, at the option of the particular member, either in gold, in U.S. dollars or in the currency required to discharge the obligations of IBRD for which the call is made.

(iv) $26,249 million of IBRD's capital is to be called only when required to meet obligations of IBRD for funds borrowed or on loans guaranteed by it, pursuant to resolutions of IBRD's Board of Governors (though such conditions are not required by the Articles). Of this amount, 10% would be payable in gold or U.S. dollars and 90% in the currencies of the subscribing members. While these resolutions are not legally binding on future Boards of Governors, they do record an understanding among members that this amount will not be called for use by IBRD in its lending activities or for administrative purposes.

No call has ever been made on IBRD's callable capital. Any calls on unpaid subscriptions are required to be uniform, but the obligations of the members of IBRD to make payment on such calls are independent of each other. If the amount received on a call is insufficient to meet the obligations of IBRD for which the call is made, IBRD has the right and is bound to make further calls until the amounts received are sufficient to meet such obligations. However, no member may be required on any such call or calls to pay more than the unpaid balance of its capital subscription.

At June 30, 1999, $102,563 million (58%) of the uncalled capital was callable from the member countries of IBRD that are also members of the Development Assistance Committee of the Organization for Economic Cooperation and Development. This amount was equal to 86% of IBRD's outstanding borrowings after swaps at June 30, 1999. **Table 10** sets out the capital subscriptions of those countries and the callable amounts.

Table 10:

In millions of U.S. dollars

Member Country[a]	*Total Capital Subscription*	*Uncalled Portion of Subscription*
United States	$ 31,965	$ 29,966
Japan	15,321	14,377
Germany	8,734	8,191
France	8,372	7,851
United Kingdom	8,372	7,832
Italy	5,404	5,069
Canada	5,404	5,069
Netherlands	4,283	4,018
Belgium	3,496	3,281
Switzerland	3,210	3,012
Australia	2,951	2,770
Spain	2,857	2,682
Sweden	1,806	1,696
Austria	1,335	1,254
Denmark	1,237	1,162
Norway	1,204	1,132
Finland	1,033	971
New Zealand	873	821
Portugal	659	620
Ireland	636	599
Luxembourg	199	190
Total	**$109,351**	**$102,563**

a. *See details regarding the capital subscriptions of all members of IBRD at June 30, 1999 in Financial Statements-Statement of Subscriptions to Capital Stock and Voting Power.*

The United States is IBRD's largest shareholder. Under the Bretton Woods Agreements Act, the Par Value Modification Act and other U.S. legislation, the Secretary of the U.S. Treasury is permitted to pay up to $7,663 million of the uncalled portion of the subscription of the United States, if it were called by IBRD, without any requirement of further congressional action. The balance of the uncalled portion of the U.S subscription, $22,303 million, has been authorized by the U.S. Congress but not appropriated. Further action by the U.S. Congress would be required to enable the Secretary of the Treasury to pay any portion of this balance. The General Counsel of the U.S Treasury has rendered an opinion that the entire uncalled portion of the U.S. subscription is an obligation backed by the full faith and credit of the United States, notwithstanding that congressional appropriations have not been obtained with respect to certain portions of the subscription.

For a further discussion of capital stock, restricted currencies, maintenance of value and membership refer to the Notes to Financial Statements-Summary of Significant Accounting and Related Policies and Note A.

Borrowings

Source of Funding and Amounts Borrowed

IBRD diversifies its sources of funding by offering its securities to institutional and retail investors globally on terms acceptable to IBRD. Under its Articles, IBRD may borrow only with the approval of the member in whose markets the funds are raised and the member in whose currency the borrowing is denominated, and only if each such member agrees that the proceeds may be exchanged for the currency of any other member without restriction.

Funding Operations

In FY 1999 medium- and long-term debt raised directly in financial markets by IBRD amounted to $22,443 million compared to $28,007 million in FY 1998. **Table 11** summarizes IBRD's funding operations for FY 1999 and FY 1998. Funding raised in any given year is used for IBRD's general operations, including loan disbursements, re-financing of maturing debt and prefunding of future lending activities. All proceeds from new funding are initially invested in the liquid asset portfolio and subsequently allocated to the different debt pools funding loans as necessary in accordance with operating guidelines.

IBRD strategically repurchases or prepays its debt to reduce the cost of borrowings and to reduce exposure to refunding requirements in a particular year or meet other operational needs. During FY 1999 IBRD repurchased or prepaid a total of $1,045 million of its outstanding borrowings.

Table 11:

	FY 1999	*FY 1998*
Total Medium- and Long-term Borrowings[a] (USD million)	$22,443	$28,007
Average Maturity (years)	6.7	5.8
Number of Transactions	186	195
Number of Currencies	12	21

a. *Includes one-year notes. All net proceeds on a trade date basis.*

Use of Derivatives

IBRD engages in a combination of interest rate and currency swaps to convert direct borrowings into the desired interest rate structure and currency composition. Interest rate and currency swaps are also used for ALM purposes to match the pool of liabilities as closely as possible to the interest rate and currency characteristics of liquid assets and loans.

In FY 1999 the majority of new funding continued to be initially swapped into floating rate U.S. dollars, with conversion to other currencies or fixed rate funding being carried out subsequently in accordance with funding requirements.

Currency and Interest Rate Composition of Borrowings After-Swaps

Of the borrowings outstanding after swaps at June 30, 1999, 54% was at variable rates (44% at June 30, 1998). The currency composition continues to be concentrated in U.S. dollars, with its share at the end of June 30, 1999 rising to 79% of the borrowing portfolio (66% at June 30, 1998). This reflects IBRD borrowers' preference for U.S. dollar-denominated loans and the corresponding currency composition of the liquid asset portfolio.

A more detailed analysis of borrowings outstanding is provided in the Notes to Financial Statements-Note D.

6. RESULTS OF OPERATIONS

IBRD's net income can be seen as broadly comprising a spread on earning assets, plus the contribution of equity, less provisions for loan losses and administrative expenses. **Table 12** shows a breakdown of income, net of funding costs.

FY 1999 versus FY 1998

FY 1999 net income was $1,518 million, $275 million higher than FY 1998. This increase is primarily attributable to:

- The $237 million gain realized upon liquidation of the held-to-maturity portfolio during the first quarter of the fiscal year.
- The $214 million increase in loan interest income, net of funding costs, resulting from the changes in loan pricing. During the year IBRD reduced its interest waiver on existing loans, introduced a front-end fee on new loans and earned higher loan spreads on the SSALs disbursed during the year.
- Offset in part by an increase of $243 million in Net Noninterest Expense due primarily to a decrease in Pension and Postretirement Income.

FY 1998 versus FY 1997

Net Income for FY 1998 was $42 million lower than FY 1997. This slight decline was primarily the result of:

- An increase of $188 million for loan loss provisions, reflecting the significant growth in net loan disbursements and changes in the credit quality of the portfolio.
- A decrease of $190 million in loan interest income, net of funding costs. This decrease is mainly attributable to the lower income margin on debt funded loans resulting from conversions of the multicurrency pool loans to single currency pool terms. The SCP conversions reduced the loan spread through the interaction of the change in currency composition, resulting in a higher nominal rate, with a lag in the pass-through lending rate. Effectively this raised debt costs before raising the lending rate on the affected loans, resulting in reduced loan income margins.
- These decreases in income were offset by a decrease of $293 million in Net Noninterest Expense, resulting from gains attributed to IBRD's pension and other postretirement benefit accounts.

Net Interest Income

IBRD's primary interest earning assets are its loans and liquid asset investments. **Table 13** provides a breakdown of the gross interest income on earning assets (including other loan income). **Table 14** provides a breakdown of gross borrowing costs.

Table 12:

In millions of U.S. dollars

	FY 1999	*FY 1998*	*FY 1997*
Loan interest income, net of funding costs			
Debt funded	$ 387	$ 374	$ 574
Equity funded	1,746	1,545	1,535
Total loan interest income, net of funding costs	2,133	1,919	2,109
Other loan charges	59	22	(33)
Loan loss provision	(246)	(251)	(63)
Investment income, net of funding costs	291	29	41
Net noninterest expense	(719)	(476)	(769)
Net Income	**$1,518**	**$1,243**	**$1,285**

Table 13:

In millions of U.S. dollars

	FY 1999			FY 1998			FY 1997		
		Interest Income			Interest Income			Interest Income	
	Average Volume	Amount	Return %	Average Volume	Amount	Return %	Average Volume	Amount	Return %
Loans by Product									
Multicurrency Pool	$ 39,607	$2,361	5.96	$ 70,047	$4,335	6.19	$ 95,631	$6,222	6.51
Single Currency Pools	43,687	3,199	7.32	18,136	1,250	6.89	—	—	—
LIBOR-based Single Currency Loans	14,970	777	5.19	8,061	448	5.56	2,625	146	5.56
Fixed Rate Single Currency Loans	7,468	468	6.27	3,330	218	6.55	1,999	132	6.60
Nonstandard LIBOR-based SCLs	6,833	477	6.98	2,165	158	7.30	—	—	—
Other Fixed Rate	3,618	308	8.51	5,323	450	8.45	9,005	768	8.53
Other Loan Income		59			22			(33)	
Total Loans	116,183	7,649	6.58	107,062	6,881	6.43	109,260	7,235	6.62
Cash and Investments	27,955	1,680	6.01	21,895	1,233	5.63	16,627	834	5.02
Total Earning Assets	$144,138	$9,329	6.47	$128,957	$8,114	6.29	$125,887	$8,069	6.41

Table 14:

In millions of U.S. dollars

	FY 1999			FY 1998			FY 1997		
		Borrowing Cost			Borrowing Cost			Borrowing Cost	
	Average Volume	Amount	Cost %	Average Volume	Amount	Cost %	Average Volume	Amount	Cost %
Borrowing Portfolio by Debt Pools									
Multicurrency Pool	$ 29,640	$1,514	5.11	$ 54,266	$3,092	5.70	$71,239	$4,245	5.96
Single Currency Pools	33,832	2,507	7.41	14,252	1,012	7.10	—	—	—
LIBOR-based Single Currency Loans	11,961	581	4.86	6,341	348	5.49	2,230	118	5.29
Fixed Rate Single Currency Loans	6,143	367	5.97	2,767	169	6.11	1,699	106	6.24
Nonstandard LIBOR-based SCLs	5,578	284	5.09	2,164	117	5.41	—	—	—
Other Fixed Rate	—	—	—	—	—	—	7,061	427	6.05
Other Debt Funding	28,541	1,593	5.58	22,382	1,406	6.28	15,966	1,056	6.61
Total Borrowings	$115,695	$6,846	5.92	$102,172	$6,144	6.01	$98,195	$5,952	6.06

FY 1999 versus FY 1998

The main factor contributing to the increase in loan interest income of $768 million was the higher average balance of loans outstanding in terms of U.S. dollars. A higher volume of loans outstanding, representing $607 million of the increased income, was the result of increased net disbursements and the effect of translation into U.S. dollar terms for reporting purposes. Additionally, increases in loan pricing contributed $161 million.

Two significant factors contributed to the increase of $447 million in investment income. In FY 1999 a gain of $237 million was realized upon liquidation of the securities in the held-to-maturity portfolio. Additionally, income increased by $210 million reflecting increases in the average investment balance, offset by the effect of slightly lower market interest rates.

The cost of borrowings increased $702 million. While a falling interest rate environment reduced the cost of borrowings from 6.01% to 5.92%, total costs increased because of the higher average borrowings balance.

FY 1998 versus FY 1997

The decrease in loan income of $354 million was primarily due to a falling interest rate environment in the major financial markets and the continuing maturity of high-interest, fixed rate loans. Of the decrease in loan interest income, $208 million was due to a decrease in the average interest rate of the loan portfolio and $146 million was associated with the decrease in the balance of average loans outstanding in terms of U.S. dollars.

During FY 1998 investment income increased by $399 million. Of this increase, $101 million resulted from higher returns (up from 5.0% to 5.6%) mainly due to a shift from Japanese yen and Deutsche mark investments into higher-yield U.S. dollar investments. Higher average outstanding investment balances, reflecting the modified liquidity policy, accounted for the remaining increase of $298 million.

The cost of borrowings increased by $192 million. The replacement of longer maturity fixed rate debt with variable rate debt, coupled with a falling interest rate environment, lowered the average cost of borrowings from 6.06% to 6.01%. This decrease was offset by a higher average borrowings balance.

Net Noninterest Expense

The main components of net noninterest expense are presented in **Table 15**.

FY 1999 versus FY 1998

Overall gross administrative expenses increased only slightly. From FY 1998 to FY 1999 net noninterest expense increased by $243 million, generally returning to FY 1997 levels. Staff costs increased 15%; however, the majority of the increase in expense is attributable to the FY 1998 non-recurring reduction in expense realized as a result of the change in accounting for other postretirement benefits. See Notes to the Financial Statements-Note I for a detailed discussion of those changes.

FY 1998 versus FY 1997

Net noninterest expenses declined by $293 million. This decrease is primarily attributable to the recognition of additional income from pension and other postretirement benefit plans. See the Notes to Financial Statements-Note I.

Table 15:

In millions of U.S. dollars

	FY 1999	*FY 1998*	*FY 1997*
Gross Administrative Expenses			
Staff Costs	$ 538	$466	$472
Consultant Fees	97	91	71
Operational Travel	94	94	81
Other Expenses	325	293	277
Total Gross Administrative Expenses	1,054	944	901
Less:			
Reimbursements	76	69	67
Contribution to Special Programs	129	112	120
Total Net Administrative Expenses	849	763	714
Contribution to Special Programs	129	112	120
Pension & Postretirement Benefit Income	(249)	(399)	(63)
Net Other Income	(10)	—	(2)
Total Net Noninterest Expense	$ 719	$476	$769

GLOSSARY OF TERMS

Asset-backed Securities: Asset-backed securities are instruments whose cash flow is based on the cash flows of a pool of underlying assets managed by a trust.

Cross-Currency Interest Rate Swaps: Cross-currency interest rate swaps are currency swaps where one set of cash flows reflects a fixed rate of interest and the other reflects a floating rate of interest.

Currency Swaps: Currency swaps are agreements between two parties to exchange cash flows denominated in different currencies at one or more certain times in the future. The cash flows are based on a predetermined formula reflecting rates of interest and an exchange of principal.

Equity Capital-to-Loans: This ratio is the sum of the special and general reserves, cumulative translation adjustment and the proposed transfer from unallocated net income to general reserves divided by the sum of loans outstanding, the present value of guarantees, net of loan loss provisions.

Forward Interest Rate Swaps: A forward interest rate swap is an agreement under which the cash flow exchanges of the underlying interest rate swaps would begin to take effect from a specified date.

Futures and Forwards: Futures and forward contracts are contracts for delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Futures contracts are traded on U.S. and international regulated exchanges.

Government and Agency Obligations: These obligations include marketable bonds, notes and other obligations issued by governments.

Interest Rate Swaps: Interest rate swaps are agreements involving the exchange of periodic interest payments of differing character, based on an underlying notional principal amount for a specified time.

Maintenance of Value: Agreements with members provide for the maintenance of the value, from the time of subscription, of certain restricted currencies. Additional payments to (or from) IBRD are required in the event the par value of the currency is reduced (or increased) to a significant extent, in the opinion of IBRD.

Net Disbursements: Loan disbursements net of repayments and prepayments.

Options: Options are contracts that allow the holder of the option the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified period of time from or to the seller of the option. The purchaser of an option pays a premium at the outset to the seller of the option, who then bears the risk of an unfavorable change in the price of the financial instrument underlying the option

Repurchase and Resale Agreements and Securities Loans: Repurchase agreements are contracts under which a party sells securities and simultaneously agrees to repurchase the same securities at a specified future date at a fixed price. The reverse of this transaction is called a resale agreement. A resale agreement involves the purchase of securities with a simultaneous agreement to sell back the same securities at a stated price on a stated date. Securities loans are contracts under which securities are lent for a specified period of time at a fixed price.

Return on Equity: This return in computed as net income divided by the average equity balance during the year.

Risk bearing Capacity: The ability to absorb risks in the balance sheet while continuing normal operations without having to call on callable capital.

Short Sales: Short sales are sales of securities not held in the seller's portfolio at the time of the sale. The seller must purchase the security at a later date and bears the risk that the market value of the security will move adversely between the time of the sale and the time the security must be delivered.

Statutory Lending Limit: Under IBRD's Articles of Agreement, as applied, the total amount outstanding of loans, participations in loans, and callable guarantees may not exceed the sum of subscribed capital, reserves and surplus.

Swaptions: A swaption is an option that gives the holder the right to enter into an interest rate or currency swap at a certain future date.

Time Deposits: Time deposits include certificates of deposit, bankers' acceptances, and other obligations issued or unconditionally guaranteed by banks and other financial institutions.

International Bank for Reconstruction and Development

Financial Statements
June 30, 1999

Balance Sheet

June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	1999	*1998*
Assets		
Due from Banks		
Unrestricted currencies	$ 33	$ 55
Currencies subject to restrictions—Note A	664	712
	697	767
Investments		
Trading—Notes B and E	30,345	23,441
Held-to-maturity—Notes B and E	—	2,673
	30,345	26,114
Assets Designated for Other Postretirement Benefits Plans—Notes B and I	—	1,456
Securities Purchased Under Resale Agreements—Trading—Note B	6	467
Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Subscribed Capital	1,846	1,890
Amounts Receivable from Currency Swaps		
Investments—Trading—Notes B and E	11,420	10,579
Borrowings—Notes D and E	67,592	55,767
	79,012	66,346
Amounts Receivable to Maintain Value of Currency Holdings on Account of Subscribed Capital	527	392
Other Receivables		
Amounts receivable from investment securities traded	88	262
Accrued interest on investments—Held-to-maturity	—	33
Accrued income on loans	2,100	1,963
	2,188	2,258
Loans Outstanding (see Summary Statement of Loans, Notes C and E)		
Total loans	168,600	157,641
Less undisbursed balance	51,372	51,065
Loans outstanding	117,228	106,576
Less accumulated provision for loan losses	3,560	3,240
Loans outstanding net of accumulated provision	113,668	103,336
Other Assets		
Unamortized issuance costs of borrowings	712	652
Miscellaneous—Note I	1,807	1,364
	2,519	2,016
Total assets	$230,808	$205,042

Balance Sheet

June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	1999	*1998*
Liabilities		
Borrowings—Notes D and E		
Short-term	$ 5,328	$ 6,729
Medium- and long-term	110,411	96,748
	115,739	103,477
Securities Sold Under Repurchase Agreements and Payable for Cash Collateral Received—Note B		
Trading	102	862
Held-to-maturity	—	1,374
	102	2,236
Amounts Payable for Currency Swaps		
Investments—Trading—Notes B and E	11,501	10,182
Borrowings—Notes D and E	70,484	57,867
	81,985	68,049
Amounts Payable to Maintain Value of Currency Holdings on Account of Subscribed Capital	111	2
Liabilities Under Other Postretirement Benefits Plans—Note I	103	717
Other Liabilities		
Amounts payable for investment securities purchased	167	255
Accrued charges on borrowings	3,012	2,519
Payable for Board of Governors-approved transfers—Note F	607	122
Accounts payable and miscellaneous liabilities	961	1,151
	4,747	4,047
Total liabilities	202,787	178,528
Equity		
Capital Stock (see Statement of Subscriptions to Capital Stock and Voting Power, Note A)		
Authorized capital (1,581,724 shares—June 30, 1999 and June 30, 1998)		
Subscribed capital (1,560,243 shares—June 30, 1999; 1,545,457 shares—June 30, 1998)	188,220	186,436
Less uncalled portion of subscriptions	176,825	175,148
	11,395	11,288
Amounts to Maintain Value of Currency Holdings—Note A	(453)	(554)
Payments on Account of Pending Subscriptions—Note A	7	7
Retained Earnings (see Statement of Changes in Retained Earnings, Note F)	17,709	16,733
Accumulated Other Comprehensive Income—Note K	(637)	(960)
Total equity	28,021	26,514
Total liabilities and equity	$230,808	$205,042

The Notes to Financial Statements are an integral part of these Statements.

Statement of Income

For the fiscal years ended June 30, 1999, June 30, 1998 and June 30, 1997

Expressed in millions of U.S. dollars

	1999	*1998*	*1997*
Income			
Income from loans—Note C			
Interest	$7,535	$6,775	$7,122
Commitment charges	114	106	113
Income from investments—Note B			
Trading			
Interest	1,419	1,107	718
Net (losses) gains			
Realized	(17)	(10)	47
Unrealized	15	1	(43)
Held-to-maturity			
Interest	47	176	103
Realized gains	237	—	—
Income from securities purchased under resale agreements—Note B	15	59	53
Income from assets designated for other postretirement benefits plans—Notes B and I	4	107	—
Income from Staff Retirement Plan—Note I	255	182	63
Other income	18	10	12
Total income	9,642	8,513	8,188
Expenses			
Borrowing expenses—Note D			
Interest	6,703	6,000	5,827
Prepayment losses (gains)	1	(7)	16
Amortization of issuance and other borrowing costs	142	151	109
Interest on securities sold under repurchase agreements and payable for cash collateral received—Note B	36	100	44
Administrative expenses—Notes G and H	849	763	714
Other postretirement benefits expense—Note I	10	50	—
Provision for loan losses—Note C	246	251	63
Other expenses	8	10	10
Total expenses	7,995	7,318	6,783
Operating Income	1,647	1,195	1,405
Effect of accounting change—Note I	—	160	—
Contributions to special programs—Note G	(129)	(112)	(120)
Net Income	$1,518	$1,243	$1,285

The Notes to Financial Statements are an integral part of these Statements.

Statement of Comprehensive Income

For the fiscal years ended June 30, 1999, June 30, 1998 and June 30, 1997

Expressed in millions of U.S. dollars

	1999	*1998*	*1997*
Net income	$1,518	$ 1,243	$1,285
Other comprehensive income—Note K			
Currency translation adjustments	323	(1,045)	(971)
Total other comprehensive income (loss)	323	(1,045)	(971)
Comprehensive income	$1,841	$ 198	$ 314

Statement of Changes in Retained Earnings

For the fiscal years ended June 30, 1999, June 30, 1998 and June 30, 1997

Expressed in millions of U.S. dollars

	1999	*1998*	*1997*
Retained earnings at beginning of the fiscal year	$16,733	$16,194	$16,099
Board of Governors-approved transfers to—Note F			
International Development Association	(352)	(304)	(600)
Trust Fund for Gaza and West Bank	(90)	—	(90)
Heavily Indebted Poor Countries Debt Initiative Trust Fund	(100)	(250)	(500)
Multilateral Investment Guarantee Agency	—	(150)	—
Net income for the fiscal year	1,518	1,243	1,285
Retained earnings at end of the fiscal year	$17,709	$16,733	$16,194

The Notes to Financial Statements are an integral part of these Statements.

Statement of Cash Flows

For the fiscal years ended June 30, 1999, June 30, 1998 and June 30, 1997

Expressed in millions of U.S. dollars

	1999	1998	1997
Cash flows from lending and investing activities			
Loans			
Disbursements	$(18,215)	$(19,283)	$(14,009)
Principal repayments	9,988	10,146	10,710
Principal prepayments	94	1,372	1,311
Investments: Held-to-maturity			
Purchases of securities and repayments of securities sold under repurchase agreements	(13,266)	(33,202)	(8,911)
Maturities of securities and proceeds from securities sold under repurchase agreements	13,426	33,184	8,895
Proceeds from sale of held-to-maturity portfolio net of securities sold under repurchase agreements	1,389	—	—
Net cash used in lending and investing activities	(6,584)	(7,783)	(2,004)
Cash flows from Board of Governors-approved transfers to			
International Development Association	—	(298)	(599)
Debt Reduction Facility for IDA-Only Countries	—	(18)	(1)
Trust Fund for Gaza and West Bank	(62)	(60)	(91)
Heavily Indebted Poor Countries Debt Initiative Trust Fund	—	(250)	(500)
Multilateral Investment Guarantee Agency	—	(150)	—
Net cash used in Board of Governors-approved transfers	(62)	(776)	(1,191)
Cash flows from financing activities			
Medium- and long-term borrowings			
New issues	21,846	27,748	14,928
Retirements	(10,034)	(13,569)	(14,137)
Net short-term borrowings	(1,512)	(1,009)	3,277
Net currency swaps—Borrowings	(340)	(300)	(266)
Net capital stock transactions	175	217	71
Net cash provided by financing activities	10,135	13,087	3,873
Cash flows from operating activities			
Net income	1,518	1,243	1,285
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	819	855	541
Provision for loan losses	246	251	63
Gain on sale of held-to-maturity portfolio	(237)	—	—
Changes in other assets and liabilities			
(Increase) decrease in accrued income on loans and held-to-maturity investments	(46)	(157)	68
(Increase) decrease in miscellaneous assets	(385)	8	(153)
Increase in net assets associated with other postretirement benefits	—	(739)	—
Increase (decrease) in accrued charges on borrowings	470	448	(49)
(Decrease) increase in accounts payable and miscellaneous liabilities	(131)	335	35
Net cash provided by operating activities	2,254	2,244	1,790

	1999	1998	1997
Effect on liquid investments due to decrease in net assets associated with other postretirement benefits	$ 650	$ —	$ —
Effect of exchange rate changes on unrestricted cash and liquid investments	224	(207)	(320)
Net increase in unrestricted cash and liquid investments	6,617	6,565	2,148
Unrestricted cash and liquid investments at beginning of the fiscal year	23,505	16,940	14,792
Unrestricted cash and liquid investments at end of the fiscal year	$ 30,122	$ 23,505	$ 16,940
Composition of unrestricted cash and liquid investments:			
Investments held in trading portfolio	$ 30,345	$ 23,441	$ 17,323
Unrestricted currencies	33	55	26
Net (payable) receivable for investment securities traded/purchased—Trading	(79)	7	(106)
Net (payable) receivable from currency swaps—Investments	(81)	397	(123)
Net payable for securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	(96)	(395)	(180)
	$ 30,122	$ 23,505	$ 16,940
Supplemental disclosure			
Increase (decrease) in ending balances resulting from exchange rate fluctuations			
Loans outstanding	$ 2,519	$ (6,994)	$ (6,429)
Investments—Held-to-maturity	13	2	94
Borrowings	1,010	(7,239)	(4,701)
Currency swaps—Borrowings	1,244	1,632	(495)

The Notes to Financial Statements are an integral part of these Statements.

