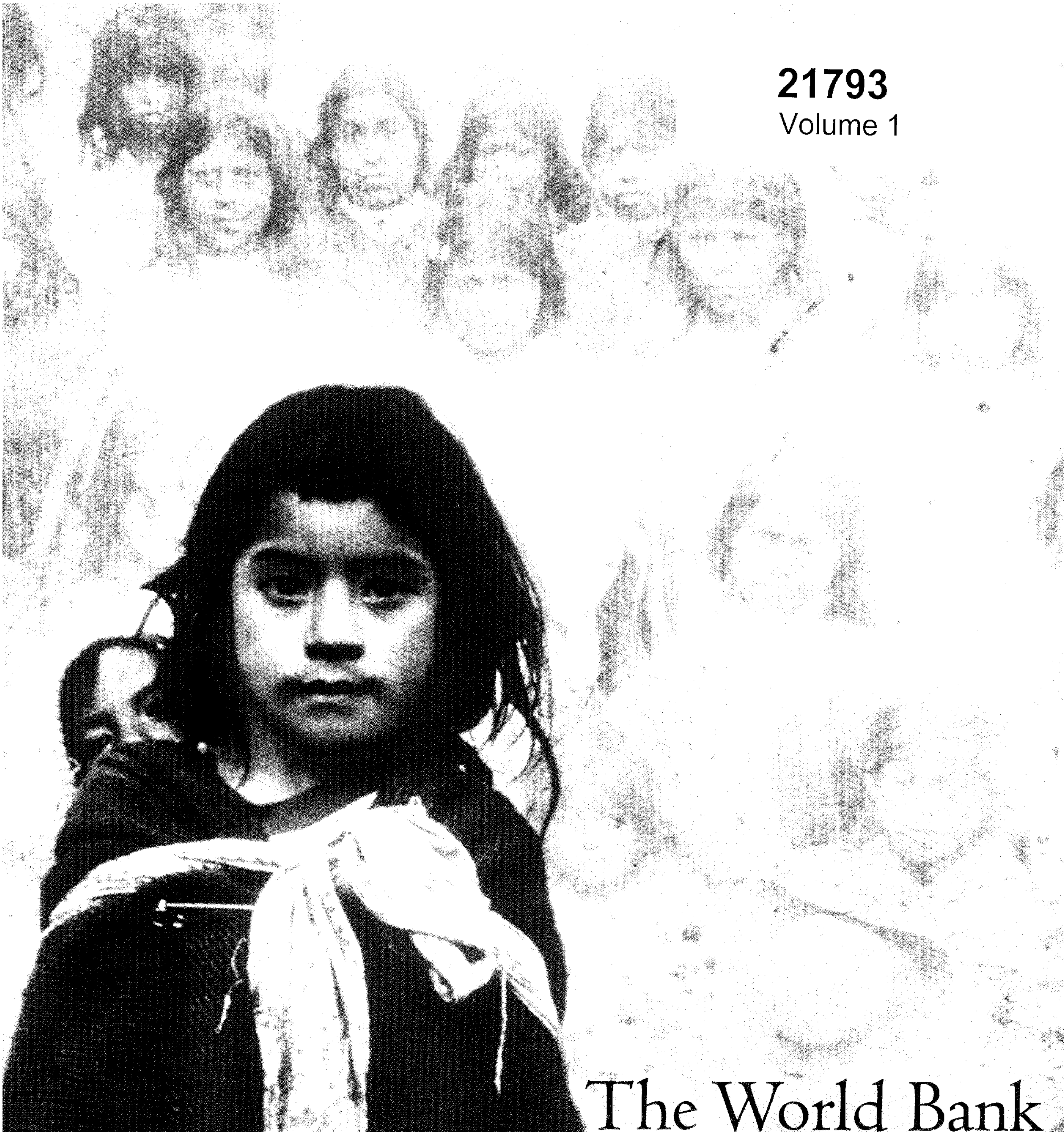
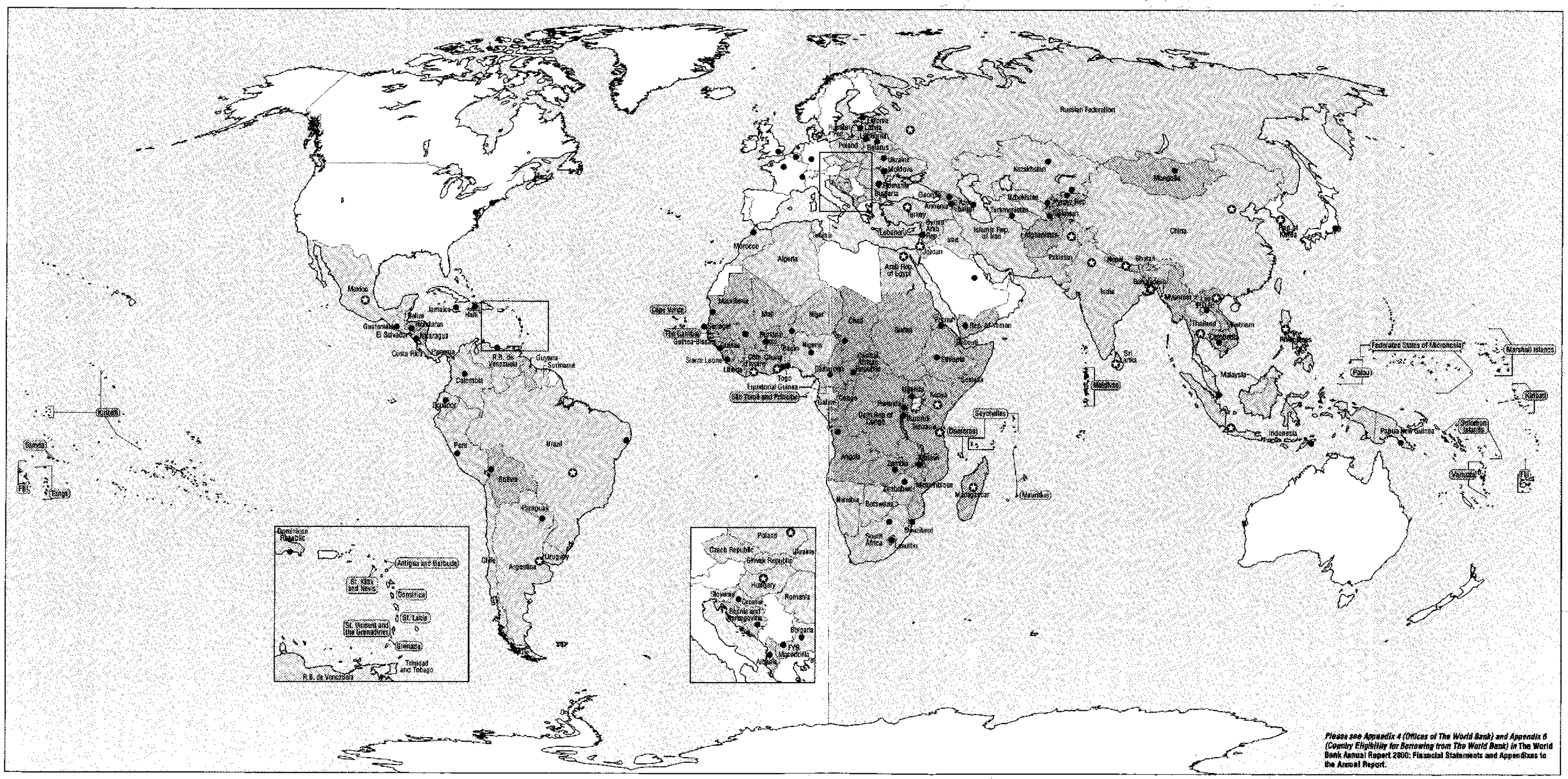


The World Bank Annual Report 2000

ANNUAL REVIEW AND SUMMARY FINANCIAL INFORMATION

THE WORLD BANK IN FISCAL YEAR 2000

The World Bank today operates out of nearly 100 offices worldwide. Increased presence in client countries is helping the Bank better understand, work more closely with, and provide faster service to clients. Three-fourths of outstanding loans are managed by country directors located outside the Bank's Washington, D.C. headquarters. Nearly 2,550 staff reside in the Country offices, representing an increase of 66 percent over five years ago.



