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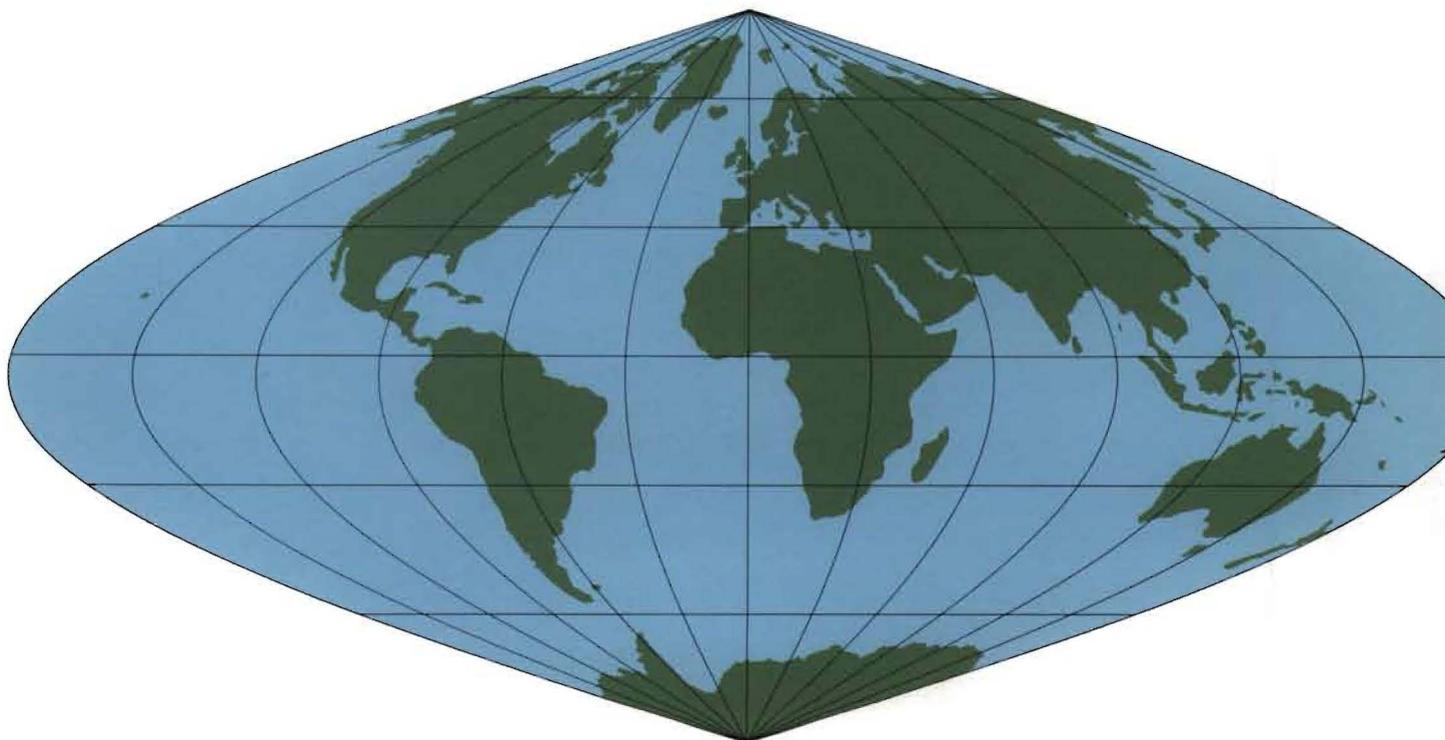
THE WORLD BANK & INTERNATIONAL FINANCE CORPORATION





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The World Bank
Washington, D.C., U.S.A.



“The creation of the Bank was an entirely new venture. . . . So novel was it, that no adequate name could be found for it. Insofar as we can talk of capital subscriptions, loans, guarantees, issue of bonds, the new financial institution may have some apparent claim to the name of Bank. But the type of shareholders, the nature of subscriptions, the exclusion of all deposits and of short-term loans, the non-profit basis, are quite foreign to the accepted nature of a Bank. However it was accidentally born with the name Bank, and Bank it remains, mainly because no satisfactory name could be found in the dictionary for this unprecedented institution.”

from The Report of Commission II (International Bank for Reconstruction and Development) to the Executive Plenary Session (United Nations Monetary and Financial Conference), July 21, 1944

The World Bank and the International Finance Corporation

The World Bank, which consists of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), has one central purpose: to promote economic and social progress in developing nations by helping raise productivity so that their people may live a better and fuller life. This is also the aim of the International Finance Corporation (IFC), which works closely with private investors from around the world and invests in commercial enterprises in developing countries.

The IBRD, IDA, and IFC have three interrelated functions: to lend funds, to provide advice, and to serve as a catalyst to stimulate investments by others. The three institutions are closely associated; both IDA and IFC are affiliates of the IBRD. The IBRD and IDA share the same staff. While IFC has its own operating and legal staff, it shares certain administrative and other services with the Bank. The same person is President of all three institutions. Unlike the Bank, IFC lends without government guarantees, and can take equity positions in commercial companies.

Over the years, the IBRD, IDA, and IFC have served to reinforce one another's work in a variety of ways. Whether working separately or together through joint projects, their common objective has been to help poor nations move to that stage of economic strength at which development becomes self-sustaining, and eventually to a level that permits these same nations to contribute to the development

process in countries that are less developed.

Of the three institutions, the IBRD, established in 1945, is the oldest and largest. It was conceived nearly forty years ago—at the United Nations Monetary and Financial Conference held in Bretton Woods, New Hampshire, United States of America, in July 1944.

Representatives of forty-four nations assembled there decided to establish two complementary financial institutions. The first—the International Monetary Fund (IMF)—was to promote international currency stability by helping finance temporary balance-of-payments deficits and by providing for the progressive elimination of exchange restrictions and the observance of accepted rules of international financial conduct. The second institution—the International Bank for Reconstruction and Development—was to help finance the reconstruction and development of its member countries.

The Articles of Agreement of the IBRD were formally accepted by a majority of the participants by December 27, 1945. Six months later, on June 25, 1946, the IBRD opened for business and proceeded to call up capital from its member governments. All the nations which participated in the Bretton Woods Conference, except the Soviet Union, eventually joined the Bank, although Cuba, Czechoslovakia, and Poland subsequently ceased to be members.

The IBRD is owned by the governments of the more than 140 countries that have subscribed to its

capital. Under the Articles of Agreement, only countries that are members of the IMF can be considered for membership in the IBRD. Subscriptions by member countries to the capital stock of the IBRD are related to each member's quota in the IMF, which is designed to reflect the country's relative economic strength.

Financial Strength

The IBRD makes loans only to creditworthy borrowers. Assistance is provided only to those projects that promise high real rates of economic return to the country. As a matter of policy, the Bank does not reschedule repayments, and it has suffered no losses on the loans it has made. It earns a net income which amounted to about \$600 million in both fiscal years 1981 and 1982. A substantial part of the income is used to strengthen its reserves. The remainder is transferred to IDA.

The IBRD obtains most of its funds through medium-term and long-term borrowing in the capital markets of Europe, Japan, the United States of America, and the Middle East. Its solid standing in these markets is based upon the combination of conservative lending policies, strong financial backing by its members, and prudent financial management.

Apart from borrowings, significant amounts also come from the IBRD's paid-in capital, from its retained earnings, and from the flow of repayments on its loans. These loans generally are repayable over fifteen to twenty years, with a grace period of three to five years.

The interest rate they carry is related to the interest the IBRD has to pay on the money it borrows. In early 1983, the average rate on new IBRD loans was a little under 11 percent. Each loan must be made to, or be guaranteed by, the government concerned.

The International Development Association was established in 1960 to provide assistance to the poorer developing countries on terms that would bear less heavily on their balance of payments than IBRD loans. IDA's assistance is concentrated on the very poor countries—mainly those with an annual per capita gross national product (GNP) of \$795 or less (in 1981 dollars). By this criterion, more than fifty countries are eligible. In practice, over 80 percent of IDA lending goes to countries with an annual per capita GNP of less than \$410.

Membership in IDA is open to all members of the IBRD, and most of them have joined. The funds lent by IDA come mostly in the form of contributions from its richer member countries, although some developing countries contribute to IDA as well. A small part of IDA's resources come in the form of transfers from the net earnings of the IBRD. IDA credits are made only to governments. They have to be repaid over fifty years and there is a grace period of ten years. They carry no interest, but there is an annual commitment charge of 0.5 percent on the undisbursed amount and a service charge of 0.75 percent on the disbursed amount of each credit. Although IDA is legally and finan-

	THE WORLD BANK		
	International Bank for Reconstruction and Development (IBRD)	International Development Association (IDA)	International Finance Corporation (IFC)
Objectives of the institution	To promote economic progress in developing countries by providing financial and technical assistance, mostly for specific projects in both public and private sectors.		To promote economic progress in developing countries by helping to mobilize domestic and foreign capital to stimulate the growth of the private sector.
Year established	1945	1960	1956
Number of member countries (April 1983)	144	131	124
Types of countries assisted	Developing countries other than the very poorest. Some countries borrow a "blend" of IBRD loans and IDA credits.	The poorest: 80% of IDA credits go to countries with annual per capita incomes below \$410. Many of these countries are too poor to be able to borrow part or any of their requirements on IBRD terms.	All developing countries, from the poorest to the more advanced.
Types of activities assisted	Agriculture and rural development, energy, education, transportation, telecommunications, industry, mining, development finance companies, urban development, water supply, sewerage, population, health, and nutrition. Some nonproject lending, including structural adjustment.		Agribusiness, development finance companies, energy, fertilizer, manufacturing, mining, money and capital markets institutions, tourism and services, utilities.
Lending commitments (fiscal 1982)	\$10,330 million	\$2,686 million	\$580 million
Equity investments (fiscal 1982)	IBRD and IDA do not make equity investments.		\$32 million
Number of operations (fiscal 1982)	150	97	65
Terms of lending:			
Average maturity period	Generally 15 to 20 years	50 years	7 to 12 years
Grace period	Generally 3 to 5 years	10 years	An average of 3 years
Interest rate (as of April 1, 1983)	10.97%	0.0%	In line with market rates
Other charges	Front-end fee of 0.25% on loan. Commitment charge of 0.75% on undisbursed amount of loan.	Annual commitment charge of 0.5% on undisbursed and service charge of 0.75% on disbursed amounts of the credit.	Commitment fee of 1% per year on undisbursed amount of loan.
Recipients of financing	Governments, government agencies, and private enterprises which can get a government guarantee for the IBRD loan.	Governments. But they may relend the funds to state or private organizations.	Private enterprises; government organizations that assist the private sector.
Government guarantee	Essential	Essential	Neither sought nor accepted.
Main method of raising funds	Borrowings in world's capital markets.	Grants from governments.	Borrowings and IFC's own capital, subscribed by member governments.
Main sources of funds	Financial markets in U.S., Germany, Japan, and Switzerland.	Governments of U.S., Japan, Germany, U.K., France, other OECD countries, and certain OPEC countries.	Borrowings from IBRD.

cially distinct from the IBRD, it shares the same staff, and the projects it assists have to meet the same criteria as do projects supported by the IBRD.

The International Finance Corporation was established in 1956. Its function is to assist the economic development of less developed countries by promoting growth in the private sector of their economies and helping to mobilize domestic and foreign capital for this purpose. More than 120 countries are members of IFC. Legally and financially, IFC and the Bank are separate entities. IFC has its own

operating and legal staff, but draws upon the Bank for administrative and other services.

Growth in World Bank Assistance

Between June 1946 and mid-1982, the World Bank—the IBRD and IDA—lent a total of over \$105 billion for about 3,300 projects in more than 100 countries. Assistance has increased more than four-fold in the last ten years. The Bank has sought to meet the needs of the poorest people in the world as it has explored opportunities for high-priority, economically sound in-

World Bank Lending



vestments in developing countries that have a total population of more than 3 billion. These investments have covered a wide range of activities. They have helped to develop agriculture, improve education, increase the output of energy, expand industry, create better urban facilities, promote family planning, extend telecommunications networks, modernize transportation systems, improve water supply and sewerage facilities, and establish medical care.

More development assistance is provided by the Bank than any other single agency, multilateral or bilateral, in the world. The Bank is now assisting investments in over 1,600 projects costing, in the aggregate, nearly \$200 billion. Finance from the Bank typically covers only a little more than a third of the cost of these projects. The largest share is generally raised by the developing country from its own resources.

The Bank's financing is intended primarily to help meet foreign-exchange costs. Every project supported by the Bank is designed in close collaboration with national governments and local agencies, and often in cooperation with other multilateral assistance organizations. Indeed, 40 percent of all Bank-assisted projects also receive financial support from others—bilateral and multilateral agencies, and, in recent years, commercial banks as well. Many of these institutions would not have participated in the development process on the present scale were it not for the Bank's leadership and expertise. Thus, the Bank has an important

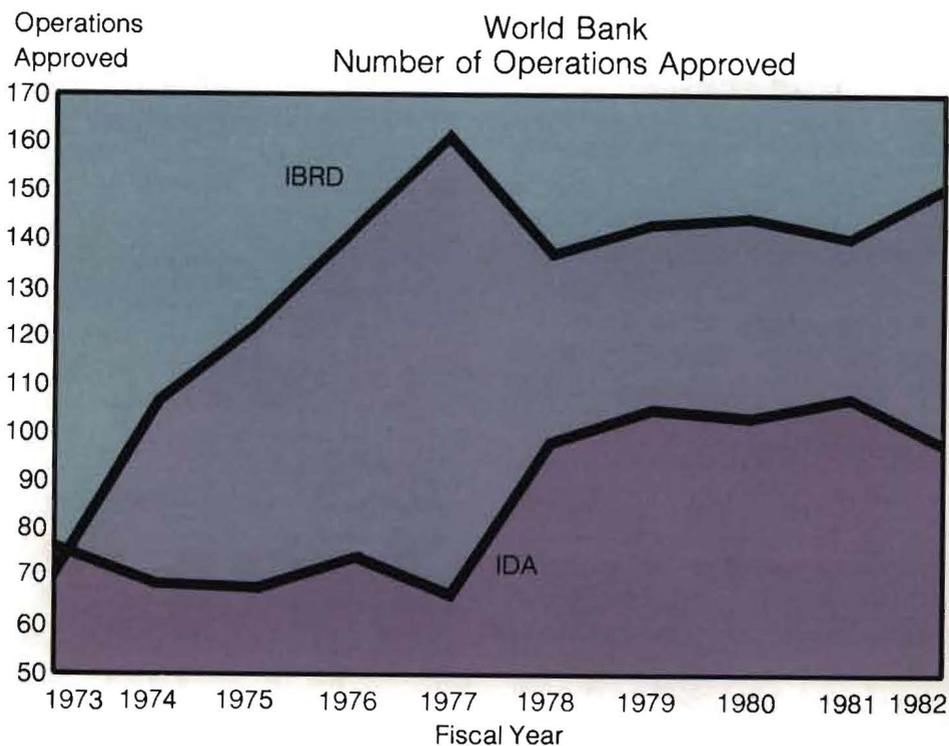
catalytic role, and its involvement in development assistance is greater than that indicated by the annual amount of its lending commitments of around \$13 billion in the early 1980s.