SUMMARY STATEMENT OF LOANS

June 30, 1999

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total loans*	*Loans approved but not yet effective* [1]	*Undisbursed balance of effective loans*[2]	*Loans outstanding*	*Percentage of total loans outstanding*
Algeria	$ 2,144	$ —	$ 537	$ 1,607	1.37%
Argentina	12,045	701	4,025	7,319	6.24
Armenia	9	—	—	9	0.01
Bahamas, The	5	—	—	5	*
Bangladesh	32	—	—	32	0.03
Barbados	23	—	6	17	0.01
Belarus	145	—	22	123	0.10
Belize	49	—	7	42	0.04
Bolivia	18	—	—	18	0.02
Bosnia and Herzegovina	566	—	—	566	0.48
Botswana	29	—	—	29	0.02
Brazil	10,387	1,022	2,511	6,854	5.85
Bulgaria	937	74	209	654	0.56
Cameroon	307	—	1	306	0.26
Chile	1,152	161	83	908	0.77
China	19,014	2,024	7,199	9,791	8.35
Colombia	2,314	—	619	1,695	1.45
Congo, Democratic Republic of	82	—	—	82	0.07
Congo, Republic of	68	—	—	68	0.06
Costa Rica	184	—	26	158	0.13
Côte d'Ivoire	781	—	—	781	0.67
Croatia	680	7	353	320	0.27
Cyprus	57	—	9	48	0.04
Czech Republic	346	—	8	338	0.29
Dominica	7	—	6	1	*
Dominican Republic	463	—	239	224	0.19
Ecuador	1,089	—	235	854	0.73
Egypt, Arab Republic of	1,187	345	81	761	0.65
El Salvador	564	88	186	290	0.25
Estonia	99	—	19	80	0.07
Fiji	30	—	2	28	0.02
Gabon	94	5	18	71	0.06
Ghana	19	—	—	19	0.02
Grenada	4	—	4	—	—
Guatemala	513	54	242	217	0.19
Guyana	13	—	—	13	0.01
Honduras	207	—	—	207	0.18
Hungary	1,033	—	362	671	0.57
India	11,324	190	3,314	7,820	6.67
Indonesia	15,657	684	3,420	11,553	9.86
Iran, Islamic Republic of	673	—	251	422	0.36
Iraq	41	—	—	41	0.03
Jamaica	484	—	117	367	0.31
Jordan	1,055	35	192	828	0.71
Kazakhstan	1,597	176	562	859	0.73
Kenya	118	—	—	118	0.10
Korea, Republic of	8,504	—	196	8,308	7.09
Latvia	280	29	67	184	0.16
Lebanon	579	—	367	212	0.18
Lesotho	104	45	4	55	0.05

Borrower or guarantor	*Total loans*	*Loans approved but not yet effective* [1]	*Undisbursed balance of effective loans*[2]	*Loans outstanding*	*Percentage of total loans outstanding*
Liberia	$ 133	$ —	$ —	$ 133	0.11%
Lithuania	277	20	79	178	0.15
Macedonia, former Yugoslav Republic of	187	28	56	103	0.09
Madagascar	1	—	—	1	*
Malawi	20	—	—	20	0.02
Malaysia	1,388	—	466	922	0.79
Mauritania	3	—	—	3	*
Mauritius	127	—	25	102	0.09
Mexico	14,497	800	2,581	11,116	9.48
Moldova	246	—	55	191	0.16
Morocco	3,890	85	500	3,305	2.82
Nicaragua	12	—	—	12	0.01
Nigeria	2,114	—	93	2,021	1.72
Oman	7	—	—	7	0.01
Pakistan	3,667	—	404	3,263	2.78
Panama	471	85	103	283	0.24
Papua New Guinea	288	—	43	245	0.21
Paraguay	356	—	197	159	0.14
Peru	2,983	—	614	2,369	2.02
Philippines	5,398	307	1,137	3,954	3.37
Poland	3,122	291	807	2,024	1.73
Romania	2,677	325	926	1,426	1.22
Russian Federation	10,991	430	4,268	6,293	5.37
St. Kitts and Nevis	13	—	12	1	*
St. Lucia	13	3	5	5	*
St. Vincent and the Grenadines	2	—	2	*	*
Senegal	6	—	—	6	0.01
Seychelles	4	—	1	3	*
Sierra Leone	1	—	—	1	*
Slovak Republic	226	—	6	220	0.19
Slovenia	136	14	3	119	0.10
South Africa	24	—	24	—	—
Sri Lanka	22	—	—	22	0.02
Sudan	6	—	—	6	0.01
Swaziland	31	—	22	9	0.01
Syrian Arab Republic	50	—	—	50	0.04
Tanzania	18	—	—	18	0.02
Thailand	3,657	—	1,006	2,651	2.26
Trinidad and Tobago	152	15	55	82	0.07
Tunisia	2,110	35	703	1,372	1.17
Turkey	4,617	155	1,518	2,944	2.51
Turkmenistan	74	—	65	9	0.01
Ukraine	2,687	17	867	1,803	1.54
Uruguay	751	—	277	474	0.40

SUMMARY STATEMENT OF LOANS *(Continued)*

June 30, 1999

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total loans*	*Loans approved but not yet effective* [1]	*Undisbursed balance of effective loans*[2]	*Loans outstanding*	*Percentage of total loans outstanding*
Uzbekistan	$ 398	$ 25	$ 193	$ 180	0.15%
Venezuela	1,623	80	357	1,186	1.01
Yugoslavia, Federal Republic of (Serbia/Montenegro)[3]	1,107	—	—	1,107	0.94
Zambia	37	—	—	37	0.03
Zimbabwe	501	—	39	462	0.39
Subtotal[5]	168,233	8,355	43,008	116,870	99.69
Caribbean Development Bank[4]	12	—	4	8	0.01
International Finance Corporation	355	—	5	350	0.30
Total—June 30, 1999[5]	$168,600	$ 8,355	$43,017	$117,228	100.00%
Total—June 30, 1998	$157,641	$11,711	$39,354	$106,576	

**Indicates amount less than $0.5 million or less than 0.005 percent.*

NOTES

1. *Loans totaling $4,371 million ($8,930 million—June 30, 1998) have been approved by IBRD, but the related agreements have not been signed. Loan agreements totaling $3,984 million ($2,781 million—June 30, 1998) 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 IBRD.*
2. *Of the undisbursed balance, IBRD has entered into irrevocable commitments to disburse $1,301 million ($1,215 million—June 30, 1998).*
3. *See Notes to Financial Statements—Notes A and C.*
4. *These loans are for the benefit of The Bahamas, Barbados, Grenada, Guyana, Jamaica, Trinidad and Tobago, and territories of the United Kingdom (Associated States and Dependencies) in the Caribbean Region, that are severally liable as guarantors to the extent of subloans made in their territories.*
5. *May differ from the sum of individual figures shown due to rounding.*

The Notes to Financial Statements are an integral part of these Statements.

Statement of Subscriptions to Capital Stock and Voting Power

June 30, 1999

Expressed in millions of U.S. dollars

	Subscriptions					Voting Power	
Member	*Shares*	*Percentage of total*	*Total amounts*	*Amounts paid in*[1]	*Amounts subject to call*[1,2]	*Number of votes*	*Percentage of total*
Afghanistan	300	0.02%	$ 36.2	$ 3.6	$ 32.6	550	0.03%
Albania	830	0.05	100.1	3.6	96.5	1,080	0.07
Algeria	9,252	0.59	1,116.1	67.1	1,049.0	9,502	0.59
Angola	2,676	0.17	322.8	17.5	305.4	2,926	0.18
Antigua and Barbuda	520	0.03	62.7	1.3	61.5	770	0.05
Argentina	17,911	1.15	2,160.7	132.2	2,028.4	18,161	1.13
Armenia	1,139	0.07	137.4	5.9	131.5	1,389	0.09
Australia	24,464	1.57	2,951.2	181.8	2,769.5	24,714	1.54
Austria	11,063	0.71	1,334.6	80.7	1,253.9	11,313	0.70
Azerbaijan	1,646	0.11	198.6	9.7	188.8	1,896	0.12
Bahamas, The	1,071	0.07	129.2	5.4	123.8	1,321	0.08
Bahrain	1,103	0.07	133.1	5.7	127.4	1,353	0.08
Bangladesh	4,854	0.31	585.6	33.9	551.6	5,104	0.32
Barbados	948	0.06	114.4	4.5	109.9	1,198	0.07
Belarus	3,323	0.21	400.9	22.3	378.5	3,573	0.22
Belgium	28,983	1.86	3,496.4	215.8	3,280.6	29,233	1.82
Belize	586	0.04	70.7	1.8	68.9	836	0.05
Benin	868	0.06	104.7	3.9	100.8	1,118	0.07
Bhutan	479	0.03	57.8	1.0	56.8	729	0.05
Bolivia	1,785	0.11	215.3	10.8	204.5	2,035	0.13
Bosnia and Herzegovina	549	0.04	66.2	5.8	60.4	799	0.05
Botswana	615	0.04	74.2	2.0	72.2	865	0.05
Brazil	33,287	2.13	4,015.6	245.5	3,770.1	33,537	2.09
Brunei Darussalam	2,373	0.15	286.3	15.2	271.1	2,623	0.16
Bulgaria	5,215	0.33	629.1	36.5	592.6	5,465	0.34
Burkina Faso	868	0.06	104.7	3.9	100.8	1,118	0.07
Burundi	716	0.05	86.4	3.0	83.4	966	0.06
Cambodia	214	0.01	25.8	2.6	23.2	464	0.03
Cameroon	1,527	0.10	184.2	9.0	175.2	1,777	0.11
Canada	44,795	2.87	5,403.8	334.9	5,068.9	45,045	2.81
Cape Verde	508	0.03	61.3	1.2	60.1	758	0.05
Central African Republic	862	0.06	104.0	3.9	100.1	1,112	0.07
Chad	862	0.06	104.0	3.9	100.1	1,112	0.07
Chile	6,931	0.44	836.1	49.6	786.6	7,181	0.45
China	44,799	2.87	5,404.3	335.0	5,069.3	45,049	2.81
Colombia	6,352	0.41	766.3	45.2	721.1	6,602	0.41
Comoros	282	0.02	34.0	0.3	33.7	532	0.03
Congo, Democratic Republic of	2,643	0.17	318.8	25.4	293.5	2,893	0.18
Congo, Republic of	927	0.06	111.8	4.3	107.5	1,177	0.07
Costa Rica	233	0.01	28.1	1.9	26.2	483	0.03
Côte d'Ivoire	2,516	0.16	303.5	16.4	287.1	2,766	0.17
Croatia	2,293	0.15	276.6	17.3	259.3	2,543	0.16
Cyprus	1,461	0.09	176.2	8.4	167.9	1,711	0.11
Czech Republic	6,308	0.40	761.0	45.9	715.0	6,558	0.41
Denmark	10,251	0.66	1,236.6	74.6	1,162.0	10,501	0.65
Djibouti	559	0.04	67.4	1.6	65.9	809	0.05
Dominica	504	0.03	60.8	1.1	59.7	754	0.05
Dominican Republic	2,092	0.13	252.4	13.1	239.3	2,342	0.15
Ecuador	2,771	0.18	334.3	18.2	316.1	3,021	0.19
Egypt, Arab Republic of	7,108	0.46	857.5	50.9	806.6	7,358	0.46

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER *(Continued)*

June 30, 1999

Expressed in millions of U.S. dollars

	Subscriptions					Voting Power	
Member	*Shares*	*Percentage of total*	*Total amounts*	*Amounts paid in*[1]	*Amounts subject to call*[1,2]	*Number of votes*	*Percentage of total*
El Salvador	141	0.01%	$ 17.0	$ 1.7	$ 15.3	391	0.02%
Equatorial Guinea	715	0.05	86.3	2.7	83.5	965	0.06
Eritrea	593	0.04	71.5	1.8	69.7	843	0.05
Estonia	923	0.06	111.3	4.3	107.1	1,173	0.07
Ethiopia	978	0.06	118.0	4.7	113.3	1,228	0.08
Fiji	987	0.06	119.1	4.8	114.3	1,237	0.08
Finland	8,560	0.55	1,032.6	61.9	970.8	8,810	0.55
France	69,397	4.45	8,371.7	520.4	7,851.3	69,647	4.34
Gabon	987	0.06	119.1	5.1	113.9	1,237	0.08
Gambia, The	543	0.03	65.5	1.5	64.0	793	0.05
Georgia	1,584	0.10	191.1	9.3	181.8	1,834	0.11
Germany	72,399	4.64	8,733.9	542.9	8,190.9	72,649	4.53
Ghana	1,525	0.10	184.0	12.7	171.2	1,775	0.11
Greece	1,684	0.11	203.1	14.1	189.1	1,934	0.12
Grenada	531	0.03	64.1	1.4	62.7	781	0.05
Guatemala	2,001	0.13	241.4	12.4	229.0	2,251	0.14
Guinea	1,292	0.08	155.9	7.1	148.8	1,542	0.10
Guinea-Bissau	540	0.03	65.1	1.4	63.7	790	0.05
Guyana	1,058	0.07	127.6	5.3	122.3	1,308	0.08
Haiti	1,067	0.07	128.7	5.4	123.3	1,317	0.08
Honduras	641	0.04	77.3	2.3	75.0	891	0.06
Hungary	8,050	0.52	971.1	58.0	913.1	8,300	0.52
Iceland	1,258	0.08	151.8	6.8	144.9	1,508	0.09
India	44,795	2.87	5,403.8	333.7	5,070.1	45,045	2.81
Indonesia	14,981	0.96	1,807.2	110.3	1,697.0	15,231	0.95
Iran, Islamic Republic of	23,686	1.52	2,857.4	175.8	2,681.5	23,936	1.49
Iraq	2,808	0.18	338.7	27.1	311.6	3,058	0.19
Ireland	5,271	0.34	635.9	37.1	598.8	5,521	0.34
Israel	4,750	0.30	573.0	33.2	539.8	5,000	0.31
Italy	44,795	2.87	5,403.8	334.8	5,069.0	45,045	2.81
Jamaica	2,578	0.17	311.0	16.8	294.2	2,828	0.18
Japan	127,000	8.14	15,320.6	944.0	14,376.7	127,250	7.93
Jordan	1,388	0.09	167.4	7.8	159.6	1,638	0.10
Kazakhstan	2,985	0.19	360.1	19.8	340.3	3,235	0.20
Kenya	2,461	0.16	296.9	15.9	281.0	2,711	0.17
Kiribati	465	0.03	56.1	0.9	55.2	715	0.04
Korea, Republic of	15,817	1.01	1,908.1	114.5	1,793.5	16,067	1.00
Kuwait	13,280	0.85	1,602.0	97.4	1,504.6	13,530	0.84
Kyrgyz Republic	1,107	0.07	133.5	5.7	127.9	1,357	0.08
Lao People's Democratic Republic	178	0.01	21.5	1.5	20.0	428	0.03
Latvia	1,384	0.09	167.0	7.8	159.2	1,634	0.10
Lebanon	340	0.02	41.0	1.1	39.9	590	0.04
Lesotho	663	0.04	80.0	2.3	77.6	913	0.06
Liberia	463	0.03	55.9	2.6	53.3	713	0.04
Libya	7,840	0.50	945.8	57.0	888.8	8,090	0.50
Lithuania	1,507	0.10	181.8	8.7	173.1	1,757	0.11
Luxembourg	1,652	0.11	199.3	9.8	189.5	1,902	0.12
Macedonia, former Yugoslav Republic of	427	0.03	51.5	3.2	48.3	677	0.04
Madagascar	1,422	0.09	171.5	8.1	163.5	1,672	0.10
Malawi	1,094	0.07	132.0	5.6	126.4	1,344	0.08

Member	Subscriptions					Voting Power	
	Shares	Percentage of total	Total amounts	Amounts paid in[1]	Amounts subject to call[1,2]	Number of votes	Percentage of total
Malaysia	8,244	0.53%	$ 994.5	$ 59.5	$ 935.0	8,494	0.53%
Maldives	469	0.03	56.6	0.9	55.7	719	0.04
Mali	1,162	0.07	140.2	6.1	134.1	1,412	0.09
Malta	1,074	0.07	129.6	5.4	124.1	1,324	0.08
Marshall Islands	469	0.03	56.6	0.9	55.7	719	0.04
Mauritania	900	0.06	108.6	4.1	104.4	1,150	0.07
Mauritius	1,242	0.08	149.8	6.7	143.1	1,492	0.09
Mexico	18,804	1.21	2,268.4	139.0	2,129.4	19,054	1.19
Micronesia, Federated States of	479	0.03	57.8	1.0	56.8	729	0.05
Moldova	1,368	0.09	165.0	7.6	157.4	1,618	0.10
Mongolia	466	0.03	56.2	2.3	53.9	716	0.04
Morocco	4,973	0.32	599.9	34.8	565.1	5,223	0.33
Mozambique	930	0.06	112.2	4.8	107.4	1,180	0.07
Myanmar	2,484	0.16	299.7	16.1	283.6	2,734	0.17
Namibia	1,523	0.10	183.7	8.8	174.9	1,773	0.11
Nepal	968	0.06	116.8	4.6	112.1	1,218	0.08
Netherlands	35,503	2.28	4,282.9	264.8	4,018.1	35,753	2.23
New Zealand	7,236	0.46	872.9	51.9	821.0	7,486	0.47
Nicaragua	608	0.04	73.3	2.1	71.3	858	0.05
Niger	852	0.05	102.8	3.8	99.0	1,102	0.07
Nigeria	12,655	0.81	1,526.6	92.7	1,433.9	12,905	0.80
Norway	9,982	0.64	1,204.2	72.6	1,131.6	10,232	0.64
Oman	1,561	0.10	188.3	9.1	179.2	1,811	0.11
Pakistan	9,339	0.60	1,126.6	67.8	1,058.9	9,589	0.60
Palau, Republic of	16	*	1.9	0.2	1.8	266	0.02
Panama	385	0.02	46.4	3.2	43.2	635	0.04
Papua New Guinea	1,294	0.08	156.1	7.1	149.0	1,544	0.10
Paraguay	1,229	0.08	148.3	6.6	141.6	1,479	0.09
Peru	5,331	0.34	643.1	37.5	605.6	5,581	0.35
Philippines	6,844	0.44	825.6	48.9	776.7	7,094	0.44
Poland	10,908	0.70	1,315.9	79.6	1,236.3	11,158	0.69
Portugal	5,460	0.35	658.7	38.5	620.2	5,710	0.36
Qatar	1,096	0.07	132.2	9.0	123.3	1,346	0.08
Romania	4,011	0.26	483.9	30.5	453.4	4,261	0.27
Russian Federation	44,795	2.87	5,403.8	333.9	5,070.0	45,045	2.81
Rwanda	1,046	0.07	126.2	5.2	120.9	1,296	0.08
St. Kitts and Nevis	275	0.02	33.2	0.3	32.9	525	0.03
St. Lucia	552	0.04	66.6	1.5	65.1	802	0.05
St. Vincent and the Grenadines	278	0.02	33.5	0.3	33.2	528	0.03
Samoa	531	0.03	64.1	1.4	62.7	781	0.05
São Tomé and Principe	495	0.03	59.7	1.1	58.6	745	0.05
Saudi Arabia	44,795	2.87	5,403.8	335.0	5,068.9	45,045	2.81
Senegal	2,072	0.13	250.0	13.0	237.0	2,322	0.14
Seychelles	263	0.02	31.7	0.2	31.6	513	0.03
Sierra Leone	718	0.05	86.6	3.0	83.6	968	0.06
Singapore	320	0.02	38.6	3.9	34.7	570	0.04
Slovak Republic	3,216	0.21	388.0	23.0	365.0	3,466	0.22
Slovenia	1,261	0.08	152.1	9.5	142.6	1,511	0.09
Solomon Islands	513	0.03	61.9	1.2	60.7	763	0.05
Somalia	552	0.04	66.6	3.3	63.3	802	0.05

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER *(Continued)*

June 30, 1999

Expressed in millions of U.S. dollars

	Subscriptions					Voting Power	
Member	*Shares*	*Percentage of total*	*Total amounts*	*Amounts paid in*[1]	*Amounts subject to call*[1,2]	*Number of votes*	*Percentage of total*
South Africa	13,462	0.86%	$ 1,624.0	$ 98.8	$ 1,525.2	13,712	0.85%
Spain	23,686	1.52	2,857.4	175.6	2,681.7	23,936	1.49
Sri Lanka	3,817	0.24	460.5	26.1	434.3	4,067	0.25
Sudan	850	0.05	102.5	7.2	95.3	1,100	0.07
Suriname	412	0.03	49.7	2.0	47.7	662	0.04
Swaziland	440	0.03	53.1	2.0	51.1	690	0.04
Sweden	14,974	0.96	1,806.4	110.2	1,696.2	15,224	0.95
Switzerland	26,606	1.71	3,209.6	197.2	3,012.4	26,856	1.67
Syrian Arab Republic	2,202	0.14	265.6	14.0	251.7	2,452	0.15
Tajikistan	1,060	0.07	127.9	5.3	122.5	1,310	0.08
Tanzania	1,295	0.08	156.2	10.0	146.2	1,545	0.10
Thailand	6,349	0.41	765.9	45.2	720.7	6,599	0.41
Togo	1,105	0.07	133.3	5.7	127.6	1,355	0.08
Tonga	494	0.03	59.6	1.1	58.5	744	0.05
Trinidad and Tobago	2,664	0.17	321.4	17.6	303.7	2,914	0.18
Tunisia	719	0.05	86.7	5.7	81.1	969	0.06
Turkey	7,379	0.47	890.2	52.9	837.2	7,629	0.48
Turkmenistan	526	0.03	63.5	2.9	60.5	776	0.05
Uganda	617	0.04	74.4	4.4	70.1	867	0.05
Ukraine	10,908	0.70	1,315.9	79.3	1,236.6	11,158	0.69
United Arab Emirates	2,385	0.15	287.7	22.6	265.1	2,635	0.16
United Kingdom	69,397	4.45	8,371.7	539.5	7,832.2	69,647	4.34
United States	264,969	16.98	31,964.5	1,998.4	29,966.2	265,219	16.52
Uruguay	2,812	0.18	339.2	18.6	320.7	3,062	0.19
Uzbekistan	2,493	0.16	300.7	16.1	284.7	2,743	0.17
Vanuatu	586	0.04	70.7	1.8	68.9	836	0.05
Venezuela	20,361	1.30	2,456.2	150.8	2,305.5	20,611	1.28
Vietnam	968	0.06	116.8	8.1	108.7	1,218	0.08
Yemen, Republic of	2,212	0.14	266.8	14.0	252.8	2,462	0.15
Zambia	2,810	0.18	339.0	20.0	319.0	3,060	0.19
Zimbabwe	3,325	0.21	401.1	22.4	378.7	3,575	0.22
Total—June 30, 1999[2]	1,560,243	100.00%	$188,220	$11,395	$176,825	1,605,493	100.00%
Total—June 30, 1998	1,545,457	100.00%	$186,436	$11,288	$175,148	1,590,707	

NOTES

1.See Notes to Financial Statements—Note A.
2.May differ from the sum of individual figures shown due to rounding.

The Notes to Financial Statements are an integral part of these Statements.

PURPOSE AND AFFILIATED ORGANIZATIONS

The International Bank for Reconstruction and Development (IBRD) is an international organization which commenced operations in 1946. The principal purpose of IBRD is to promote economic development in its member countries, primarily by providing loans and related technical assistance for specific projects and for programs of economic reform in developing member countries. The activities of IBRD are complemented by those of three affiliated organizations, the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD, IDA, IFC, and MIGA are collectively known as the World Bank Group. Each of these other organizations in the World Bank Group is legally and financially independent from IBRD, with separate assets and liabilities, and IBRD is not liable for their respective obligations. IDA's purpose is to promote economic development in the less developed areas of the world included in IDA's membership by providing financing on concessionary terms. IFC's purpose is to encourage the growth of productive private enterprises in its member countries through loans and equity investments in such enterprises without a member's guarantee. MIGA was established to encourage the flow of investments for productive purposes among member countries and, in particular, to developing member countries by providing guarantees against noncommercial risks for foreign investment in its developing member countries.

SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

IBRD's financial statements are prepared in conformity with the accounting principles generally accepted in the United States and with International Accounting Standards.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant judgments have been used in the computation of estimated and fair values of loans and borrowings, the determination of the adequacy of the Accumulated Provision for Loan Losses, the determination of net periodic pension income and the present value of benefit obligations.

Certain reclassifications of the prior years' information have been made to conform to the current year's presentation.

Translation of Currencies: IBRD's financial statements are expressed in terms of U.S. dollars solely for the purpose of summarizing IBRD's financial position and the results of its operations for the convenience of its members and other interested parties.

IBRD is an international organization which conducts its operations in the currencies of all of its members. IBRD's resources are derived from its capital, borrowings, and accumulated earnings in those various currencies. IBRD has a number of general policies aimed at minimizing exchange rate risk in a multicurrency environment. IBRD matches its borrowing obligations in any one currency (after swaps) with assets in the same currency, as prescribed by its Articles of Agreement, primarily by holding or lending the proceeds of its borrowings (after swaps) in the same currencies in which they are borrowed. In addition, IBRD periodically undertakes currency conversions to more closely match the currencies underlying its Retained Earnings with those of the outstanding loans.

Assets and liabilities are translated at market exchange rates in effect at the end of the period. Income and expenses are translated at either the market exchange rates in effect on the dates on which they are recognized or at an average of the market exchange rates in effect during each month. Translation adjustments are charged or credited to Accumulated Other Comprehensive Income.

Valuation of Capital Stock: In the Articles of Agreement, the capital stock of IBRD is expressed in terms of "U.S. 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 U.S. law defining the par value of the U.S. dollar in terms of gold, the pre-existing basis for translating 1944 dollars into current dollars or into any other currency disappeared. The Executive Directors of IBRD have decided, until such time as the relevant provisions of the Articles of Agreement are amended, that the words "U.S. dollars of the weight and fineness in effect on July 1, 1944" in Article II, Section 2(a) of the Articles of Agreement of IBRD are interpreted to mean the Special Drawing Right (SDR) introduced by the International Monetary Fund, as the SDR was valued in terms of U.S. dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being $1.20635 for one SDR.

Maintenance of Value: Article II, Section 9 of the Articles of Agreement provides for maintenance of the value (MOV), at the time of subscription, of such restricted currencies (see Note A), requiring (1) the member to make additional payments to 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 IBRD, depreciated to a significant extent in its territories and (2) 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 IBRD if their currencies depreciate significantly relative to the standard of value. Furthermore, the Executive Directors have adopted a policy of reimbursing members whose currencies appreciate significantly in terms of the standard of value.

The net MOV amounts relating to restricted currencies out on loan, and amounts that have been reclassified from receivables for those countries that have been in arrears for two years or more, are included in Amounts to Maintain Value of Currency Holdings. For amounts on loan, these MOV amounts are shown as a component of Equity since MOV becomes effective only as such currencies are repaid to IBRD.

Retained Earnings: Retained Earnings consists of allocated amounts (Special Reserve, General Reserve, Pension Reserve and Surplus) and unallocated Net Income.

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 IBRD on its borrowings and guarantees in the event of defaults on loans made, participated in, or guaranteed by IBRD. The Special Reserve assets are included under Investments held in the Trading portfolio, comprising obligations of the United States Government, its agencies, and other official entities. The allocation of such commissions to the Special Reserve was discontinued in 1964 with respect to subsequent loans and no further additions are being made to it.

The General Reserve consists of earnings from prior fiscal years which, in the judgment of the Executive Directors, should be retained in IBRD's operations.

The Pension Reserve consists of the difference between actual funding of the Staff Retirement Plan (SRP) and the SRP's accounting income for the fiscal years 1997 and 1998. This Pension Reserve would be reduced if in any future fiscal year pension accounting expenses were to exceed the actual funding of the SRP.

Surplus consists of earnings from prior fiscal years which are retained by IBRD until a further decision is made on their disposition or the conditions of transfer for specified uses have been met.

Unallocated Net Income consists of earnings in the current fiscal year. Commencing in 1950, a portion or all of the unallocated Net Income has been allocated to the General Reserve after an assessment by the Executive Directors of IBRD's reserve needs. Upon recommendation by the Executive Directors, the Board of Governors, consisting of one Governor appointed by each member, periodically approves transfers out of unallocated Net Income and Surplus to various entities for development purposes consistent with IBRD's Articles of Agreement.

Loans: All of IBRD's loans are made to or guaranteed by members, except loans to IFC. The majority of IBRD's loans have repayment obligations based on specific currencies. IBRD also offers multicurrency loans which have repayment obligations in various currencies determined on the basis of a currency pooling system.

Any loan origination fees incorporated in a loan's terms are deferred and recognized over the life of the loan as an adjustment of yield. However, incremental direct costs associated with originating loans are expensed as incurred as such amounts are considered immaterial.

It is IBRD's practice not to reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. In exceptional cases, however, such as when implementation of a financed project has been delayed, the loan amortization schedule may be modified to avoid substantial repayments prior to project completion. Delays in receiving loan payments result in present value losses to IBRD since it does not charge fees or additional interest on any overdue interest or loan charges. These present value losses are equal to the difference between the present value of payments for interest and charges made according to the related loan's contractual terms and the present value of its expected future cash flows. Such present value losses are considered in the determination of the Accumulated Provision for Loan Losses. IBRD has not written off any of its outstanding loans.

It is the policy of IBRD to place in nonaccrual status all loans made to or guaranteed by a member of IBRD if principal, interest, or other charges with respect to any such loan are overdue by more than six months, unless IBRD management determines that the overdue amount will be collected in the immediate future. In addition, if development credits made by IDA to a member government are placed in nonaccrual status, all loans made to or guaranteed by that member government will also be placed in nonaccrual status by IBRD. On the date a member's loans are placed in nonaccrual status, unpaid interest and other charges accrued on loans outstanding to the member are deducted from the income of the current period. Interest and other charges on nonaccruing loans are included in income only to the extent that payments have actually been received by IBRD. If collectibility risk is considered to be particularly high at the time of arrears clearance, the member's loans may not automatically emerge from nonaccrual status, even though the member's eligibility for new loans may have been

restored. A decision on the restoration of accrual status is made on a case-by-case basis after a suitable period of payment performance has passed from the time of arrears clearance.

IBRD determines the Accumulated Provision for Loan Losses based on an assessment of collectibility risk in the total loan and callable guarantees portfolio, including loans in nonaccrual status. The accumulated provision is periodically adjusted based on a review of the prevailing circumstances. Adjustments to the accumulated provision are recorded as a charge or addition to income. In the context of determining the adequacy of the Accumulated Provision for Loan Losses, IBRD considers the present value of expected cash flows relative to the contractual cash flows for loans.

Investments: Investment securities are classified based on management's intention on the date of purchase. Securities which management has the intention and ability to hold until maturity are included in the Held-to-maturity portfolio and reported at amortized cost. Securities designated for other postretirement benefits are carried and reported at market value or at their estimated fair values. The changes in the values of the securities designated for other postretirement benefits are included in the determination of net income. All other investment securities are held in a Trading portfolio and classified as an element of liquidity in the Statement of Cash Flows due to their nature and IBRD's policies governing the level and use of such investments. Investment securities and related financial instruments held in IBRD's Trading portfolio are carried and reported at market value. Unrealized gains and losses for investment securities and related financial instruments held in the Trading portfolio are included in income. Derivative instruments are used in liquidity management to take advantage of profitable trading opportunities and as a proxy for cash securities. These instruments include short-term, over-the-counter foreign exchange forwards, currency swaps, cross-currency interest rate swaps, interest rate swaps, and exchange-traded futures and options on fixed income instruments. These derivatives are carried at market value. From time to time, IBRD enters into forward contracts for the sale or purchase of investment securities; these transactions are recorded at the time of commitment.

Securities Purchased Under Resale Agreements and Securities Sold Under Repurchase Agreements: Securities purchased under resale agreements and securities sold under repurchase agreements are recorded at historical cost. IBRD takes possession of securities purchased under resale agreements, monitors the fair value of the securities and, if necessary, requires additional collateral.

Borrowings: To ensure funds are available for lending and liquidity purposes, IBRD borrows in the worldwide capital markets offering its securities to private and governmental buyers. IBRD issues short-term and medium- and long-term debt instruments denominated in various currencies with both fixed and adjustable interest rates. Borrowings are carried on the balance sheet at their par value (face value) adjusted for any unamortized premiums or discounts. Issuance costs associated with a bond offering are deferred and amortized over the period during which the related indebtedness is outstanding. The unamortized balance of the issuance costs is included in Other Assets on the balance sheet, and the issuance costs amortization is presented as a separate element under Borrowing Expenses on the income statement. Amortization of discounts and premiums is included in Interest under Borrowing Expenses on the income statement.

IBRD uses derivatives in its borrowing and liability management activities to create synthetic debt instruments to take advantage of cost saving opportunities across capital markets and lower its funding costs, to delink the time at which its borrowing costs are fixed from the timing of the actual market borrowings, and to establish an appropriate match between the currency and interest rate characteristics of its assets and liabilities. These instruments include currency and interest rate swaps, swap spread-locks, foreign exchange forwards, exchange-traded futures and options. These derivatives are used to modify the interest rate and/or currency characteristics of the borrowing portfolio and are linked to the related borrowings at inception and remain so throughout the terms of their contracts. The interest component of these derivatives is recognized as an adjustment to the borrowing cost over the life of the derivative contract and included in Interest under Borrowing Expenses on the income statement. Upon termination, the change in the derivative's market value is recorded as an adjustment to the carrying value of the underlying borrowing and recognized as an adjustment of the borrowing cost over the remaining life of the borrowing. In instances where the underlying borrowing is prepaid, the change in the associated derivative's market value is recognized immediately as an adjustment to the cost of the underlying borrowing instrument and accordingly in the determination of net income. Currency swap payables and receivables are recorded on a historical cost basis and are separate items on the balance sheet. The notional principal on interest rate swaps is treated as an off-balance sheet item.

Fair Value Disclosures: Financial instruments for which market quotations are available have been valued at the prevailing market value. Financial instruments for which market quotations are not readily available have been valued using methodologies and assumptions that necessarily require the use of subjective judgments. Accordingly, the actual value at which such financial instruments could be exchanged in a current transaction or whether they are actually exchangeable is not determinable.

Accounting and Reporting Developments

Adoption of New Accounting Standards. In fiscal year 1999, IBRD adopted Statements of Financial Accounting Standards (SFAS) issued by the Financial Accounting Standards Board (FASB) and International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) as follows:

SFAS No. 130 "Reporting Comprehensive Income" (see Note K);

SFAS No. 131, "Disclosures about Segments of an enterprise and Related Information" and IAS 14 (revised) "Segment Reporting" (see Note J);

SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" and IAS 19 (revised) "Employee Benefits" (see Note I); and

IAS 1 (revised) "Presentation of Financial Statements".

Prior year amounts have been provided or reclassified as required. Adoption of these standards required new disclosures only and did not impact IBRD's results of operations or financial position.

Recent Accounting Pronouncements. In June 1998 the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires a company to recognize all derivatives as either assets or liabilities in the balance sheet and to measure those instruments at fair value. This standard was effective for fiscal years beginning after June 15, 1999; however, the FASB has delayed the effective date for one year, to fiscal years beginning after June 15, 2000 by issuing SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133—an amendment of FASB Statement No. 133." In addition, in December 1998, the IASC issued IAS 39 "Financial Instruments: Recognition and Measurement". This standard also requires that all financial assets and liabilities, including derivatives, be included on the balance sheet and is effective for fiscal years beginning on or after January 1, 2001. Since these standards significantly change the accounting treatment for derivative instruments and hedging activities, IBRD is in the process of evaluating the potential impact of these standards on its financial position and results of operations.

NOTE A—CAPITAL STOCK, RESTRICTED CURRENCIES, MAINTENANCE OF VALUE, AND MEMBERSHIP

Capital Stock: At June 30, 1999, IBRD's capital comprised 1,581,724 (1,581,724—June 30, 1998) authorized shares, of which 1,560,243 (1,545,457—June 30, 1998) shares had been subscribed. Each share has a par value of 0.1 million 1974 SDRs, valued at the rate of $1.20635 per 1974 SDR. Of the subscribed capital, $11,395 million ($11,288 million—June 30, 1998) has been paid in, and the remaining $176,825 million ($175,148 million—June 30, 1998) is subject to call only when required to meet the obligations of IBRD created by borrowing or guaranteeing loans.

Restricted Currencies: A portion of capital subscriptions paid in to IBRD has been paid in the local currencies of the members. These amounts, referred to as restricted currencies, are usable by IBRD in its lending operations only with the consent of the respective members, and for administrative expenses.

Maintenance of Value: Of the total amount of $453 million ($554 million—June 30, 1998) included in Amounts to Maintain Value of Currency Holdings, which has been deducted from equity, $87 million ($86 million—June 30, 1998) represents MOV receivables for countries that have amounts in arrears for two years or more. IBRD still considers these MOV receivables in arrears as obligations due from the members concerned. The remaining $366 million ($468 million—June 30, 1998) represents net MOV amounts relating to restricted currencies out on loan that become payable under the same terms as other MOV obligations only after such currencies are repaid to IBRD.

Membership: In February 1993 IBRD's Executive Directors decided that the former Socialist Federal Republic of Yugoslavia (SFRY) had ceased to be a member of IBRD and that the Republic of Bosnia and Herzegovina (now called Bosnia and Herzegovina), the Republic of Croatia, the former Yugoslav Republic of Macedonia, the Republic of Slovenia and the Federal Republic of Yugoslavia (Serbia and Montenegro) (FRY) are authorized to succeed to the SFRY's membership when certain requirements are met, including entering into a final agreement with IBRD on IBRD's loans made to or guaranteed by the SFRY which the particular successor Republic would assume. Four of the five successor Republics—Bosnia and Herzegovina, Croatia, Slovenia and the former Yugoslav Republic of Macedonia—have become members of IBRD. The paid-in portion of the SFRY's subscribed capital allocated to the FRY is included under Payments on Account of Pending Subscriptions until the requirements of succession are met.

NOTE B—INVESTMENTS

As part of its overall portfolio management strategy, IBRD invests in government and agency obligations, time deposits, asset-backed securities, repurchase agreements, securities loans, resale agreements and related financial instruments with off-balance sheet risk including futures, forward contracts, currency swaps, cross-currency interest rate swaps, interest rate swaps, options and short sales.

For government and agency obligations, IBRD may only invest in obligations issued or unconditionally guaranteed by governments of countries with a minimum credit rating of AA; however, if such obligations are denominated in the home currency of the issuer, no rating is required. IBRD may only invest in obligations issued by an agency or instrumentality of a government of a country, a multilateral organization or any other official entity with a minimum credit rating of AA. For asset-backed securities, IBRD may only invest in securities with a AAA credit rating.

With respect to futures and forwards, IBRD generally closes out most open positions in futures contracts prior to maturity. Therefore, cash receipts or payments are mostly limited to the change in market value of the futures contracts. Futures contracts generally entail daily settlement of the net cash margin.

For options, IBRD only invests in exchange-traded options. The initial price of an option contract is equal to the premium paid by the purchaser and is significantly less than the contract or notional amount. IBRD does not write uncovered option contracts.

Liquid Portfolio: A summary of IBRD's position in trading and other liquid portfolio instruments at June 30, 1999 and June 30, 1998 is as follows:

In millions of U.S. dollars equivalent

	Euro[a]		*Japanese yen*		*U.S. dollars*		*Other currencies*		*All currencies*	
	1999	*1998*	*1999*	*1998*	*1999*	*1998*	*1999*	*1998*	*1999*	*1998*
Trading:										
Government and agency obligations:										
Carrying value	1,593	1,894	4,406	4,560	1,344	1,540	64	113	7,407	8,107
Average balance during fiscal year	1,569	2,113	4,618	1,958	1618	2,564	294	84	8,099	6,719
Net gains (losses) for the fiscal year	(39)	(1)	(19)	(11)	13	38	*	(2)	(45)	24
Average yield (%)	4.03	4.81	0.14	0.67	5.44	5.65	7.67	6.27	1.98	2.65
Average maturity (years)	1.31	3.20	1.62	1.44	1.31	2.62	1.23	2.53	1.54	2.09
Time deposits:										
Carrying value	3,071	2,920	1,119	1,677	14,397	7,998	1,216	1,052	19,803	13,647
Average balance during fiscal year	3,046	2,502	1,772	2,841	11,439	7,717	1,363	842	17,620	13,902
Net gains (losses) for the fiscal year	—	—	—	—	—	—	—	—	—	—
Average yield (%)	2.73	3.83	0.05	0.44	5.42	5.74	2.95	2.97	4.51	4.46
Average maturity (years)	0.18	0.11	0.11	0.15	0.04	0.09	0.20	0.15	0.08	0.11
Asset-backed securities:										
Carrying value	—	—	—	—	3,041	1,687	—	—	3,041	1,687
Average balance during fiscal year	—	—	—	—	2,398	598	—	—	2,398	598
Net gains (losses) for the fiscal year	—	—	—	—	(6)	*	—	—	(6)	*
Average yield (%)	—	—	—	—	5.39	7.08	—	—	5.39	7.08
Average maturity (years)	—	—	—	—	6.21	7.91	—	—	6.21	7.91
Options, futures and forwards:										
Carrying value	*	*	*	*	—	—	*	—	*	*
Average balance during fiscal year	*	1	*	1	(*)	*	*	(5)	*	(3)
Net gains (losses) for the fiscal year	(*)	(1)	*	(3)	1	(29)	*	1	1	(32)
Total Trading Investments**										
Carrying value	4,664	4,814	5,525	6,237	18,782	11,225	1,280	1,165	30,251[b]	23,441
Average balance during fiscal year	4,615	4,616	6,390	4,800	15,456	10,879	1,657	921	28,118	21,216
Net gains (losses) for the fiscal year[c]	(39)	(2)	(19)	(14)	8	9	*	(1)	(50)[b]	(8)
Repurchase agreements & Securities loans:										
Carrying value	—	(329)	—	—	(102)	(339)	—	(194)	(102)	(862)
Average balance during fiscal year	(26)	(173)	—	(2)	(272)	(391)	(12)	(89)	(310)	(655)
Average cost (%)	—	3.39	—	—	4.91	5.68	—	7.34	4.91	5.18
Average maturity (years)	—	0.05	—	—	*	0.02	—	0.03	*	0.03
Resale agreements:										
Carrying value	—	294	—	—	6	—	—	173	6	467
Average balance during fiscal year	39	209	—	1	265	852	11	64	315	1,126
Average yield (%)	—	3.25	—	—	4.10	—	—	7.27	4.10	4.74
Average maturity (years)	—	0.06	—	—	*	—	—	0.03	*	0.05

In millions of U.S. dollars equivalent

	Euro[a]		Japanese yen		U.S. dollars		Other currencies		All currencies	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Short sales:[d]										
Carrying value	—	(99)	—	—	(46)	—	—	(52)	(46)	(151)
Average balance during fiscal year	(*)	(4)	—	—	(1)	(2)	(*)	(1)	(1)	(7)
Currency swaps receivable:										
Carrying value	—	49	—	144	5,087	5,451	—	—	5,087	5,644
Average balance during fiscal year	3	5	10	45	5,017	5,206	26	5	5,056	5,261
Average yield (%)	—	3.43	—	0.47	5.02	5.62	—	—	5.02	5.47
Average maturity (years)	—	0.41	—	0.01	0.19	0.15	—	—	0.19	0.15
Currency swaps payable:										
Carrying value	(2,942)	(1,998)	(1,002)	(2,302)	—	(148)	(990)	(977)	(4,934)	(5,425)
Average balance during fiscal year	(2,413)	(1,678)	(1,485)	(2,688)	(31)	(13)	(1,135)	246	(5,064)	(4,133)
Average cost (%)	2.70	3.92	0.05	0.45	—	5.63	2.56	2.79	2.14	2.28
Average maturity (years)	0.18	0.15	0.16	0.16	—	0.01	0.25	0.16	0.19	0.15
Cross-currency interest rate swaps receivable:[e]										
Carrying value	—	—	245	—	6,088	4,935	—	—	6,333	4,935
Average balance during fiscal year	—	—	38	—	5,863	2,922	—	—	5,901	2,922
Net gains (losses) for the fiscal year[c]	—	—	(2)	—	5	2	—	—	3	2
Average yield (%)	—	—	0.48	—	5.12	5.75	—	—	4.94	5.75
Average maturity (years)	—	—	1.68	—	1.53	2.16	—	—	1.54	2.16
Cross-currency interest rate swaps payable:[e]										
Carrying value	(1,593)	(1,806)	(4,651)	(2,888)	(238)	—	(67)	(47)	(6,549)	(4,741)
Average balance during fiscal year	(1,590)	(1,338)	(4,234)	(1,612)	(112)	—	(283)	(27)	(6,219)	(2,977)
Net gains (losses) for the fiscal year[c]	39	(5)	22	10	*	—	(*)	(*)	61	5
Average cost (%)	4.03	5.12	0.19	0.67	5.07	—	7.67	7.56	1.37	2.41
Average maturity (years)	1.33	2.11	1.63	2.20	1.64	—	1.23	1.69	1.55	2.16
Net Interest rate swaps:[e]										
Carrying value	—	—	—	—	(18)	(16)	—	—	(18)	(16)
Average balance during fiscal year	—	—	—	—	(47)	(2)	—	—	(47)	(2)
Net gains (losses) for the fiscal year[c]	—	—	—	—	(18)	(8)	—	—	(18)	(8)
Average cost (%)	—	—	—	—	(0.09)	0.04	—	—	(0.09)	0.04
Average maturity (years)	—	—	—	—	1.66	2.18	—	—	1.66	2.18

a. *Effective January 1, 1999, the euro was introduced. For reporting purposes, holdings in the eleven national currencies that are considered sub-units of the euro have been aggregated with the euro and reported as euro in both the current and prior year.*

b. *Amount does not include $94 million of assets transferred from Assets Designated for Other Postretirement Benefits Plans to trading investments or $2 million of net gains on these investments.*

c. *Included in Net gains (losses) on the Trading portfolio in the income statement.*

d. *Included in Amounts Payable for Investment Securities Purchased on the balance sheet.*

e. *Included in Currency Swaps–Trading on the balance sheet.*

* *Less than $0.5 million, 0.005 percent, or 0.05 years.*

** *May differ from the sum of individual figures due to rounding.*

Held-to-maturity portfolio: In 1994 IBRD purchased long-term sterling-denominated UK government securities for the purpose of matching the duration of several sterling-denominated long-term liabilities. IBRD intended to hold these securities until maturity and use their proceeds to liquidate the sterling liabilities as they became due.

During the first quarter of fiscal year 1999, IBRD decided to take advantage of unusually favorable market conditions by executing swap agreements that effectively transformed the sterling liabilities into floating rate obligations. At the same time, the sterling UK government securities in the held-to-maturity portfolio were liquidated and the proceeds reinvested in floating rate securities.

At the time of their liquidation, the sterling UK government securities in the held-to-maturity portfolio had fair and carrying values of $1,389 million and $1,152 million, respectively. This resulted in a realized gain of $237 million upon liquidation.

The carrying and fair values of investment securities in the Held-to-maturity portfolio at June 30, 1998 were as follows:

In millions

	1998				
	Carrying value	*Average yield (%)*	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*
Government and agency obligations	$ 1,138	8.74	$175	$—	$ 1,313
Time deposits	1,535	7.52	—	—	1,535
Subtotal	2,673	8.04	175	—	2,848
Repurchase Agreements	(1,374)	7.39	*	—	(1,374)
Total	$ 1,299	8.73	$175	$—	$ 1,474

* *Less than $0.5 million.*

At June 30, 1998, the Held-to-maturity portfolio comprised investments in pounds sterling only.

The expected maturities of investment securities in the Held-to-maturity portfolio at June 30, 1998 are summarized below:

In millions

	1998 [a]		
	Carrying value	*Fair value*	*Net unrealized gains*
July 1, 1998 through June 30, 1999	$ 330	$ 331	$ 1
July 1, 1999 through June 30, 2003	90	99	9
July 1, 2003 through June 30, 2008	742	870	128
Thereafter	137	174	37
Total	$1,299	$1,474	$175

a. Includes repurchase agreements.

Assets designated for other postretirement benefits plans: At June 30, 1998, the balance sheet included $1,456 million in assets related to the Retired Staff Benefits Plan (RSBP). During the first quarter of fiscal year 1999, the plan was modified so that some of the assets designated for other postretirement benefits met the requirements for plan assets as prescribed in SFAS 106 "Employer's Accounting for Postretirement Benefits Other than Pensions" (see Note I). Accordingly, the assets and liabilities designated for the health and life insurance accounts were removed from the balance sheet and as a result, the assets on the balance sheet that were designated for other postretirement benefits were reduced by $806 million. The $650

million of assets that remained on the balance sheet were then incorporated into Trading investments. During the second quarter of fiscal year 1999, IBRD paid a combined total of $132 million to IDA, IFC, and MIGA which represented their shares of the remaining net assets previously designated to satisfy postretirement benefits. The following are the asset values at June 30, 1998:

In millions

	1998		
	Carrying value	*Average balance during fiscal year*	*Net Gains*
Equity Securities			
U.S.	$ 474	$ 415	$ 77
Non-U.S.	587	550	36
Other Securities	395	378	21
Total	$1,456	$1,343	$134

NOTE C—LOANS, COFINANCING AND GUARANTEES

Multicurrency Loans

Fixed rate loans: On loans negotiated prior to July 1982, IBRD charges interest at fixed rates.