Countries Eligible for IBRD Funds Only · Countries Eligible for Blend of IBRD and IDA Funds · Countries Eligible for IDA Funds Only · ● Offices of The World Bank · ✪ Offices with Country Director Present

***Poverty** remains a global problem of huge proportions. Nearly half of the world's 6 billion people live on less than $2 a day. Poor people lack opportunity. They lack political power and voice. And they are extremely vulnerable to sickness, violence, and natural disasters. The World Bank is firmly committed to making a difference, with the full conviction that progress is possible—with concerted action.*

Contents

Note

The complete Management's Discussion and Analysis, audited financial statements of the International Bank for Reconstruction and Development, audited financial statements of the International Development Association and the Interim Trust Fund, Appendixes, and Project Summaries are published in a separate volume as The World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report *and are available on the Internet at www.worldbank.org/html/extpb/annrep/.*

The World Bank in Fiscal 2000 Selected Data

(millions of U.S. dollars)

	Fiscal 2000	Fiscal 1999
Lending		
New Commitments		
IBRD[a]	10,919	22,182
IDA[a]	4,358	6,813
Total	15,276	28,995
IBRD Loans Outstanding	120,104	117,228
IDA Credits Outstanding	86,643	83,666
Disbursements		
IBRD[a]	13,332	18,215
IDA[a]	5,177	6,023
Total	18,509	24,238
IBRD Finances		
Net Income	1,991	1,518
Borrowings Outstanding[b]	110,379	115,739
Subscribed Capital	188,606	188,220
Equity Capital-to-loans ratio	21.2%	20.7%
Cofinancing and Trust Funds		
Cofinancing	9,341	11,350
Cofinancing/World Bank Lending ratio	61.1%	39.1%
Trust Fund Contributions[c]	1,769	1,568
Trust Fund Disbursements[c]	1,659	1,333

a. Excludes IDA HIPC grants but includes Interim Trust Fund.
b. Before swaps, net of premium/discount.
c. Includes all World Bank Group Trust Funds.

FISCAL 2000 HIGHLIGHTS

- Steady improvements in the quality of ongoing projects mean that billions of dollars are having a much greater beneficial impact on development. The share of projects at risk of not achieving their development objectives fell to an estimated 15 percent of the total in fiscal 2000, or roughly half the rate of fiscal 1996.
- New lending commitments declined to $15.3 billion, as peak demands from last year's IBRD "crisis" countries subsided in line with the strong global economic recovery.
- Seven countries qualified for debt relief under the enhanced Initiative for Heavily Indebted Poor Countries, six of them in Africa. Relief from all creditors to these seven countries, under the enhanced framework, is expected to amount to $8.4 billion over time.
- The Bank and the International Monetary Fund began to help countries prepare Poverty Reduction Strategies, which are becoming the basis for debt relief and concessional lending by the Bank, the Fund, and other development partners.
- The Bank announced up to $1 billion support to help IDA borrowers combat HIV/AIDS, and to address priority social problems with cross-border or global dimensions—with a special focus on Africa, and active partnership in the Global Alliance for Vaccines and Immunization.

The World Bank Group

The World Bank is a development institution whose mission is to fight poverty and improve living standards for people in the developing world. It provides loans, policy advice, technical assistance, and knowledge-sharing services. IBRD and IDA—together the "World Bank" or "the Bank"—are owned by member countries that carry ultimate decisionmaking power. The World Bank Group today consists of five closely associated institutions:

WORLD BANK

The International Bank for Reconstruction and Development

Established 1945
181 Members
Cumulative lending: $349.4 billion
Fiscal 2000 lending: $10.9 billion for 97 new operations in 41 countries

IBRD provides loans and development assistance to middle-income countries and creditworthy poorer countries. Voting power is linked to members' capital subscriptions, which in turn are based on each country's relative economic strength. IBRD is not a profit-maximizing organization but has earned a net income every year since 1948.

Restored roads in Peru's remote areas give poor, isolated villagers access to market centers and economic and social opportunities.

IDA

The International Development Association

Established 1960
161 Members
Cumulative lending: $120.3 billion
Fiscal 2000 lending: $4.4 billion for 126 new operations in 52 countries

IDA is the Bank's concessional lending arm and provides key support for the Bank's poverty reduction mission. IDA assistance is focused on the poorest countries, to which it provides interest-free loans (termed "credits") and other services. In fiscal 2000, 81 countries were IDA-eligible.

Rural communities participate actively in efforts to improve food security and nutrition standards in Benin.

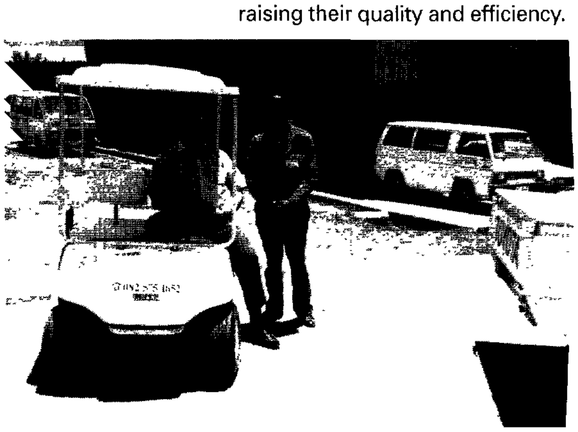
The International Finance Corporation

Established 1956
174 Members
Committed portfolio: $21.7 billion
Fiscal 2000 commitments: $2.4 billion for 75 countries

IFC promotes growth in the developing world by financing private sector investments and providing technical assistance and advice to governments and businesses. In partnership with private investors, IFC provides both loan and equity finance for business ventures in developing countries.

A village-level cellular phone network, enabled through GrameenPhone, empowers rural women entrepreneurs in Bangladesh.

Noncommercial guarantees help privatize commercial vehicle services in Lesotho, raising their quality and efficiency.



The Multilateral Investment Guarantee Agency

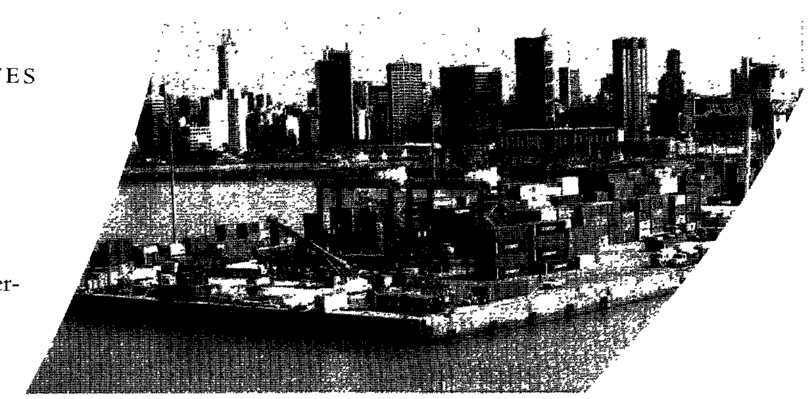
Established 1988
152 Members
Cumulative Guarantees issued: $7.1 billion
Fiscal 2000 Guarantees issued: $1.6 billion

MIGA helps encourage foreign investment in developing countries by providing guarantees to foreign investors against loss caused by noncommercial risks. MIGA also provides technical assistance to help countries disseminate information on investment opportunities.

The International Centre for Settlement of Investment Disputes

Established 1966
131 Members
Total cases registered: 75
Fiscal 2000 cases registered: 12

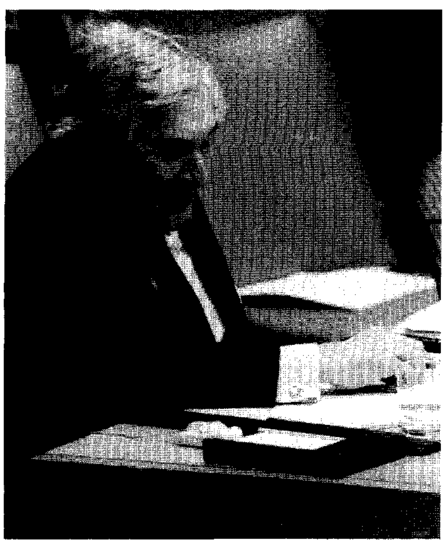
ICSID helps to encourage foreign investment by providing international facilities for conciliation and arbitration of investment disputes. ICSID also has research and publishing activities in the areas of arbitration law and foreign investment law.