Lending Criteria

The success of the Bank's operations depends upon the trust it has established with borrowers, and this trust is based on the experience and technical skills the Bank has demonstrated over the years in working with its member developing countries.

Under its Articles of Agreement, the Bank cannot allow itself to be influenced in its decisions by the political character of a member country; only economic considerations are relevant. Thus, the Bank does not lend in support of military or political objectives. It seeks to ensure that the developing country gets full value for the money it borrows. Bank assistance, therefore, is "untied," in that it may be used to purchase goods and services from any member country—plus Switzerland, which, although not a member, is an important source of borrowings for the IBRD.

Most of the countries that are members of the IBRD are members also of IDA and IFC. The list includes almost all developing and developed countries. The People's Republic of China, with a population of more than 1 billion, is a member. So is Vanuatu, with a population of slightly more than 100,000. Yugoslavia, Romania, and Hungary are members. But other East European countries are



not. The United Arab Emirates, with a per capita gross national product of more than \$30,000, is a member; so is Bhutan, which has a per capita GNP of only \$180.

The Graduation Process

In making loans to developing countries, the Bank does not compete with other sources of finance. It is enjoined to assist only those projects for which the capital required is not available from other sources on reasonable terms. Through its work, the Bank seeks to strengthen the economies of borrowing nations so that they can graduate from reliance on Bank resources and meet their financial needs, on terms they can afford, direct from conventional sources of capital.

Graduation from the IBRD and IDA has occurred for many years. Of the thirty-four very poor countries that borrowed money from IDA in the earliest years, twenty-seven have attained sufficient economic strength for them to need IDA money no longer. Of the twenty-seven, two—Colombia and the Republic of Korea—have not only moved from reliance on IDA credits, but have attained sufficient economic strength to be able to contribute to IDA. Similarly, about twenty countries that formerly borrowed money from the IBRD no longer need to do so. An outstanding example is Japan. For a period of fourteen years, it borrowed from the IBRD. Now, the IBRD borrows large sums in Japan.





Funds for the "bullet" train, which runs between Tokyo and Osaka, were lent to Japan by the IBRD. From 1953 to 1966, Japan borrowed more than \$800 million in IBRD funds.

This graduation process is an important index of the progress made by borrowing countries since the IBRD and IDA were established. A substantial number of countries have moved from being IDA borrowers to becoming IBRD borrowers. Similarly, many others which once were IBRD borrowers are now significant sources of funds for both the IBRD and IDA. Some countries which no longer rely on the IBRD's money continue to seek its technical assistance. Several others mobilize their financial require-

ments more and more from commercial sources and from IFC.

IFC's Complementary Role

IFC complements the work of the Bank in a number of ways. It is active in areas of business where it is impractical for the Bank to operate. It can offer kinds of financial assistance that are unavailable from the Bank—equity, convertible debentures, underwritings, and stand-by commitments. Unlike the Bank, it makes loans without a government guarantee; in fact, it may not



accept a government guarantee. The Bank and IFC have jointly financed a number of projects. Often enterprises assisted by IFC have been made possible by, or have depended on, infrastructure projects supported by the Bank. The IBRD has been the major source of IFC's borrowings. IFC benefits from the Bank's economic work.

While IFC is an integral part of the development efforts led by the World Bank, its special role is to help mobilize resources on commercial terms for business ventures and financial institutions where a market-oriented approach is not only applicable but economically

preferable. IFC's immediate concern is to assist in raising funds needed by investors, often in conjunction with governments, to undertake promising projects that have been held back by inadequate financing. In addition to its own loan and equity financing, IFC helps investors mobilize resources from others through syndications and by encouraging parallel financing. IFC provides several kinds of technical assistance—for specific projects, for the development of capital markets, and for other purposes.

In recent years, there has been a rapid expansion in IFC's activi-

Harvesting timber for use in East Africa's first integrated pulp and paper mill. The mill was established in Kenya with financing by African and Indian investors, IFC, and an international group of banks.

ties, made possible by a capital increase in 1978. The number of IFC investments has been growing by more than 10 percent a year on the average. Moreover, special attention is being paid to the smaller and poorer developing countries, where about one-half of IFC's investments are now being made.

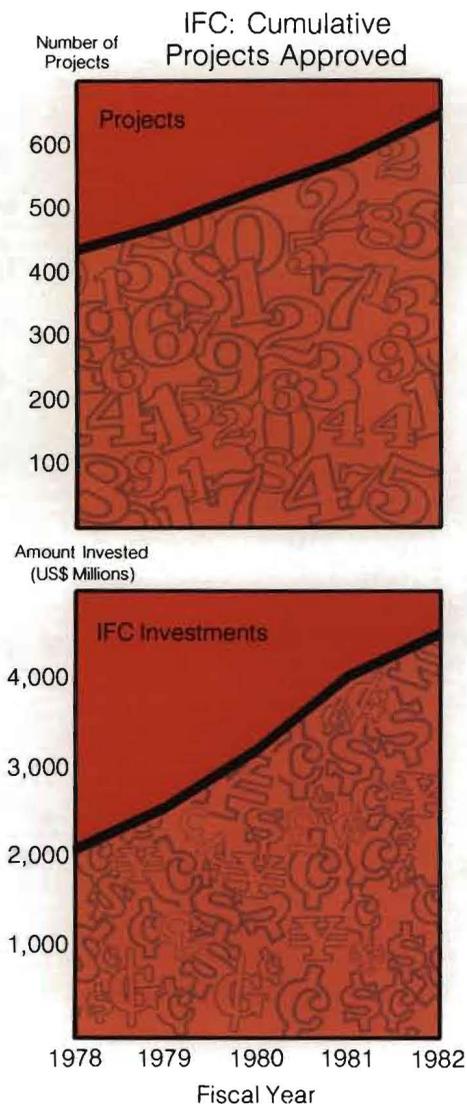
Both IFC and the Bank play an

important role in promoting the flow of private foreign investment to developing countries. With the increase in their activities, and in the cofinancing of projects, the role has expanded. New ways are being explored to stimulate the expansion. In order to promote the flow of direct foreign investment, for instance, the Bank is examining the need for a multilateral investment insurance agency (MIIA). A number of regional and national schemes for investment insurance already exist. In most cases, they work effectively. But they cover only a small portion of the total direct foreign investment flowing to developing countries. An MIIA could conceivably complement those schemes and thus help stimulate the flow.

Ownership and Direction

The IBRD, IDA, and IFC are owned and directed by their member countries. Although each of the three institutions has its distinctive features, the IBRD's ownership structure is broadly illustrative of the pattern.

In the IBRD, each country subscribes to shares in an amount based roughly on its relative economic strength. Each has 250 votes plus one vote for each share of stock it holds, thus increasing the relative voting powers of the poorer countries. For example, Malawi has subscribed \$16.4 million, or 0.04 percent of the total, while its voting power is 0.09 percent. The United States of America, the Bank's largest shareholder, which provides 22.4 percent of the subscribed capi-





The plenary session at a recent Annual Meeting of the Board of Governors of the Bank and IFC in Washington, D.C. The Bank's Annual Meeting is held jointly with the International Monetary Fund.

tal, has 20.6 percent of the voting power.

Direction in the IBRD is exercised through a Board of Governors, consisting of one governor for each member country, and twenty-one full-time Executive Directors. The governors meet once a year to review operations and basic policies. Most functions of the governors are delegated to the Executive Directors, who normally meet at least once a week at the Bank's headquarters in Washington. Five of the Executive Directors are appointed by the largest stockholders (the United States of America, the United Kingdom, France, the Federal Republic of Germany, and Japan), while sixteen are elected by

the governors representing the other members. Each Executive Director has an Alternate.

All votes of an elected Executive Director are cast as a unit. In practice, most decisions are made through consensus, rather than by formal vote. Although the Executive Directors have to approve all loans, only the management of the institution can propose that a loan be made. The Executive Directors are responsible for all matters of policy. They meet under the chairmanship of the President. They select him, and he is responsible for the conduct of the Bank's business and for its organization and staff under the direction of the Executive Directors.



Executive Directors and their Alternates and senior officials of the Bank in the Board room.



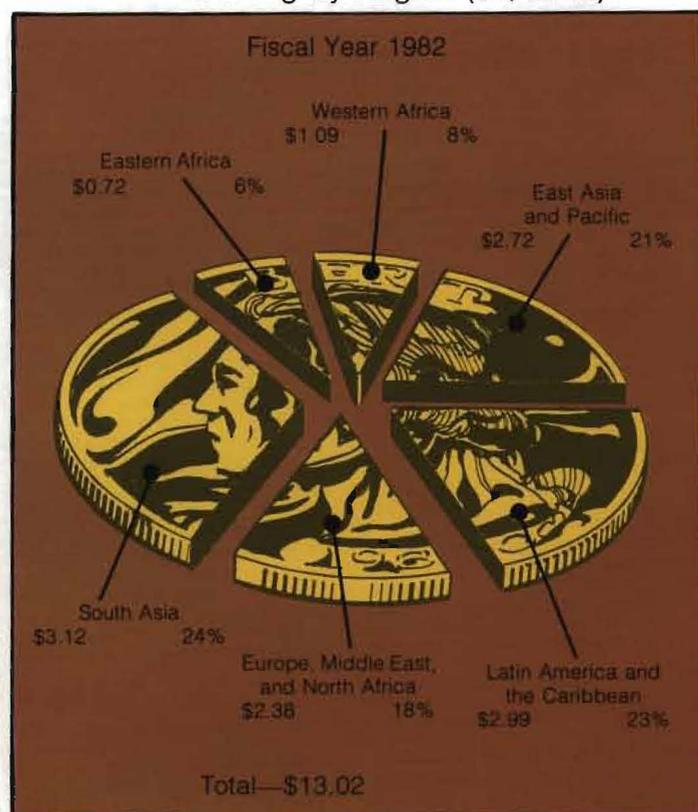
The poorest people in developing countries need not be doomed to a lifetime of hunger and unemployment. They are being helped directly, notably through Bank lending for agriculture and rural development, small-scale enterprises, and urban development.

Types of Projects Assisted

During the first two decades of its existence, two-thirds of the assistance provided by the Bank was for electric power and transportation projects. Although such infrastructure projects remain important, the Bank has diversified its activities in recent years as it has gained experience and acquired new insights into the development process.

The Bank is now giving particular attention to projects that can directly benefit the poorest people in developing countries by helping them to raise their productivity and to gain access to such necessities as safe water and waste-disposal facilities, health care, family-planning assistance, nutrition, education, and housing. The direct involvement of the poorest in economic activity is being promoted through lending for agriculture and rural development, small-scale enterprises, and urban development. Within the tradi-

World Bank Lending by Region (US\$ Billions)



An agricultural extension agent (left) in northeast Thailand gives advice on growing corn. One extension approach, the training and visit system, has been introduced in a number of Bank-assisted projects. It aims at increasing the incomes, mainly of smallholders, through the use of simple techniques of better crop husbandry.

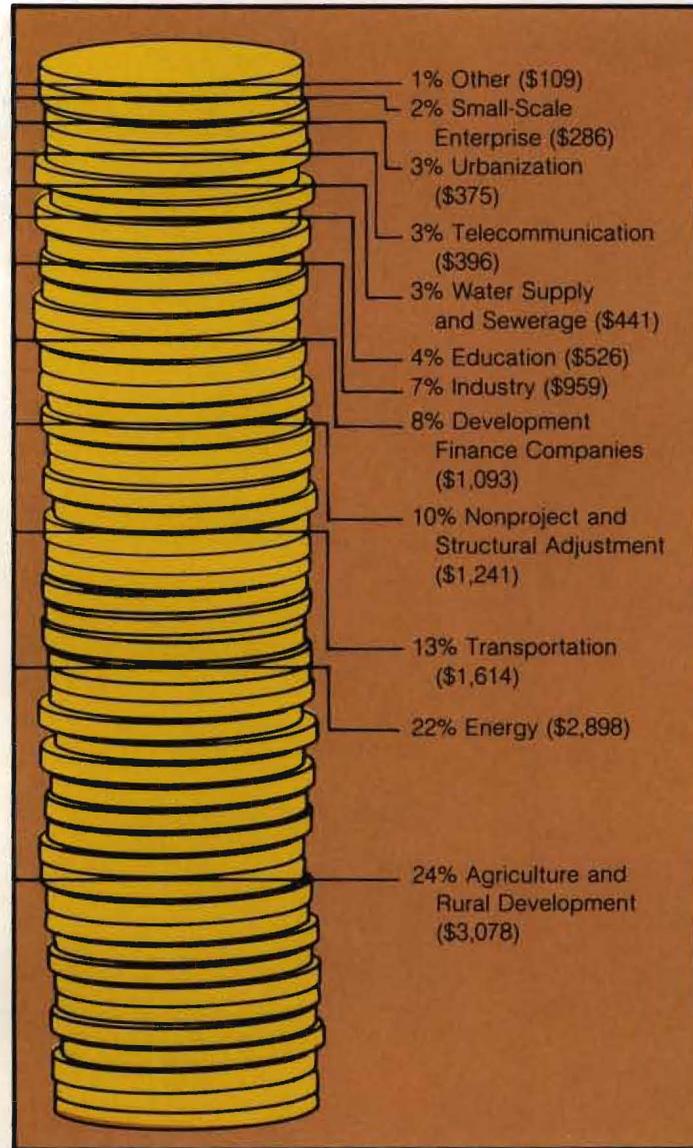
tional sectors also, there have been changes. In transportation projects, greater attention is given to constructing farm-to-market roads. Power projects increasingly provide lighting and power for villages and small farms. Industrial projects place greater emphasis on creating jobs in small enterprises. Labor-intensive construction is used where practical.