Adjustable rate loans: In 1982 IBRD mitigated its interest rate risk by moving from fixed rate to adjustable rate lending. This rate, reset twice a year, is based on IBRD's own cost of qualified borrowings plus a lending spread[a], resulting in a pass-through of its average borrowing costs to those members that benefit from IBRD loans.

Single Currency Pool Loans

In fiscal year 1997 IBRD offered its borrowers the opportunity to convert their existing multicurrency pool loans to single currency pool loans. These loans were available in four currencies (U.S. dollar, Japanese yen, Deutsche mark, or Swiss franc). All adjustable rate multicurrency pool loans that were converted to single currency pools carry the applicable pool's adjustable lending rate, reset semi-annually to reflect the previous semester average cost of outstanding borrowings allocated to fund that pool weighted by the shares of currencies in the pool, plus a spread of 50 basis points. Any fixed rate multicurrency pool loans that were converted to single currency pools continued to carry their fixed rate.

a. *Until July 31, 1998, the lending spread was 50 basis points. However, during the first quarter of fiscal year 1999, the lending spread charged by IBRD to its borrowers was increased by 25 basis points to 75 basis points for loans where the invitation to negotiate was issued on or after July 31, 1998. In addition, a front-end fee of 100 basis points, payable for each such loan at the time it becomes effective, was introduced.*

Single Currency Loans

Fixed rate loans: IBRD introduced fixed rate single currency loans in 1995. The rates charged on fixed rate single currency loans are set on semi-annual rate fixing dates for loan amounts disbursed during the preceding six-month period and remain fixed for such disbursed amounts until they are repaid. For the interim period from the date each disbursement is made until its rate fixing date, interest accrues at a variable rate equal to the rate on LIBOR-based single currency loans applicable for such interim period. The fixed lending rate comprises a base rate reflecting medium- to long-term market rates on the semi-annual rate-fixing date for loan amounts disbursed during the preceding six-month period, plus a total spread consisting of (a) IBRD's funding cost margin for these loans in the loan currency, (b) a market risk premium (intended to compensate IBRD for market risks incurred in funding these loans), and (c) a lending spread.

LIBOR-based loans: IBRD introduced LIBOR-based single currency loans in 1993. The rates charged on LIBOR-based single currency loans are a direct pass-through of IBRD's cost of funding for these loans, and are reset semi-annually. They comprise a base rate equal to the six-month reference interbank offered rate for the applicable currency on the rate reset date and a total spread consisting of (a) IBRD's average funding cost margin for these loans and (b) IBRD's lending spread.

During fiscal year 1999 IBRD approved and disbursed a structural adjustment loan for $2,000 million with non-standard terms. This loan carries a 6-month LIBOR interest rate plus a fixed spread of 75 basis points and a front-end fee, and is not eligible for waivers of interest or commitment charges.

During fiscal year 1998 IBRD also approved and disbursed two LIBOR-based single currency loans with

non-standard terms. The first, an economic reconstruction loan in an amount of $3,000 million, carries a six-month LIBOR interest rate plus a fixed spread of 100 basis points. The second, a structural adjustment loan in an amount of $2,000 million, carries a six-month LIBOR interest rate plus a fixed spread of 75 basis points. Both loans have front-end fees. Neither loan is eligible for waivers of interest or commitment charges.

During the second quarter of fiscal year 1999, IBRD established a new lending instrument, the Special Structural Adjustment Loan (SSAL), in order to respond to the needs of borrowers experiencing significant economic difficulties from recent financial market crises throughout the world. SSAL terms include a six-month U.S. dollar LIBOR equivalent interest rate plus a minimum fixed spread, currently set at 400 basis points, but which may vary over time for new loans depending on IBRD's overall risk-bearing capacity and market conditions. These loans have a maturity of five years with a three-year grace period, a front-end fee of one percent of the principal amount payable on effectiveness, and are not eligible for waivers of interest or commitment charges.

Waivers of Loan Interest and Commitment Charges

For payment periods beginning during the fiscal year ended June 30, 1999, an interest waiver of five basis points on disbursed and outstanding loans to eligible borrowers was in effect, except that for new loans where the invitation to negotiate was issued on or after July 31, 1998, which carry a 75 basis points lending spread, the interest waiver was 25 basis points. A waiver of 25 basis points was in effect for the fiscal years ended June 30, 1998 and June 30, 1997. For the fiscal year ended June 30, 1999, the combined effect of these waivers was to reduce Net Income by $102 million ($241 million—June 30, 1998, $259 million—June 30, 1997).

A one-year commitment charge waiver of 50 basis points was in effect on undisbursed loans to all borrowers for all payment periods commencing in the fiscal year ending June 30, 1999. A similar waiver of 50 basis points was in effect for the fiscal years ended June 30, 1998 and June 30, 1997. For the fiscal year ended June 30, 1999, the effect of the commitment charge waiver was to reduce Net Income by $229 million ($211 million—June 30, 1998, $226 million—June 30, 1997).

A summary of IBRD's outstanding loans by currency and product at June 30, 1999 and June 30, 1998 follows:

In millions of U.S. dollars equivalent

	1999								
	Multicurrency loans[a]		*Single currency pools*[b]		*Single currency loans*			*Total loans*	
Currency/ Rate Type	*Amount*	*Weighted average rate (%)*[c]	*Amount*	*Weighted average rate (%)*[c]	*Amount*	*Weighted average rate (%)*[c]	*Average maturity (years)*	*Amount*	*Weighted average rate (%)*[c]
Euro[d]									
Fixed	$ 786	8.81	$ 18	10.83	$ 360	5.30	5.63	$ 1,164	7.76
Adjustable	11,815	6.04	5,067	6.45	719	2.92	6.60	17,601	6.03
Japanese yen									
Fixed	661	8.85	—	—	—	—	—	661	8.85
Adjustable	11,756	6.04	74	5.42	132	0.33	8.62	11,962	5.97
Swiss francs									
Fixed	362	7.98	—	—	—	—	—	362	7.98
Adjustable	914	6.05	—	—	3	1.27	4.61	917	6.03
U.S. dollars									
Fixed	774	8.46	149	10.54	8,759	6.45	5.85	9,682	6.67
Adjustable	11,949	6.06	35,385	7.97	26,727	5.70	7.26	74,061	6.84
Others									
Fixed	28	9.84	—	—	—	—	—	28	9.84
Adjustable	790	6.04	—	—	—	—	—	790	6.04
Loans outstanding									
Fixed	2,611	8.61	167	10.58	9,119	6.41	5.84	11,897	6.95
Adjustable	37,224	6.05	40,526	7.78	27,581	5.60	7.24	105,331	6.60
Total	$39,835	6.21	$40,693	7.79	$36,700	5.80	6.90	117,228	6.63
Less accumulated provision for loan losses								3,560	
Loans outstanding net of accumulated provision								$113,668	

a. *See footnote a. in table of outstanding loans at June 30, 1998 on following page.*
b. *See footnote b. in table of outstanding loans at June 30, 1998 on following page.*
c. *See footnote c. in table of outstanding loans at June 30, 1998 on following page.*
d. *Effective January 1, 1999, the euro was introduced. For reporting purposes, amounts in the eleven national currencies that are considered sub-units of the euro have been aggregated with the euro and reported as euro in both the current and prior year.*

In millions of U.S. dollars equivalent

	1998								
	Multicurrency loans[a]		*Single currency pools*[b]		*Single currency loans*			*Total loans*	
Currency/ Rate Type	*Amount*	*Weighted average rate (%)*[c]	*Amount*	*Weighted average rate (%)*[c]	*Amount*	*Weighted average rate (%)*[c]	*Average maturity (years)*	*Amount*	*Weighted average rate (%)*[c]
Euro[d]									
Fixed	$ 1,322	8.76	$ 13	11.42	$ 195	6.09	6.07	$ 1,530	8.44
Adjustable	19,724	6.36	1,792	7.04	422	3.87	8.08	21,938	6.37
Japanese yen									
Fixed	910	8.85	—	—	—	—	—	910	8.85
Adjustable	15,802	6.36	—	—	61	0.86	6.94	15,863	6.34
Swiss francs									
Fixed	586	7.96	—	—	—	—	—	586	7.96
Adjustable	1,450	6.36	—	—	—	—	—	1,450	6.36
U.S. dollars									
Fixed	1,068	8.56	228	9.93	4,374	6.82	6.06	5,670	7.27
Adjustable	18,510	6.37	23,625	8.37	15,649	6.10	8.24	57,784	7.11
Others									
Fixed	27	9.64	—	—	—	—	—	27	9.64
Adjustable	818	6.36	—	—	—	—	—	818	6.36
Loans outstanding									
Fixed	3,913	8.61	241	10.01	4,569	6.79	6.06	8,723	7.70
Adjustable	56,304	6.36	25,417	8.28	16,132	6.03	8.23	97,853	6.80
Total	$60,217	6.51	$25,658	8.29	$20,701	6.20	7.75	106,576	6.88
Less accumulated provision for loan losses								3,240	
Loans outstanding net of accumulated provision								$103,336	

a. ***Average Maturity - Multicurrency loans.*** *IBRD maintains a targeted currency composition in its multicurrency loans. The present target ratio is one U.S. dollar for every 125 Japanese yen and one euro. These three major currencies comprise at least 90% of the multicurrency loans' U.S. dollar equivalent value, with the remainder in other currencies. This ratio was changed in January 1999 as a result of the introduction of the euro. The composition of the multicurrency loans is affected by the selection of currencies for disbursements on those loans and by the currencies selected for the billing of the principal repayments. Along with the selection of disbursement currencies, IBRD manages the selection of repayment currencies to maintain the alignment of the multicurrency loans' composition with the target ratio. The selection of currencies for repayment billing by IBRD precludes the determination of average maturity information for multicurrency loans by individual currency. Accordingly, IBRD only discloses the maturity periods for its multicurrency loans on a combined U.S. dollars equivalent basis.*

b. ***Average Maturity - Single Currency Pools.*** *Each single currency pool reflected the composition of the multicurrency pool at inception, but at June 30, 1999 all of the Single Currency Pools had reached a level of at least 90% in the designated currency. The currency composition of these single currency pools is affected by IBRD's management of the selection of repayment currencies to the extent non-designated currencies remaining in these pools are selected for repayment. This varying selection of currencies for repayment precludes the determination of average maturity information for the single currency pools loans by individual currencies. Accordingly, IBRD only discloses the maturity periods for its single currency pool loans on a combined U.S. dollar equivalent basis.*

c. *Excludes effects of any waivers of loan interest.*

d. *Effective January 1, 1999, the euro was introduced. For reporting purposes, amounts in the eleven national currencies that are considered sub-units of the euro have been aggregated with the euro and reported as euro in both the current and prior year.*

The maturity structure of IBRD's loans at June 30, 1999 and June 30, 1998 is as follows:

In millions

		1999								
		Multicurrency loans		*Single currency pools*		*Single currency loans*		*All loans*		
Period	*Rate type:*	*Fixed*	*Adjustable*	*Fixed*	*Adjustable*	*Fixed*	*Adjustable*	*Fixed*	*Adjustable*	*Total*
July 1, 1999 through June 30, 2000		$1,452	$ 4,283	$ 97	$ 4,823	$ 178	$ 395	$ 1,727	$ 9,501	$ 11,228
July 1, 2000 through June 30, 2004		1,041	15,072	70	17,496	3,660	8,543	4,771	41,111	45,882
July 1, 2004 through June 30, 2009		117	13,546	—	14,307	4,623	12,495	4,740	40,348	45,088
Thereafter		1	4,323	—	3,900	658	6,148	659	14,371	15,030
Loans outstanding		$2,611	$37,224	$167	$40,526	$9,119	$27,581	$11,897	$105,331	$117,228

In millions

		1998								
		Multicurrency loans		*Single currency pools*		*Single currency loans*		*All loans*		
Period	*Rate type:*	*Fixed*	*Adjustable*	*Fixed*	*Adjustable*	*Fixed*	*Adjustable*	*Fixed*	*Adjustable*	*Total*
July 1, 1998 through June 30, 1999		$1,854	$ 6,090	$149	$ 2,547	$ 42	$ 133	$2,045	$ 8,770	$ 10,815
July 1, 1999 through June 30, 2003		1,876	22,298	92	10,108	1,721	2,577	3,689	34,983	38,672
July 1, 2003 through June 30, 2008		180	20,421	—	9,280	2,518	9,182	2,698	38,883	41,581
Thereafter		3	7,495	—	3,482	288	4,240	291	15,217	15,508
Loans outstanding		$3,913	$56,304	$241	$25,417	$4,569	$16,132	$8,723	$97,853	$106,576

Estimated Value of Loans

All of IBRD's loans are made to or guaranteed by countries that are members of IBRD, except for those loans made to IFC. IBRD does not currently sell its loans, nor is there a market of loans comparable to those made by IBRD.

Multicurrency loans and Single Currency Pools: The estimated value of fixed rate loans negotiated prior to July 1982 has been based on discounted future cash flows using the rate at which IBRD could undertake borrowings of comparable maturities at June 30, 1999 plus a 50 basis point lending spread. The estimated value of adjustable rate multicurrency loans and single currency pools is based on the relationship of the fair value to the carrying value of the underlying qualified borrowings, since the interest rate for such loans is based on the interest rate of the qualified borrowings.

Single Currency Loans: The estimated value of single currency loans has been based on discounted future cash flows using the rate at which IBRD could make similar loans of comparable maturities at June 30, 1999.

The following table reflects the carrying and estimated values of the loan portfolio based on current borrowing rates net of the Accumulated Provision for Loan Losses at June 30, 1999 and June 30, 1998:

In millions

		1999		1998	
		Carrying value	*Estimated value*	*Carrying value*	*Estimated value*
Multicurrency loans					
	Fixed	$ 2,611	$ 2,763	$ 3,913	$ 4,286
	Adjustable	37,224	39,940	56,304	60,915
Single currency pools					
	Fixed	167	174	241	261
	Adjustable	40,526	43,646	25,417	27,861
Single currency loans					
	Fixed	9,119	8,873	4,569	4,746
	Adjustable [a]	27,581	27,547	16,132	16,530
Total loans					
	Fixed	11,897	11,810	8,723	9,293
	Adjustable	105,331	111,133	97,853	105,306
		117,228	122,943	106,576	114,599
Less accumulated provision for loan losses		3,560	3,560	3,240	3,240
Loans outstanding net of accumulated provision		$113,668	$119,383	$103,336	$111,359

a. *Amount includes carrying value of $9,035 million ($5,000 million—June 30, 1998) and estimated value of $9,024 million ($5,000 million—June 30, 1998) for non-standard SCLs.*

Cofinancing and Guarantees

IBRD has taken direct participations in, or provided partial guarantees of, loans syndicated by other financial institutions for projects or programs also financed by IBRD through regular loans. IBRD also has provided partial guarantees of securities issued by an entity eligible for IBRD loans. IBRD's partial guarantees of bond issues are included in the guarantees amount mentioned below. IBRD's direct participations in syndicated loans are included in the reported loan balances.

Guarantees of loan principal of $1,973 million at June 30, 1999 ($2,047 million—June 30, 1998) were not included in reported loan balances. At June 30, 1999, $466 million of these guarantees were subject to call ($371 million—June 30, 1998).

Overdue Amounts

At June 30, 1999, no loans payable to IBRD other than those referred to in the following paragraphs were overdue by more than three months.

At June 30, 1999, the loans made to or guaranteed by certain member countries and the FRY with an aggregate principal balance outstanding of $2,053 million ($2,044 million—June 30, 1998), of which $1,249 million ($1,142 million—June 30, 1998) was overdue, were in nonaccrual status. At such date, overdue interest and other charges in respect of these loans totaled $1,011 million ($948 million—June 30, 1998). If these loans had not been in nonaccrual status, income from loans for the fiscal year ended June 30, 1999 would have been higher by $55 million ($84 million—June 30, 1998, $146 million—June 30, 1997).

A summary of countries with loans or guarantees in nonaccrual status follows:

In millions

	1999		
Borrower	*Principal outstanding*	*Principal and charges overdue*	*Nonaccrual since*
With overdues			
Congo, Democratic Republic of	$ 82	$ 100	November 1993
Congo, Republic of	68	39	November 1997
Iraq	41	69	December 1990
Liberia	133	276	June 1987
Sudan	6	6	January 1994
Syrian Arab Republic	50	180[a]	February 1987
Yugoslavia, Federal Republic of (Serbia/ Montenegro)	1,107	1,590	September 1992
Total	1,487	2,260	
Without overdues			
Bosnia and Herzegovina	566	—	September 1992
Total	$2,053	$2,260	

a. *Represents interest and charges overdue.*

During fiscal year 1998 the Syrian Arab Republic and IBRD entered into an agreement covering, among other things, the application of payments by Syria of its overdue principal, interest, and charges. Under this agreement, Syria paid the overdue principal to IBRD in one payment of $263 million on September 2, 1997 and has been making monthly payments to IBRD since then.

In connection with the cessation of the membership of the SFRY discussed in Note A, in February 1993 IBRD reached an agreement with the FRY for the apportionment and service of debt due to IBRD on loans made to or guaranteed by the SFRY and assumed by the FRY, which confirmed a February 1992 interim agreement between the SFRY (then consisting of the Republics of Bosnia and Herzegovina, Macedonia, Montenegro and Serbia) and IBRD pertaining, among other things, to such loans. As of the date hereof, no debt-service payments have been received by IBRD from the FRY.

In June 1996 the accumulated arrears on loans to the former SFRY assumed by Bosnia and Herzegovina were cleared through three new consolidation loans extended by IBRD. These new loans consolidated all outstanding principal and overdue interest on the loans assumed by Bosnia and Herzegovina. This resulted in an increase in loans outstanding of $168 million and the deferral of the recognition of the related interest income.

The average recorded investment in nonaccruing loans during the fiscal year ended June 30, 1999 was $2,084 million ($2,138 million—June 30, 1998, $2,430 million—June 30, 1997).

During the fiscal year ended June 30, 1999, no loans came out of non-accrual status. During the fiscal year ended June 30, 1998, Sierra Leone paid off all its arrears and, as a result, its loans came out of nonaccrual status.

Accumulated Provision for Loan Losses

IBRD has never suffered a loss on any of its loans, with the exception of losses resulting from the difference between the discounted present value of expected payments for interest and charges according to the related loan's contractual terms and the actual cash flows. Certain borrowers have found it difficult to make timely payments for protracted periods, resulting in their loans being placed in nonaccrual status. Several borrowers have emerged from nonaccrual status after a period of time by bringing up-to-date all principal payments and all overdue service payments, including interest and other charges. In an attempt to recognize the risk inherent in these and any other potential overdue payments, IBRD maintains an accumulated provision for loan losses. Of the Accumulated Provision for Loan Losses of $3,560 million ($3,240 million—June 30, 1998), $700 million is attributable to the nonaccruing loan portfolio at June 30, 1999 ($1,000 million—June 30, 1998).

Changes to the Accumulated Provision for Loan Losses for the fiscal years ended June 30, 1999, June 30, 1998 and June 30, 1997 are summarized below:

In millions

	1999	*1998*	*1997*
Balance, beginning of the fiscal year	$3,240	$3,210	$3,340
Provision for loan losses	246	251	63
Translation adjustment	74	(221)	(193)
Balance, end of the fiscal year	$3,560	$3,240	$3,210

IBRD has endorsed a multilateral initiative for addressing the debt problems of a group of countries identified as heavily indebted poor countries (HIPCs) to ensure that the reform efforts of these countries will not be put at risk by unsustainable external debt burdens. Under this initiative, creditors are to provide enhanced debt relief for those countries that demonstrated good policy performance over an extended period to bring their debt burdens to sustainable levels. IBRD has taken the situation of these countries into account in its review of the adequacy of the Accumulated Provision for Loan Losses.

Fifth Dimension Program

Under IDA's Fifth Dimension program established in September 1988, a portion of principal repayments to IDA are allocated on an annual basis to provide supplementary IDA credits to IDA-eligible countries that are no longer able to borrow on IBRD terms, but have outstanding IBRD loans approved prior to September 1988 and have in place an IDA-supported structural adjustment program. Such supplementary IDA credits are allocated to countries that meet specified conditions, in proportion to each country's interest payments due that year on its pre-September 1988 IBRD loans. To be eligible for such IDA supplemental credits, a member country must meet IDA's eligibility criteria for lending, must be ineligible for IBRD lending and must not have had an IBRD loan approved within the last twelve months. To receive a supplemental credit from the program, a member country cannot be more than 60 days overdue on its debt-service payments to IBRD or IDA. At June 30, 1999, IDA had approved credits of $1,623 million ($1,590 million—June 30, 1998) under this program from inception, of which $1,604 million ($1,531 million—June 30, 1998) had been disbursed to the eligible countries.

NOTE D—BORROWINGS

Providing liquidity and minimizing the cost of funds are key objectives to IBRD's overall borrowing strategy. IBRD uses swaps in its borrowing strategy to lower the overall cost of its borrowings for those members who benefit from IBRD loans. IBRD undertakes swap transactions with a list of authorized counterparties. Credit limits have been established for each counterparty. Swaps include currency swaps, interest rate swaps, forward interest rate swaps, and swaptions.

A summary of IBRD's borrowings portfolio at June 30, 1999 and June 30, 1998 follows:

Medium- and Long-term Borrowings and Swaps at June 30, 1999

In millions of U.S. dollars equivalent

	Direct borrowings			Currency swap agreements[a]			Interest rate swap agreements			Net currency obligations		
Currency/ Rate type	Amount	Wgtd. avg. cost (%)	Average maturity (years)	Amount payable (receivable)	Wgtd. avg. cost (%)	Average maturity (years)	Notional amount payable (receivable)	Wgtd. avg. cost (%)	Average maturity (years)	Amount payable (receivable)	Wgtd. avg. cost (%)	Average maturity[b] (years)
Euro[c]												
Fixed	$ 19,054	6.85	5.39	$ 3,550	7.70	1.80	$ 3,445	7.20	3.23	$ 26,049	7.01	4.62
				(15,106)	6.91	5.47	(2,838)	5.56	2.95	(17,944)	6.70	5.07
Adjustable	6,840	7.00	9.89	7,172	2.87	2.58	2,867	2.66	2.90	16,879	4.51	5.60
				(7,720)	6.36	9.11	(3,463)	3.06	3.22	(11,183)	5.34	7.29
Japanese yen												
Fixed	15,119	4.97	4.16	63	5.15	2.43	2,811	1.01	1.88	17,993	4.35	3.80
				(8,894)	5.14	4.03	(2,792)	2.72	5.34	(11,686)	4.56	4.34
Adjustable	1,969	3.42	8.09	2,780	(0.11)	1.31	2,792	0.14	5.34	7,541	0.90	4.57
				(1,629)	0.97	9.90	(2,811)	0.15	1.88	(4,440)	0.45	4.82
U. S. dollars												
Fixed	42,239	6.45	5.61	16,431	9.15	3.60	10,149	6.18	7.88	68,819	7.05	5.46
				(1,802)	6.97	1.50	(32,292)	5.84	5.08	(34,094)	5.90	4.89
Adjustable	1,430	4.99	6.08	37,298	4.94	6.65	32,977	4.94	5.20	71,705	4.94	5.97
				(7,062)	4.91	1.60	(10,862)	5.18	8.07	(17,924)	5.07	5.52
Others												
Fixed	23,283	7.50	5.06	1,641	5.66	1.49	416	7.08	2.30	25,340	7.37	4.78
				(24,078)	7.38	4.50	(159)	6.66	7.26	(24,237)	7.38	4.52
Adjustable	355	6.51	1.42	417	0.01	2.23	159	4.82	7.26	931	3.31	2.78
				(450)	7.07	3.44	(416)	1.25	2.30	(866)	4.27	2.89
Total												
Fixed	99,695	6.55	5.22	21,685			16,821			138,201	6.75	4.96
				(49,880)			(38,081)			(87,961)	6.29	4.75
Adjustable	10,594	6.05	8.76	47,667			38,795			97,056	4.54	5.77
				(16,861)			(17,552)			(34,413)	4.54	5.94
Principal at face value	110,289	6.50	5.56	2,611			(17)			112,883	5.88	
Net unamortized premium	122			167			157			446		
Total	$110,411	6.50	5.56	$ 2,778			$ 140			$113,329	5.88	

a. *Currency swap agreements include cross-currency interest rate swaps.*

b. *At June 30, 1999, the average repricing period of the net currency obligations for adjustable rate borrowings was three months.*

c. *Effective January 1, 1999, the euro was introduced. For reporting purposes, amounts in the eleven national currencies that are considered subunits of the euro have been aggregated with the euro and reported as euro in both the current and prior year.*