A port terminal concession in Argentina is being arbitrated in ICSID.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS

A new millennium is beginning. For the World Bank, it is a time to ask ourselves, how can we improve our effectiveness in the fight against poverty? It is also a time to act: with urgency and with responsibility. Urgency, because roughly two billion more people will be joining us on this planet in the next 25 years, and we must be ready for them. Responsibility, because the 2.8 billion poor who currently live on less than two dollars a day are our fellow human beings, and not just a statistic.



In January 2000, James D. Wolfensohn addressed the Security Council on the impact of HIV/AIDS on peace and security in Africa, marking the first time that the Council discussed a health issue as a threat to peace and security.

Achieving a world free of poverty is an enormous and complex undertaking. And solutions are far from simple. The challenges are multidimensional; they call for people, groups, and institutions to come together to play a wide range of roles in a collegial, collective effort. It is only with strong coalitions—local, national, regional, and global—that we will succeed in fighting poverty; that much is clear.

What does it take to reduce poverty?

Our strategy, at the **country level**, is rooted in a wealth of lessons from development experience. Some of the key lessons are: that development assistance leads to progress in sound policy and institutional environments; that economic growth is crucial but must be accompanied by government action targeted to meet poor people's needs and to address the social costs of reform; that reforms cannot be imposed from the outside but must be "homegrown"; that communities must have a voice and play a role in their own development; and that open economies grow faster than closed economies. Our recent work on poverty—economic analysis as well as consultations with poor people—reveals that people in poverty are an asset, not a liability. It is imperative that we give them opportunities, that we empower them, and that we ensure their security.

Drawing on these lessons, our work is guided by the following principles:

➢ **Country ownership:** A country's progress depends fundamentally on its directing the policy agenda. Actions taken without broad buy-in have too often turned out to be unsustainable. Success requires that consensus-building by all stakeholders be part of the action agenda.

➢ **Long-term integrated approach:** To achieve sustainable growth, crucial for poverty reduction, poverty reduction strategies must be multidimensional. These strategies must address macroeconomic as well as social, environmental, and institutional needs. Progress must occur on all fronts, ranging from governance, anticorruption, and judicial and financial systems to health, education, and transport policies.

➢ **Partnership:** Collaborative relationships, shared objectives, and a mutually agreed-upon division of labor are crucial. We need to go beyond aid coordination: we need to align strategies, be selective, draw on mutual expertise, and reduce wasteful competition and duplication among donors.

➢ **Results focus:** It is crucial to have development outcomes as our guides, and these must flow directly from the long-term vision. Countries must set poverty reduction targets, lay out public policy actions to achieve them, and work with civil society to monitor progress.

We put forward this vision last year to the global community under a pilot approach we call the Comprehensive Development Framework (CDF). I am heartened that it is increasingly a shared vision. More countries and more partners are testing the CDF approach and participating in this work-in-progress. Our work with these countries in fiscal 2000 has advanced: their interest creates the learning ground, their experience will define the way forward. Continuing this theme is our joint endeavor with the IMF to help those countries eligible for debt relief, under the Heavily Indebted Poor Countries (HIPC) Initiative, to produce Poverty Reduction Strategy Papers (PRSPs).

Our strategy to fight poverty also requires action at the **global level.** There is much that can be done to promote disease reduction globally through greater use of cost-effective vaccines; to raise awareness of the impact of HIV/AIDS on development; to address transnational challenges such as the prevention of financial crises; to provide concerted debt relief to poor countries; and to preserve the world's natural resources. Each of these efforts could have a profound impact on poverty. In addition, empowering people with knowledge and technology could have far-reaching benefits. The Bank has taken important steps to advance the concept of the "Knowledge Bank," including efforts to develop the framework for a Global Development Gateway, being conceived as an Internet-based vehicle facilitating the provision and exchange of information.

At both country and global levels, our emphasis is on demand-driven services and aid effectiveness. The past year's decline in lending relative to the previous year's record volume attests to this evolution. Emerging market countries have needed substantially less financial support due to the strong recovery of global financial markets and a resumption of access to private capital. Other countries are indeed in need but lack the circumstances (national peace as well as sound policies and institutions) that would permit an effective use of financial aid. Lower lending also reflects smaller-sized operations, through which the "New Bank" has responded to country needs to adopt pilot approaches and build institutional capacity as prerequisites to successful development efforts. The Bank has, moreover, increased its reliance on nonlending services in the policy dialogue, recognizing their key role in building support for development efforts.

I cannot stress enough the importance of partnerships. The task ahead is too formidable for any single institution or set of institutions to tackle. Every one of us has a role to play: private sector, public sector, civil society, nongovernmental organizations (NGOs), academia, religious groups, multilateral and bilateral donors, and development organizations. If we are to achieve the United Nations–based international development targets, we all need to work together (see Box 1.1). Halving poverty levels by 2015 is possible, but only if we concert our efforts in a new way.

It is my firm conviction that the Bank has a crucial role to play in this challenge. As a cooperative, we enjoy the backing of nearly every nation of the world in pursuing our mission. As a development institution with a half-century of experience across countries and sectors, we have a vast array of lessons that we continue to build on every day. As a global institution with offices throughout the world, we have an unparalleled reach, growing in leaps and bounds in this age of communication, which is helping us get closer to the people we serve, and to share knowledge that is key to empowerment and progress. As a strong financial institution and leader in capital markets, we mobilize funding on good terms and tailor it to meet long-term development needs typically unmet by private creditors. And as a multinational employer, we are blessed with a rich pool of skills and talent, a group of people with an unequaled professionalism and devotion to fighting against poverty. I am enormously indebted to them.

The World Bank's track record shows clearly that we are making a difference, and that we are learning and adapting to client needs. Our task is to build on all that we have achieved. We, as a global community, can go down the business-as-usual path and see the numbers of poor grow steadily, decade after decade; or we can innovate and follow the path with more unknowns but infinitely more promise. For the Bank the choice is clear: we have embarked on a path of change, and we are committed to listening, learning, and acting in partnership until more and more people partake in the many opportunities that the new era of growth, technology, and global development has to offer.

James D. Wolfensohn

LETTER OF TRANSMITTAL

This Annual Report, which covers the period from July 1, 1999 to June 30, 2000, has been prepared by the Executive Directors of both the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) in accordance with the respective by-laws of the two institutions. James D. Wolfensohn, President of the IBRD and IDA, and Chairman of the Boards of Executive Directors, has submitted this Report, together with the accompanying administrative budgets and audited financial statements, to the Board of Governors.

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

Executive Directors	*Alternates*
Khalid M. Al-Saad	Mohamed Kamel Amr
Yahya Alyahya	Abdulrahman Almofadhi
Ruth Bachmayer	Luc Hubloue
Andrei Bugrov	Eugene Miagkov
Federico Ferrer	Cecilia Ramos
Godfrey Gaoseb	Girmai Abraham
Valeriano F. Garcia	Ivan Rivera
Inaamul Haque	Mohamed Dhif
Yuzo Harada	Akira Kamitomai
Jannes Hutagalung	Wan Abdul Aziz Wan Abdullah
Neil Hyden	Lewis D. Holden
Matthias Meyer	Jerzy Hylewski
Jean-Claude Milleron	Emmanuel Moulin
Ilkka Niemi	Anna M. Brandt
Terrie O'Leary	Alan David Slusher
Franco Passacantando	Helena Cordeiro
Stephen Pickford	Myles Wickstead
Jan Piercy	(vacant)
Murilo Portugal	Patricio Rubianes
Helmut Schaffer	Eckhardt Biskup
B. P. Singh	Syed Ahmed
Pieter Stek	Tamara Solyanyk
Bassary Toure	Paulo F. Gomes
Zhu Xian	Chen Huan

As of June 30, 2000

World Bank Executive Directors, May 18, 2000
Top row from left to right: Eugene Miagkov,* Matthias Meyer, Helmut Schaffer, Franco Passacantando, Lewis D. Holden,* Pieter Stek, Federico Ferrer, Satoru Miyamura, Ilkka Niemi, Jean-Claude Milleron, Stephen Pickford
Bottom row from left to right: Yahya Alyahya, Patricio Rubianes,* Inaamul Haque, Zhu Xian, Ivan Rivera,* B.P. Singh, Ruth Bachmayer, Terrie O'Leary, Jannes Hutagalung, Godfrey Gaoseb, Paulo F. Gomes,* Khalid M. Al-Saad (Jan Piercy, absent)
**Alternate Executive Director*

WHERE THE WORLD BANK GOT ITS MONEY IN FISCAL 2000...