Agriculture and Rural Development

In recent years, the largest share of Bank lending has gone to help finance agriculture and rural development projects. That emphasis is being maintained: About 25 percent of total investments by the Bank are directed to this sector.

The reasons are compelling. Approximately six out of every ten people in developing countries depend on agriculture and related pur-

World Bank Lending, by Sector
Fiscal Year 1982
(US\$ Millions)



An Indian child receives cash payment for milk. IDA has supported the development of dairy cooperatives in India. Beneficiaries are, in the main, poor villagers.

suits for their livelihood. Equally important, agricultural production is a key factor in the development of most countries. In the poorest countries, it is critical. Food requirements in the developing countries will increase rapidly over the years ahead as populations grow and incomes improve. Most of the poorest people in the developing

world live in the rural areas. The rural development projects supported by the Bank are designed to be of particular benefit to them.

The Bank's extensive experience with agriculture and rural development projects has provided it with the technical skills to help developing countries expand irrigation, provide more effective ex-



Workers building a distributory canal that forms part of the Rajasthan canal project in India. Irrigation features prominently in the Bank's assistance for agriculture and rural development.

tension services, make credit easier to get, adapt technology, increase storage capacity, and improve marketing and distribution facilities. Agricultural projects have had excellent rates of return. They have increased food supplies. By helping to raise exports or cut imports, they have enabled several countries to improve their balance of payments.

Energy

The Bank's lending for energy has risen sharply since the mid-1970s. It now represents a quarter of total lending. Energy is clearly essential to development, and becomes increasingly so as economies expand. With the large rise in energy prices over the past decade, the benefits of conserving energy and



Much of the Bank's assistance for agriculture aims at increasing the productivity of smallholders. This photo from Kenya shows such a farmer standing in the midst of his pyrethrum crop. Pyrethrum's dried, powdered flowers are used commercially as an insecticide.

developing domestic energy resources have become greater than ever. But energy development requires large-scale investments.

Nearly two-thirds of the Bank's energy program is in electric power. At today's energy prices, there is still an immense and untapped hydroelectric potential in many developing countries. There is also substantial potential for the development of coal resources. This will require large-scale investments in infrastructure as well as mines. Forests are another important source of energy. Investments are needed in conservation and reforestation to renew the world's rapidly dwindling sources of firewood.

In developing oil and gas resources, the Bank is an important catalyst. It helps to develop data which countries can use to attract private investment for exploration and development. It assists in financing the infrastructure necessary for the development of oil and gas fields. It advises on appropriate incentive structures. And, together with IFC, it provides seed money and helps to arrange the financing required.

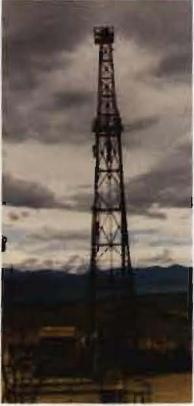
By participating in agreements between host governments and private corporations, the Bank can give both parties to the agreement an increased sense of security regarding the fairness and stability of



The development of forestry resources is an important Bank activity. Notable progress has been made in increasing supplies of firewood for domestic use in Mali and many other nations.



A worker at a hydroelectric plant in Honduras. Of the more than \$20 billion lent for energy worldwide, a large proportion has been for the development of electric power. The proportion has dropped in recent years as the Bank has begun to help develop oil and gas resources.



A project to develop an existing oil field and explore other promising sites in Colombia is being implemented with assistance from IFC.

the terms. It can thus make investment in exploration more attractive. IFC has been increasing its activities in support of private enterprises in the energy sector. It has helped expand conventional sources as well as relatively new sources, such as manufacture of ethanol from various raw materials.

Education

The Bank's first loan for an education project was made in 1962. Since then, it has expanded both the volume of its education lending and the range of activities assisted. The Bank has helped to build or improve a wide variety of institutions, from primary schools



A student at work in a welding workshop at the Vocational Training Institute in Pusan, Republic of Korea. The Bank supports three forms of training: general pre-employment training for the labor market, project-related training, and training for the rural and urban sectors within urban or rural development projects.

to universities and teacher-training colleges. Primary and nonformal basic education, including literacy programs, have received increasing support in recent years. Experi-

A ship laying down a natural gas pipeline in India's Bombay High oil and gas field. In recent years, over \$1.5 billion has been committed by the Bank for oil and gas development projects.



tal and innovative educational programs have been financed on a pilot basis, in order that cheaper and better alternatives might be found.

The Bank has supported projects for nonformal vocational and agricultural training. Assistance has been provided for curriculum development; educational radio and television; mobile educational units; educational studies; school mapping; and the production and distribution of textbooks, learning

materials, and equipment. Much help has been given to improve the planning, administration, management, and evaluation of education programs. Although education accounts for a relatively small portion of total lending, the Bank is now one of the largest providers of assistance for educational development and training. Investment in people is of key importance in developing countries. It yields high returns for long-term economic development.



Children playing in front of their whitewashed schoolhouse in rural Ecuador. Bank assistance for education is extended to many types of institutions; in recent years, the proportion going for primary and nonformal basic education has become significant.

Transportation

The Bank's lending for transportation has continued to increase, even though it accounts today for a smaller proportion of total lending than in years past. Assistance has been provided for the expansion

and improvement of all major modes of transport.

Most important since the mid-1960s has been lending for roads and highways. Hundreds of thousands of kilometers of main, secondary, feeder, and rural access roads have been built. Hundreds of thousands of kilometers more have been improved.

Lending for railways, which was dominant in the 1950s, has remained important. Financing has been provided for improving railway track, purchasing locomotives and rolling stock, modernizing signaling and communications systems, and creating supporting facilities for maintenance and operations.

Lending for ports and shipping has encompassed construction and expansion of seaports and riverports, improvement of inland waterways and port-access channels, and procurement of vessels,



A commuter train in the Nile delta area of Egypt. Next to roads, most of the assistance provided by the Bank for the development of transportation has been for railways.



A scene from the port of Dakar (Senegal). Once countries have built basic infrastructure, such as transportation and power facilities, their prospects for agricultural and industrial development and for attracting foreign investment are greatly improved. Infrastructure projects generally yield high rates of return.

principally for port operations or for transport among islands or through inland waterways. A lesser number of loans has been made for projects relating to domestic or international airports.

The opportunities that improved transport offers to the poor have been increasingly recognized. If an area's agricultural production is to expand substantially, it is almost always necessary to improve transport so that crops as well as inputs, such as fertilizer, can be moved in time. Most of the roads now being built with the Bank's assistance are in poor, mainly rural,

areas. Apart from aiding agriculture, improved transport provides people with better access to health and educational services. It also permits broader contacts, so that people find it easier, for instance, to get jobs. In addition, the Bank has sponsored extensive research on various aspects of civil construction, particularly the scope for greater use of labor. Bank-assisted projects reflecting this research have increased employment opportunities and stimulated development of local construction enterprises while improving transport systems.

A rural road in Lesotho being built by labor-intensive methods specially adopted under the project. More than half of all Bank lending for transportation has been for road maintenance and building.





A telephone worker in the Philippines. The Bank has supported telecommunications projects in more than forty countries. The projects underline the vital importance of telecommunications to economic and social development.

Telecommunications

Telecommunications play a vital role in commerce and support the efficient use of transport networks. They are becoming more important as energy prices make physical movement more costly and technological progress makes telecommunications less expensive.

Although the Bank provides relatively modest amounts, it is the main source of multilateral financial assistance for telecommunications development. In supporting telecommunications projects, it has sought to strengthen national communications systems, improve urban and rural telephone networks, and expand the number and capacity of international links. Increasing attention has been given to the spread of telecommunication services to rural areas and to the poorer parts of towns.

Industry and Mining

The Bank's direct lending for industry—as distinct from its lending through development finance companies—has been largely confined to assisting large-scale undertakings. Whether a project is in the public or private sector, the Bank seeks to ensure that it operates efficiently. The Bank tries to relate industrial projects to the ancillary installations that may be required. For instance, logging roads and reforestation schemes may be financed in addition to the construction of a pulp and paper mill. Highways and port facilities may be developed to supply an industrial facility or give it economical access to markets.

The Bank has supported projects in most of the basic industrial sectors such as steel, cement, textiles, chemicals, fertilizers, and mining—wherever the country has



At work in a steel mill near Sao Paulo, in Brazil. The Bank's direct lending for industry—as distinct from its lending through development finance companies—has largely been confined to assisting large-scale undertakings.



Pouring molten aluminum into molds at an aluminum plant in Ghana. Whether an industrial project is in the public or private sector, the Bank seeks to ensure efficient use of capacity.

a competitive advantage. The project may be for import substitution or it may produce goods that are exported. The largest share of direct industrial lending has been for fertilizer production and distribution projects, primarily to meet the increasing domestic demand in developing countries. In the past, the Bank financed mostly new projects.

In recent years, as fertilizer industries in some countries have become more mature, it has increased lending for rehabilitation, and for removing impediments to efficient production, so that capacity can be used more fully.

Chemical and synthetic-fuels projects, particularly those designed to produce energy economically from domestic resources such as coal, natural gas, and biomass, are becoming an important area of direct lending by the Bank. It is now also actively considering lending for industrial retrofitting in a number of countries so that energy can be used more efficiently in energy-intensive industries such as fertilizers, refineries, steel, cement, and pulp and paper. The Bank has provided assistance for projects relating to nonfuel minerals such as copper, iron, and aluminum. It has often helped countries work out satisfactory arrangements with international mining concerns.

The largest part of IFC's investments has been in manufacturing and mining. Many types of manufacturing projects have been assisted. A number have been in basic industries such as cement and construction materials, iron, steel, chemicals, petrochemicals, fertilizers, and pulp and paper. Other projects have been for the production of consumer goods such as processed food, textiles, shoes, vehicles and automotive products, and glass containers. IFC has assisted projects in mining and processing such minerals as bauxite, chromite, cobalt, copper, magnesite, nickel, and silver.



IFC helped to establish this Thai glass bottle manufacturing company, which can produce 30,000 metric tons a year of beverage and pharmaceutical containers to meet rising domestic demand.

Development Finance Companies

Whereas assistance to large-scale industrial projects is provided directly through Bank loans, support for medium-sized and small-scale productive enterprises—now running at more than \$1 billion per year—is largely channeled through local development finance companies (DFCs). Some are privately controlled, some government owned. DFCs are financial institutions whose major activity is to mobilize medium-term and long-term resources to finance investment projects of productive enterprises. Most DFCs lend to manufacturing enterprises, though some also specialize in particular sectors or activities, such as agroindustries, tourism, and small-scale enterprise.

In the past few years, the Bank has sought to increase the flow of financial and technical assistance to small enterprises. These enterprises are vital for ensuring balanced industrial growth, expanding employment, and forging links among the various subsectors of manufacturing activity in a country. They often generate more jobs per unit of investment than do large firms. They often also create substantial indirect employment, which helps the urban and nonfarm rural poor. And they are a source of entrepreneurial initiative.

While common in most developing countries, small-scale enterprises (those with assets of less than \$250,000) generally find it more difficult to raise capital than do larger enterprises. The Bank uses DFCs to help small enterprises, but



One of three experimental windmills on Lake Victoria that supply energy to nearby villages. The windmill was manufactured by a small-scale metalworks factory that has been assisted by Kenya Industrial Estates, the beneficiary of an IDA credit. Kenya Industrial Estates is a government-owned company established to develop small-scale industrial enterprises in the country.



Applying the last touches to lanterns manufactured in Indonesia. Small enterprises often generate more jobs per unit of investment than do large firms.

it also looks to a wider range of institutions such as commercial banks, investment companies, and cooperatives to promote their development. IFC's investments in development finance companies

sometimes complement the Bank's involvement in that the Corporation invests in equity to provide a base for the DFC to borrow World Bank funds. In other cases, IFC makes its own direct loans to DFCs.

Urban Development

Over the past twenty-five years, the urban population of developing countries has increased at the unprecedented rate of about 4 percent a year—nearly twice the rate of the overall population growth of these countries. Over 640 million people have been absorbed by the towns and cities in the developing world in a single generation. These urban areas now contain over 900 million people, or nearly one-third of the total population. The Bank estimates that almost one-third of the urban dwellers in the developing countries currently do not earn enough to be able to buy the basic necessities they require to maintain a fully productive life. Over 250 million lack reasonable access to minimal nutrition, safe water, minimal sanitation, basic education, and shelter.

The Bank's approach to urban poverty has two complementary aims:

- to create productive employment opportunities; and
- to develop programs to deliver basic services to the urban poor on a large scale, at standards they and the economy can afford.

The Bank emphasizes low capital investment per job and inexpensive services so that the largest possible number of the poor in urban areas can benefit.

Urban projects usually contain as major components the upgrading of slums and squatter settlements or the creation of serviced sites for additional low-income housing. Access to centers of employment is



Slum-upgrading projects are intended to improve housing by providing residents secure land tenure and better access to credit for construction. The photo is of a young girl in Tondo, a now-upgraded area of Manila.

of critical importance in selecting new sites. In such projects, the emphasis is on self-help; finance is supplied only for those basic services that people cannot provide for themselves. Even so, eventual recovery of costs is considered essential so as to permit this type of project to be repeated in many needy urban locations.