Medium- and Long-term Borrowings and Swaps at June 30, 1998

In millions of U.S. dollars equivalent

	Direct borrowings			Currency swap agreements[a]			Interest rate swap agreements			Net currency obligations		
Currency/ Rate type	Amount	Wgtd. avg. cost (%)	Average maturity (years)	Amount payable (receivable)	Wgtd. avg. cost (%)	Average maturity (years)	Notional amount payable (receivable)	Wgtd. avg. cost (%)	Average maturity (years)	Amount payable (receivable)	Wgtd. avg. cost (%)	Average maturity[b] (years)
Euro[c]												
Fixed	$20,479	6.95	5.66	$ 3,763	7.34	2.25	$ 4,736	6.83	2.95	$ 28,978	6.98	4.78
				(13,298)	7.25	5.83	(3,470)	5.45	3.79	(16,768)	6.88	5.40
Adjustable	5,305	5.80	7.49	8,375	3.64	2.31	3,651	3.59	3.72	17,331	4.29	4.19
				(6,442)	5.26	6.18	(4,917)	3.68	2.94	(11,359)	4.58	4.78
Japanese yen												
Fixed	14,717	5.01	4.53	1,961	1.34	0.44	1,520	3.30	1.02	18,198	4.47	3.79
				(5,625)	5.39	4.55	(3,083)	2.84	4.94	(8,708)	4.49	4.69
Adjustable	2,319	3.14	5.24	1,484	0.26	0.62	3,083	0.53	4.94	6,886	1.34	4.11
				(899)	1.08	8.63	(1,520)	1.16	1.02	(2,419)	1.13	3.85
U. S. dollars												
Fixed	33,057	6.80	6.14	11,020	9.37	4.27	10,526	6.42	2.88	54,603	7.25	5.14
				(3,096)	6.67	1.28	(22,183)	5.92	5.25	(25,279)	6.01	4.76
Adjustable	1,055	5.90	5.05	27,226	5.42	5.93	22,520	5.53	5.33	50,801	5.47	5.65
				(5,885)	5.46	1.24	(10,863)	5.51	3.14	(16,748)	5.49	2.47
Others												
Fixed	19,587	7.90	4.39	2,108	5.53	2.01	423	7.07	2.11	22,118	7.66	4.12
				(19,047)	7.51	3.56	(159)	6.43	8.27	(19,206)	7.50	3.60
Adjustable	223	9.68	1.58	424	0.29	3.24	159	5.26	8.27	806	3.87	3.77
				(315)	9.02	9.52	(423)	1.51	2.11	(738)	4.71	5.27
Total												
Fixed	87,840	6.78	5.37	18,852			17,205			123,897	6.85	4.67
				(41,066)			(28,895)			(69,961)	6.44	4.58
Adjustable	8,902	5.21	6.47	37,509			29,413			75,824	4.81	5.15
				(13,541)			(17,723)			(31,264)	4.81	3.48
Principal at face value	96,742	6.63	5.47	1,754			—			98,496	6.22	
Net unamortized premium	6			128			112			246		
Total	$96,748	6.63	5.47	$ 1,882			$ 112			$ 98,742	6.22	

a. *Currency swap agreements include cross-currency interest rate swaps.*

b. *At June 30, 1998, the average repricing period of the net currency obligations for adjustable rate borrowings was three months.*

c. *Effective January 1, 1999, the euro was introduced. For reporting purposes, amounts in the eleven national currencies that are considered sub-units of the euro have been aggregated with the euro and reported as euro in both the current and prior year.*

Short-term Borrowings and Swaps at June 30, 1999 and June 30, 1998

In millions of U.S. dollars equivalent

	1999					1998				
Currency/ Rate type	*Principal outstanding*	*Currency swap payable (receivable)*	*Interest rate swap payable (receivable)*	*Net currency obligations*[a]	*Wgtd. avg. cost (%)*	*Principal outstanding*	*Currency swap payable (receivable)*	*Interest rate swap payable (receivable)*	*Net currency obligations*	*Wgtd. avg. cost (%)*
Czech koruny										
Fixed	$ —	$ —	$—	$ —	—	$ 335	$ —	$ —	$ 335	14.45
							(335)	—	(335)	14.45
Euro[b]										
Fixed	—	281	—	281	4.71	—	—	—	—	—
Adjustable	—	—	—	—	—	42	319	—	361	2.82
							(42)	—	(42)	0.78
Hong Kong dollars										
Fixed	451	—	—	451	12.33	—	—	—	—	—
		(451)	—	(451)	12.33					
Japanese yen										
Fixed	—	12	—	12	1.83	—	—	—	—	—
		(278)	—	(278)	5.29					
Adjustable	—	—	—	—	—	—	25	—	25	0.09
New Zealand dollars										
Fixed	—	—	—	—	—	25	—	—	25	7.94
							(25)	—	(25)	7.94
Polish zlotys										
Fixed	—	—	—	—	—	29	—	—	29	20.12
							(29)	—	(29)	20.12
U. S. dollars										
Fixed	3,606	289	—	3,895	5.31	3,985	—	—	3,985	5.45
		(332)	—	(332)	6.06		—	(100)	(100)	5.72
Adjustable	1,188	536	—	1,724	4.71	1,709	1,126	100	2,935	5.15
							(333)	—	(333)	5.13
South African rand										
Fixed	83	—	—	83	15.96	600	—	—	600	13.98
		(83)	—	(83)	15.96		(600)	—	(600)	13.98
Total										
Fixed	4,140	582	—	4,722	6.12	4,974	—	—	4,974	7.19
		(1,144)	—	(1,144)	9.06		(989)	(100)	(1,089)	13.39
Adjustable	1,188	536	—	1,724	4.71	1,751	1,470	100	3,321	4.85
							(375)	—	(375)	4.64
Principal at face value	5,328	(26)	—	5,302	5.02	6,725	106	—	6,831	5.20
Net unamortized premium	—			—		4			4	
Total	$5,328	$ (26)	$—	$ 5,302	5.02	$6,729	$ 106	$ —	$ 6,835	5.20

a. *At June 30, 1999, the average repricing period of the net currency obligations for short-term borrowings was less than one month (less than one month—June 30, 1998.)*

b. *Effective January 1, 1999, the euro was introduced. For reporting purposes, amounts in the eleven national currencies that are considered sub-units of the euro have been aggregated with the euro and reported as euro in both the current and prior year.*

The maturity structure of IBRD's Medium-and Long-term borrowings outstanding at June 30, 1999 and June 30, 1998 is as follows:

In millions

Period	*1999*
July 1, 1999 through June 30, 2000	$ 17,900
July 1, 2000 through June 30, 2001	14,319
July 1, 2001 through June 30, 2002	14,682
July 1, 2002 through June 30, 2003	15,000
July 1, 2003 through June 30, 2004	8,644
July 1, 2004 through June 30, 2009	25,016
Thereafter	14,728
Total	$110,289

In millions

Period	*1998*
July 1, 1998 through June 30, 1999	$ 8,573
July 1, 1999 through June 30, 2000	17,107
July 1, 2000 through June 30, 2001	13,466
July 1, 2001 through June 30, 2002	9,785
July 1, 2002 through June 30, 2003	14,153
July 1, 2003 through June 30, 2008	22,987
Thereafter	10,671
Total	$96,742

The following table reflects the carrying and estimated fair values of the borrowings portfolio at June 30, 1999 and June 30, 1998:

In millions

	1999		*1998*	
	Carrying value	*Estimated fair value*	*Carrying value*	*Estimated fair value*
Short-term	$ 5,328	$ 5,338	$ 6,729	$ 6,793
Medium- and long-term	110,411	117,858	96,748	105,102
Swaps				
Currency				
Payable	70,467	73,736	57,755	60,073
Receivable	(67,715)	(72,371)	(55,767)	(58,911)
Interest rate	140	458	112	(201)
Total	$118,631	$125,019	$105,577	$112,856

The estimated fair values are based on quoted market prices where such prices are available. Where no quoted market price is available, the fair value is estimated based on the cost at which IBRD could currently undertake borrowings with similar terms and remaining maturities, using the secondary market yield curve. The fair value of swaps represents the estimated cost of replacing these contracts on that date.

NOTE E—CREDIT RISK

Country Credit Risk: This risk includes potential losses arising from protracted arrears on payments from borrowers. IBRD manages country credit risk through individual country exposure limits according to creditworthiness. These exposure limits are tied to performance on macroeconomic and structural policies. In addition, IBRD establishes absolute limits on the share of outstanding loans to any individual borrower. The country credit risk is further managed by financial incentives such as pricing loans using IBRD's own cost of borrowing and partial interest charge waivers conditioned on timely payment that give borrowers self-interest in IBRD's continued strong intermediation capacity. Collectibility risk is covered by the Accumulated Provision for Loan Losses. IBRD also uses a simulation model to assess the adequacy of its equity including reserves in case a major borrower, or group of borrowers, stops servicing its loans for an extended period of time.

Commercial Credit Risk: For the purpose of risk management, IBRD is party to a variety of financial instruments, certain of which involve elements of credit risk in excess of the amount recorded on the balance sheet.

Credit risk exposure represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contracts. Additionally, the nature of the instruments involve contract value and notional principal amounts that are not reflected in the basic financial statements. For both on- and off-balance sheet securities, IBRD limits trading to a list of authorized dealers and counterparties. Credit risk is controlled through application of eligibility criteria and volume limits for transactions with individual counterparties and through the use of mark-to-market collateral arrangements for swap transactions. IBRD may require collateral in the form of cash or other approved liquid securities from individual counterparties in order to mitigate its credit exposure.

The contract value/notional amounts and credit risk exposure, as applicable, of these financial instruments at June 30, 1999 and June 30, 1998 are given below:

In millions

	1999	*1998*
INVESTMENTS - TRADING PORTFOLIO		
Options, futures and forwards		
• Long position	$ 3,433	$ 6,205
• Short position	3,653	3,282
• Credit exposure due to potential nonperformance by counterparties	1	2
Currency Swaps		
• Credit exposure due to potential nonperformance by counterparties	182	255
Cross Currency Interest Rate Swaps		
• Credit exposure due to potential nonperformance by counterparties	72	15
Interest Rate Swaps		
• Notional principal	12,924	7,453
• Credit exposure due to potential nonperformance by counterparties	2	*
BORROWING PORTFOLIO		
Currency swaps		
• Credit exposure due to potential nonperformance by counterparties	2,051	1,964
Interest rate swaps		
• Notional principal	55,633	46,718
• Credit exposure due to potential nonperformance by counterparties	731	1,043

** Less than $0.5 million.*

NOTE F—RETAINED EARNINGS, ALLOCATIONS AND TRANSFERS

Retained Earnings: Retained Earnings comprises the following elements at June 30, 1999 and June 30, 1998:

In millions

	1999	*1998*
Special reserve	$ 293	$ 293
General reserve	15,409	14,659
Pension reserve	294	112
Surplus	195	426
Unallocated net income	1,518	1,243
Total	$17,709	$16,733

On July 13, 1998, the Board of Governors approved a transfer from Surplus, by way of grant, in the amount of $90 million to the Trust Fund for Gaza and West Bank.

On July 31, 1998, the Executive Directors allocated $750 million of the net income earned in the fiscal year ended June 30, 1998 to the General Reserve and $182 million to the Pension Reserve, representing the difference between actual funding of the Staff Retirement Plan (SRP) and the SRP's accounting expenses for the fiscal year 1998. This Pension Reserve would be reduced if, in any future fiscal year, pension accounting expenses were to exceed the actual funding of the SRP. On October 8, 1998, the Board of Governors approved the following transfers out of unallocated Net Income: an amount equivalent to $210 million in SDRs (valued at June 30, 1998) to IDA by way of grant, and a grant of $100 million to the Heavily Indebted Poor Countries Debt Initiative Trust Fund. In addition, the Board of Governors approved the transfer of $142 million in SDRs (valued at June 30, 1998) to IDA from Surplus by way of grant. The total amount of these transfers by IBRD to IDA ($352 million in SDRs valued at June 30, 1998) will be drawn down by IDA after all other resources available to IDA for the purposes of IDA's Eleventh Replenishment have been drawn down.

Transfers to International Development Association: The Board of Governors had approved aggregate transfers through June 30, 1998 to IDA totaling $5,735 million from unallocated Net Income. On October 8, 1998, the Board of Governors approved transfers to IDA, by way of grant, of $352 million in an equivalent amount in SDRs— $210 million from unallocated Net Income and $142 million from Surplus. At June 30, 1999, $354 million remained payable. At June 30, 1998, there were no amounts payable to IDA.

Transfers to Debt Reduction Facility for IDA-Only Countries: The Board of Governors had approved aggregate transfers through June 30, 1998 to the Debt Reduction Facility for IDA-Only Countries totaling $300 million. At June 30, 1999, $100 million ($100 million—June 30, 1998) remained payable.

Transfer to Trust Fund for Gaza and West Bank: The Board of Governors had approved aggregate transfers through June 30, 1998 to the Trust Fund for Gaza and West Bank, totaling $230 million. On July 13, 1998, the Board of Governors approved a transfer from Surplus, by way of grant, in the amount of $90 million to the Trust Fund for Gaza and West Bank. At June 30, 1999, $53 million ($22 million—June 30, 1998) remained payable.

Transfers to the Heavily Indebted Poor Countries Debt Initiative Trust Fund: At June 30, 1998, the Board of Governors had approved aggregate transfers to the HIPC Debt Initiative Trust Fund totaling $750 million. On October 8, 1998, the Board of Governors approved a transfer to the HIPC Debt Initiative Trust Fund, by way of grant, of $100 million out of unallocated Net Income. At June 30, 1999, $100 million remained payable. At June 30, 1998, there were no amounts payable to the HIPC Debt Initiative Trust Fund.

Transfers to Multilateral Investment Guarantee Agency: On April 6, 1998, the Board of Governors approved a transfer from Surplus, by way of grant, in the amount of $150 million to MIGA to be used as part of MIGA's capital resources to strengthen its financial position. At June 30, 1999 and June 30, 1998, there were no amounts payable to MIGA.

NOTE G—ADMINISTRATIVE EXPENSES AND CONTRIBUTIONS TO SPECIAL PROGRAMS

In fiscal year 1995 the Executive Directors authorized expenditures for costs associated with planned staff reductions. The cost of this program charged through fiscal year 1997 was $112 million, of which $45 million was allocated to IDA. During fiscal year 1998 all remaining staff previously identified for separation under this program began receiving severance payments. The total cost under this program was $87 million. The difference of $25 million was taken back into income as a reduction of administrative expenses, for fiscal year 1998, of which $10 million had been allocated to IDA as a reduction of the management fee charged to IDA. At June 30, 1999, $86 million ($82 million—June 30, 1998, $64 million—June 30, 1997) has been charged against the accrual of $87 million. This accrual included costs associated with job search assistance, training, outplacement consulting, pension plan contributions, medical insurance contributions and related tax allowances.

In March 1997 the Executive Directors approved a multiyear program of institutional renewal to improve IBRD's and IDA's business processes, products and services, strengthen their human resources through more skilled and better trained staff, and achieve a higher level of development effectiveness. Implementation of this program is expected to result in costs associated with staff reductions during the fiscal years 1997

through 1999. Through June 30, 1999, 475 staff had been identified for separation at a cumulative cost of $78 million. Included in the total charge of $78 million are costs associated with outplacement consulting, job search assistance, training, medical insurance plan contributions and related tax allowances. Of the total cumulative charge of $78 million, $30 million has been charged to IDA. Of the total fiscal year charge of $30 million, $11 million has been charged to IDA for the fiscal year ended June 30, 1999, consistent with normal cost apportionment procedures applied in the calculation of the management fee.

The total number of IBRD employees at June 30, 1999 was 7,859 (8,089—June 30, 1998, 8,020—June 30, 1997).

Administrative Expenses for the fiscal years ended June 30, 1999, June 30, 1998, and June 30, 1997 are net of the following amounts:

In millions

	1999	*1998*	*1997*
Management fee charged to IDA	$518	$474	$488
Amounts charged to reimbursable programs	116	104	108
Total reduction of Administrative Expenses	$634	$578	$596
Amounts charged to reimbursable programs include the following:			
Charges allocated to IFC	$ 17	$ 14	$ 21
Charges allocated to MIGA	1	1	1

Contributions to special programs represent grants for agricultural research, the control of onchocerciasis, and other developmental activities.

NOTE H—TRUST FUNDS

IBRD, alone or jointly with IDA, administers on behalf of donors, including members, their agencies and other entities, funds restricted for specific uses which include the cofinancing of IBRD lending projects, debt reduction operations, technical assistance for borrowers including feasibility studies and project preparation, global and regional programs and research and training programs. These funds are placed in trust and are not included in the assets of IBRD. The trust fund assets by executing agent at June 30, 1999 and June 30, 1998 are summarized below:

	1999		*1998*	
	Total fiduciary assets (In millions)	*Number of trust fund accounts*	*Total fiduciary assets (In millions)*	*Number of trust fund accounts*
IBRD executed	$ 605	1,503	$ 401	1,223
Recipient executed	1,635	1,287	1,512	1,035
Total	$2,240	2,790	$1,913	2,258

The responsibilities of IBRD under these arrangements vary and range from services normally provided under its own lending projects to full project implementation including procurement of goods and services. During the fiscal year ended June 30, 1999, IBRD received $19 million ($14 million—June 30, 1998 and $15 million—June 30, 1997) as fees for administering trust funds. These fees have been recorded as a reduction of Administrative Expenses.

NOTE I—PENSION AND OTHER POSTRETIREMENT BENEFITS

IBRD has a defined benefit Staff Retirement Plan (SRP) that covers substantially all of its staff. The SRP also covers substantially all the staff of IFC and MIGA. In addition, IBRD provides other postretirement benefits for eligible active and retired staff through a Retired Staff Benefits Plan (RSBP) and a Post-Employment Benefits Plan (PEBP).

During the fiscal year ended June 30, 1998, IBRD reviewed the status of the RSBP and PEBP accounts and determined that the assets and liabilities did not qualify for off-balance sheet accounting. At June 30, 1998, the assets and liabilities were recorded on IBRD's balance sheet, resulting in net income to IBRD of $113 million, of which $56 million related to the cumulative effect of prior periods on retained earnings at June 30, 1997, and has been included in Effect of Accounting Change on the income statement.

During the first quarter of fiscal year 1999, the plan was modified so that some of the assets designated for other postretirement benefits met the requirements for plan assets prescribed under SFAS 106 "Employer's Accounting for Postretirement Benefits Other than Pensions". Accordingly, the plan assets and liabilities were removed from the balance sheet. As a result, the assets and liabilities designated on the balance sheet for other postretirement benefits were reduced by $806 million and $620 million, respectively. The $650 million of assets that remained on the balance sheet were incorporated into Trading investments. Liabilities of $103 million for the PEBP shown on the balance sheet represent pension benefits administered outside the SRP.

The difference between the RSBP assets and liabilities represents a prepaid postretirement benefits cost. The portion of this asset that is attributable to IBRD has been included in Other Assets on the balance sheet.

The following table summarizes the benefit costs associated with the SRP, RSBP, and PEBP for IBRD and IDA:

In millions

	SRP		*RSBP*		*PEBP*	
	1999	*1998*	*1999*	*1998*	*1999*	*1998*
Benefit Cost						
Service cost	$ 186	$ 184	$ 25	$24	$ 5	$—
Interest cost	324	353	36	37	7	6
Expected return on plan assets	(738)	(669)	(65)	—	—	—
Amortization of prior service cost	7	7	—	(2)	—	—
Amortization of unrecognized net (loss) gain	(175)	(161)	—	—	3	12
Amortization of Transition Asset	(11)	(11)	—	—	—	—
Net periodic pension (income) cost	$(407)	$(297)	$ (4)	$59	$15	$18

The portion of the SRP income related to IBRD that has been included in income for the fiscal year ended June 30, 1999 is $255 million ($182 million –June 30, 1998). The balance has been included as a payable to IDA. The portion of the cost for the RSBP and PEBP related to IBRD that has been included in income for the fiscal year ended June 30, 1999 is $10 million ($50 million—June 30, 1998). The balance has been included as a receivable from IDA.

The following table summarizes the benefit obligations, plan assets, funded status and rate assumptions associated with the SRP, RSBP, and PEBP for the World Bank Group.

In millions

	SRP		*RSBP*		*PEBP*	
	1999	*1998*	*1999*	*1998*	*1999*	*1998*
Benefit Obligation						
Beginning of year	$ 5,890	$ 5,516	$627	$ 739	$ 90	$ 75
Service cost	217	213	28	28	6	—
Interest cost	378	406	40	55	8	5
Employee contributions	61	58	5	5	—	—
Amendments	—	—	—	18	—	—
Benefits paid	(231)	(206)	(18)	(17)	(5)	(5)
Actuarial (gain) loss	168	(97)	(20)	(201)	43	15
End of year	6,483	5,890	662	627	142	90
Fair value of plan assets						
Beginning of year	9,608	8,613	—	—	—	—
Assets transfered to the Plan	—	—	806	—	—	—
Employee contributions	61	58	5	—	—	—
Actual return on assets	788	1,143	53	—	—	—
Employer contributions	—	—	—	—	—	—
Benefits paid	(231)	(206)	(18)	—	—	—
End of year	10,226	9,608	846	—	—	—
Funded status						
Plan assets in excess of projected benefit obligation	3,743	3,718	184	(627)	(142)	(90)
Unrecognized net gain from past experience different from that assumed and from changes in assumptions	(2,713)	(3,158)	6	—	39	—
Unrecognized prior service cost	50	58	—	—	—	—
Remaining unrecognized net transition asset	(52)	(65)	—	—	—	—
Prepaid (accrued) pension cost	$ 1,028	$ 553	$190	$(627)	$(103)	$(90)

Of the $1,028 million prepaid SRP cost at June 30, 1999 ($553 million —June 30, 1998), $546 million was attributable to IBRD ($295 million—June 30, 1998) and is included in Miscellaneous Assets on the balance sheet. The remainder has been attributed to IDA, IFC and MIGA.

Of the $190 million prepaid RSBP cost at June 30, 1999 (nil—June 30, 1998), $105 million was attributable to IBRD and is included in Miscellaneous Assets on the balance sheet. The remainder has been attributed to IDA, IFC and MIGA.

Assumptions

The actuarial assumptions used are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations. The weighted-average assumptions used in determining expense and benefit obligations are as follows:

In percent

	SRP		*RSBP*		*PEBP*	
	1999	*1998*	*1999*	*1998*	*1999*	*1998*
Discount rate	7.25	6.50	7.25	6.50	7.25	6.50
Expected return on plan assets	9	9	9			
Rate of compensation increase [a]	5.25-11.75	4.50-11.00				
Health care growth rates at end of fiscal year			6.25	5.00		
- to year 2011 and thereafter			5.25	4.50		

a. *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 11.75% (11.0%—June 30, 1998) at age 20 and decreasing to 5.25% (4.5%—June 30, 1998) at age 64.*

The medical cost trend rate can significantly affect the reported postretirement benefit costs and benefit obligations. The following table shows the effects of a one-percentage-point change in the assumed healthcare cost trend rate:

In millions

	One percentage point increase	*One percentage point decrease*
Effect on total service and interest cost	$ 16	$ (12)
Effect on postretirement benefit obligation	128	(101)

During the fiscal year ended June 30, 1998, health care cost trend rates were reduced after completing a five years' experience study, reducing the accrued liability at June 30, 1998, from $808 million to $619 million. This change in the health care cost trend rate resulted in income of $104 million for IBRD, which has been included in Effect of Accounting Change on the income statement. The balance was attributable to IDA, IFC, and MIGA.

NOTE J—SEGMENT REPORTING

In fiscal year 1999, IBRD adopted SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" and IAS 14 (revised) "Segment Reporting". After evaluating IBRD's operations, management determined that IBRD had only one reportable segment since IBRD does not manage its operations by allocating resources based on a determination of the contribution to net income from individual borrowers. In addition, given the nature of IBRD, the risk and return profiles are sufficiently similar among borrowers that IBRD does not differentiate between the nature of the products or services provided, the preparation process, or the method for providing the services among individual countries.

For fiscal year 1999, loans to two countries individually generated in excess of 10% of loan income. Loan income from these two countries was $816 million and $815 million respectively.

NOTE K—COMPREHENSIVE INCOME

During the first quarter of fiscal year 1999, IBRD adopted SFAS No. 130, "Reporting Comprehensive Income", which defines and establishes the standards for reporting comprehensive income. Under SFAS No. 130 certain items which historically were not recognized in the calculation of net income are now included in the broader definition of comprehensive income. For IBRD, comprehensive income comprises currency translation adjustments and net income. These items are presented in the Statement of Comprehensive Income. The following table presents the changes in Accumulated Other Comprehensive Income balances for the years ended June 30, 1999, 1998 and 1997:

In millions

	Accumulated Other Comprehensive Income [a]		
	1999	*1998*	*1997*
Balance, beginning of the fiscal year	$(960)	$ 85	$1,056
Changes from period activity	323	(1,045)	(971)
Balance, end of the fiscal year	$(637)	$ (960)	$ 85

a. The total accumulated other comprehensive income represents the cumulative translation adjustment.

Deloitte Touche Tohmatsu
(International Firm)

555 12th Street NW
Washington, DC

President and Board of Governors
International Bank for Reconstruction and Development

We have audited the accompanying balance sheets of the International Bank for Reconstruction and Development as of June 30, 1999 and 1998, including the summary statement of loans and the statement of subscriptions to capital stock and voting power as of June 30, 1999, and the related statements of income, comprehensive income, changes in retained earnings, and cash flows for each of the two fiscal years in the period ended June 30, 1999. These financial statements are the responsibility of the International Bank for Reconstruction and Development's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the International Bank for Reconstruction and Development for the fiscal year ended June 30, 1997 were audited by other auditors whose report, dated July 28, 1997, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and International Standards on Auditing. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the International Bank for Reconstruction and Development as of June 30, 1999 and 1998, and the results of its operations and its cash flows for each of the two fiscal years in the period ended June 30, 1999 in conformity with generally accepted accounting principles in the United States of America and International Accounting Standards.