International Bank for Reconstruction and Development

➢ In fiscal 2000, IBRD raised $15.8 billion in international debt capital markets. Borrowings and shareholder equity fund IBRD's loans and investments.
➢ The year's funding volume was below that of fiscal 1999, after peaking in fiscal 1998 due to above-average demand for financing.
➢ IBRD continued to borrow at favorable costs. IBRD's financial strength is based on the support it receives from its shareholders and on its array of financial policies and practices.
➢ IBRD issued debt in 13 currencies and in a wide range of maturities and structures in fiscal 2000. Diversification helps lower borrowers' funding costs and expand the Bank's investor base.
➢ Already a leader in emerging capital markets, IBRD launched its first Mexican peso and Chilean peso bond issues in fiscal 2000.
➢ A $3 billion electronic bond offering in January 2000 marked another first, continuing IBRD's tradition of innovation, financial strength, and flexibility to meet investor needs.

International Development Association

➢ Fiscal 2000 marked the first of three years under "IDA-12," the 12th Replenishment of IDA agreed upon by donors in November 1998. IDA-12 permits new IDA lending of approximately $20.5 billion in fiscal 2000–02, which is in line with recent levels.
➢ The 12th Replenishment included $11.6 billion of new donor funds and a $0.9 billion contribution from IBRD Net Income. The remainder, $8.0 billion, came from IDA's own funds, primarily from repayments of past credits and investment income.
➢ Nearly 40 countries are IDA donors. Donor nations include not only industrial countries but also developing and transition countries—some of them former IDA borrowers—such as Argentina, Botswana, Brazil, Hungary, Republic of Korea, the Russian Federation, and Turkey.
➢ IDA's finances are managed in a prudent and conservative manner. Its financial strength is based on a strong and continued support from its donors as well as the increasing level of repayments from maturing "credits" (the term applied to IDA loans).

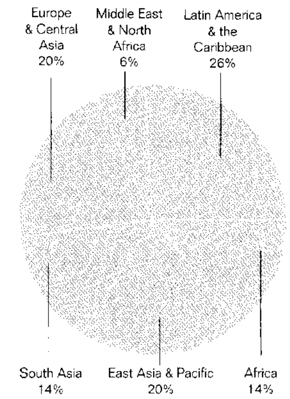
...AND WHERE IT WENT

The World Bank is the world's largest single source of development assistance to reduce poverty globally. A strong financial institution, it is able to leverage its shareholder capital several-fold to make available long-term development resources for IBRD lending on terms that the market would not have provided. Resources for IDA lending to poor countries—mostly without access to capital markets—are leveraged from shareholders' contributions. Bank lending also plays an important catalytic role, helping mobilize additional resources from cofinanciers or client governments to support common development objectives.

New lending of $15.3 billion in fiscal 2000 was below the record levels in fiscal 1998–99, as IBRD borrowers emerged from financial crisis. Lending declined in every region except Africa. Latin America and the Caribbean was the largest borrowing region ($4 billion). Poverty reduction continues to drive lending, with 22 percent of lending directed to human development. Improvements in project quality through greater selectivity, enhanced consultation, and strengthened preparation and supervision has meant that billions of dollars for borrowers' projects are used more effectively. Nine out of 10 new projects were rated satisfactory on preparation in calendar 1999, compared with 7 out of 10 in calendar 1996.

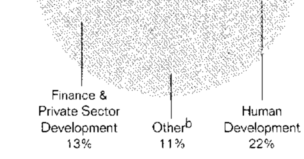
REGIONAL DISTRIBUTION OF IBRD AND IDA LENDING, FISCAL 2000

Total $15.3 billion



SECTORAL DISTRIBUTION OF IBRD AND IDA LENDING, FISCAL 2000

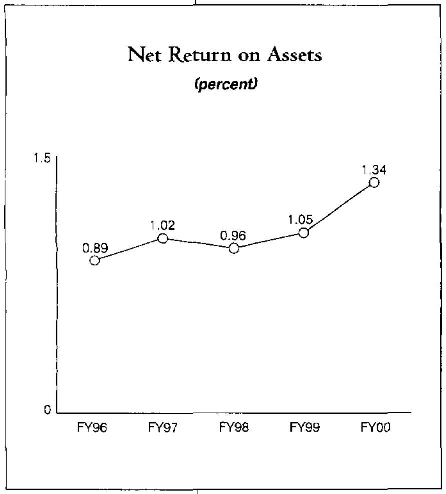
Total $15.3 billion



Note: Sector classification is on a loan-component basis. See Table 1.1, p. 33.
a. Includes transportation, telecommunications, and water supply and sanitation.
b. Includes multisector, electric power and energy, oil and gas, and mining.

IBRD FINANCIAL HIGHLIGHTS

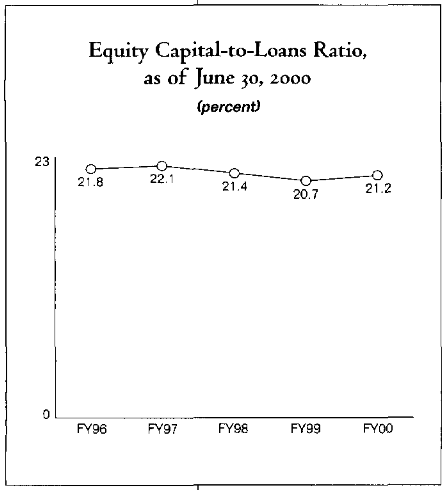
(see Section VI for more information)



MANAGING RETURNS TO MAINTAIN STRENGTH

➢ As a cooperative institution, IBRD does not seek to maximize profit but to earn adequate return on assets to ensure its financial strength and sustain its development activities on an ongoing basis.

➢ IBRD targets a net return on assets (ROA) of about 1 percent per annum. In fiscal 2000, a reduction in the loan loss provision due to improved credit quality of loans boosted ROA by 0.16 percent.

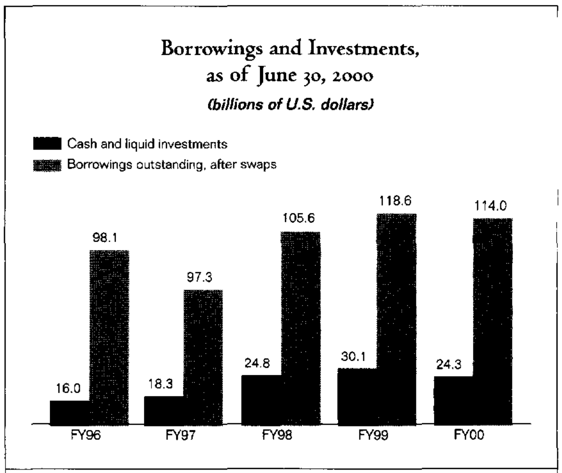


MANAGING RISK

➢ Consistent with its development mandate, IBRD's main risk is the credit risk of its loan portfolio. This risk is closely managed.

➢ IBRD keeps its exposure to market risk quite limited. Market risk arises due to movements in market variables such as interest rates and exchange rates.

➢ The Bank's equity capital-to-loans ratio is a summary measure of its risk-bearing capacity. This ratio declined over fiscal 1998–99 due to a surge in Bank lending. However, the Bank remains strongly capitalized.



ACHIEVING EFFICIENT INTERMEDIATION

➢ IBRD's high credit rating (AAA) allows the Bank to borrow for long maturities at favorable terms. The Bank borrows globally in multiple markets and currencies.

➢ Outstanding debt after swaps reached 76 percent of average total earning assets, as of June 30.

➢ IBRD borrowed $15.8 billion at medium- to long-term maturities in fiscal 2000. Innovation in capital markets continued: IBRD pioneered a first-ever electronic bond offering and became the first foreign issuer in the Mexican and Chilean peso bond markets, creating a new asset class for foreign investors.

➢ As of June 30, 2000 the liquid asset portfolio was $24.3 billion, comprised of extremely liquid investments.

IBRD OPERATIONAL HIGHLIGHTS

Lending: Volume Down, Quality Up *(see also Overview)*

➢ The quality of IBRD operations continued to improve: ongoing projects had substantially fewer problems than a few years ago.

➢ As emerging markets recovered from the financial crisis, IBRD lending in fiscal 2000 fell below the record levels of the last two years, back to historical pre-crisis trends in lending levels.

➢ The level and type of Bank lending support has been continuously evolving in response to changing demands from country clients. Global economic recovery contributed strongly to trends in Bank lending over the past year, as successful economic reforms in many emerging markets restored their access to international capital markets. Lower volume also reflects a gradual downtrend in the size of operations in line with the ongoing shift away from large infrastructure projects toward smaller operations supporting institution-building and human development.