A similar focus on the urban poor is found in urban transport projects. In such projects, a major aim is to enable cities to make more efficient use of their transport facilities. This could mean expanding the fleet of buses. It could mean making better use of roads and streets, or of signalling arrange-



ments, so that traffic flows more smoothly. An important objective is to provide cheap transport that would enable poor people to travel easily between their homes and their workplaces. Some urban projects provide support for the overall development programs of cities such as that of the Calcutta Metropolitan Development Authority.

Water Supply and Sewerage

Inadequate water supplies and the lack of decent sewage facilities are major causes of disease in developing countries. The poor suffer most from waterborne diseases—especially the women, infants, and children among them. They not only lack access to safe water and sanitation facilities; they are also more vulnerable to disease because of undernutrition, poor personal hygiene, and inadequate preventive health care.

Pupils in a primary school located in a slum in Calcutta. Experience with urban development has pointed to the benefits of coordinating investments across sectors—shelter, infrastructure, solid-waste management, health, nutrition, and education.

The Bank's lending for water supply and sanitation has broadened greatly since it started in 1963. At first, it was concentrated in major cities. But subsequently it has encompassed smaller cities, towns, and villages. Services to the poor have been partially financed from tariffs collected from the well-to-do or, in the case of rural areas, with general tax revenues.

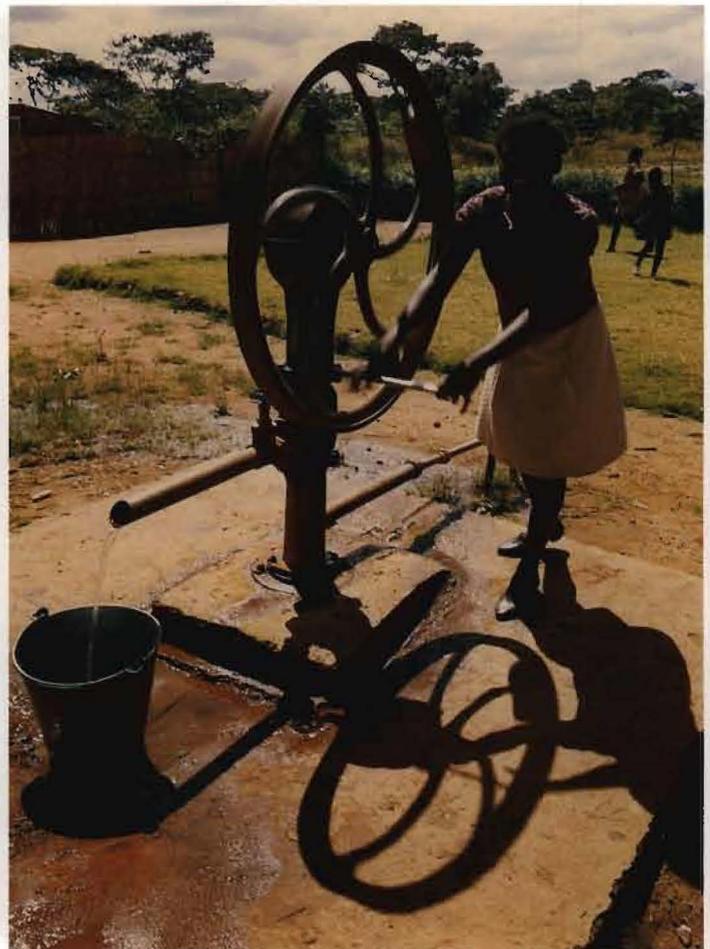
A particular effort has been made to include the poorest parts of towns and cities within the scope of the projects the Bank has assisted. Rural areas, too, have been aided, not only by numerous water and sanitation components in rural development projects, but also by

loans for broader national or regional water and sanitation programs. To permit governments and enterprises to provide services to as many needy people as possible, the Bank has placed great importance on the use of inexpensive technology in delivering water supply and sanitation services.

The Bank has helped to build water supply and sewerage facilities in both rural and urban areas. The scenes shown here are from Calcutta and Lilongwe (Malawi). There is a strong relationship between clean water, sanitation, and health. Waterborne diseases are the leading cause of infant mortality worldwide and are among the most serious of the diseases occurring in the developing world.

Population, Health, and Nutrition

Efforts to raise living standards in much of the developing world have been seriously undermined by rapid population growth. With average annual population growth rates of almost 3 percent in much of Africa and Latin America, for example, governments will need to double their spending within twenty-three years just to maintain current levels of social-service coverage. Slower population growth would make available more resources per person for such basic



services as health, education, water, sanitation, and housing. Fertility, health, and nutrition are closely related to one another—and to education. With lower fertility, the spread and quality of education increase—because both the state and parents can afford to spend more on each child when there are fewer of them.

Large families have higher infant and child death rates and a higher incidence of malnutrition—there is simply less food, money, and time for each child. As the chance of survival of children increases, the desire to have more children diminishes. The Bank began lending for population planning in 1970. Typically, it has supported projects to encourage family planning, make contraceptives more easily available, and provide better prenatal, postnatal, and baby care. Health and nutrition components have for several years been included in many Bank-supported projects, principally in the sectors of population, water supply, and rural and urban development.

Nutrition projects have been assisted in Brazil, Colombia, India, and Indonesia. The Bank has designed projects specifically intended to improve health facilities. In such projects, the emphasis is on preventive medicine and measures to improve—at relatively low cost—the availability of primary health care to the very poor. The Bank is helping countries to develop projects that would meet needs in all three sectors—population, health, and nutrition—in an integrated fashion.

A mother and child at a Dhaka (Bangladesh) family-planning clinic. The importance of supplying safe, cheap, and effective family-planning services is now well recognized; family planning is no longer seen as a mere adjunct of medical care.



Nonproject Lending

Under its Articles of Agreement, the Bank is required to lend for specific projects, except in special circumstances. In practice, nonproject lending has been used in four types of “special circumstances”:

- A need for the reconstruction or rehabilitation of an economy after a calamity like war, earthquake, or flood, where a quick transfer of external resources is needed to

restore normal development activities.

- The need to import supplies or equipment so that existing production capacity can be used more fully.
- A sudden fall in export earnings in an economy that is critically dependent on a single item of export.
- A sharp deterioration in terms of trade because of a rapid rise in import prices.

In recent years, the Bank has expanded the scope of its nonproj-



The IBRD's first loan, approved on May 9, 1947, was extended to the Credit National, a semi-public French corporation created in 1919 to assist in financing reconstruction and development of the French economy after World War I. The IBRD approved reconstruction loans after World War II to four countries of Western Europe: Denmark, France, Luxembourg, and the Netherlands. The scene in the photo is of a bombed-out section of Marseilles.

IBRD and IDA Cumulative Lending, by Sector, June 1946 to June 30, 1982¹

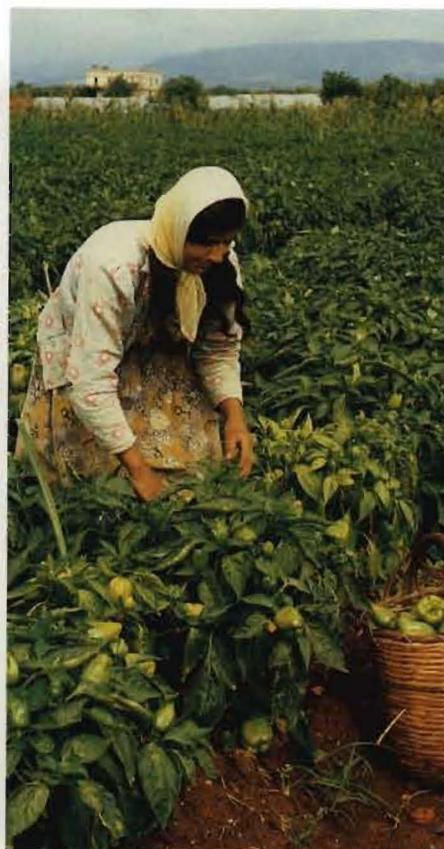
Expressed in United States dollars (in millions)

Purpose ²	IBRD Total	IDA Total	Total IBRD and IDA
AGRICULTURE AND RURAL DEVELOPMENT			
Agricultural credit	\$ 2,278.9	\$ 1,765.0	\$ 4,043.9
Agriculture sector loan	85.2	237.0	322.2
Agroindustry	1,016.5	632.6	1,649.1
Area development	4,071.4	1,683.5	5,754.9
Fisheries	146.4	141.1	287.5
Forestry	380.0	356.7	736.7
Irrigation and drainage	5,462.5	3,548.0	9,010.5
Livestock	1,285.4	518.9	1,804.3
Perennial crops	1,196.2	584.1	1,780.3
Research and extension	641.3	485.0	1,126.3
Total	\$16,563.8	\$ 9,951.9	\$ 26,515.7
DEVELOPMENT FINANCE COMPANIES			
	\$ 7,985.7	\$ 629.8	\$ 8,615.5
EDUCATION	\$ 2,901.4	\$ 1,519.7	\$ 4,421.1
ENERGY			
Oil, gas, and coal	\$ 2,161.4	\$ 299.7	\$ 2,461.1
Power	14,527.3	3,224.3	17,751.6
Total	\$16,688.7	\$ 3,524.0	\$ 20,212.7
INDUSTRY			
Engineering	\$ 21.0	\$ —	\$ 21.0
Fertilizer and other chemicals	1,669.3	961.1	2,630.4
Industry sector loan	1,557.8	18.7	1,576.5
Iron and steel	1,223.5	—	1,223.5
Mining, other extractive	724.3	30.0	754.3
Paper and pulp	358.2	32.0	390.2
Textiles	493.0	57.0	550.0
Total	\$ 6,047.1	\$ 1,098.8	\$ 7,145.9
NONPROJECT	\$ 4,295.8	\$ 2,906.1	\$ 7,201.9
POPULATION, HEALTH, AND NUTRITION	\$ 252.3	\$ 307.1	\$ 559.4
SMALL-SCALE ENTER- PRISES	\$ 1,061.0	\$ 280.5	\$ 1,341.5
TECHNICAL ASSISTANCE	\$ 115.9	\$ 236.7	\$ 352.6
TELECOMMUNICATIONS	\$ 1,602.1	\$ 989.2	\$ 2,591.3
TOURISM	\$ 363.6	\$ 86.7	\$ 450.3
TRANSPORTATION			
Airlines and airports	\$ 299.3	\$ 16.5	\$ 315.8
Highways	7,966.2	2,017.5	9,983.7
Pipelines	117.8	—	117.8
Ports and waterways	2,375.6	473.4	2,849.0
Railways	4,143.5	1,112.3	5,255.8
Transportation sector loan	162.0	53.5	215.5
Total	\$15,064.4	\$ 3,673.2	\$ 18,737.6
URBANIZATION	\$ 1,921.2	\$ 477.0	\$ 2,398.2
WATER SUPPLY AND SEWERAGE	\$ 3,616.9	\$ 1,057.5	\$ 4,674.4
GRAND TOTAL	\$78,479.9	\$26,738.2	\$105,218.1 ³

¹ Except for the total amount shown in footnote 3, no account is taken of cancellations and refundings subsequent to original commitment. IBRD loans of \$1,040 million to IFC are excluded.

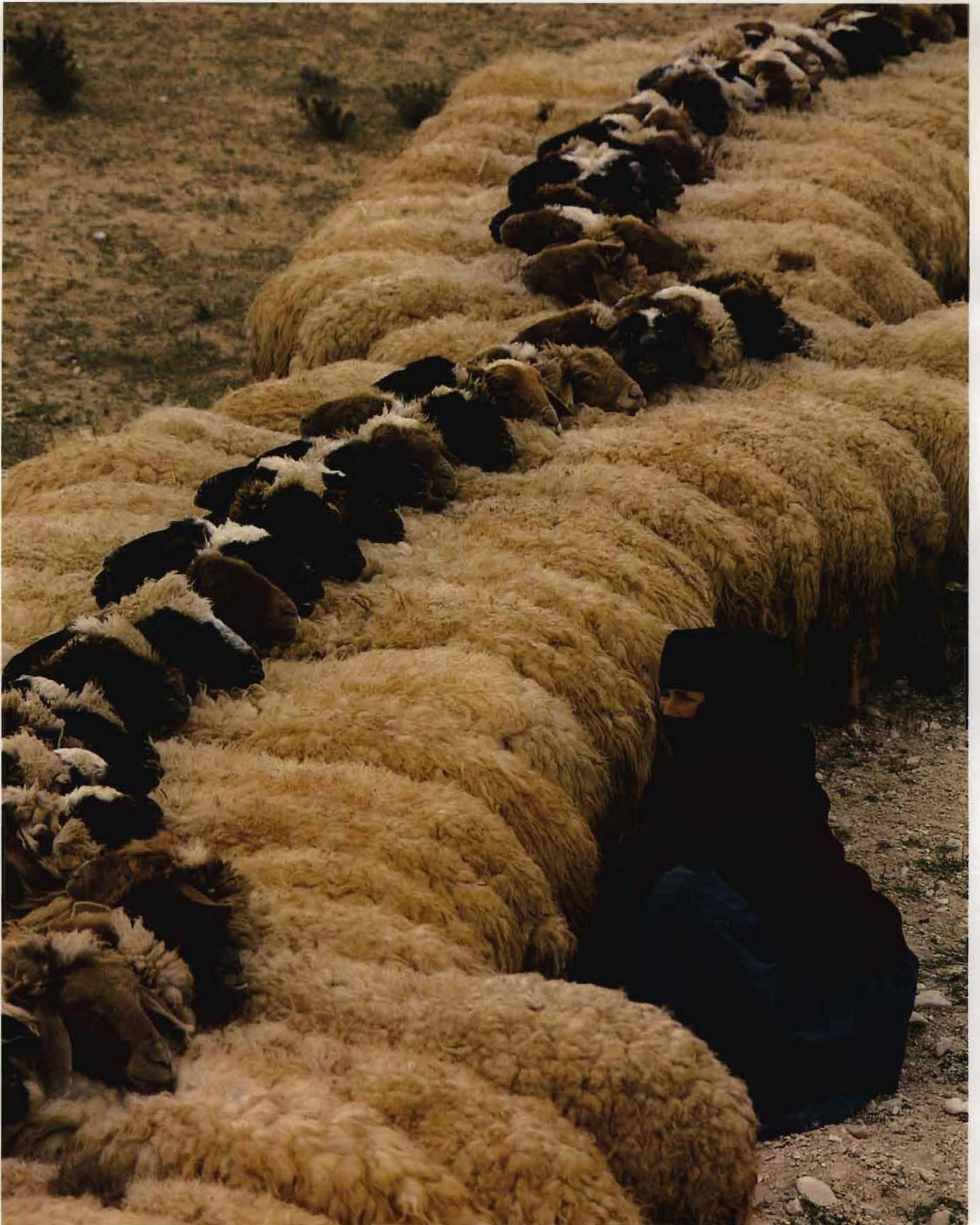
² Operations have been classified by the major purpose they finance. Many projects include activity in more than one sector or subsector.