Deloitte Touche Tohmatsu (International Firm)

July 28, 1999

Beijing London Mexico City Moscow New York
Paris Tokyo Toronto

International Development Association

Special Purpose Financial Statements
June 30, 1999

Statement of Sources and Applications of Development Resources

June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	1999	*1998*
Applications of Development Resources		
NET RESOURCES AVAILABLE FOR DEVELOPMENT ACTIVITIES		
Cash and investments immediately available for disbursement		
Due from banks	$ 71	$ 30
Investments—Notes B and F	3,517	5,777
Net receivable (payable) on investment securities transactions—Notes B and F	9	(1,513)
	3,597	4,294
Cash and investments not immediately available for disbursement		
Due from banks	—	3
Investments—Notes B and F	4,689	3,975
Net payable on investment securities transactions—Notes B and F	—	(93)
	4,689	3,885
Restricted cash and notes	56	57
Nonnegotiable, noninterest-bearing demand obligations on account of member subscriptions and contributions	11,767	12,891
Receivable from the International Bank for Reconstruction and Development—Note D	354	—
Other resources, net	484	415
Total net resources available for development activities	20,947	21,542
RESOURCES USED FOR DEVELOPMENT CREDITS (see Summary Statement of Development Credits, Notes E, F and I)		
Total development credits	103,262	97,908
Less undisbursed balance	20,104	19,892
Total resources used for development credits	83,158	78,016
Total applications of development resources	$104,105	$99,558

Sources of Development Resources

	1999	1998
Member subscriptions and contributions (see Statement of Voting Power, and Subscriptions and Contributions, Note C)		
Unrestricted	$ 95,463	$94,257
Restricted	286	286
Subscriptions and contributions committed	95,749	94,543
Less subscriptions and contributions receivable and unamortized discounts on contributions—Note C	165	2,500
Subscriptions and contributions paid in	95,584	92,043
Deferred amounts receivable to maintain value of currency holdings	(231)	(230)
Payments on account of pending membership—Note C	7	7
	95,360	91,820
Transfers from the International Bank for Reconstruction and Development—Note D	6,082	5,728
Heavily Indebted Poor Countries Debt Initiative (see Statement of Changes in Resources Used for Heavily Indebted Poor Countries Debt Initiative, Note I)	(322)	(168)
Cumulative translation adjustment on development credits (see Statement of Changes in Cumulative Translation Adjustment on Development Credits)	(194)	(391)
Accumulated surplus (see Statement of Changes in Accumulated Surplus)	3,179	2,569
Total sources of development resources	$104,105	$99,558

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Statement of Changes in Resources Used for Heavily Indebted Poor Countries Debt Initiative

For the fiscal years ended June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	Balance at beginning of the fiscal year		*Additions during the fiscal year*		*Balance at end of the fiscal year*	
	1999	*1998*	*1999*	*1998*	*1999*	*1998*
Resources funding development grants—Note I						
Transfers from the International Bank for Reconstruction and Development	$ 75	$—	$ —	$ 75	$ 75	$ 75
Eleventh Replenishment donor funds	—	—	154	—	154	—
	75	—	154	75	229	75
Write-down on sale of development credits—Note I	93	—	—	93	93	93
Total resources used	$168	$—	$154	$168	$322	$168

Statement of Changes in Cumulative Translation Adjustment on Development Credits

For the fiscal years ended June 30, 1999, June 30, 1998 and June 30, 1997

Expressed in millions of U.S. dollars

	1999	*1998*	*1997*
Cumulative translation adjustment at beginning of the fiscal year	$(391)	$ 2,373	$ 4,291
Translation adjustment for the fiscal year	197	(2,764)	(1,918)
Cumulative translation adjustment at end of the fiscal year	$(194)	$ (391)	$ 2,373

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Statement of Changes in Accumulated Surplus

For the fiscal years ended June 30, 1999, June 30, 1998 and June 30, 1997

Expressed in millions of U.S. dollars

	1999	*1998*	*1997*
Income from development credits—Note E	$ 588	$ 555	$ 537
Income from investments, net—Note B	462	527	450
Net management fee charged by the International Bank for Reconstruction and Development—Notes G and H	(368)	(222)	(416)
Amortization of discount on subscription advances	(2)	(6)	(13)
Changes from operations	680	854	558
Effect of exchange rate changes on accumulated surplus	(70)	(283)	(350)
Net changes	610	571	208
Balance at beginning of the fiscal year	2,569	1,998	1,790
Balance at end of the fiscal year	$3,179	$2,569	$1,998

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Statement of Cash Flows

For the fiscal years ended June 30, 1999, June 30, 1998 and June 30, 1997

Expressed in millions of U.S. dollars

	1999	*1998*	*1997*
Cash flows from development activities			
Development credit disbursements	$(5,843)	$(5,432)	$(5,836)
Development credit principal repayments	898	682	615
	(4,945)	(4,750)	(5,221)
Development grant disbursements	(149)	(74)	—
Net cash used in development activities	(5,094)	(4,824)	(5,221)
Cash flows from member subscriptions and contributions	4,071	3,821	5,115
Cash flows from the International Bank for Reconstruction and Development transfers	—	298	599
Cash flows from operating activities			
Changes from operations	680	854	558
Less income from restricted investments	208	241	175
Net assets previously designated for other postretirement benefits received from the International Bank for Reconstruction and Development	76	—	—
Adjustments to reconcile changes from operations to net cash provided by operating activities			
Amortization of discount on subscription advances	2	6	13
Net changes in other development resources	(141)	(268)	—
Net cash provided by operating activities	409	351	396
Effect of exchange rate changes on cash and investments immediately available for disbursement	(83)	(140)	(277)
Net (decrease) increase in cash and investments immediately available for disbursement	(697)	(494)	612
Cash and investments immediately available for disbursement at beginning of the fiscal year	4,294	4,788	4,176
Cash and investments immediately available for disbursement at end of the fiscal year	$ 3,597	$ 4,294	$ 4,788
Supplemental disclosure			
Increase (decrease) in ending balances of development credits outstanding resulting from exchange rate fluctuations	$ 197	$(2,764)	$(1,918)
Write-down on sale of development credits	—	(93)	—

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Summary Statement of Development Credits

June 30, 1999

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total development credits*	*Undisbursed development credits*[1]	*Development credits outstanding*	*Percentage of development credits outstanding*
Afghanistan	$ 75	$ —	$ 75	0.09%
Albania	463	209	254	0.31
Angola	248	57	191	0.23
Armenia	479	190	289	0.35
Azerbaijan	343	157	186	0.22
Bangladesh	7,516	1,319	6,197	7.45
Benin	677	126	551	0.66
Bhutan	39	16	23	0.03
Bolivia	1,450	412	1,038	1.25
Bosnia and Herzegovina	444	197	247	0.30
Botswana	10	—	10	0.01
Burkina Faso	799	108	691	0.83
Burundi	607	21	586	0.71
Cambodia	265	107	158	0.19
Cameroon	930	205	725	0.87
Cape Verde	141	70	71	0.08
Central African Republic	416	20	396	0.48
Chad	545	65	480	0.58
Chile	8	—	8	0.01
China	9,670	1,221	8,449	10.16
Colombia	9	—	9	0.01
Comoros	94	23	71	0.09
Congo, Democratic Republic of	1,212	—	1,212	1.46
Congo, Republic of	168	5	163	0.20
Costa Rica	2	—	2	*
Côte d'Ivoire	1,646	342	1,304	1.57
Djibouti	69	21	48	0.06
Dominica	17	3	14	0.02
Dominican Republic	15	—	15	0.02
Ecuador	23	—	23	0.03
Egypt, Arab Republic of	1,686	450	1,236	1.49
El Salvador	17	—	17	0.02
Equatorial Guinea	50	1	49	0.06
Eritrea	146	99	47	0.06
Ethiopia	2,627	954	1,673	2.01
Gambia, The	218	52	166	0.20
Georgia	487	193	294	0.35
Ghana	3,521	634	2,887	3.47
Grenada	10	2	8	0.01
Guinea	1,094	117	977	1.18
Guinea-Bissau	251	30	221	0.27
Guyana	268	42	226	0.27
Haiti	531	40	491	0.59
Honduras	917	232	685	0.82
India	22,362	3,975	18,387	22.11
Indonesia	817	134	683	0.82
Jordan	61	—	61	0.07

SUMMARY STATEMENT OF DEVELOPMENT CREDITS *(continued)*

June 30, 1999

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total development credits*	*Undisbursed development credits*[1]	*Development credits outstanding*	*Percentage of development credits outstanding*
Kenya	$2,515	$372	$2,143	2.58%
Korea, Republic of	70	—	70	0.08
Kyrgyz Republic	429	150	279	0.34
Lao People's Democratic Republic	536	147	389	0.47
Lesotho	248	68	180	0.22
Liberia	105	3	102	0.12
Macedonia, former Yugoslav Republic of	274	100	174	0.21
Madagascar	1,614	399	1,215	1.46
Malawi	1,820	307	1,513	1.82
Maldives	45	1	44	0.05
Mali	1,114	125	989	1.19
Mauritania	515	120	395	0.48
Mauritius	14	—	14	0.02
Moldova	143	94	49	0.06
Mongolia	167	47	120	0.14
Morocco	29	—	29	0.03
Mozambique	1,641	432	1,209	1.45
Myanmar	721	—	721	0.87
Nepal	1,332	222	1,110	1.34
Nicaragua	718	164	553	0.67
Niger	828	163	665	0.80
Nigeria	674	91	583	0.70
Pakistan	4,696	963	3,733	4.49
Papua New Guinea	97	—	97	0.12
Paraguay	30	—	30	0.04
Philippines	257	56	201	0.24
Rwanda	765	105	660	0.79
St. Kitts and Nevis	1	—	1	*
St. Lucia	16	5	11	0.01
St. Vincent and the Grenadines	9	2	7	0.01
Samoa	57	14	43	0.05
São Tomé and Principe	64	5	59	0.07
Senegal	1,696	436	1,260	1.52
Sierra Leone	375	88	287	0.35
Solomon Islands	45	14	31	0.04
Somalia	403	1	402	0.48
Sri Lanka	1,921	326	1,595	1.92
Sudan	1,188	—	1,188	1.43
Swaziland	5	—	5	0.01
Syrian Arab Republic	32	—	32	0.04
Tajikistan	175	82	93	0.11
Tanzania	2,972	515	2,457	2.95
Thailand	95	—	95	0.11
Togo	721	116	605	0.73
Tonga	4	—	4	0.01
Tunisia	42	—	42	0.05
Turkey	109	—	109	0.13
Uganda	2,364	459	1,905	2.29

Borrower or guarantor	*Total development credits*	*Undisbursed development credits*[1]	*Development credits outstanding*	*Percentage of development credits outstanding*
Vanuatu	$ 16	$ 2	$ 14	0.02%
Vietnam	1,931	1,054	877	1.05
Yemen, Republic of	1,443	383	1,060	1.27
Zambia	2,048	448	1,600	1.92
Zimbabwe	600	171	429	0.52
Subtotal members [5]	103,175	20,099	83,076	99.90
West African Development Bank [2]	50	—	50	0.06
Caribbean Development Bank [3]	31	5	26	0.03
Subtotal regional development banks	81	5	76	0.09
Other [4]	6	—	6	0.01
Total—June 30, 1999[5]	$103,262	$20,104	$83,158	100.00%
Total—June 30, 1998	$ 97,908	$19,892	$78,016	

* *Indicates amounts less than $0.05 million or less than 0.005 per cent.*

NOTES

1. *Of the undisbursed balance at June 30, 1999, IDA has entered into irrevocable commitments to disburse $213 million ($366 million—June 30, 1998).*
2. *These development credits are for the benefit of Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo.*
3. *These development credits are for the benefit of Grenada and territories of the United Kingdom (Associated States and Dependencies) in the Caribbean region.*
4. *Represents development credits made at a time when the authorities on Taiwan represented China in IDA (prior to May 15, 1980).*
5. *May differ from the sum of individual figures shown because of rounding.*

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

June 30, 1999

Expressed in millions of U.S. dollars

Maturity Structure of Development Credits Outstanding

Period	
July 1, 1999 through June 30, 2000	$ 1,230
July 1, 2000 through June 30, 2001	1,207
July 1, 2001 through June 30, 2002	1,404
July 1, 2002 through June 30, 2003	1,597
July 1, 2003 through June 30, 2004	1,783
July 1, 2004 through June 30, 2009	11,836
July 1, 2009 through June 30, 2014	15,119
July 1, 2014 through June 30, 2019	16,757
July 1, 2019 through June 30, 2024	15,405
July 1, 2024 through June 30, 2029	10,942
July 1, 2029 through June 30, 2034	5,034
July 1, 2034 through June 30, 2039	844
Total	$83,158

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Statement of Voting Power, and Subscriptions and Contributions

June 30, 1999

Expressed in millions of U.S. dollars

Member [1]	Number of votes	Percentage of total	Subscriptions and contributions committed
Part I Members			
Australia	154,956	1.33%	$ 1,626.7
Austria	77,992	0.67	798.0
Belgium	138,249	1.18	1,585.9
Canada	355,926	3.05	4,222.9
Denmark	114,469	0.98	1,283.1
Finland	72,613	0.62	621.1
France	497,297	4.26	6,633.5
Germany	820,259	7.03	11,006.9
Iceland	26,428	0.23	18.3
Ireland	33,266	0.28	114.2
Italy	355,274	3.04	3,957.9
Japan	1,252,764	10.73	20,722.7
Kuwait	75,954	0.65	685.1
Luxembourg	28,383	0.24	53.8
Netherlands	258,398	2.21	3,577.1
New Zealand	33,028	0.28	112.9
Norway	117,216	1.00	1,190.4
Portugal	27,513	0.24	33.4
Russian Federation	31,593	0.27	161.3
South Africa	32,404	0.28	85.4
Spain	63,889	0.55	461.3
Sweden	234,233	2.01	2,473.1
Switzerland [2]	109,886	0.94	1,118.3
United Arab Emirates	1,367	0.01	5.6
United Kingdom	582,514	4.99	7,056.9
United States	1,745,962	14.96	23,431.5
Subtotal Part I Members [3]	7,241,833	62.04	93,037.1
Part II Members			
Afghanistan	13,557	0.12	1.3
Albania	26,089	0.22	0.3
Algeria	27,720	0.24	5.1
Angola	45,662	0.39	7.9
Argentina	127,638	1.09	65.7
Armenia	2,717	0.02	0.5
Azerbaijan	644	0.01	0.9
Bangladesh	67,075	0.57	7.2
Belize	1,788	0.02	0.2
Benin	7,476	0.06	0.6
Bhutan	14,179	0.12	0.1
Bolivia	32,911	0.28	1.4
Bosnia and Herzegovina	19,571	0.17	2.3
Botswana	25,866	0.22	1.1
Brazil	191,652	1.64	192.0
Burkina Faso	21,166	0.18	0.7
Burundi	23,006	0.20	1.0

Statement of Voting Power, and Subscriptions and Contributions *(continued)*

June 30, 1999

Expressed in millions of U.S. dollars

Member [1]	*Number of votes*	*Percentage of total*	*Subscriptions and contributions committed*
Cambodia	10,322	0.09%	$ 1.3
Cameroon	19,954	0.17	1.3
Cape Verde	4,916	0.04	0.1
Central African Republic	10,920	0.09	0.6
Chad	10,990	0.09	0.6
Chile	31,782	0.27	4.5
China	219,696	1.88	40.1
Colombia	43,080	0.37	22.5
Comoros	13,141	0.11	0.1
Congo, Democratic Republic of	12,164	0.10	0.6
Congo, Republic of	8,385	0.07	3.8
Costa Rica	12,480	0.11	0.3
Côte d'Ivoire	20,369	0.17	1.3
Croatia	32,475	0.28	5.5
Cyprus	30,572	0.26	1.1
Czech Republic	44,907	0.38	27.1
Djibouti	532	*	0.2
Dominica	16,749	0.14	0.1
Dominican Republic	27,780	0.24	0.6
Ecuador	23,800	0.20	0.8
Egypt, Arab Republic of	51,228	0.44	6.8
El Salvador	6,244	0.05	0.4
Equatorial Guinea	6,167	0.05	0.4
Eritrea	25,295	0.22	0.1
Ethiopia	23,053	0.20	0.7
Fiji	9,423	0.08	0.7
Gabon	2,093	0.02	0.6
Gambia, The	16,744	0.14	0.4
Georgia	22,523	0.19	0.9
Ghana	23,831	0.20	3.0
Greece	49,154	0.42	27.9
Grenada	20,596	0.18	0.1
Guatemala	25,634	0.22	0.5
Guinea	28,087	0.24	1.3
Guinea-Bissau	6,790	0.06	0.2
Guyana	18,160	0.16	1.0
Haiti	19,479	0.17	1.0
Honduras	21,570	0.18	0.4
Hungary	87,931	0.75	36.4
India	367,195	3.15	55.0
Indonesia	105,397	0.90	14.3
Iran, Islamic Republic of	15,455	0.13	5.7
Iraq	9,407	0.08	1.0

Member [1]	*Number of votes*	*Percentage of total*	*Subscriptions and contributions committed*
Israel	38,253	0.33%	$ 3.6
Jordan	24,865	0.21	0.4
Kazakhstan	806	0.01	1.8
Kenya	29,995	0.26	2.2
Kiribati	6,477	0.06	0.1
Korea, Republic of	49,028	0.42	202.8
Kyrgyz Republic	2,700	0.02	0.5
Lao People's Democratic Republic	11,723	0.10	0.6
Latvia	614	0.01	0.7
Lebanon	8,562	0.07	0.6
Lesotho	25,849	0.22	0.2
Liberia	22,467	0.19	1.1
Libya	7,771	0.07	1.3
Macedonia, former Yugoslav Republic of	15,759	0.14	1.0
Madagascar	11,600	0.10	1.2
Malawi	28,748	0.25	1.0
Malaysia	44,457	0.38	3.5
Maldives	24,811	0.21	*
Mali	24,808	0.21	1.2
Marshall Islands	4,902	0.04	*
Mauritania	12,585	0.11	0.6
Mauritius	31,411	0.27	1.2
Mexico	87,783	0.75	127.0
Micronesia, Federated States of	18,424	0.16	*
Moldova	612	0.01	0.7
Mongolia	24,389	0.21	0.3
Morocco	52,492	0.45	4.9
Mozambique	9,517	0.08	1.7
Myanmar	40,569	0.35	2.9
Nepal	28,345	0.24	0.7
Nicaragua	26,922	0.23	0.4
Niger	16,541	0.14	0.7
Nigeria	9,957	0.09	4.3
Oman	26,927	0.23	1.3
Pakistan	105,624	0.90	13.4
Palau, Republic of	504	*	*
Panama	7,550	0.06	*
Papua New Guinea	13,050	0.11	1.1
Paraguay	11,419	0.10	0.4
Peru	16,473	0.14	2.2
Philippines	16,583	0.14	6.4
Poland	270,192	2.31	53.9
Rwanda	17,067	0.15	1.0
St. Kitts and Nevis	5,082	0.04	0.2
St. Lucia	24,503	0.21	0.2
St. Vincent and the Grenadines	2,214	0.02	0.1
Samoa	13,061	0.11	0.1
São Tomé and Principe	6,414	0.05	0.1
Saudi Arabia	412,982	3.54	2,083.2
Senegal	31,337	0.27	2.2
Sierra Leone	14,367	0.12	1.0
Slovak Republic	23,909	0.20	9.7

Statement of Voting Power, and Subscriptions and Contributions *(continued)*

June 30, 1999

Expressed in millions of U.S. dollars

Member [1]	*Number of votes*	*Percentage of total*	*Subscriptions and contributions committed*
Slovenia	18,956	0.16%	$ 3.0
Solomon Islands	518	*	0.1
Somalia	10,506	0.09	1.0
Sri Lanka	48,488	0.42	4.0
Sudan	22,484	0.19	1.3
Swaziland	12,773	0.11	0.4
Syrian Arab Republic	7,651	0.07	1.2
Tajikistan	20,568	0.18	0.5
Tanzania	35,867	0.31	2.2
Thailand	48,488	0.42	4.1
Togo	23,243	0.20	1.0
Tonga	11,380	0.10	0.1
Trinidad and Tobago	770	0.01	1.6
Tunisia	2,793	0.02	1.9
Turkey	77,253	0.66	80.9
Uganda	20,421	0.17	2.1
Uzbekistan	746	0.01	1.5
Vanuatu	13,821	0.12	0.2
Vietnam	11,681	0.10	1.9
Yemen, Republic of	33,296	0.29	2.0
Zambia	28,568	0.24	3.4
Zimbabwe	12,357	0.11	5.0
Subtotal Part II Members [3]	4,430,815	37.96	3,224.6
Total—June 30, 1999 [2,3]	11,672,648	100.00%	$96,261.7
Total—June 30, 1998	11,394,275		$95,055.2

* *Indicates amounts less than $0.05 million or less than 0.005 percent.*

Notes

1. *See Notes to Special Purpose Financial Statements—Note A for an explanation of the two categories of membership.*
2. *$512.3 million of Switzerland's subscription and contributions have not been included in the Statement of Sources and Applications of Development Resources at June 30, 1999 and June 30, 1998 since this represents the difference between the total cofinancing grants of $580.1 million provided by Switzerland directly to IDA borrowers as cofinancing grants between the fourth and the ninth replenishments of IDA resources, and the July 1992 contribution by Switzerland of $67.8 million.*
3. *May differ from the sum of individual figures shown because of rounding.*

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

NOTE A—ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING AND RELATED POLICIES

Purpose and Affiliated Organizations

The International Development Association (IDA) is an international organization established on September 24, 1960 to promote economic development in the less developed areas of the world included in IDA's membership by providing financing on concessionary terms. IDA has three affiliated organizations, the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IDA, IBRD, IFC and MIGA are collectively known as the World Bank Group. Each of these other organizations is legally and financially independent from IDA, with separate assets and liabilities, and IDA is not liable for their respective obligations. The principal purpose of IBRD is to promote the economic development of its member countries, primarily by providing loans and related technical assistance for specific projects and for programs of economic reform in developing member countries. IFC's purpose is to encourage the growth of productive private enterprises in its member countries through loans and equity investments in such enterprises without a member's guarantee. MIGA was established to encourage the flow of investments for productive purposes among member countries and, in particular, to help developing member countries by providing guarantees against noncommercial risks for foreign investment in its developing member countries.

Summary of Significant Accounting and Related Policies

Due to the nature and organization of IDA, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and are not intended to be a presentation in accordance with generally accepted accounting principles in the United States or with International Accounting Standards. These special purpose financial statements have been prepared to comply with Article VI, Section 11(a) of the Articles of Agreement of IDA, and are prepared in accordance with the accounting policies outlined below.

Certain reclassifications of the prior years' information have been made to conform to the current year's presentation.

Basis of Accounting

IDA's special purpose financial statements are prepared on the accrual basis of accounting. That is, the effects of transactions and other events are recognized when they occur (and not as cash or its equivalent is received or paid) and are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

Translation of Currencies

IDA's special purpose financial statements are expressed in terms of U.S. dollars solely for the purpose of summarizing IDA's financial position and the results of its operations for the convenience of its members and other interested parties.

IDA is an international organization which conducts its operations in the currencies of all of its members. Applications of development resources and sources of development resources are translated at market exchange rates in effect at the end of the accounting period, except Member Subscriptions and Contributions which are translated in the manner described below. Income and expenses are translated at either the market exchange rates in effect on the dates of income and expense recognition, or at an average of the market exchange rates in effect during each month. Translation adjustments relating to the revaluation of development credits denominated in Special Drawing Rights (SDRs) are charged or credited to Cumulative Translation Adjustment on Development Credits. Other translation adjustments are charged or credited to the Accumulated Surplus.

Member Subscriptions and Contributions

Recognition

Member Subscriptions and Contributions for each IDA replenishment are recorded in full as Subscriptions and Contributions Committed upon effectiveness of the relevant replenishment. Replenishments become effective when IDA has received commitments from members for subscriptions and contributions of a specified portion of the full replenishment. Amounts not yet paid in, at the date of effectiveness, are recorded as Subscriptions and Contributions Receivable and shown as a reduction of Subscriptions and Contributions Committed. These receivables come due throughout the replenishment period (generally three years) in accordance with an agreed maturity schedule. The actual payment of receivables when they become due from certain members is conditional upon the respective member's budgetary appropriation processes.

The Subscriptions and Contributions Receivable are settled through payment of cash or deposit of nonnegotiable, noninterest-bearing demand notes. If the receivable is settled in cash, the cash is recorded in Cash and Investments Not Immediately Available for Disbursement, until such time as it becomes available in accordance with the replenishment agreement. The notes are encashed by IDA as provided in the relevant replenishment resolution over the disbursement period of the credits committed under the replenishment and the cash received is recorded in Cash and Investments Immediately Available for Disbursement.

In certain replenishments, donors have had the option of paying all of their subscription and contribution amount in cash before it becomes due and receiving a discount. In addition, some replenishment arrangements have incorporated an accelerated encashment schedule. In these cases, IDA and the donor agree that IDA will invest the cash and retain the income. The related subscription and contribution is recorded at the full undiscounted amount. The cash and investments are recorded in Cash and Investments Not Immediately Available for Disbursement until the relevant due date, at which time the cash and investments become available. The discount is recorded in Subscriptions and Contributions Receivable and amortized over the projected encashment period.