➢ Increasingly, nonlending activities precede or accompany lending to promote effective use of resources; advisory and analytical services in fiscal 2000 helped countries build consensus and ownership.

Lending by Region: Last Year's Crisis Borrowings Recede

➢ Loans to Brazil, Colombia, and Mexico—three of the IBRD's top five borrowers in fiscal 2000—accounted for a large part of new commitments in the Latin America and Caribbean region.

➢ Turkey was the largest IBRD borrower in fiscal 2000 ($1.8 billion), as the Bank supported key structural and social reforms and responded to a severe earthquake; China was the second largest ($1.7 billion), reflecting the Bank's support for infrastructure and rural development needs.

➢ In the wake of East Asia's marked economic recovery, the region borrowed $2.5 billion in fiscal 2000, compared with $8.8 billion in both fiscal 1999 and fiscal 1998. Argentina and Indonesia, last year's largest borrowers ($6 billion combined), together borrowed under $70 million in fiscal 2000.

Lending by Sector: Institutions and Infrastructure; People

➢ IBRD support in fiscal 2000 focused on strengthening the financial sector ($1.6 billion), improving public sector management ($1.5 billion), and meeting infrastructure needs ($1.8 billion including transport, telecommunications, and water supply)—key elements for successful private sector development and poverty reduction.

➢ Human development was also a priority in IBRD assistance in fiscal 2000: lending for education, health and nutrition, and social protection amounted to $1.7 billion, with notable support for strengthening health systems and health care institutions.

➢ Also noteworthy was the support for rural development and environmental needs ($1.5 billion, half of which for China), while multisector lending ($0.5 billion) reflected mainly assistance for disaster recovery, including prevention and risk mitigation efforts.

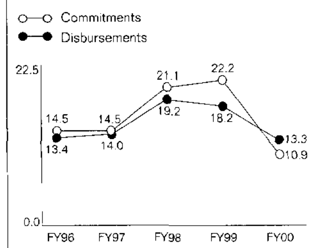
IBRD Investment and Adjustment Lending

➢ Investment lending accounted for the bulk of IBRD's new commitments in fiscal 2000 (59 percent of the total). The share of adjustment lending fell from 63 percent in fiscal 1999 to 41 percent in fiscal 2000.

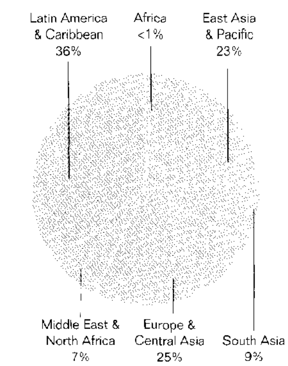
➢ IBRD support for structural and sectoral adjustment (promoting policy and institutional reforms conducive to private sector–led growth and poverty reduction) focused on financial sector and public sector management reforms and governance (including assistance for decentralization in Mexico, fiscal transparency in Thailand, and subnational reforms in India's Uttar Pradesh state).

➢ Latin American countries accounted for much of the year's adjustment lending, but other reforming nations (such as Thailand and Turkey) also recieved substantial support.

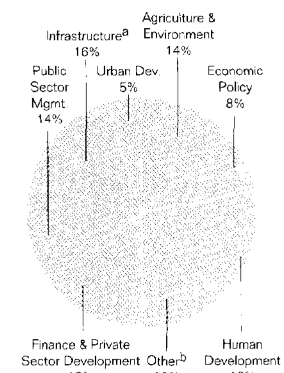
IBRD Lending Commitments and Disbursements, Fiscal 1996–00
(billions of U.S. dollars)



IBRD Lending by Region, Fiscal 2000
Total $10.9 billion

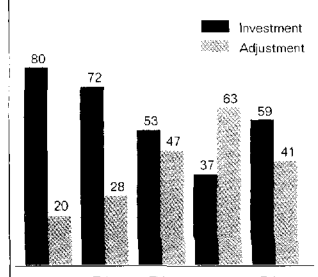


IBRD Lending by Sector, Fiscal 2000
Total $10.9 billion

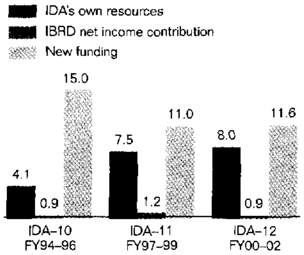


Note: Sector classification is on a loan-component basis. See Table 1.1, page 33.
a. Includes transportation, telecommunications, and water supply and sanitation.
b. Includes multisector, electric power and energy, oil and gas, and mining.

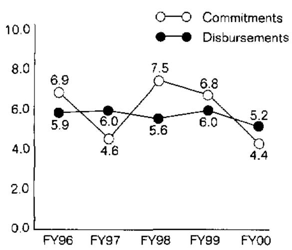
IBRD Investment and Adjustment Lending, Fiscal 1996–00
Share of total $10.9 billion (percent)



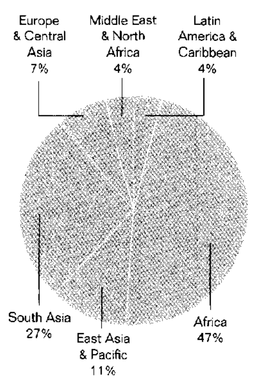
IDA Replenishment
(billions of dollars)



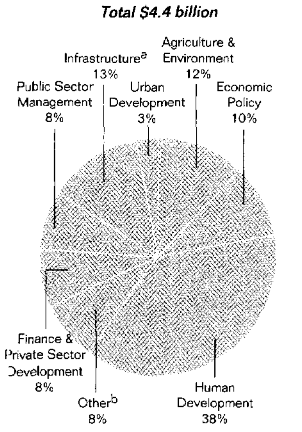
IDA Lending Commitments and Disbursements, Fiscal 1996–00
(billions of dollars)



IDA Lending by Region, Fiscal 2000
Total $4.4 billion



IDA Lending by Sector, Fiscal 2000
Total $4.4 billion



Note: Sector classification is on a loan-component basis. See Table 1.1, page 33.
a. Includes transportation, telecommunications, and water supply and sanitation.
b. Includes multisector, electric power and energy, oil and gas, and mining.

IDA FINANCIAL AND OPERATIONAL HIGHLIGHTS

IDA FINANCING

➢ Effective March 23, 2000, IDA-12 replenishment provides resources for new financing commitments during fiscal 2000–02.
➢ IDA-12 replenishment of $20.5 billion included $11.6 billion of new donor funds.
➢ IBRD Net Income contributed $0.9 billion to IDA-12.
➢ IDA's own resources represent $8.0 billion. This source of funds has become increasingly important as a share of replenishments, rising from 20 percent in IDA-10 to 39 percent in IDA-12.

LENDING: LOWER VOLUME, FOCUS ON EFFECTIVE USE OF RESOURCES

➢ A decline in IDA lending commitments in fiscal 2000 reflected the confluence of country-specific factors—especially policy and institutional performance and conflict situations in Africa and Asia—and IDA's focus on selectivity and aid effectiveness.
➢ As with IBRD operations, innovative new lending instruments that promote learning and innovation with reduced risk and greater aid effectiveness also imply smaller operations. The size of new IDA operations averaged under $35 million in fiscal 2000, compared with $55 million for fiscal 1990–99.
➢ As with IBRD operations, operational quality continued to improve, while analytical and advisory services—and new support for preparing Poverty Reduction Strategies—enhanced prospects for successful use of IDA resources.

LENDING BY REGION: FOCUS ON AFRICA AND ON REFORMERS

➢ New IDA commitments to the Africa region in fiscal 2000 stood at $2.0 billion, about the same level as in fiscal 1999 but constituting a higher share of total IDA lending and approaching the 50 percent target set by IDA donors.
➢ India was the largest IDA borrower in fiscal 2000 with new commitments of $867 million, followed by support for structural and social reforms in Tanzania ($330 million), Vietnam ($286 million), as well as Mozambique, Senegal, and Zambia.