³ Cancellations, terminations, and refundings amount to \$2,548.9 million for the IBRD and \$461.8 million for IDA, totaling \$3,010.7 million. This amount includes \$46.1 million of loans and \$175.8 million of credits made to Pakistan in earlier years for development projects in its former eastern wing, now Bangladesh. The loans and credits were reactivated, in revised form, as commitments to Bangladesh.



A scene from Turkey's fertile Adana plain. Turkey has received "structural adjustment" loans from the IBRD.

ect lending to include "structural adjustment" loans. These are intended to help developing countries adjust their economic policies and structures in the face of serious balance-of-payments problems that threaten continued development. The main objective of "structural adjustment" lending is to facilitate the restructuring of a developing country's economy so as to put its current-account deficit on a sustainable basis within three to five years. The loans support programs that are intended to anticipate and avert economic crises through economic reforms and changes in investment priorities.



The Project Cycle

The Bank provides most of its financial and technical assistance to developing countries by lending money for specific projects. Although IBRD loans and IDA credits are made on different financial terms, the project criteria applied by the two institutions are identical; the same high standards are used in assessing the soundness of projects. The decision whether a project will receive IBRD or IDA financing depends on the economic condition of the country, and not on the characteristics of the project. (IFC's project cycle is different from the Bank's.)

The Bank begins its operational cycle by studying the economy of a country and the needs of the sectors in which lending is contemplated. These analyses provide the framework for formulating an appropriate long-term, development-assistance strategy for the economy as a whole and for some of the major sectors.

A key role is played by "country economic missions." A country economic mission consists of a group of experts that visits a borrowing country to collect and analyze information, review policy issues, formulate the Bank's views, and discuss with the government its development programs and policies. The economic report prepared by the mission generally provides the basis for the Bank's strategy for assistance to the country: the size, terms, and purposes of its lending programs, and the sectors and areas to which lending will be directed—considering the activities of other donors, the Bank's capabilities, and

the need for its assistance.

More detailed studies are often focused on particular sectors or sub-sectors of an economy or on important cross-sectoral issues such as urban migration, employment, taxation, and trade policies. Together, these studies enable the Bank to conduct a dialogue with the country about important development issues, the kind of assistance the Bank will provide, and its objectives.

The "life cycle" of a Bank-assisted project usually consists of six stages: identification, preparation, appraisal, negotiation and approval, implementation and supervision, and *ex post* evaluation. The intensity of the Bank's involvement varies at each stage. Typically, the time the Bank takes to process a project is as follows:

Project stage	Time elapsed (months)	Staff-months
Identification, selection, preparation, and design	16	10
Appraisal, negotiation with borrower, and approval by Bank's Executive Directors	11	18

On the average, over 80 percent of the Bank's funds for a project are disbursed within six years. Approximately twenty-three staffmonths are devoted to supervising the implementation of a project. The *ex post* evaluation is usually done within six to eight months after the project is completed, and requires about 2.5 staffmonths.

A Bank-assisted livestock development project in Syria focuses on improving sheep husbandry. A project's "life cycle" has six stages: identification, preparation, appraisal, negotiation and approval, implementation and supervision, and *ex post* evaluation.

Identifying Projects

Governments propose projects for financing by the Bank, but in identifying and selecting projects they often receive assistance from the Bank's "identification missions." Sometimes a Bank mission supervising an earlier project will suggest a new project to the same entity or in the same sector. Some projects may be identified through the work of other U.N. agencies. Some are brought forward by private sponsors, such as mining enterprises seeking to develop new resources. At times, a series of projects is contemplated at the outset, and each provides financing for the preparation of successor projects. Before the Bank agrees to get involved in preparation work, all project proposals, from whatever source, must meet a *prima facie* test of feasibility.

Preparation

Once a project has been identified, it has to be designed. The design work encompasses the technical, managerial, economic, and financial dimensions of the proposed project. The borrower is primarily responsible for the preparation of the project, but Bank staff, U.N. agency personnel, and outside consultants frequently play a major role. The Bank often helps finance project preparation work.

The preparation of a project can take a long time, sometimes several years. This is the stage at which, for example, soil, hydrographic, and hydrological investigations are undertaken and the ade-

quacy of natural resources is determined. Marketing aspects are reviewed. Training needs are assessed. Social, administrative, and environmental implications are examined.

It is vital in project preparation to identify and compare the major technical and institutional alternatives in light of their costs and benefits. Should oxen or tractors be used for crop cultivation—given, for example, the costs of fuel and capital, average farm size, and maintenance capabilities? Should slums be upgraded, or new housing built? The preparation work usually requires feasibility studies followed by more detailed studies of those alternatives promising to yield the most satisfactory solutions.

Appraisal

The studies made under the borrower's direction during the project preparation period are carefully reviewed by the Bank during the project appraisal stage. Appraisal is solely the Bank's responsibility. Its purpose is to examine the economic need that the project is designed to meet; judge whether the project is likely to meet this need efficiently; determine what features and conditions will be necessary to ensure successful implementation; and, at the end, provide a basis for the Bank's decision whether to support the project.

The appraisal includes a visit by a team of Bank experts to the country, typically lasting for three to five weeks. Like the preparation

work, the appraisal mission examines the project from four points of view—technical, economic, financial, and institutional. That examination is subsequently continued at length at the Bank's headquarters in Washington, D.C.

The appraisal team assures itself that the various design alternatives have been identified and adequately considered, and that the best technical solutions for the country have been found. It reviews the engineering and behavioral assumptions, cost estimates, the appropriateness of the standards being applied to the situation of the country (for example, in relation to housing, or school curricula, or the quality of a road), and the proposed methods of, and schedule for, implementation.

The mission examines the economic justification of the project and calculates an expected economic rate of return to the country in all cases where it is appropriate. In doing so, it evaluates the demand for the goods and services the project will provide and the benefits and costs of providing them. It considers who will receive the benefits and bear the costs, as well as such factors as the impact of the project on employment, on the fiscal situation, and on the country's balance of payments. Usually, the likely behavior of the beneficiaries is of key importance. It is necessary, therefore, to answer questions such as: Will the pure water become contaminated after it is provided? Will farmers permit their children to attend secondary school? Will they go into debt to buy fertilizer?

In making a financial appraisal, the Bank closely examines the borrower's financial plan. The purpose is to ensure that adequate funds will be available to cover the borrower's share of project costs and that after the project has been completed, sufficient funds will be provided to operate and maintain the facility properly. The arrangements made to recover the costs of the project from its beneficiaries, and the impact of the project on the government's budget are also assessed. This involves such questions as: What incentives need to be provided to beneficiaries to get them to participate in the project? To what extent can the country undertake similar projects so that the benefits might be spread more widely?

In appraising the institutional aspects, the Bank examines the borrowing entity, its organization, management, staffing, policies, and procedures. It takes into account the wide array of government policies and procedures that affect the circumstances in which the entity operates. Often, the Bank advises on those institutional or policy changes that might facilitate the project's implementation or permit the country's broader objectives in the sector to be achieved. Such changes could include, for example, reorganization of an entity; greater decentralization of authority; creation of special training programs; improvements in systems for planning, monitoring, financial management, and evaluation; or changes in cost recovery or pricing policies.

The Bank reviews all prospective projects to determine whether they are likely to lead to environmental problems. In more than three out of five projects, no such problems are considered likely. For the rest, project designs are modified or, less often, environmental safeguards are incorporated as a condition of Bank lending. The efficacy of such measures is then monitored for the life of the project.

Negotiation and Approval

Once the appraisal has been completed, formal loan negotiations can begin. These result in a binding agreement between the Bank and the borrower which precisely defines the project and specifies the actions that must be taken to achieve its objectives. The agreement usually contains a schedule of implementation and covenants on such matters as anticipated rates of return, revenue levels, organizational changes, and land acquisition.

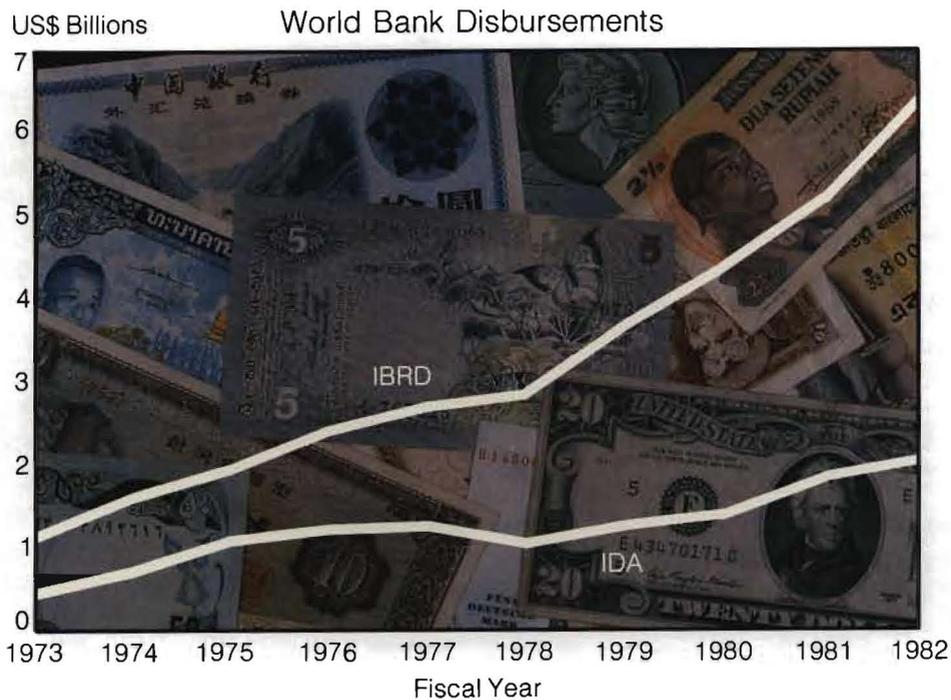
After the negotiations are completed, a report on the proposed loan is submitted to the Executive Directors, along with the "appraisal report" and the legal documents. The Bank cannot make a loan for a project without the approval of the Executive Directors.

Implementation and Supervision

The borrower is responsible for implementing the project. As a development institution, however, the Bank has a responsibility to ensure that the project is effectively

implemented and achieves the objectives for which the loan was made. Particular attention is paid to the technical skills and managerial capabilities of the institutions implementing the project. The borrower is asked to submit periodic reports on the progress of implementation. The Bank, in turn, regularly sends "supervision" missions to ensure that the funds for the project are spent in the manner agreed upon. Normally, the Bank will not disburse its funds until it has received evidence that the borrower has spent the money to achieve the agreed purposes. The borrower is responsible for procurement under the project, but the borrower's actions are subject to review by the Bank. In most cases, the Bank requires the borrower to obtain goods and works through international competitive bidding open to suppliers and contractors in all of its member countries, plus Switzerland. Supervision missions help solve any problems that may have arisen. These problems may be technical or administrative in nature or they may arise from changes in circumstances, cost increases, or even the vagaries of the weather. During implementation, the Bank and the country may agree to modify some aspects of the project.

In "supervising" projects, the Bank seeks to act as a partner of the borrower. Problems are treated as matters of joint concern. The Bank routinely shares with the borrower its experience with similar projects in other countries. Project supervision has proved to be one of the



most effective ways in which the Bank can provide technical assistance to member countries.

Evaluation of Projects

A notable feature of the Bank's work is its system of independently evaluating the results of projects after the loan has been fully disbursed. Comparing actual experience with what had been expected before the project was launched has become an essential part of the Bank's own process of learning how to make development assistance more effective; it has also become an important aspect of the Bank's accountability to member countries.

To help disseminate the principal lessons learned from the evaluation system, the Bank has, since

1977, published the Operations Evaluation Department's "Annual Review of Project Performance Audit Results." While these reviews have revealed that the costs of many projects rose beyond expectations as a result of inflation and exchange-rate movements and that many projects were modified during implementation or took longer to complete than planned, they have also demonstrated that most projects—more than 90 percent of the investments examined—were clearly worthwhile in terms of their major objectives. The great majority of the projects for which economic rates of return had been calculated at the time of their appraisal continued to show rates of return that were satisfactory at the time of evaluation.

Retrospective analysis of project experience has already contributed much to a better understanding of the various factors influencing the success of Bank-assisted projects. Project evaluation results have encouraged the Bank, for example, to place greater emphasis during preparation and appraisal

on the assessment of sociocultural factors. In many cases, the results have underlined the need for measures to enhance the effectiveness of institutions, the importance of project-related training, and the usefulness of building monitoring and evaluation systems into the design of projects.



Storing sorghum in Upper Volta. Apart from building storage capacity, this IDA project aimed at a balanced development of food crops and cash crops. It attracted cofinancing funds from Canada, Switzerland, and the African Development Fund.

Cofinancing

Bank-assisted projects that also receive financial support from other institutions are said to be “cofinanced.” Cofinancing, one of the most important ways in which flows of assistance can be increased, directly associates the Bank’s funds with those provided by other sources in implementing specific

projects or programs in developing countries. The three main categories of cofinancing partners with the Bank are:

- Official sources, which include governments, their agencies, and other multilateral financial institutions.
- Export-credit institutions, which are directly associated



A view of the Pattani dam in Thailand. This hydroelectric project was assisted by an IBRD loan and cofinancing from private Japanese sources.

with financing the procurement of certain goods and services from a particular country.