Under the provisions governing replenishments, IDA must encash the notes or similar obligations of contributing members on an approximately *pro rata* basis. As discussed in the previous paragraph, donors sometimes contribute resources on an advanced or an accelerated basis. IDA holds these resources until they become available for disbursement on a *pro rata* basis. Cash and Investments Not Immediately Available for Disbursement represents the difference between the amount contributed and the amount available for disbursements on a pro rata basis.

Transfers to IDA from IBRD are recorded as Sources of Development Resources and are receivable upon approval by IBRD's Board of Governors.

For the purposes of its financial resources, the membership of IDA is divided into two categories: (1) Part I members, which make payments of subscriptions and contributions provided to IDA in convertible currencies which may be freely used or exchanged by IDA in its operations and (2) Part II members, which make payments of ten percent of their initial subscriptions in freely convertible currencies, and the remaining ninety percent of their initial subscriptions, and all additional subscriptions and contributions in their own currencies or in freely convertible currencies. Certain Part II members provide a portion of their subscriptions and contributions in the same manner as mentioned in (1) above. IDA's Articles of Agreement and subsequent replenishment agreements provide that the currency of any Part II member paid in by it may not be used by IDA for projects financed by IDA and located outside the territory of the member except by agreement between the member and IDA. The cash paid and notes deposited in nonconvertible local currencies for the subscriptions of Part II members are recorded in Restricted Cash and Notes.

Valuation

The subscriptions and contributions provided through the Third Replenishment are expressed in terms of "U.S. 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 U.S. law defining the par value of the U.S. dollar in terms of gold, the pre-existing basis for translating 1960 dollars into current dollars or any other currency disappeared. The Executive Directors of IDA have decided, with effect on that date and until such time as the relevant provisions of the Articles of Agreement are amended, that the words "U.S. dollars of the weight and fineness in effect on January 1, 1960" in Article II, Section 2(b) of the Articles of Agreement of IDA are interpreted to mean the SDR introduced by the International Monetary Fund as the SDR was valued in terms of U.S. dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being equal to $1.20635 for one SDR (the 1974 SDR), and have also decided to apply the same standard of value to amounts expressed in 1960 dollars in the relevant resolutions of the Board of Governors.

The subscriptions and contributions provided through the Third Replenishment are expressed on the basis of the 1974 SDR. Prior to the decision of the Executive Directors, IDA had valued these subscriptions and contributions on the basis of the SDR at the current market value of the SDR.

The subscriptions and contributions provided under the Fourth Replenishment and thereafter are expressed in members' currencies or SDRs and are payable in members' currencies. Beginning July 1, 1986, subscriptions and contributions made available for disbursement in cash to IDA are translated at market exchange rates in effect on the dates they were made available. Prior to that date, subscriptions and contributions which had been disbursed or converted into other currencies were translated at market exchange rates in effect on dates of disbursement or conversion. Subscriptions and contributions not yet available for disbursements are translated at market exchange rates in effect at the end of the accounting period.

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 member's territories, so long as, and to the extent that, such currency shall not have been initially disbursed or exchanged for the currency of another member. The provisions of Article IV, Section 2(a) and (b) have by agreement been extended to cover additional subscriptions and contributions of IDA through the Third Replenishment, but are not applicable to those of the Fourth and subsequent replenishments.

The Executive Directors decided on June 30, 1987 that settlements of maintenance of value, 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. These amounts are shown as Deferred Amounts Receivable to Maintain Value of Currency Holdings.

Development Credits

All development credits are made to or guaranteed by 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). In order to qualify for lending on IDA terms, a country's per capita income must be below a certain level and the country may have only limited or no creditworthiness for IBRD lending. Development credits carry a service charge of 0.75 percent and generally have 35- or 40-year final maturities and a 10-year grace period for principal payments. Development credits are carried in the Special Purpose Financial Statements at the full face amount of the borrowers' outstanding obligations.

It is the practice of IDA to place in nonaccrual status all development credits made to a member government or to the government of a territory of a member if principal or charges with respect to any such development credit are overdue by more than six months, unless IDA's management determines that the overdue amount will be collected in the immediate future. In addition, if loans by IBRD to a member government are placed in nonaccrual status, all development credits to that member government will also be placed in nonaccrual status by IDA. On the date a member's development credits are placed in nonaccrual status, charges that had been accrued on development credits outstanding to the member which remained unpaid are deducted from the income from development credits of the current period. Charges on nonaccruing development credits are included in income only to the extent that payments have actually been received by IDA. If collectibility risk is considered to be particularly high at the time of arrears clearance, the member's credits may not automatically emerge from nonaccrual status, even though the member's eligibility for new credits may have been restored. A decision on the restoration of accrual status is made on a case-by-case basis after a suitable period of payment performance has passed from the time of arrears clearance.

In fulfilling its mission, IDA makes concessional loans to the poorest countries, therefore there is significant credit risk in the portfolio of development credits. Management continually monitors this credit risk. However, no provision for credit losses has been established because it is not practicable to determine such an amount in view of the nature and maturity structure of the credit portfolio. Should actual losses occur, they would be charged against IDA's Sources of Development Resources.

The repayment obligations of IDA's development credits funded from resources through the Fifth Replenishment are expressed in the development credit agreements in terms of 1960 dollars. In June 1987 the Executive Directors decided to value those development credits at the rate of $1.20635 per 1960 dollar on a permanent basis. Development credits funded from resources provided under the Sixth Replenishment and thereafter are denominated in SDRs; the principal amounts disbursed under such development credits are to be repaid in currency amounts currently equivalent to the SDRs disbursed.

Development Grants

The Eleventh and Twelfth Replenishment Resolutions authorizes the use of Eleventh and Twelfth Replenishment donor funds to finance IDA development grants in the context of the Heavily Indebted Poor Countries (HIPC) Debt Initiative. The net income transfers from IBRD for fiscal years 1997 and 1998 also authorizes the use of such funds for IDA development grants.

Development grants are accrued by IDA upon their commitment.

Heavily Indebted Poor Countries Debt Initiative

IDA participates in a multilateral initiative (the HIPC Debt Initiative) to ensure that reform efforts of countries identified as HIPCs will not be put at risk by unsustainable external debt burdens. Under the HIPC Debt Initiative, creditors are to provide enhanced debt relief for those countries that have demonstrated good policy performance over an extended period in order to bring their debt burdens to sustainable levels. As a part of this process, the HIPC Debt Initiative Trust Fund was established on November 7, 1996, constituted by funds of donors including the IBRD, to help beneficiaries reduce their overall debt, including IDA debt. The HIPC Debt Initiative Trust Fund is administered by IDA. IDA has not contributed to the HIPC Debt Initiative Trust Fund.

Upon the signature of the HIPC Debt Relief Agreement between the member country and IDA, development credits identified for sale are written down to their estimated net present value. On the settlement date, the estimated write-down is adjusted to reflect the actual difference between the cash received and the carrying value of the development credits sold. For the purposes of the HIPC Debt Relief Agreement, IDA acts both in its own capacity and as Administrator of the HIPC Debt Initiative Trust Fund.

Investments

IDA carries its investment securities and related financial instruments at market value. Both realized and unrealized gains and losses are included in Income from Investments.

Interim Trust Fund

The Interim Trust Fund, established by IDA's Board of Governors in June 1996 as a part of the Eleventh Replenishment, is administered by IDA to help fund operations approved during the period July 1, 1996 to June 30, 1997, as well as certain additional operations approved after July 1, 1997. The development resources of the Interim Trust Fund have a separate legal, procurement and accounting status. Credits financed by the Interim Trust Fund are made on the same terms and conditions as those of IDA credits with two exceptions. First, eligibility for procurement under the Interim Fund Credits is extended only to nationals of countries that either have contributed to the Interim Trust Fund or are eligible to borrow from IBRD or IDA. Second, the Interim Fund Credits are approved by IDA's President after consultation with a committee of IDA's Executive Directors representing the donors and eligible borrowers. Effective December 31, 1997, procurement restrictions were lifted from SDR 700 million in Interim Trust Fund contributions that were unallocated. Charges paid by borrowers on Interim Fund Credits are received directly by IDA to compensate it for its services as administrator. These charges are included under Income from development credits. The Interim Trust Fund is expected to be terminated when the credits it financed have been substantially disbursed. Upon termination, its assets and liabilities will be transferred to IDA.

NOTE B—INVESTMENTS

As part of its overall portfolio management strategy, IDA invests in government and agency obligations, time deposits and related financial instruments with off-balance sheet risk.

Currency Swaps: Currency swaps are agreements between two parties to exchange cash flows denominated in different currencies at one or more certain times in the future. The cash flows are based on a predetermined formula reflecting rates of interest and an exchange of principal. IDA is authorized to enter into currency swaps for periods not exceeding one year, including covered forwards.

Futures and Forwards: Futures and forward contracts are contracts for delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specified price or yield. Futures contracts are traded on regulated United States and international exchanges. IDA generally closes out most open positions in futures contracts prior to maturity. Therefore, cash receipts or payments are mostly limited to the change in market value of the futures contracts. Futures contracts generally entail daily settlement of the net cash margin.

Government and Agency Obligations: These obligations include marketable bonds, notes and other obligations issued by governments. Obligations issued or unconditionally guaranteed by governments of countries require a minimum credit rating of AA if denominated in a currency other than the home currency of the issuer, otherwise no rating is required. Obligations issued by an agency or instrumentality of a government of a country, a multilateral organization or any other official entity require a credit rating of AAA.

Options: Options are contracts that allow the holder of the option the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified period of time from or to the seller of the option. The purchaser of an option pays a premium at the outset to the seller of the option, who then bears the risk of an unfavorable change in the price of the financial instrument underlying the option. IDA invests only in exchange-traded options. The initial price of an option contract is equal to the premium paid by the purchaser and is significantly less than the contract or notional amount. IDA does not write uncovered option contracts.

Repurchase and Resale Agreements and Securities Loans: Repurchase agreements are contracts under which a party sells securities and simultaneously agrees to repurchase the same securities at a specified future date at a fixed price. The reverse of this transaction is called a resale agreement. A resale agreement involves the purchase of securities with a simultaneous agreement to sell back the same securities at a stated price on a stated date. Securities loans are contracts under which securities are lent for a specified period of time at a fixed price.

Short Sales: Short sales are sales of securities not held in the seller's portfolio at the time of the sale. The seller must purchase the security at a later date and bears the risk that the market value of the security will move adversely between the time of the sale and the time the security must be delivered.

Time Deposits: Time deposits include certificates of deposit, bankers' acceptances, and other obligations issued or unconditionally guaranteed by banks and other financial institutions.

A summary of IDA's investments immediately available for disbursement, by instrument, at June 30, 1999 and June 30, 1998 is as follows:

In millions

	1999			1998		
	Carrying value	*Average daily balance during the fiscal year*	*Net gains (losses) for the fiscal year*	*Carrying value*	*Average daily balance during the fiscal year*	*Net gains (losses) for the fiscal year*
Government and agency obligations	$ 3,306	$4,009	$(39)	$ 3,152	$1,779	$15
Time deposits	2,467	3,356	—	3,572	3,789	—
Futures and forwards	1	*	3	*	3	(4)
Currency Swaps	47	12	—	2	1	—
Options	—	(*)	(*)	—	*	(*)
Resale agreements	32	245	—	362	426	—
Repurchase agreements and securities loans	(2,336)	(2,772)	—	(1,311)	(831)	—
Total	$ 3,517	$4,850	$(36)	$ 5,777	$5,167	$11
Short sales[a]	$ (5)	$ (1)	$ —	$ (119)	$ (4)	$—

* *Less than $0.5 million.*

a. *Included in Net receivable (payable) on investment securities transactions in the Statement of Sources and Applications of Development Resources.*

A summary of IDA's investments not immediately available for disbursement, by instrument, at June 30, 1999 and June 30, 1998 is as follows:

In millions

	1999			1998		
	Carrying value	*Average daily balance during the fiscal year*	*Net gains (losses) for the fiscal year*	*Carrying value*	*Average daily balance during the fiscal year*	*Net gains (losses) for the fiscal year*
Government and agency obligations	$ 3,996	$ 3,792	$(61)	$ 3,361	$ 2,798	$47
Time deposits	2,392	2,466	—	2,482	1,372	—
Futures and forwards	1	1	15	1	1	(*)
Currency Swaps	—	2	—	7	(*)	—
Options	—	*	*	—	*	(*)
Resale agreements	65	150	—	513	203	—
Repurchase agreements and securities loans	(1,765)	(2,038)	—	(2,389)	(1,161)	—
Total	$ 4,689	$ 4,373	$(46)	$ 3,975	$ 3,213	$47
Short sales[a]	$ (60)	$ (14)	$ —	$ (82)	$ (2)	$—

* *Less than $0.5 million.*

a. *Included in Net receivable (payable) on investment securities transactions in the Statement of Sources and Applications of Development Resources.*

A summary of the currency composition of investments immediately available for disbursement and not immediately available for disbursement at June 30, 1999 and June 30, 1998 is as follows:

In millions of U.S. dollars equivalent

	1999			*1998*		
	Immediately available for disbursement	*Not immediately available for disbursement*	*Total*	*Immediately available for disbursement*	*Not immediately available for disbursement*	*Total*
Euro[a]	$1,291	$1,296	$2,587	$2,461	$1,152	$3,613
Japanese yen	8	796	804	6	558	564
Pounds sterling	763	588	1,351	1,266	558	1,824
U.S. dollars	1,455	2,009	3,464	2,044	1,707	3,751
Total	$3,517	$4,689	$8,206	$5,777	$3,975	$9,752

a. *Effective January 1, 1999, the euro was introduced. For reporting purposes, holdings in the eleven national currencies that are considered sub-units of the euro have been aggregated with the euro and reported as euro, in both the current and prior year.*

For the purpose of risk management, IDA is party to a variety of financial instruments, certain of which involve elements of credit risk in excess of the amount reflected in the Statement of Sources and Applications of Development Resources. Credit risk exposure represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contracts. Additionally, the nature of the instruments involve contract value and notional principal amounts that are not reflected in the basic financial statements. For both on- and off-balance sheet securities, IDA limits trading to a list of authorized dealers and counterparties. Credit limits have been established for each counterparty by type of instrument and maturity category.

The credit risk exposure and contract value, as applicable, of these financial instruments at June 30, 1999 and June 30, 1998 are given below:

In millions

	1999	*1998*
Futures and Forwards		
• Long position	$2,127	$ 995
• Short position	377	1,648
• Credit exposure due to potential nonperformance by counterparties	3	12
Currency Swaps		
• Credit exposure due to potential nonperformance by counterparties	48	10

NOTE C—MEMBER SUBSCRIPTIONS AND CONTRIBUTIONS

Subscriptions and Contributions Receivable: At June 30, 1999, receivables from subscriptions and contributions were $165 million ($2,500 million—June 30, 1998) of which $12 million ($2 million—June 30, 1998) was due and $153 million ($2,498 million—June 30, 1998) was not yet due.

Subscriptions and contributions due at June 30, 1999 were as follows:

In millions

Amounts initially due from	
July 1, 1998 through June 30, 1999	$12
June 30, 1998 and earlier	*
Total	$12

* *Less than $0.5 million.*

Subscriptions and contributions not yet due at June 30, 1999 will become due as follows:

In millions	
Period	
July 1, 1999 through June 30, 2000	$108
July 1, 2000 through June 30, 2001	21
Thereafter	24
Total	$153

Eleventh Replenishment: In June 1996 the Board of Governors of IDA adopted resolutions authorizing the Eleventh Replenishment of IDA's resources. The Eleventh Replenishment, which provides IDA with resources to fund credits and grants committed during the period July 1, 1996 to June 30, 1999, became effective on February 12, 1998. The total amount of donor contributions pledged during this period, including supplementary contributions provided by certain members, is equivalent to SDR 6,929 million. Certain procurement restrictions apply to Eleventh Replenishment Credits financed by donor funds. As part of the Eleventh Replenishment, an Interim Trust Fund consisting of donor contributions pledged equivalent to SDR 2,228 million has been established and is administered by IDA.

Twelfth Replenishment: On April 8, 1999, the Board of Governors of IDA adopted a resolution authorizing the Twelfth Replenishment of IDA's resources, which will allow IDA to provide concessional lending of SDR 15,343 million during the period July 1, 1999 to June 30, 2002. Of this amount, new contributions from donor countries, including supplementary contributions provided by certain members, will total SDR 8,640 million.

Membership: In February 1993 the Socialist Federal Republic of Yugoslavia ceased to be a member of IDA due to the cessation of its membership in IBRD. Four of the five successor Republics—Bosnia and Herzegovina, the Republic of Croatia, the Republic of Slovenia and the former Yugoslav Republic of Macedonia—have since become members of IDA. At June 30, 1999, the subscription and contributions allocated to the other successor country, the Federal Republic of Yugoslavia (Serbia and Montenegro), are included under Payments on Account of Pending Membership.

NOTE D—TRANSFERS FROM IBRD

IBRD's Board of Governors has approved aggregate transfers to IDA totaling $6,087 million through June 30, 1999 ($5,735 million—June 30, 1998). The aggregate transfers reported in the Statement of Sources and Applications of Development Resources may differ from the amount of aggregate transfers approved due to exchange rate movements.

Of the aggregate transfers, $352 million in SDRs valued at June 30, 1999, which was approved by IBRD's Board of Governors on October 8, 1998, will be drawn down by IDA after all other resources available to IDA for purposes of the Eleventh Replenishment have been drawn down. The receivable of $354 million ($nil million - June 30, 1998) from IBRD reported in the Statement of Sources and Applications of Development Resources is different from the amount approved due to exchange rate movements.

NOTE E—DEVELOPMENT CREDITS

Heavily Indebted Poor Countries

Total development credits are presented in the Statement of Sources and Applications of Development Resources net of any write-down to their net present value in connection with sales of IDA credits to the HIPC Debt Initiative Trust Fund (see Note I).

Overdue Amounts

At June 30, 1999, no principal installments or charges payable to IDA on development credits, other than those referred to in the following paragraph, were overdue by more than three months.

At June 30, 1999, development credits made to or guaranteed by certain member countries with an aggregate principal balance outstanding of $4,213 million ($3,723 million—June 30, 1998), of which $222 million ($160 million—June 30, 1998) was overdue, were in nonaccrual status. At such date, overdue charges in respect of these development credits totaled $157 million ($127 million—June 30, 1998). If these development credits had not been in nonaccrual status, income from development credits for the fiscal year ended June 30, 1999 would have been higher by $35 million ($24 million—June 30, 1998 and $24 million—June 30, 1997), which is net of charges received from such members during the period.

A summary of borrowers with development credits or guarantees in nonaccrual status follows:

In millions

	June 30, 1999		
Borrower	*Principal Outstanding*	*Principal and Charges Overdue*	*Nonaccrual Since*
With overdues			
Afghanistan	$ 75	$ 17	June 1992
Comoros	71	1	December 1998
Congo, Democratic Republic of	1,212	124	November 1993
Congo, Republic of	163	4	November 1997
Liberia	102	21	April 1988
Myanmar	721	25	September 1998
Somalia	402	58	July 1991
Sudan	1,188	129	January 1994
Total	3,934	379	
Without overdues			
Bosnia and Herzegovina	247	—	September 1992
Syrian Arab Republic[a]	32	—	April 1988
Total	$4,213	$379	

* *Less than $0.5 million.*

a. Credits are in nonaccrual status due to overdues to IBRD.

On July 27, 1997, the Syrian Arab Republic and IDA entered into an agreement covering, among other things, the application of Syria's overdue principal and charges. Under this agreement, Syria paid all its overdue principal and charges by October 31, 1997.

On August 4, 1998, the Central African Republic cleared its arrears and its development credits came out of nonaccrual status. As a result, income from development credits for the year ended June 30, 1999 increased by $3 million, corresponding to income that would have been accrued in the previous fiscal year.

On May 24, 1999, the Republic of Guinea-Bissau paid off all of its arrears and, as a result, its credits came out of nonaccrual status. Development credits made to or guaranteed by the Republic of Guinea-Bissau had been in nonaccrual status since December 2, 1998.

There was no effect on income as a result of development credits coming out of non-accrual status during the fiscal year ended June 30, 1998.

Fifth Dimension Program

Under the Fifth Dimension program established in September 1988, a portion of principal repayments to IDA is allocated on an annual basis to provide supplementary IDA development credits to IDA-eligible countries that are no longer able to borrow on IBRD terms but have outstanding IBRD loans approved prior to September 1988 and have in place an IDA-supported structural adjustment program. Such supplementary

IDA credits are allocated to countries that meet specified conditions, in proportion to each country's interest payments due that year on its pre-September 1988 IBRD loans. To be eligible for such IDA supplemental credits, a member country must meet IDA's eligibility criteria for lending, must be ineligible for IBRD lending and must not have had an IBRD loan approved within the last twelve months. To receive a supplemental credit from the program, a member country cannot be more than 60 days overdue on its debt-service payments to IBRD or IDA.

A summary of cumulative IDA credits committed and disbursed under this program from inception, at June 30, 1999 and June 30, 1998 is given below:

In millions

	1999	*1998*
Commitments	$1,623	$1,590
Less undisbursed	19	59
Disbursed and Outstanding	$1,604	$1,531

Guarantees

Guarantees of development credit principal of $30 million at June 30, 1999 ($nil—June 30, 1998) were not included in the Total Resources Used for Development Credits. At June 30, 1999, no amounts were subject to call.

Concentration of Income

For fiscal year 1999, development credits to two countries individually generated in excess of ten percent of total income from these credits, amounting to $62 million and $137 million.

NOTE F—FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments: Since IDA carries its investments at market value, the carrying amount represents the fair value of the portfolio. These fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The fair value of short-term financial instruments approximates their carrying value.

Development Credits: IDA's development credits have a significant grant element because of the concessional nature of IDA's terms. Discounting the future cash flows from IDA's development credits using the standard 10 percent discount rate of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) provides an estimate for the grant element. Under the HIPC Debt Initiative, development credits identified for sale to the HIPC Debt Initiative Trust Fund are written down to their estimated net present value using currency specific Commercial Interest Reference Rates (CIRRs) published monthly by the OECD. Using the six months average CIRR as a discount rate provides an alternative estimate for the grant element. Since IDA's development credits are denominated in U.S. dollars and SDRs, the CIRR for each currency has been used to discount the corresponding future cash flows for each currency component of the development credits, before being aggregated to provide the composite results.

The grant element calculations consider interest rates, maturity structures and grace periods for the credits. They do not consider credit risk, portfolio seasoning, multilateral and sovereign credit preferences and other risks or indicators that would be relevant in calculating fair value. Estimating the impact of these factors is not practicable.

However, in both cases the estimated fair values of development credits outstanding are substantially lower than the $83,158 million reflected on the Statement of Sources and Applications of Development Resources at June 30, 1999 ($78,016 million—June 30, 1998), as shown in the following table.

In millions of U.S. dollars equivalent

	June 30, 1999		*June 30, 1998*	
	DAC-based fair value	*CIRR-based fair value*	*DAC-based fair value*	*CIRR-based fair value*
Development credits outstanding	$83,158	$83,158	$78,016	$78,016
Less grant equivalent	57,296	37,247	54,259	40,696
Estimated fair value of development credits outstanding	$25,862	$45,911	$23,757	$37,320
Estimated grant element	69%	45%	70%	52%
	Discount Rates Used		*Discount Rates Used*	
DAC	10.00%		10.00%	
CIRRs: Average of six months to June				
- U.S. dollar		6.00%		6.71%
- SDR		4.87%		5.68%

NOTE G—NET MANAGEMENT FEE

IDA receives charges paid by borrowers on Interim Fund Credits as compensation for its services as administrator, and pays a management fee to IBRD representing its share of the administrative expenses incurred by IBRD.

The following table shows the management fee, net of IDA's share of income from pension plan and other postretirement benefits plans.

In millions

	1999	*1998*	*1997*
Management fee charged by IBRD	$518	$474	$488
Less IDA's share of income from pension plan and other postretirement benefits plans	150	252	72
Net management fee	$368	$222	$416

During the fiscal year ended June 30, 1998, the status of the other postretirement benefits was reviewed by IBRD and it was determined that the assets and liabilities associated with these postretirement benefits did not qualify for off-balance sheet accounting. At June 30, 1998, these assets and liabilities were recorded on IBRD's balance sheet. As a result of this change, the

management fee for the fiscal year ended June 30, 1998 was reduced by $133 million.

NOTE H—TRUST FUNDS ADMINISTRATION

IDA, alone or jointly with IBRD, administers on behalf of donors, including members, their agencies and other entities, funds restricted for specific uses which include the cofinancing of IDA lending projects, debt reduction operations for IDA members, technical assistance for borrowers including feasibility studies and project preparation, global and regional programs and research and training programs. These funds are placed in trust and are not included in the development resources of IDA. At June 30, 1999 and June 30, 1998, the allocation of trust fund assets by executing agent were as follows:

	1999		*1998*	
	Total fiduciary assets (In millions)	*Number of trust fund accounts*	*Total fiduciary assets (In millions)*	*Number of trust fund accounts*
IDA executed	$1,059	712	$ 958	524
Recipient executed	782	674	479	459
Total	$1,841	1,386	$1,437	983

The responsibilities of IDA under these arrangements vary and range from services normally provided under its own lending projects to full project implementation including procurement of goods and services. IDA receives fees for administering trust funds as a reduction of the management fee charged by IBRD. During the fiscal year ended June 30, 1999, IDA received $5.6 million ($8.9 million—June 30, 1998, $11 million—June 30, 1997) as fees for administering trust funds.