LENDING BY SECTOR: HUMAN DEVELOPMENT, REFORM, INFRASTRUCTURE

➢ Support for human development—including education, health and nutrition, and social protection—was the most important focus of IDA lending in fiscal 2000 ($1.6 billion, a third of which for India).
➢ Human development operations repeated successful experience (especially in social funds and education), focused on basic health and education, and involved innovative approaches (such as distance learning in Benin and community development in Lesotho).
➢ Support for economic reform, economic recovery (multisector), and private sector development was focused largely on Africa ($0.7 billion).
➢ IDA support for infrastructure needs was also significant ($0.6 billion), recognizing these countries' limited access to private capital—which plays an increasing role in financing infrastructure—and supporting sector reforms (Madagascar transport, Nicaragua telecom) as well as rural development (Bhutan, Vietnam).
➢ Assistance for agricultural and environmental needs was also significant ($0.5 billion), with the largest number of operations in Eastern Europe.

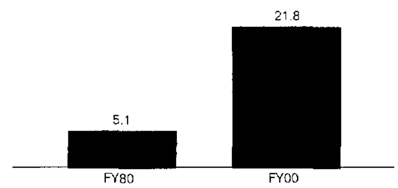
RESPONDING TO A CHANGING WORLD

In July 1944, 44 countries came together to form the International Bank for Reconstruction and Development. Their immediate goal was to help war-torn economies rebuild after World War II. Since then, much has changed in the world—and in what is, today, the World Bank. Most countries of the world are now members of the Bank and support its efforts to achieve a world free of poverty.

AS THE WORLD HAS CHANGED...	...WORLD BANK ASSISTANCE HAS EVOLVED
As far too many have not benefited enough from economic progress, and the numbers of poor have steadily grown...	**...the Bank has anchored its mission in poverty reduction, with expanded support from a concessional lending arm, the International Development Association (IDA), and a greater focus on people's well-being, health, and education**
As state-controlled, closed economies have generally failed, and market-based, open economies have mostly succeeded...	**...Bank assistance has supported market-friendly policies and institution-building that are key to private investment, export-led growth, and poverty reduction**
As donor budgets have tightened, and private capital flows have surged in importance...	**...Bank assistance has been refocused toward countries, sectors, and poorer target populations that tend to benefit less from private flows**
As structural reforms have proven a necessary but insufficient condition for poverty alleviation...	**...the Bank has emphasized the need to make growth inclusive: the focus is on social protection, good governance, and the role of an effective state in addressing needs unmet by the private sector**
As development has proven complex and not solely a function of financial resources...	**...the Bank has expanded its loan product menu and increasingly complemented its lending with nonlending services to empower people with knowledge and capacity and to help build national consensus**
As democratic principles have taken root and societies have become more open...	**...the Bank has, in its work, increasingly emphasized consultation and participation to strengthen the people's voice and to promote country ownership of development efforts**
As financial and natural crises have dealt blows to the world's poorest people...	**...the Bank has responded on many fronts: providing finance, mobilizing and coordinating donor interventions, ensuring attention to poor people's needs, and supporting efforts to assess future risks and prepare for them**

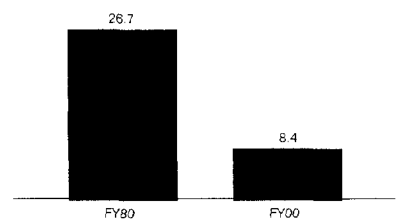
LENDING FOR HUMAN DEVELOPMENT[a,b]

Share of Total Lending (in percent)



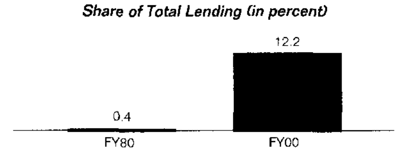
LENDING FOR ENERGY, MINING AND TELECOMMUNICATIONS[a]

Share of Total Lending (in percent)



LENDING FOR PUBLIC SECTOR MANAGEMENT[a]

Share of Total Lending (in percent)



a. FY00 data based on a classification-by-component basis. See Table 1.1, page 33.
b. Includes education; health, nutrition and population; and, in FY00, social protection. (The social protection category did not exist in fiscal 1980).

GOAL: HALVE THE PROPORTION OF PEOPLE LIVING IN EXTREME POVERTY BY 2015

The Poverty Challenge: Where We Are Today

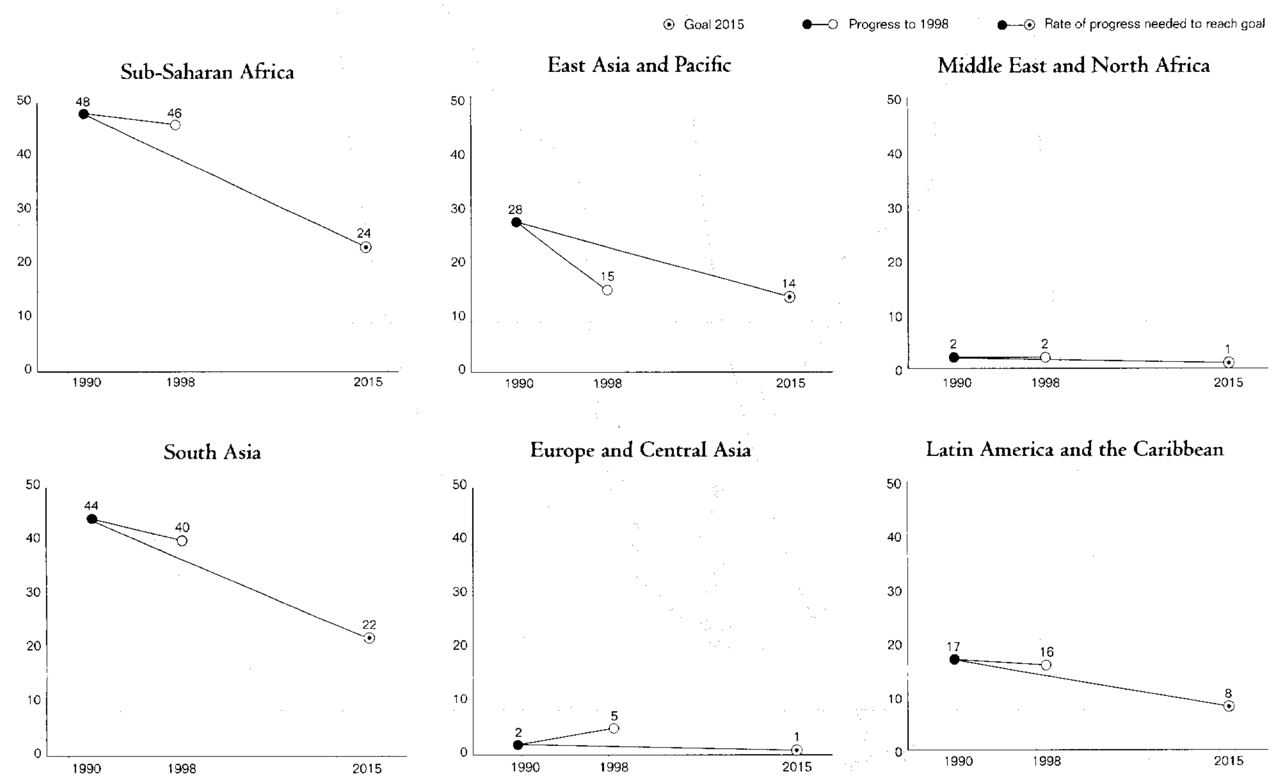
Across the globe one person in five lives on less than $1 a day—and one in seven suffers chronic hunger

In many developing countries, the poor struggle at the margin of the formal economy. They lack political influence, education, health care, adequate shelter, personal safety, regular income, and enough to eat.

Worldwide, the number and proportion of people living in extreme poverty declined slightly through the mid-1990s. Most of the decline was in East Asia, notably in China. But progress slowed temporarily in some Asian countries in the late 1990s, and ground to a halt or reversed in others. In the rest of the world, while the proportion of people in poverty declined, population growth meant that the number of poor people increased. And in the Europe and Central Asia region, undergoing economic and social transition, the proportion of poor more than tripled.

PROGRESS IN SOME REGIONS, DELAYS AND SETBACKS IN OTHERS

Proportion of people living on less than $1 a day (percent)



This material is based upon A Better World for All: Progress towards the International Development Goals *published jointly by the IMF, OECD, UN and World Bank (June 2000). For more information visit www.paris21.org/betterworld*

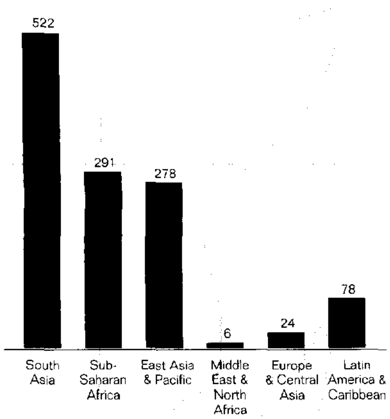
THAILAND ALTERS ITS DEVELOPMENT PATH

Between 1988 and 1996, Thailand's economy grew by 7% a year, and the share of the population in poverty dropped from 22% to 11%. But the country's financial crisis pushed that share back up to 13% in 1998. In response, Thailand is redirecting its development strategy to reduce inequality, which remained high despite all the growth.