- Commercial banks and other private financial institutions.

The Bank's cofinancing operations have risen steadily during the past decade—from thirty-seven in fiscal 1973 to ninety-nine in fiscal 1982. During the same period, the volume of cofinancing has risen from \$496 million to \$7.4 billion. Of this \$7.4 billion, cofinancing with commercial banks and other private financial institutions comprises \$3.3 billion; export-credit agencies account for about \$2 billion; and the remainder, \$2.1 billion, comes from official sources. Forty percent (99 out of 247) of the projects approved by the World Bank in fiscal 1982 involved some cofinancing. The Bank's cofinancing operations with private sources have grown from \$84.7 million in fiscal 1974 to a record \$3.3 billion in fiscal 1982. The number of operations has increased from two in 1974 to sixteen in 1982.

Technical Assistance

Developing countries look upon the Bank as a source not only of finance, but also of technical assistance. It is possible to measure a few types of technical assistance in dollar amounts. For example, in loans and credits extended in fiscal 1982, more than \$1 billion was included to pay for items such as technical and feasibility studies, the services of experts and consultants, training, and advisory services for

project supervision, implementation, or engineering. Most of that more than \$1 billion was included as components of projects in other sectors. But a substantial amount—\$72.5 million—was accounted for by eleven projects that were exclusively for technical assistance.

Lending for technical assistance is merely the most visible part of a total effort that may be more important to developing countries than the money the Bank provides. Technical assistance is sometimes given when a country asks for advice on questions of general policy, planning, or administration. Or it may ask for help in meeting specific needs—the identification and preparation of projects, for example, the recruitment of key personnel, the mobilization of domestic capital, or perhaps the improvement of statistical services.

Most needs for technical assistance become apparent in discussions between governments and the Bank. If a government asks for such assistance, the Bank provides it, organizes it, or helps to find it. The Bank provides a large amount of technical assistance by administering feasibility studies financed by the United Nations Development Programme (UNDP), many of which lead to Bank-aided projects.

Like the Bank, IFC provides several kinds of technical assistance. A substantial part of it is related to specific projects. Thus, as a project is being developed, IFC will provide the sponsors with advice on its various aspects, especially on financial planning. If asked, it will also advise govern-

ments on how the private sector's contribution to economic development can be enhanced. The Bank and IFC jointly provide technical assistance to governments seeking to encourage and expand the capital markets within their countries in order to mobilize private financial resources. IFC may provide additional assistance by helping to establish and finance individual capital markets institutions that fit within a country's overall strategy for this sector.

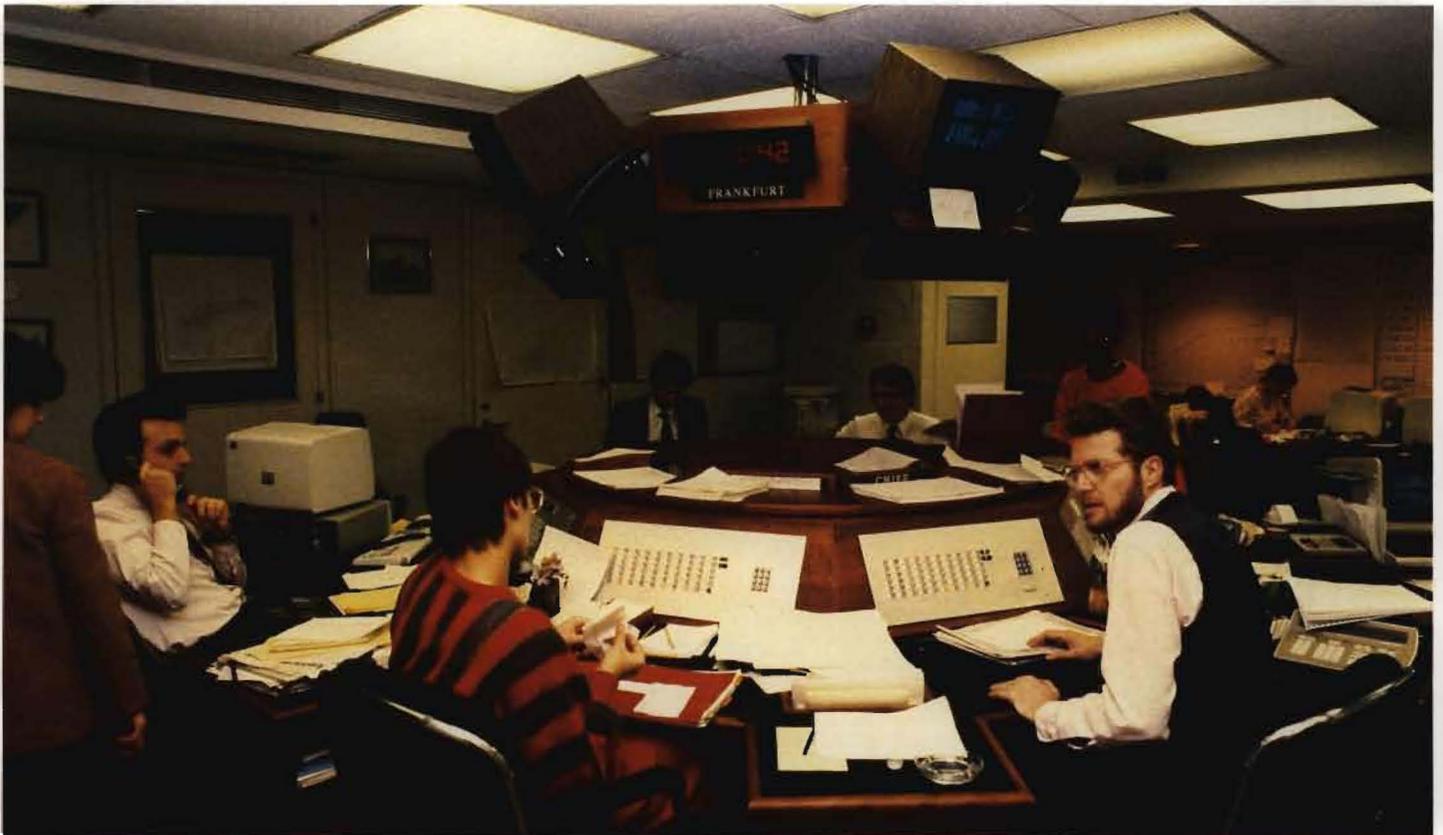
Economic Development Institute

Another important source of technical assistance is the Bank's

staff college, the Economic Development Institute (EDI). EDI was established in 1955 to provide training for senior officials of developing countries to help them improve the management of their economies and increase the efficiency of their investment programs. These officials come from ministries of finance and planning, agencies dealing with various sectors of development, and central banks and development finance institutions. EDI's primary advantage in the training field is that it is able to draw on the working experience, policy analysis, studies of comparative development, and other empirical research of the Bank.



Officials from developing countries attending a course at the Economic Development Institute. EDI offers training that enables developing countries to improve the management of their economies and increase the efficiency of their investment programs.



The IBRD's Finances

When the IBRD opened for business in 1946, it had an authorized capital of \$10 billion. Over the next three-and-a-half decades, there were a series of capital increases to pave the way for an expansion in membership and in lending activities. Capital increases to allow a growth in lending became necessary because, under the Articles of Agreement, the IBRD cannot allow its outstanding loans to exceed the total of its subscribed capital, surplus, and reserves.

At the end of fiscal 1982, the IBRD had an authorized capital of 716,500 shares, having a value of roughly \$80 billion (in current dollars), reflecting a capital increase that became effective in January 1980 that nearly doubled the authorized capital. Of that amount, over \$40 billion had been subscribed, and \$4 billion paid-in. Subscriptions following the increase in authorized capital began in October 1981 and will continue for the next several years. A country's voting power depends directly on the capital it subscribes, since each member has 250 votes plus one additional vote for each share of capital subscribed.

There is a notable feature of the IBRD equity capital structure that is of importance to its strength in the financial markets: Of the subscribed capital, only a small portion is paid-in by the governments that are the IBRD's shareholders and is used in the IBRD's operations. The remaining and much larger portion—the callable capital—is primarily for the protection of those from whom the Bank has borrowed

money. It can only be called from shareholders for the purpose of meeting the IBRD's debt obligations in the unlikely case that they cannot be met from the IBRD's own resources. It cannot be used, therefore, to cover administrative expenses or for lending operations. Although the IBRD has never had to call subscriptions to capital, it is reassuring to those who invest in its bonds and notes that this large pool of resources is available.

Borrowings

The rapid expansion of the IBRD's activities has been made possible by its ability to mobilize large sums of money. More than two-thirds of the amounts invested in the Bank's lending operations are raised through borrowing. The IBRD borrows in many currencies and capital markets throughout the world. Most of what it borrows comes from the private capital markets. But large sums are borrowed from its member governments, too. To avoid depending too heavily on a single market, the IBRD, since its early days, has tried to diversify the sources of its funds. As a result, its borrowings now come from individuals and institutions in more than 100 countries in Africa, Asia, Australasia, Europe, the Middle East, and North and South America.

The IBRD is a major borrower in the world's capital markets. It is the largest nonresident borrower in virtually all countries where its issues are sold. When the IBRD first borrowed in 1947, the only major market open to it was the United

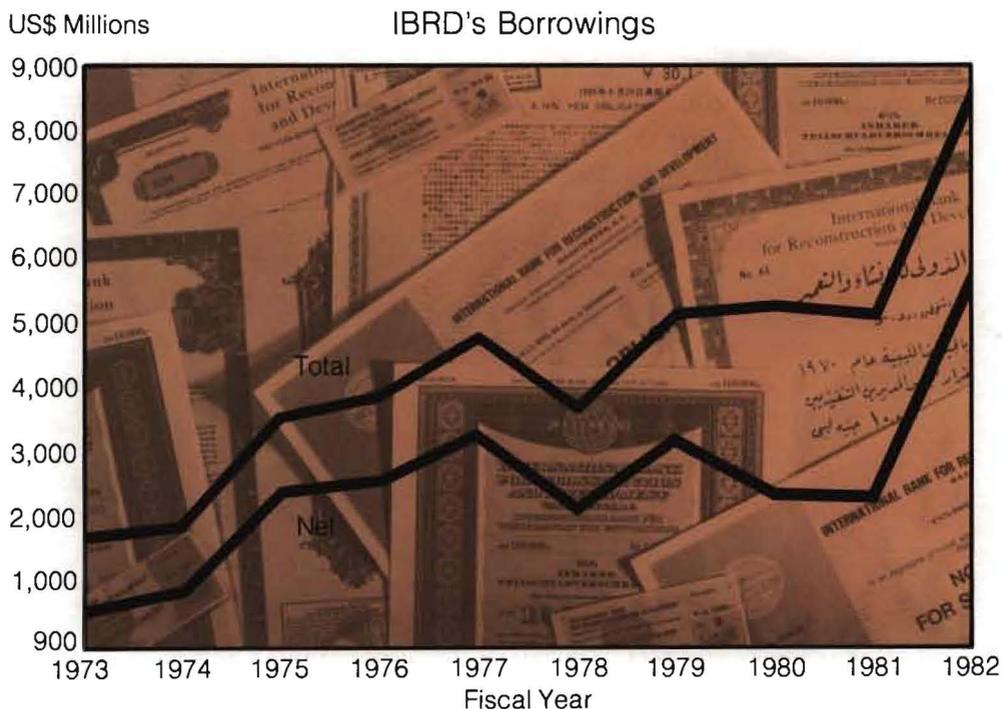
Portfolio managers at work in the World Bank's trading room. They manage a portfolio worth more than \$10 billion.

States of America. By 1950, it began to develop markets for its securities in other countries. During the decade of the 1950s, it continued to borrow most of its money in the United States of America. But the IBRD also raised funds in Belgium, Canada, the Federal Republic of Germany, the Netherlands, Switzerland, and the United Kingdom.

As world trade and finance recovered from the effects of war and expanded, the IBRD pressed in the late 1960s and the 1970s to establish a substantial and widespread market for its securities outside the United States of America—with both the traditional private institutional markets and with

governments and their agencies having funds to invest. In the process, the IBRD borrowed in countries that had surpluses in their balance of payments. As the pattern of savings and foreign-exchange reserves shifted after the mid-1960s, there were corresponding shifts in the major sources of funds for the IBRD.

The Federal Republic of Germany was the principal source in the late 1960s, Japan in the early 1970s, and certain members of the Organization of Petroleum Exporting Countries (OPEC) in 1974. In fiscal 1976 and 1977, the IBRD raised most of its funds in the United States of America, the Federal Republic of Germany, and





Switzerland. Over the fiscal years 1978 to 1980, most of its borrowings were in Deutsche mark, Japanese yen, and Swiss francs, reflecting both the attractiveness of these currencies to investors (because of the relative strength of these currencies in the foreign-exchange markets) and their attractiveness to the Bank (because of their low nominal interest rates). Since fiscal 1981, the United States of America has again become a major source of funds.

The diversity of the sources from which the IBRD borrows is

remarkable. Since 1970 alone, it has borrowed, through public issues or private placements, in Austria, Belgium, Canada, France, the Federal Republic of Germany, Italy, Japan, Lebanon, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, the United States of America, and Yugoslavia. Among members of the Organization of Petroleum Exporting Countries, the IBRD has borrowed from Iran, Kuwait, Libya, Nigeria, Saudi Arabia, the United Arab Emirates, and Venezuela. OPEC members, together with certain other oil-producing and exporting countries, have lent the IBRD approximately \$7.2 billion equivalent, of which \$4.6 billion remains outstanding.

In many, if not most, countries, governments have given the IBRD freer and fuller access to markets than has been given to other nonresident borrowers. IBRD borrows funds in two main categories of markets:

1. It places its bonds and notes directly with governments, their agencies, or central banks. These "official placements" include transactions with governments and central banks in about ninety-five countries, although there is a concentration of placements with a handful of central banks.
2. It borrows in private markets through the medium of investment-banking firms, merchant banks, or commercial banks.