NOTE I—IMPACT FROM HEAVILY INDEBTED POOR COUNTRIES DEBT INITIATIVE

Assistance under the HIPC Debt Initiative is provided by IDA by means of development grant funding in lieu of credit funding and sales of development credits to the HIPC Trust Fund.

IDA Development Grants

At June 30, 1999, the cumulative position of IDA development grants disbursed is as follows:

In millions

	Source of Funds		
	Transfers from IBRD	*Eleventh Replenishment Donor Funds*	*Total*
Development grants disbursed			
Uganda	$74	$ —	$ 74
Mozambique	—	149	149
Total	$74	$149	$223

The total of development grants disbursed differs from the Resources Funding Development Grants shown on the Statement of Changes in Resources Used for Heavily Indebted Poor Countries Debt Initiative, due to outstanding payables and exchange rate movements in the period between the date of approval and the subsequent transfer of the funds.

Sales of IDA Development Credits

IDA sells specific development credits to the HIPC Debt Initiative Trust Fund for cash at a price equivalent to the net present value of the development credits, as calculated using the methodology agreed under the HIPC Debt Initiative. Following the signature of the HIPC Debt Relief Agreement the development credits identified for sale are written down to their estimated net present value. The amount of this write-down is shown as a reduction in Sources of Development Resources. The HIPC Debt Initiative Trust Fund cancels these development credits.

At June 30, 1999, the cumulative position of the sales of IDA development credits under the HIPC Debt Initiative is as follows:

In millions

	Carrying Value	*Cash Received (Net Present Value)*	*Reduction in Sources of Development Resources*
Development credits sold			
Uganda	$177	$84	$93

Debt Service on Development Credits

The HIPC Debt Initiative Trust Fund also services selected IDA development credits as they come due over a period of years. From inception through June 30, 1999, $52 million for Uganda and $54 million for Bolivia had been approved for this purpose by the HIPC Debt Initiative Trust Fund. These amounts are not recorded in the Statement of Sources and Applications of Development Resources of IDA, as the HIPC Debt Initiative Trust Fund is a legally separate and separately administered entity.

Report of Independent Accountants on Special Purpose Financial Statements

Deloitte Touche Tohmatsu
(International Firm)

555 12th Street NW
Washington, DC

President and Board of Governors
International Development Association

We have audited the accompanying special purpose statements of sources and applications of development resources of the International Development Association as of June 30, 1999 and 1998, including the summary statement of development credits and statement of voting power, and subscriptions and contributions as of June 30, 1999, and the related special purpose statements of changes in resources used for heavily indebted poor countries debt initiative, changes in cumulative translation adjustment on development credits, changes in accumulated surplus, and cash flows for each of the two fiscal years in the period ended June 30, 1999. These special purpose financial statements are the responsibility of the International Development Association's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audits. The special purpose financial statements for the International Development Association for the fiscal year ended June 30, 1997 were audited by other auditors whose report, dated July 28, 1997, expressed an unqualified opinion on those special purpose statements and included an explanatory paragraph which described the basis of accounting discussed in Note A to the special purpose financial statements.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and International Standards on Auditing. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying special purpose financial statements were prepared to reflect the sources and applications of development resources, operations, and cash flows of the International Development Association to comply with Article VI, Section 11(a) of the Articles of Agreement of the International Development Association, as discussed in Note A to the special purpose financial statements, and are not intended to be a presentation in conformity with generally accepted accounting principles in the United States of America or International Accounting Standards.

In our opinion, such special purpose financial statements referred to above present fairly, in all material respects, the sources and applications of development resources of the International Development Association as of June 30, 1999 and 1998, and the results of its operations and its cash flows for each of the two fiscal years in the period ended June 30, 1999 in conformity with the accounting principles described in Note A to the special purpose financial statements.

This report is intended solely for the information and use of the Board of Governors, management, and members of the International Development Association. However, under the International Development Association's Articles of Agreement, this report is a matter of public record and its distribution is not limited.

Deloitte Touche Tohmatsu (International Firm)

July 28, 1999

Beijing London Mexico City Moscow New York
Paris Tokyo Toronto

Interim Trust Fund

Special Purpose Financial Statements
June 30, 1999

Statement of Sources and Applications of Development Resources

June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	1999	*1998*
Applications of Development Resources		
NET RESOURCES AVAILABLE FOR DEVELOPMENT ACTIVITIES		
Cash and investments immediately available for disbursement		
Due from banks	$ 8.7	$ 14.3
Investments—Notes B and D	935.8	390.3
	944.5	404.6
Nonnegotiable, noninterest-bearing demand obligations on account of contributions	1,357.5	1,981.4
Other resources, net	—	2.5
Total net resources available for development activities	2,302.0	2,388.5
RESOURCES USED FOR INTERIM FUND CREDITS (see Summary Statement of Interim Fund Credits, Notes D and E)		
Total Interim Fund Credits	2,653.4	2,285.5
Less undisbursed balance	2,145.0	1,954.5
Total resources used for Interim Fund Credits	508.4	331.0
Total applications of development resources	$2,810.4	$2,719.5
Sources of Development Resources		
Contributions (see Statement of Contributions)		
Contributions committed	$2,788.4	$2,730.6
Less contributions receivable—Note C	2.3	3.0
Less unamortized discount on contributions	1.5	1.9
Contributions paid in	2,784.6	2,725.7
Cumulative translation adjustment on Interim Fund Credits (see Statement of Changes in Cumulative Translation Adjustment of Interim Fund Credits)	(11.7)	(9.5)
Accumulated surplus (see Statement of Changes in Accumulated Surplus)	37.5	3.3
Total sources of development resources	$2,810.4	$2,719.5

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Statement of Changes in Cumulative Translation Adjustment on Interim Fund Credits

For the fiscal years ended June 30, 1999, June 30, 1998 and June 30, 1997

Expressed in millions of U.S. dollars

	1999	*1998*	*1997*
Cumulative translation adjustment at beginning of the fiscal year	$ (9.5)	$ 0.8	$ —
Translation adjustment for the fiscal year	(2.2)	(10.3)	0.8
Cumulative translation adjustment at end of the fiscal year	$(11.7)	$ (9.5)	$0.8

Statement of Changes in Accumulated Surplus

For the fiscal years ended June 30, 1999, June 30, 1998 and June 30, 1997

Expressed in millions of U.S. dollars

	1999	*1998*	*1997*
Income from investments—Note B	$36.9	$14.4	$ 2.0
Amortization of discount on contribution advances	(0.4)	(0.3)	(0.1)
Changes from operations	36.5	14.1	1.9
Effect of exchange rate changes on accumulated surplus	(2.3)	(10.1)	(2.6)
Net changes	34.2	4.0	(0.7)
Balance at beginning of the fiscal year	3.3	(0.7)	—
Balance at end of the fiscal year	$37.5	$ 3.3	$(0.7)

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Statement of Cash Flows

For the fiscal years ended June 30, 1999, June 30, 1998 and June 30, 1997

Expressed in millions of U.S. dollars

	1999	*1998*	*1997*
Cash flows from development activities			
Interim Fund Credit disbursements	$(179.6)	$(197.6)	$(142.8)
Cash flows from financing activities			
Net short-term borrowings	—	(22.0)	22.0
Donor contributions	682.5	579.8	164.0
Net cash provided by financing activities	682.5	557.8	186.0
Cash flows from operating activities			
Changes from operations	36.5	14.1	1.9
Adjustments to reconcile changes from operations to net cash provided by operating activities			
Amortization of discount on contribution advances	0.4	0.3	0.1
Net changes in other development resources	1.3	(3.7)	0.2
Net cash provided by operating activities	38.2	10.7	2.2
Effect of exchange rate changes on cash and investments immediately available for disbursement	(1.2)	(9.3)	(2.4)
Net increase in cash and investments immediately available for disbursement	539.9	361.6	43.0
Cash and investments immediately available for disbursement at beginning of the fiscal year	404.6	43.0	—
Cash and investments immediately available for disbursement at end of the fiscal year	$ 944.5	$ 404.6	$ 43.0
Supplemental disclosure			
Increase (decrease) in ending balances of Interim Fund Credits outstanding resulting from exchange rate fluctuations	$ (2.2)	$ (10.3)	$ 0.8

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Summary Statement of Interim Fund Credits

June 30, 1999

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total credits*	*Undisbursed credits*	*Credits outstanding*	*Percentage of credits outstanding*
Armenia	$ 15.5	$ 8.7	$ 6.8	1.34%
Bangladesh	420.7	407.3	13.4	2.63
Bolivia	14.5	10.6	3.9	0.77
Bosnia and Herzegovina	84.5	19.5	65.0	12.78
Burkina Faso	43.9	38.8	5.1	1.00
Cambodia	52.7	46.0	6.7	1.33
Chad	24.1	—	24.1	4.74
China	313.4	261.8	51.6	10.15
Comoros	6.8	6.8	—	—
Côte d'Ivoire	49.4	45.2	4.2	0.83
Egypt, Arab Republic of	68.9	63.4	5.5	1.08
Ghana	27.8	23.0	4.8	0.94
Guinea	24.1	22.6	1.5	0.30
India	698.3	684.6	13.7	2.69
Kenya	25.8	24.1	1.7	0.35
Kyrgyz Republic	42.8	—	42.8	8.42
Madagascar	92.6	16.4	76.2	14.98
Malawi	11.6	9.9	1.7	0.34
Mali	99.6	90.9	8.7	1.70
Mozambique	92.5	—	92.5	18.19
Senegal	6.6	4.5	2.1	0.42
Sri Lanka	14.3	11.0	3.3	0.65
Uganda	121.0	78.0	43.0	8.45
Vietnam	277.8	249.8	28.0	5.51
Yemen, Republic of	12.3	10.7	1.6	0.31
Zimbabwe	11.9	11.4	0.5	0.10
Total—June 30, 1999[a]	$2,653.4	$2,145.0	$508.4	100.00%
Total—June 30, 1998	$2,285.5	$1,954.5	$331.0	

NOTES

a. *May differ from the sum of individual figures shown because of rounding.*

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Expressed in millions of U.S. dollars

Maturity Structure of Interim Fund Credits Outstanding

Period	
July 1, 1999 through June 30, 2004	$ —
July 1, 2004 through June 30, 2009	87.6
July 1, 2009 through June 30, 2014	126.0
July 1, 2014 through June 30, 2019	87.4
July 1, 2019 through June 30, 2024	79.8
July 1, 2024 through June 30, 2029	62.5
July 1, 2029 through June 30, 2034	43.3
July 1, 2034 through June 30, 2039	21.8
Total	$508.4

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

Statement of Contributions

June 30, 1999

Expressed in millions of U.S. dollars

Donor	*Contributions deposited*
Argentina	$ 4.6
Australia	74.0
Austria	35.5
Belgium	54.7
Botswana	0.5
Brazil	6.5
Canada	148.6
Czech Republic	2.0
Denmark	48.2
Finland	20.9
France	271.1
Germany	391.4
Greece	1.9
Hungary	2.7
Iceland	1.3
Ireland	6.0
Italy	166.9
Japan	701.7
Korea, Republic of	9.2
Kuwait	6.0
Luxembourg	3.5
Mexico	4.6
Netherlands	216.0
New Zealand	5.8
Norway	66.2
Poland	1.2
Portugal	7.3
Russian Federation	10.8
Saudi Arabia	25.0
Slovak Republic	1.4
South Africa	2.3
Spain	35.8
Sweden	103.6
Switzerland	62.2
Turkey	3.0
United Kingdom	286.0
Total—June 30, 1999[a]	$2,788.4
Total—June 30, 1998	$2,730.6

NOTES

a. May differ from the sum of individual figures shown because of rounding.

The Notes to Special Purpose Financial Statements are an integral part of these Statements.

NOTE A—ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING AND RELATED POLICIES

Purpose

The Interim Trust Fund (ITF) became effective on November 14, 1996.

The Interim Trust Fund, established by IDA's Board of Governors in June 1996, is administered by IDA to help fund operations approved during the period July 1, 1996 to June 30, 1997, as well as certain additional operations approved after July 1, 1997. The funds of the Interim Trust Fund have a separate legal, procurement and accounting status. Credits financed by the Interim Trust Fund are made on the same terms and conditions as those of IDA credits with two exceptions. First, eligibility for procurement under the Interim Fund Credits is extended only to nationals of countries that either have contributed to the Interim Trust Fund or are eligible to borrow from the International Bank for Reconstruction and Development (IBRD) or IDA. Second, the Interim Fund Credits are approved by IDA's President after consultation with a committee of IDA's Executive Directors representing the donors and eligible borrowers. Effective December 31, 1997, procurement restrictions were lifted from SDR 700 million in Interim Trust Fund contributions that were unallocated. Charges paid by borrowers on Interim Fund Credits, currently 0.75 percent on balances outstanding, are received directly by IDA to compensate it for its services as administrator.

The Interim Trust Fund is expected to be terminated when the credits it financed have been substantially disbursed. Upon termination, its assets and liabilities will be transferred to IDA. Voting rights in IDA on account of contributions made to the Interim Trust Fund will be allocated to contributors upon termination of the Interim Trust Fund.

Summary of Significant Accounting and Related Policies

Due to the nature of the Interim Trust Fund, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of contributions and are not intended to be a presentation in accordance with generally accepted accounting principles in the United States or with International Accounting Standards. These special purpose financial statements have been prepared consistent with Article VI, Section 11(a) of the Articles of Agreement of IDA, and Section 2(e) of the Board of Governors' Resolution establishing the Interim Trust Fund.

The Interim Trust Fund's special purpose financial statements are prepared in accordance with the accounting policies outlined below.

Basis of Accounting

The Interim Trust Fund's special purpose financial statements are prepared on the accrual basis of accounting. That is, the effects of transactions and other events are recognized when they occur (and not when cash or its equivalent is received or paid) and are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

Translation of Currencies

The Interim Trust Fund's special purpose financial statements are expressed in terms of U.S. dollars solely for the purpose of summarizing the Interim Trust Fund's financial position and the results of its operations for the convenience of its donors and other interested parties.

The Interim Trust Fund conducts its operations in the various currencies contributed to it. Development resources are translated at market exchange rates in effect at the end of the accounting period. Contributions are translated in the manner described below. Income and expenses are translated either at the market exchange rates in effect on the dates of income and expense recognition, or at an average of the market exchange rates in effect during each month. Translation adjustments relating to the revaluation of Interim Fund Credits denominated in Special Drawing Rights (SDRs) are charged or credited to Cumulative Translation Adjustment on Interim Fund Credits. Other translation adjustments are charged or credited to the Accumulated Surplus.

Contributions

Contributions to the Interim Trust Fund are paid in cash and nonnegotiable, noninterest-bearing demand notes. The demand notes are encashed by IDA, on behalf of the Interim Trust Fund, on an approximately pro rata basis among donors, at reasonable intervals over the projected encashment period (approximately seven years) to meet the Interim Trust Fund's operational commitments.

Interim Trust Fund contributions are expressed and are payable in contributors' currencies, freely convertible currencies and SDRs. Contributions made available for disbursement in cash are translated at market exchange rates in effect on the dates they were made available. Contributions not yet available for disbursements are translated at market exchange rates in effect at the end of the accounting period.

Interim Fund Credits

Interim Fund Credits finance specific development projects or programs. The policies, practices and procedures governing the allocation of Interim Trust Fund resources, the selection and appraisal of projects or programs to be financed out of such resources and the approval and administration of Interim Fund Credits, including the terms and conditions thereof, are the same as those applicable with respect to development credits made under IDA's Eleventh Replenishment with the two aforementioned exceptions.

Interim Fund Credits are denominated in SDRs and are to be repaid in currency amounts currently equivalent to the SDRs disbursed. They are carried in the Special Purpose Financial Statements at the full face amount of the borrowers' outstanding obligations. Principal repayments of Interim Fund Credits will be part of the resources of the Interim Trust Fund until it is terminated.

It is the practice to place in nonaccrual status all Interim Fund 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 Interim Fund Credits are overdue by more than six months, unless IDA management determines that the overdue amount will be collected in the immediate future. In addition, if loans by IBRD or development credits by IDA to a member government are placed in nonaccrual status, all Interim Fund Credits to that member government will also be placed in nonaccrual status by the Interim Trust Fund. On the date a member's Interim Fund Credits are placed in nonaccrual status, charges that had been accrued by IDA, as administrator, on Interim Fund Credits outstanding to the member which remained unpaid are deducted from IDA's income from development credits of the current period. Charges on nonaccruing development credits are included in IDA's income only to the extent that payments have actually been received by IDA. If collectibility risk is considered to be particularly high at the time of arrears clearance the member's Interim Fund Credits may not automatically emerge from nonaccrual status, even though its eligibility for new Interim Fund Credits may have been restored. A decision on the restoration of accrual status is made on a case-by-case basis after a suitable period of payment performance has passed from the time of arrears clearance.

Investments

The Interim Trust Fund carries its investment securities and related financial instruments at market value. Both realized and unrealized gains and losses are included in Income from Investments.

NOTE B—INVESTMENTS

Interim Trust Fund resources are invested in time deposits including certificates of deposit, bankers' acceptances, and other obligations. A summary of the Interim Trust Fund's investment portfolio by instrument for Investments Immediately Available for Disbursement at June 30, 1999 and June 30, 1998 is as follows:

In millions

	1999			*1998*		
	Carrying value	*Average daily balance during the fiscal year*	*Net gains (losses) for the fiscal year*	*Carrying value*	*Average daily balance during the fiscal year*	*Net gains (losses) for the fiscal year*
Time deposits	$935.8	$718.5	$—	$390.3	$286.9	$—

A summary of the currency composition of Investments Immediately Available for Disbursement at June 30, 1999 and June 30, 1998 is as follows:

In millions of U.S. dollars equivalent

	1999	*1998*
Euro[a]	$ 14.4	$ —
U.S. dollars	921.4	390.3
Total	$935.8	$390.3

a. *Effective January 1, 1999, the euro was introduced. For reporting purposes, holdings in the eleven national currencies that are considered sub-units of the euro have been aggregated with the euro and reported as euro, in both the current and prior year.*

NOTE C—DONOR CONTRIBUTIONS

At June 30, 1999, receivables from contributions were $2.3 million ($3.0 million—June 30, 1998), all of which were not yet due. Subscriptions and contributions not yet due at June 30, 1999 will become due as follows:

In millions

Period	
July 1, 1999 through June 30, 2000	$0.8
July 1, 2000 through June 30, 2001	0.8
Thereafter	0.7
Total	$2.3

NOTE D—FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments: Since the Interim Trust Fund carries its investments at market value, the carrying amount represents the fair value of the portfolio. These fair values are based on quoted market prices, where available. The fair value of short-term financial instruments approximates their carrying value.

Development Credits: Interim Fund Credits, which are denominated only in SDRs, have a significant grant element because of the concessional nature of ITF's terms. Discounting the future cash flows from ITF's Credits using the standard 10 percent discount rate of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) provides an estimate for the grant element. Currency specific Commercial Interest Reference Rates (CIRRs) are published monthly by the OECD. Using the average of six months to June CIRR as discount rates provides an alternative estimate for the grant element. The CIRR for the SDR has been used to discount the future cash flows from the ITF credits.

The grant element calculations consider interest rates, maturity structures and grace periods for the credits. They do not consider credit risk, portfolio seasoning, multilateral and sovereign credit preferences and other risks or indicators that would be relevant in calculating fair value. Estimating the impact of these factors is not practicable. However, in both cases the estimated fair values of development credits outstanding are substantially lower than the $508.4 million reflected on the Statement of Sources and Applications of Development Resources at June 30, 1999 ($331.0 million—June 30, 1998), as shown in the following table.

In millions of U.S. dollars equivalent

	June 30, 1999		*June 30, 1998*	
	DAC-based fair value	*CIRR-based fair value*	*DAC-based fair value*	*CIRR-based fair value*
Development credits outstanding	$508.4	$508.4	$331.0	$331.0
Less grant equivalent	372.7	245.2	253.2	190.0
Estimated fair value of development credits outstanding	$135.7	$263.2	$ 77.8	$141.0
Estimated grant element	73%	48%	76%	57%
	Discount Rates Used		*Discount Rates Used*	
DAC	10.00%		10.00%	
CIRR: Average of six months to June—SDR		4.87%		5.68%

NOTE E—INTERIM FUND CREDITS

Charges paid by borrowers on Interim Fund Credits, currently 0.75 percent of balances outstanding, are directly paid to IDA as compensation for its services as administrator of the Interim Trust Fund.

At June 30, 1999, Interim Fund Credits made to or guaranteed by Bosnia and Herzegovina with an aggregate principal balance outstanding of $65.0 million, ($35.4 million—June 30, 1998) none of which were overdue, were in nonaccrual status, consistent with the policies of IBRD and IDA by which all Bosnia and Herzegovina debt to these organizations is in nonaccrual status.

Report of Independent Accountants on Special Purpose Financial Statements

Deloitte Touche Tohmatsu
(International Firm)

555 12th Street NW
Washington, DC

President and Board of Governors
International Development Association
as Administrator of the Interim Trust Fund

We have audited the accompanying special purpose statements of sources and applications of development resources of the Interim Trust Fund as of June 30, 1999 and 1998, including the summary statement of interim fund credits and statement of contributions as of June 30, 1999, and the related special purpose statements of changes in cumulative translation adjustment on interim fund credits, changes in accumulated surplus, and cash flows for each of the two fiscal years in the period ended June 30, 1999. These special purpose financial statements are the responsibility of the International Development Association's management as Administrator of the Interim Trust Fund. Our responsibility is to express an opinion on these special purpose financial statements based on our audits. The special purpose financial statements for the Interim Trust Fund for the fiscal year ended June 30, 1997 were audited by other auditors whose report, dated July 28, 1997, expressed an unqualified opinion on those special purpose statements and included an explanatory paragraph which described the basis of accounting discussed in Note A to the special purpose financial statements.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and International Standards on Auditing. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying special purpose financial statements were prepared to reflect the sources and applications of development resources, operations, and cash flows of the Interim Trust Fund to comply with Article VI, Section 11(a) of the Articles of Agreement of the International Development Association, as discussed in Note A to the special purpose financial statements, and are not intended to be a presentation in conformity with generally accepted accounting principles in the United States of America or International Accounting Standards.

In our opinion, such special purpose financial statements referred to above present fairly, in all material respects, the sources and applications of development resources of the Interim Trust Fund as of June 30, 1999 and 1998, and the results of its operations and its cash flows for each of the two fiscal years in the period ended June 30, 1999 in conformity with the accounting principles described in Note A to the special purpose financial statements.

This report is intended solely for the information and use of the Board of Governors, the International Development Association's management as Administrator of the Interim Trust Fund, and contributors to and borrowers from the Interim Trust Fund. However, under the International Development Association's Board of Governors' resolution establishing the Interim Trust Fund, this report is included in the Annual Report of the Executive Directors to the Board of Governors of the International Development Association and is therefore a matter of public record and its distribution is not limited.

Deloitte Touche Tohmatsu (International Firm)

July 28, 1999

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Acronyms
The World Bank Annual Report 1999

AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
APL	Adaptable Program Loan
ASEM	Asia-Europe Meeting (Trust Fund)
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CG	Consultative Group
CIDA	Canadian International Development Agency
CIS	Commonwealth of Independent States
CODE	Committee on Development Effectiveness
DAC	Development Assistance Committee
DGF	Development Grant Facility
EAP	East Asia and Pacific
EBRD	European Bank for Reconstruction and Development
ECA	Europe and Central Asia
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FIAS	Foreign Investment Advisory Service
GEF	Global Environmental Facility
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
ICSID	International Center for the Settlement of Investment Disputes
IDA	International Development Association
IDF	Institutional Development Fund
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labor Organization
IMF	International Monetary Fund
ITF	Interim Trust Fund
JEXIM	Export–Import Bank of Japan
LAC	Latin America and the Caribbean
LIL	Learning and Innovation Loan
MIGA	Multilateral Investment Guarantee Agency
MNA	Middle East and North Africa
NEAP	National Environmental Action Plan
NEDA	Netherlands Development Assistance
ODA	Official Development Assistance
OECF	Overseas Economic Cooperation Fund
OECS	Organization of Eastern Caribbean States
OED	Operations Evaluation Department
PACT	Partnership for Capacity Building in Africa
PHRD	Policy and Human Resources Development
PPI	Private Provision of Infrastructure
PTI	Program of Targeted Interventions
QAG	Quality Assurance Group
SAL	Structural Adjustment Loan
SAS	South Asia
SDR	Special Drawing Rights
SPA	Special Program of Assistance (for Africa)
TA	Technical Assistance
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WBI	World Bank Institute
WDR	World Development Report
WHO	World Health Organization
WTO	World Trade Organization
WWF	World Wide Fund for Nature

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To help people help themselves and their environment by providing resources, sharing knowledge, building capacity, and forging partnerships in the public and private sectors.
To be an excellent institution that is able to attract, excite, and nurture committed staff with exceptional skills who know how to listen and learn.

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