The country's development plan, now more people-centered, has increased resources to the poorer north and northeast. The objective: to reduce poverty to less than 10% by 2001. A new social investment fund helps create jobs and supports social services for poor people. As part of the new strategy, governance reforms are geared to increasing accountability and giving authority to local district councils, which now elect their own officials and command greater resources.

1.2 BILLION LIVE IN EXTREME POVERTY

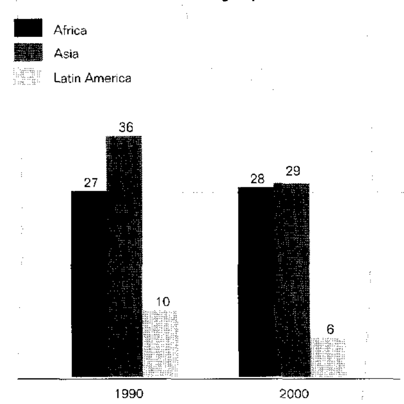
People living on less than $1 a day (millions), 1998



The numbers of poor are greatest in South Asia, but the proportion of poor people is highest in Sub-Saharan Africa. Most poor people live in rural areas, but urban poverty is growing faster. Women are more likely than men to lack rights to land and other assets. They also have difficulty getting access to credit. And they lack adequate employment and economic security in old age.

MALNUTRITION: ANOTHER DIMENSION OF POVERTY

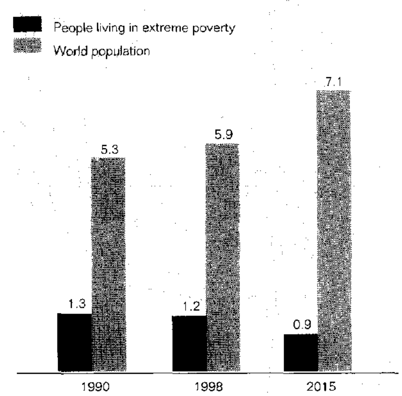
Proportion of children under age five who are underweight (percent)



Today there are 150 million underweight children in the developing world. But the proportion of malnourished children is falling everywhere except Africa. Being underweight increases the risk of death and inhibits mental and physical development. Malnourished women are more likely to have underweight babies. Despite progress, special efforts will be needed to meet the World Food Summit goal of halving the number of undernourished people by 2015.

REACHING THE GOAL: AMBITIOUS, NOT IMPOSSIBLE

World population and number in extreme poverty (billions)



Poverty rates can be cut in half by 2015 if countries follow policies that reduce social and gender inequalities and create income-earning opportunities for poor people. But actions by industrial countries are crucial; development assistance must continue to support poverty reduction efforts. Debt relief and open markets for developing country exports can play an important role. Meeting this goal is only a first step, because even if it is reached, almost 900 million people will still be left in extreme poverty. That is why the effort to eliminate poverty needs to be intensified.

The Poverty Challenge: What the World Bank Is Doing

GOVERNANCE MATTERS

Good governance and strong institutions are central themes of World Bank support for poverty reduction. Why? Because they:

- *directly improve the quality and accessibility of services to poor people (e.g., education, health, water, justice);*
- *contribute to economic growth and help ensure that budget allocation and policymaking take place in an environment that is open, transparent, noncorrupt, and not biased against poor people;*
- *give citizens—including poor people—greater voice, which increases the accountability of government to its citizens and thus improves public performance.*

Intensifying focus on poverty. Over the past year, we have conducted wide-ranging participatory poverty analyses and elaborated a framework for poverty reduction in the *World Development Report 2000/2001* (see facing page). We are supporting important efforts to reduce inequality, particularly in poor people's access to assets. And we are measuring progress by poverty-related outcomes rather than amounts loaned.

Helping countries adopt a strategic framework for poverty reduction. In fiscal 2000, we linked debt relief and concessional assistance more closely to poverty reduction (see "Poverty Reduction Strategy Papers," facing page). Working with the IMF, we are combining the Fund's expertise in helping countries follow sound macroeconomic policies with the Bank's experience in social and structural policies and programs.

Fighting poverty at the global level. We are helping provide global public goods like knowledge, health, agricultural research, and environmental best practice that can go far in helping poor people; we are working with partners to prevent financial crises and mitigate their impact.... **and at the local level:** We are working with communities and helping empower poor people to become agents of change. Pilot community-based development programs will help us learn how to better work with communities. We are also helping people to use natural resources in a manner that does not undermine their long-term welfare.

Sharpening the poverty focus of Country Assistance Strategies (CASs). CASs and related lending and nonlending services are aimed at supporting policies, strengthening institutions, and financing programs that help people better feed and educate their children, find jobs, increase incomes, and manage resources, as illustrated below.

COUNTRY ASSISTANCE

Assistance to India is focused on state-level reform and development, for example in Uttar Pradesh, the most populous and one of the poorest states. Other support will help eradicate polio by the 2001 target date, reduce infant and maternal mortality, and raise enrollment and literacy.

LENDING SERVICES

Mali's Grassroots Initiatives Project is improving living standards in the poorest rural areas. Building communities' capacity for decision-making on resource use is empowering them to take charge of their own development.

NONLENDING SERVICES

A new monitoring system on poverty in Indonesia measures the extent of poor people's vulnerability to local and national shocks; suggests improvements to safety nets to reduce such vulnerability; and introduces indicators to monitor desired outcomes.

World Development Report 2000/2001: Attacking Poverty

The *World Development Report (WDR) 2000/2001* builds on past thinking and strategy but also substantially broadens and deepens what is judged to be necessary to meet the poverty challenge. The experience of the last decade has shown the need for countries to develop strategies that go beyond labor-intensive growth and human development, as advocated in the WDR 1990: institutional context, structural inequality, social barriers faced by disadvantaged groups, and exposure to economic crises and natural disasters all affect a country's ability to reduce poverty effectively.

The WDR 2000 is developed around a notion of poverty as defined by poor people themselves through multi-country participatory studies. They speak not only of their lack of opportunities for economic advancement but also of their powerlessness, voicelessness, vulnerability, and fear.

The WDR 2000 proposes, at the country level, a general framework for action in three equally important areas. Countries should set their own priorities and sets of actions across these three pillars:

➢ ***Promoting economic opportunities*** for poor people through equitable growth, better access to markets, and expanded assets;

➢ ***Facilitating empowerment*** by making state institutions more responsive to poor people and removing social barriers that exclude women, ethnic and racial groups, and the socially disadvantaged;

➢ ***Enhancing security*** by preventing and managing economywide shocks and providing mechanisms to reduce the sources of vulnerability that poor people face.

Actions are also required at the international level. Such actions would promote financial stability; ensure that technological, scientific, and medical progress benefit poor countries; increase debt relief and make development assistance less intrusive; open developed country markets to developing country exports; and give voice to poor people in international forums. Progress on these fronts will ensure that countries' efforts to attack poverty are effective, locally owned, and sustainable.

Poverty Reduction Strategy Papers Based in the Comprehensive Development Framework

In a major new program launched in December 1999, Poverty Reduction Strategy Papers (PRSPs), produced by countries, are becoming the basis for debt relief and for concessional lending by the Bank and the International Monetary Fund.

This new program is the result of growing international concern about the slow progress in reducing poverty. Following intense consultations among national governments, the Bank, the Fund, U.N. agencies, regional development banks, NGOs, and religious groups, it was agreed at the joint Bank–Fund Annual Meetings in September 1999 that the Heavily Indebted Poor Countries (HIPC) Initiative would provide enhanced and faster debt relief, and that poverty reduction strategies would guide the use of freed-up resources.