The IBRD's success in raising money is based on the market's

recognition of its high credit standing. Its bonds have been given a Triple A rating or its equivalent by the principal bond-rating services in the United States of America. Outside the United States of America, sales of IBRD issues are at yield levels that are comparable to those available on government or government-guaranteed issues of similar maturity.

The IBRD's standing in the capital markets is based on a combination of conservative lending policies, strong financial backing by its members, and prudent financial management. Building on this base of prudent policies and solid financial backing, the IBRD has recently taken steps to enhance its financial strength during the current period of economic difficulties. In particular, it began a program of short-term borrowing in the United States of America. The purpose of this program, in which funds are raised through the issue of Discount Notes, is to enhance the Bank's borrowing flexibility by developing access to a large new source of finance at a time when the IBRD's borrowing requirements are expanding.

In order that this new type of borrowing would not expose the IBRD to excessive interest-rate risk, a system of periodically adjustable interest rates has also been introduced. The interest rate on all new loans negotiated since July 1, 1982, is no longer fixed for the life of the loan, as was the case on earlier IBRD loans. It is adjusted every six months—up or down—in accord with the average cost of a pool of

IBRD borrowings. This new system is designed to be fair, stable, and, in the long run, less costly to borrowers than the previous system. The new pricing mechanism could substantially reduce the risk to the IBRD and its borrowers that occurred under the previous system, in which there was a lag between the making of loan commitments and the financing of them.

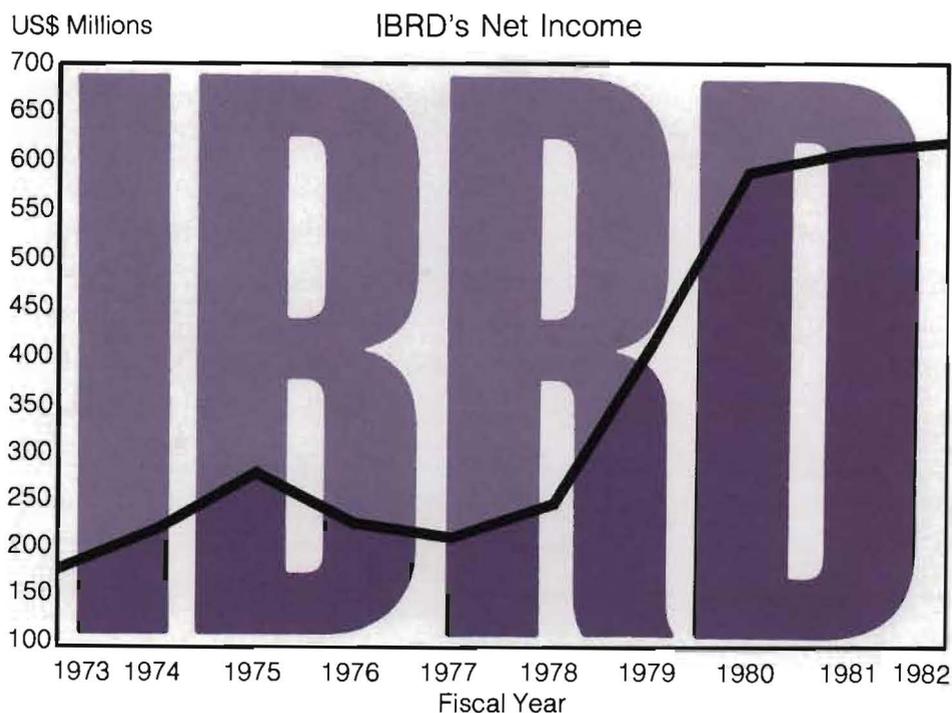
Income

Each year since 1948, the IBRD has made a profit. Its net income ranged from \$209 million to \$588 million annually between fiscal 1975 and fiscal 1980. It rose to around \$600 million in both fiscal years 1981 and 1982.

As of June 30, 1982, the IBRD had retained earnings of over \$2.8 billion, which form part of its re-

A collage of IBRD bonds denominated in various currencies.





sources. In allocating earnings, the Bank's member countries give first importance to strengthening the IBRD's reserves. The amount left after making that allocation is transferred to IDA. Since 1964, approximately \$1.7 billion has been transferred in grants from the IBRD's net income to IDA.

Liquidity Policy

For some years, the IBRD has kept its short-term liquid assets in an amount sufficient to meet 40 percent of its cash requirements for the subsequent three years. At June 30, 1982, these liquid assets totaled almost \$9.4 billion. The policy of maintaining a high degree of liquidity has an important influence on the IBRD's borrowing program.

In keeping with this liquidity policy, the IBRD builds up its liquidity position systematically by borrowing more than its current requirements at times when funds can be obtained at reasonable costs and terms of maturity. Thus, it borrows funds, when available, in anticipation of future needs. It does not wait until it actually needs the funds. In this way, if the IBRD does not wish to borrow because interest rates are too high or the maturities available are unsuitable, it can draw down its liquidity to meet its requirements until market conditions improve. In short, the IBRD's liquidity position gives it the flexibility to decide where, how much, at what cost, and on what terms it will borrow.



The International Development Association

The International Development Association (IDA) is an affiliate of the IBRD. IDA's resources, provided primarily by the richer countries, are used to help finance development projects and programs in the poorest nations.

IDA does what the IBRD does, and it shares the same staff. IDA makes money available to help support high-priority projects that foster economic development in developing countries. However, the IBRD and IDA do not lend on the same terms. The terms for IDA "credits" (so-called to distinguish them from IBRD "loans") are fifty-year maturities, ten-year grace periods before repayments of principal begin, and no interest (but an annual commitment charge of 0.5 percent on the undisbursed portion, and a service charge of 0.75 percent on the disbursed portion, of each credit). The charges are intended to cover administrative costs.

The difference in terms of lending reflects the important difference in countries assisted by the IBRD and IDA. IDA credits are designed to assist mainly those very poor developing countries that cannot afford to borrow on IBRD terms. Some IDA borrowers also obtain some IBRD loans. Most IDA borrowers are in Africa south of the Sahara and in South Asia.

IDA lends only to governments. But governments commonly relend IDA funds to enterprises, both private and public, within the country. Such relending is generally on terms that reflect the cost of capital in the country.

Thus, the benefits of the con-

cessionary terms IDA offers go to the country as a whole, and not to any particular enterprise or entity within it. The enterprises benefiting from IDA funds, under such conditions, remain subject to the financial discipline necessary for efficient operation.

The demand for IDA assistance has always exceeded the supply of available resources. IDA always, therefore, has had to ration its money carefully. In doing so, it takes four main criteria into consideration:

- The poverty level in member countries.
- The creditworthiness of the prospective borrower.
- The economic performance of the prospective borrower.
- The availability of projects suitable for IDA financing.

Per capita income levels in member countries affect the eligibility for credits. The income level beyond which IDA credits are severely rationed—currently \$795 per capita in 1981 dollars—has been modified from time to time, chiefly to take account of rising price levels.

This \$795 level is not regarded as a ceiling that cannot, under any circumstances, be pierced. But it has been thought of as establishing a strong presumption against lending to member countries in which the average annual income per inhabitant is higher.

On the other hand, an income level below \$795 does not, of itself, create a presumption in favor of IDA lending. A number of countries in the \$410-\$795 range, and

A woman in a rice field near Hyderabad (India). IDA has committed more than \$5 billion in support of agriculture and rural development in South Asia. Dramatic increases in agricultural production have taken place in the region during the past decade.

even a few in the “under \$410” category, are considered capable of servicing some IBRD loans or a blend of IBRD loans and IDA credits.

IDA has three main sources of funds. They are:

- Members’ subscriptions.
- Contributions provided mainly by the richer countries, but, in recent years, by an increasing number of developing countries, as well.
- Transfers from the IBRD’s income and repayments on IDA credits.

The initial subscription of each member of IDA was roughly proportional to its subscription to the capital stock of the IBRD. IDA’s charter provides for two categories of membership: Part I, which includes the richer countries, and Part II, which is composed of developing countries. Each Part I member pays its full subscription in convertible funds, all of which can be used by IDA in its lending activities. Each Part II member pays only 10 percent of its subscription in convertible funds. The other 90 percent is paid in the member’s own currency and cannot be used for lending without the consent of the member. At present, there are twenty-two IDA members in the Part I category. The remaining members are in the Part II category.

Since its inception, there have been six replenishments of IDA resources. The first replenishment in 1964 involved contributions of \$750 million from eighteen members, all in the Part I category, for commitments in the three-year



Lending for the development of sub-Saharan Africa is one of the Bank’s major priorities. The photo shows Ethiopian women carrying water.

period from July 1, 1964, to June 30, 1966. Over the years, the replenishments expanded to the point where, by 1980, thirty-three countries agreed to provide approximately \$12 billion under the sixth replenishment covering the three years from July 1, 1980, to June 30, 1983.

Some of the newer donors under the more recent replenishment agreements have been oil-exporting countries like Saudi Arabia, the United Arab Emirates, and Venezuela. Others include such developing countries as the Republic of Korea and Yugoslavia.

A report entitled “IDA in Retrospect,” published for the Bank in September 1982, comprehensively

reviews the work IDA has done over the past two decades. The report notes that IDA has committed \$27 billion to more than 1,300 projects in seventy-eight countries since 1960. Details are given of specific projects and programs assisted by IDA—failures as well as successes. The broad analysis reaches several conclusions:

- Twenty-seven nations, once eligible for IDA credits on the basis of their weak economies, have developed to the stage at which they can finance further growth on conventional borrowing terms.
- Dramatic increases in agricultural production in South Asia, where IDA has been

particularly active, have sharply reduced the need for massive food imports in the region and, in India's case, have resulted in virtual self-sufficiency.

- IDA lending has been effective in promoting development.
- IDA has gained a vast amount of understanding by "doing," including learning from past mistakes.
- IDA has been remarkably successful in attracting financial support.
- IDA has a key role to play in meeting the needs for concessional aid to the poorest countries.



A worker at a tea factory in Indonesia. Twenty-seven countries, including Indonesia, that once were IDA borrowers, now can finance further growth on conventional terms.



A scene in a laboratory at Qinghua University in China. The Bank is helping the country to implement a program to strengthen higher education and research activities in science and engineering.



The International Finance Corporation

The International Finance Corporation (IFC) was established in 1956 as an affiliate of the IBRD specifically to help promote and assist productive private enterprises in developing countries. Although IFC is a financial institution, its purpose goes beyond simply making funds available to investors. In helping to finance productive enterprises in the private sector, it also provides financial, legal, and technical advice.

Its functions include bringing together and harmonizing the often diverse interests of the parties involved in an enterprise—domestic and foreign sponsors, financial institutions and investors, technical partners, and the host governments—thereby contributing an element of confidence to the venture. Concurrently, IFC has a special responsibility to identify and promote ventures, find sponsors for them, and encourage others to invest capital and expertise in them. This function is often described as IFC's "catalytic" role; it is the hallmark of its distinctive approach to development assistance.

Working in partnership with others, the Corporation not only helps individual enterprises, but also creates a better investment environment. When asked by member countries, it provides technical assistance on issues as diverse as pricing and market allocation, development of a specific sector, and the design of laws and regulations to promote and monitor private investment.

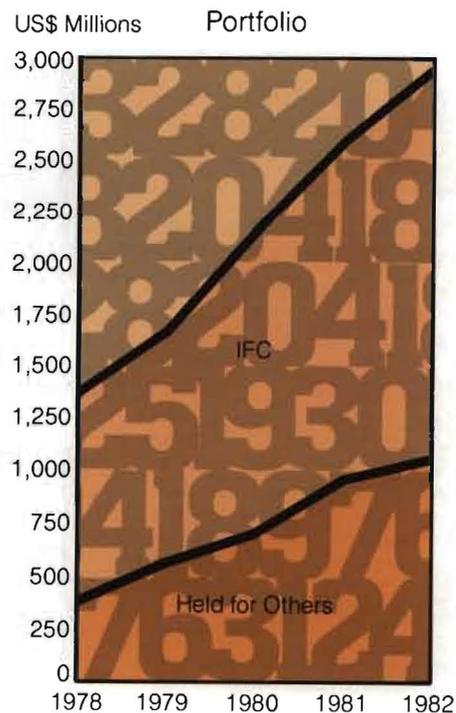
To improve the efficiency of local financial systems and to help

expand the domestic financing available for private sector development with special emphasis on equity and long-term finance, the Corporation, together with the World Bank, makes a special effort to encourage the establishment and development of capital markets.

Local investors and financial institutions are by far the most important source of financing for private enterprise in developing countries and, over the years, have supplied more than half the financing for ventures assisted by IFC.

IFC conducts its operations in accordance with certain basic principles. In the projects it assists, it always invests with others, as its function is to mobilize and supple-

Winnowing wheat at a major agribusiness venture producing grains and sugar in Egypt. The venture is supported by a number of domestic and foreign institutions and IFC.



ment private capital, not replace it. Thus, IFC will not finance ventures for which, in its opinion, sufficient capital can be obtained on reasonable terms from other sources. IFC does not require, nor will it accept, government guarantees of repayment. It will make an investment only if the government of the member country has no objections. IFC will invest only if appropriate arrangements exist for repatriating its investments and earnings.

Because the financing provided by IFC is not earmarked, it can be put to a variety of uses—to buy equipment, to cover foreign-exchange or local costs, as working capital, or for any other legitimate business purpose. Money invested and lent by IFC is untied. The only requirement is that it be spent in one of the member countries of the IBRD or Switzerland.

Even though it might hold an equity interest in a venture, IFC does not, as a general rule, take part in management nor is it represented on any board of directors. It maintains a continuing interest in such enterprises through field visits and periodic consultations with management. Only in exceptional circumstances does IFC exercise its voting rights as a shareholder. The Corporation is constantly revolving its funds by selling securities from its portfolio to other investors, preferably to investors in the country in which the enterprise is located.

Diversified Assistance

In supporting the development of its member countries through the promotion of their private sectors,

IFC is prepared to assist all kinds of ventures, irrespective of the structure of their ownership. It not only works with wholly private-owned and mixed (public/private) enterprises, but also, where circumstances justify, with wholly government-owned enterprises that are channels for assistance to the private sector. This policy reflects the diverse nature and circumstances of its member countries. In particular, it permits IFC to assist those countries in which the private sector is still at an early stage of development. For example, one way the Corporation can provide assistance to smaller private entrepreneurs is through local development finance corporations which are often sponsored and predominantly financed by government.

The investments that IFC supports must do more than meet the test of the market. They must also pass the test of benefiting a country economically. An economic rate of return is calculated for each investment proposal, and its potential contribution to development is assessed. The considerations on which the assessment is based vary from project to project, but most take into account the degree to which the investment contributes to one or more of the following objectives:

- Greater foreign-exchange earnings or smaller foreign-exchange outlays.
- Increased employment, improvements in the skills of both labor and management, or higher productivity of capital and labor.



IFC helped to establish this ethylene oxide and glycol plant as part of a new petrochemical complex being created at Capuava in Brazil. The output is used principally to produce polyester to help meet growing domestic demand.

- The acquisition of appropriate technological and scientific knowledge and skills.
- The development of a country's natural resources on fair and reasonable terms.

However, as a financial institution, IFC's performance must also be measured against financial criteria. The ventures it assists, therefore, must be financially sound and potentially profitable. Only by maintaining and applying these investment criteria can IFC attract business and financial partners and turn over its capital by selling its investments. It means that every



Two expansion projects by this Thai cement company were assisted by IFC. They increased the company's original capacity of 650,000 metric tons a year to about 2.8 million tons.

precaution is taken to ensure that the projects IFC supports do not become economic liabilities to its member countries. In addition, the earnings from its investments defray administrative costs and support technical assistance and programs of project promotion. The Corporation takes an active role in identifying and encouraging new projects, especially in the poorest countries.

IFC's Portfolio
Proportion of Ventures by Region



As of June 30, 1982

Investment Growth

Starting with thirty-one members and an authorized capital of \$100 million in 1956, IFC today has more than 120 members and an authorized capital of \$650 million. Supported by a major capital increase in 1978, its recent growth has been particularly notable. The \$612 million of loans and equity financing provided during fiscal 1982 equaled the total amount of investments approved during the first fifteen years of the Corporation's history. By the end of fiscal 1982, IFC had approved investments of about \$4.7 billion in more than 650



A worker in a shipyard in Cebu, Philippines. The company's ship-repair capacity was doubled in a modernization and expansion program financed by IFC and local investors and institutions.

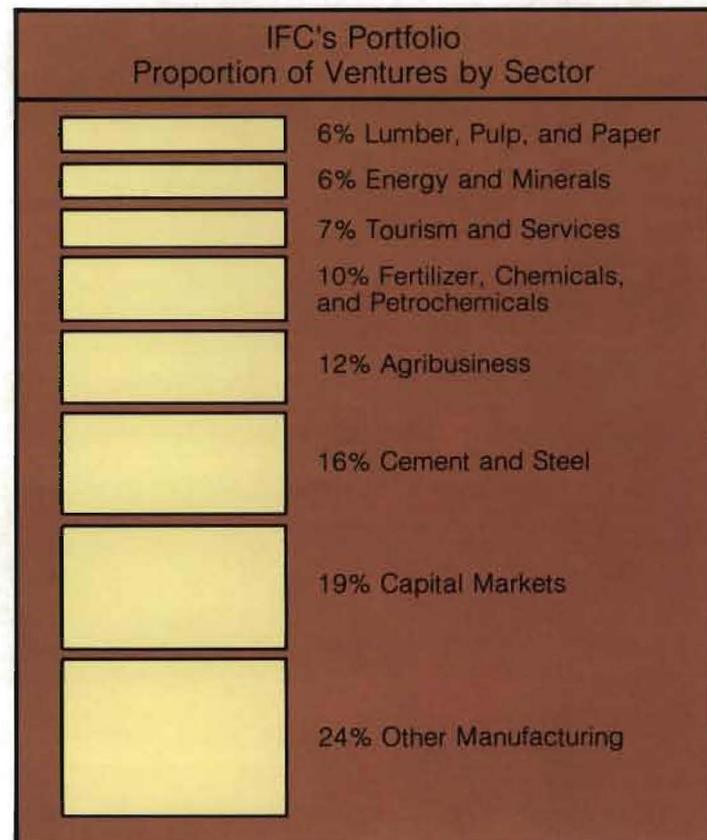
ventures with a total cost of almost \$21.5 billion.

Syndications, an important measure of the Corporation's ability to attract private financing for the projects in which it is involved, averaged about \$2 million a year during the early 1960s. They were almost \$190 million in fiscal 1982. Today, IFC has a portfolio of loans and equity investments held for its own account worth nearly \$1.8 billion in about 320 companies spread over seventy developing countries. The portfolio is as diverse as the needs and conditions of the countries in which IFC has invested. This, in part, is due to the natural selection process by which the private sector responds to investment opportunities. But it is also due to a conscious policy of the Corporation to direct its efforts and resources to ventures that have a particularly large effect on the country's economic development.

Over the past twenty-six years, the preponderance of investments has been in manufacturing firms—over 75 percent. The heaviest concentration, accounting for about one-fifth of all investments, has been in cement and other construction materials. About 9.5 percent of the Corporation's investments have gone to financial institutions such as venture-capital companies, development finance corporations, leasing companies, and security-marketing institutions. Of total investments, 10.5 percent have been in mining operations; 5 percent in agribusiness; and 4 percent in services, such as hotels and tourist facilities.



This fish-processing plant and a fleet of fishing vessels are operated by an Argentine enterprise launched by local investors, a Spanish technical partner, and IFC.



As of June 30, 1982

Changing Character

What these totals do not reflect is the changing character of IFC's portfolio. While manufacturing is expected to remain the single largest field for investment, greater emphasis has been placed in recent years on helping to develop energy resources such as oil, gas, and coal. The Corporation has also helped to establish a number of ventures to develop nontraditional energy sources, such as alcohol. In the agribusiness sector, IFC has be-

come more active in helping to increase production of basic foods, especially poultry and fish. It has also supported efforts to improve processing and storage facilities for a number of basic commodities. Reflecting the changing needs of developing countries, as well as the changing character of financial markets, IFC is providing more assistance to enable enterprises and institutions in developing countries to gain access to international capital markets.



This railroad-car repair facility in the Ivory Coast was assisted by financing from a development finance company that IFC helped establish and later expand.



Role in the International Community

The Bank has had a significant role in the international development community for almost three decades. The role has become more important in recent years as a result of several factors:

- The Bank has expanded as a source of financial and technical assistance for development. With the growth in size and membership, it has become more international, and the impact of its work is felt more deeply. Its policies and activities have, therefore, begun to attract greater attention.
- The Bank has diversified its lending in the traditional infrastructure sectors and has been supporting an increasing number of projects in the newer sectors such as rural development, urbanization, and population. At the same time, greater emphasis has been given to the social dimensions of economic growth. The need has emerged, therefore, for a fuller exchange of ideas, knowledge, and experience with others engaged in similar fields. The Bank's program of economic and social research supports its operational work and makes an important contribution to such an exchange.
- With growing global awareness of the mutual dependence of nations, the Bank has been giving greater emphasis to its responsibility, as an international institution

handling public funds, to explain its policies and activities.

Among the organizations with which the Bank is involved, jointly with the International Monetary Fund, is the Development Committee. The Committee was set up in 1974 to keep under review the transfer of real resources to the developing countries. It has twenty-two members at the Ministerial level representing the member countries of the Bank and the Fund. Subjects discussed at its twice-yearly meetings have included the lending operations of the Bank, regional banks, energy, private foreign investment, and the situation and prospects of world development.

The Bank's role in the global community is supported through a wide variety of activities that range from the operational to the intellectual. It is reinforced through an equally wide variety of relationships: with the United Nations system; with other international, regional, and national organizations; with the academic community; and with many individuals and institutions interested in development.

Much of the Bank's work with the U.N. system is strongly operational in nature. Under "cooperative programs" with the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific, and Cultural Organization (Unesco), the World Health Organization (WHO), and the United Nations Industrial Development Organization (UNIDO), for example,

Onchocerciasis, or riverblindness, affects the lives of millions of people in Western Africa. The Bank is supporting a program to control the disease. In this photo from Upper Volta, a boy leads a blind woman who is a victim of onchocerciasis.

assistance is provided to governments to identify and prepare projects for Bank financing.

In addition to cooperating with various parts of the U.N. system, the Bank has developed a close and productive relationship with several multilateral and bilateral aid

organizations in the Middle East, including the Abu Dhabi Fund for Arab Economic Development, the Arab Fund for Economic and Social Development, the Kuwait Fund for Arab Economic Development, the OPEC Fund for International Development, the Saudi Fund for De-



Cross-pollinating chick peas at the International Crops Research Institute for the Semi-Arid Tropics near Hyderabad (India). The Institute is part of a network of agricultural research centers and programs supported by the Consultative Group on International Agricultural Research. The Bank is a cosponsor of CGIAR.

velopment, the Islamic Development Bank, and the Banque Arabe pour le Développement Economique en Afrique.

Other examples of activities that are essentially operational can be found in such fields as aid coordination, agricultural research, and control of riverblindness in Western Africa. In the field of aid coordination, for instance, the Bank has taken the lead in forming groups of donors to coordinate the flow of financial and technical assistance to individual developing countries. A coordination group helps to ensure that multilateral and bilateral donors support consistent development goals that match the goals of the recipient country, and that financial and technical aid from different sources is applied efficiently to priority requirements. It also facilitates better planning and execution by the developing country, and so enables it to use assistance more productively.

Active aid coordinating groups chaired by the Bank include those for Bangladesh, Bolivia, Burma, the Caribbean, Colombia, Egypt, India, Kenya, the Republic of Korea, Madagascar, Mauritius, Nepal, Pakistan, Peru, the Philippines, Sri Lanka, Sudan, Tanzania, Thailand, Uganda, Zaire, and Zambia. The Bank also participates in meetings of the aid coordination groups for Indonesia, chaired by the Netherlands, and for Turkey, chaired by the Organisation for Economic Co-operation and Development (OECD).

In the case of agricultural research, the Bank is cosponsor,

with the FAO and the United Nations Development Programme (UNDP), of the Consultative Group on International Agricultural Research (CGIAR). The CGIAR supports a network of thirteen international agricultural research centers and programs. The research and training conducted at the centers aim primarily at increasing food production in developing countries. The CGIAR network is involved in research on all of the major food crops in the major ecological zones of the developing world.

The program for the control of onchocerciasis (riverblindness) in West Africa's Volta river basin provides another example of the Bank's participation in an activity that is international in both sponsorship and scope. The program is jointly sponsored by the Bank, WHO, the FAO, and the UNDP. Fourteen donor governments, as well as the African Development Bank, the OPEC Fund for International Development, the Sabah Al-Salem Al Mubarak Al-Sabah Foundation, the UNDP, and the World Bank, contribute to the fund.

The Bank's work in support of projects and programs, whether national or international, nourishes—and is in turn nourished by—a sizable program of economic and social research. This constant interaction between the operational and the intellectual strengthens the quality of the knowledge, analysis, and advice the Bank is able to offer in its dialogue with individual countries and with the international community.



Organization and Management

The organization charts on the following pages broadly reflect how various functions are performed in the Bank and in IFC.

The functions of the Bank's Governors and Executive Directors are outlined on page 13.

Subject to the direction of the Executive Directors on questions of policy, the President is the chief executive officer of the Bank and is responsible for its overall management. Important policy recommendations are reviewed by a group, known as the Managing Committee, consisting of the President, the two Senior Vice Presidents, and the five Vice Presidents who report directly to the President. All Vice Presidents of the Bank and the Director-General, Operations Evaluation, along with the Executive Vice President and two Vice Presidents of IFC, meet periodically in a Senior Management Council under the chairmanship of the President. The management structure is designed to ensure a collegial process of decisionmaking and to facilitate

the delegation of authority and responsibility.

A notable feature of the organizational structure is the Operations Evaluation staff, reporting to the Director-General, Operations Evaluation. Its activities are described on page 39.

A. W. Clausen became the sixth President of the IBRD, IDA, and IFC on July 1, 1981. The first five Presidents were: Eugene Meyer, from June 18 to December 18, 1946; John J. McCloy, from March 17, 1947, to June 30, 1949; Eugene R. Black, from July 1, 1949, to December 31, 1962; George D. Woods, from January 1, 1963, to March 31, 1968; and Robert S. McNamara, from April 1, 1968, to June 30, 1981.

The Bank and IFC have a total staff of about 5,800. More than 100 nationalities are represented. Over 95 percent of the staff is stationed at the institutions' headquarters in Washington, D.C. The remainder are based in more than thirty countries around the world.

The Articles of Agreement of the IBRD were drawn up in July 1944 by the United Nations Monetary and Financial Conference at Bretton Woods in New Hampshire, with forty-four countries represented. The photo shows the United States Secretary of the Treasury, Henry Morgenthau, Jr., addressing the delegates to the Conference.

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India: Resident Mission, The World Bank, New Delhi, India; *mailing address*—P.O. Box 416

Indonesia: Resident Staff in Indonesia, The World Bank, Arthaloka Building (8th floor), 2 Jalan Jendral Sudirman, Jakarta, Indonesia; *mailing address*—P.O. Box 324/JKT

Mali: The World Bank, Quartier du Pont, rue Square Lumumba, Bamako, Mali; *mailing address*—B.P. 1864

Nepal: The World Bank, R.N.A.C. Building (first floor), Kathmandu, Nepal; *mailing address*—P.O. Box 798

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Text

Dinesh Bahl was responsible for preparing the text of "The World Bank & International Finance Corporation."

Design

"The World Bank & International Finance Corporation" was designed by Bill Fraser.

Photographs

Inside front cover (Yemen Arab Republic): Tomas Sennett.

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First printing: June 1983.

“What improves the circumstances of the greater part can never be regarded as an inconvenience to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable.”

Adam Smith, *The Wealth of Nations*

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ISBN 0-8213-0178-0