In terms of content, PRSPs emphasize:

➢ Understanding the nature and locus of poverty and the links between growth and poverty reduction

➢ Identifying public actions that have the highest poverty impact

➢ Selecting and tracking outcome indicators

In terms of process, PRSPs emphasize:

➢ Country leadership in articulating a development vision

➢ Participatory processes to ensure broad-based support, good governance, transparency, and accountability

➢ Close collaboration between the Bank and the Fund and across all development partners

PRINCIPLES UNDERLYING CDF AND PRSPs

PRSPs, in effect, apply the principles of the Comprehensive Development Framework (CDF), a development approach introduced by the Bank in fiscal 1999, which is beginning to be adopted by several countries. The PRSP process will build on the valuable experience of countries piloting the CDF approach. It emphasizes the following principles:

➢ ***Countries own*** *the development strategy.*

➢ *Strategies are* ***comprehensive****, reflecting the multidimensional nature of poverty and the need to integrate institutional, structural, and sectoral interventions into a consistent macroeconomic framework.*

➢ *Strategies adopt a* ***long-term perspective****.*

➢ *Strategies are developed and implemented in* ***partnership****, with the PRSP becoming the basis for donor support.*

➢ *Strategies aim to achieve* ***results on the ground****.*

Section I

Overview

In fiscal 2000, the World Bank took important steps, together with its clients, to pave the way for solid progress in the fight against poverty. Every step involved partners, some old, some new, many at the country level, some at the global level.

Global Context: Recovering Economies, Persistent Challenges

Economic and financial conditions recovered sharply in 1999 from the trials of the prior two years. At an estimated 3.3 percent, world economic growth exceeded expectations, led by a strong United States economy and policy reforms in emerging market countries. Global trade recovered strongly, and commodity prices firmed. These elements will permit more "self-financing" of development by countries. The present challenge is to sustain and strengthen this economic turnaround. *Global Development Finance 2000* suggests that those countries that rely more heavily on trade, are more diversified, attract more foreign direct investment, and have become more competitive are the most likely to sustain growth.

In all regions, progress is evident but obstacles remain. Africa's advances cannot keep pace with poverty, as conflict persists and HIV/AIDS continues its ravage of the continent's working-age people as well as of its children. Recovery in crisis-hit East Asia was better than expected, and the crisis' social impact less than feared, but an overhang of domestic bad debt clouds the picture. South Asia continued to lead the developing world in growth but poverty remains entrenched, and conflict situations are diverting public resources. Eastern Europe is facing challenges of poverty and inequality that were unknown a decade ago. Inequality also mars Latin American and Caribbean nations' economic and social landscape; in addition, these countries fell victim to natural disasters during the year. The numbers of poor are also rising in the Middle East and North Africa region, where, despite economic advances, high unemployment persists.

The international goal of halving the proportion of the world's population living in absolute poverty by 2015 is attainable but difficult, according to *World Development Indicators 2000* (WDI 2000; see Box 1.1; see also "The Poverty Challenge" at the beginning of this report). The report finds that the goal can be reached if economic growth resumes (and indeed accelerates)

BOX 1.1 THE INTERNATIONAL DEVELOPMENT GOALS

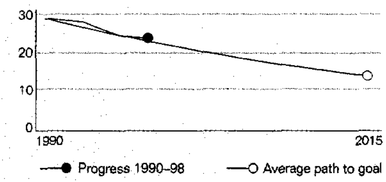
The goals for international development aim at a world free of poverty. Set in quantitative terms, the goals come from the agreements and resolutions of the world conferences organized by the United Nations in the 1990s and reconfirmed at the Social Summit in Geneva in June 2000. The goals will not be easy to achieve, but progress in some countries and regions shows what can be done. The message is that if some countries can make great strides in reducing poverty in its many forms, others can as well. But it will take hard work. Success will require, above all, stronger voices for poor people, economic stability and growth that favors them, basic social services for all, open markets for trade and technology, and good use of the resources for development.

This material is based upon A Better World for All: Progress Towards the International Development Goals *published jointly by the IMF, OECD, UN, and World Bank (June 2000). For more information, visit*www.paris21.org/betterworld.

Reduce the proportion of people living in extreme poverty by half between 1990 and 2015

As growth increased globally in the mid-1990s, poverty rates fell—rapidly in Asia, but little or not at all in Africa. Income inequality is a barrier to progress in Latin America.

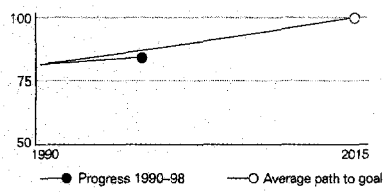
People Living on Less Than $1 a Day *(percent)*



Enroll all children in primary school by 2015

Although enrollment rates continue to rise, they have not risen fast enough. Per current trends, more than 100 million school-age children will not be in school in 2015.

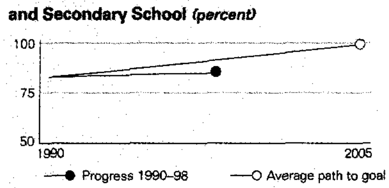
Net Primary Enrollment Rate *(percent)*



Make progress towards gender equality and empower women by eliminating gender disparities in primary and secondary education by 2005

Getting more girls through school is an essential first step to empowering women. The gender gap has narrowed, but girls' enrollment remains significantly behind that of boys.

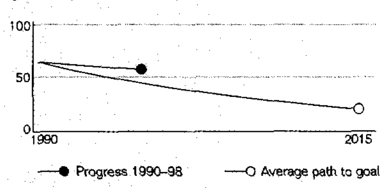
Ratio of Girls to Boys in Primary and Secondary School *(percent)*



Reduce infant and child mortality rates by two-thirds between 1990 and 2015

For every one country that cut infant and under-5 child mortality rates fast enough to reach the goal, 10 lagged behind—and another one moved backwards, often because of HIV/AIDS.

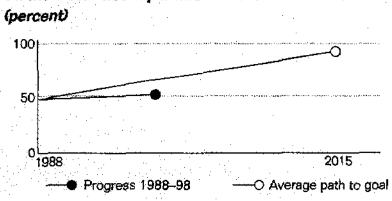
Mortality Rate for Children Under Age Five per 1,000 Live Births



Reduce maternal mortality ratios by three-quarters between 1990 and 2015

Skilled care during pregnancy and delivery can do much to avoid many of the half-million maternal deaths each year. The proportion of births attended by skilled personnel rose slowly in the 1990s.

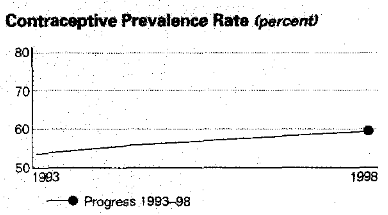
Births Attended by Skilled Health Personnel *(percent)*



Provide access for all who need reproductive health services by 2015

Contraceptive use is one indicator of access to reproductive health services. With increasing access to such services, the rate of contraceptive use is rising in all regions.

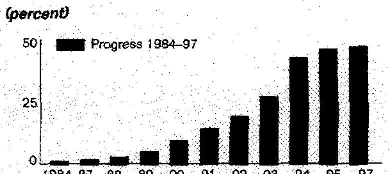
Contraceptive Prevalence Rate *(percent)*



Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015

Despite their commitments at the Rio Earth Summit in 1992, fewer than half the world's countries have adopted environmental strategies, and even fewer are implementing them.

Countries with Environmental Strategies *(percent)*



and if inequality does not increase. Progress has been uneven: While the poverty rate has fallen in some large countries, especially in China, other parts of the world have seen an increase in the proportion of people living in extreme poverty. Social indicators have generally improved over three decades but progress in many areas has been too slow to allow achievement of the international goals. And inequalities across income level and gender are often evident. In India, for example, the majority of 15- to 19-year-olds from the bottom 40 percent of households has not completed even one year of schooling, whereas the same age group from the richest 20 percent of households has completed 10 years of school. Similar patterns exist in many developing countries.

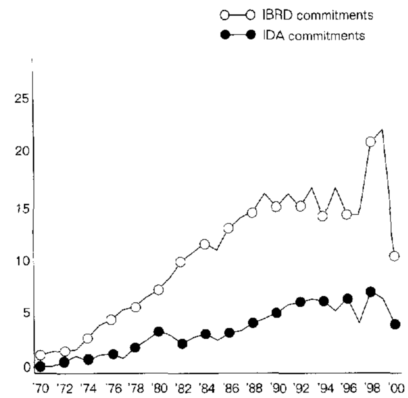
The Bank's contribution to poverty reduction in fiscal 2000 is the subject of this overview. This section presents fiscal 2000 operational results and then outlines the wide-ranging steps taken this past year that mark the changes in the Bank's work and set the strategic directions for the next several years. (For fiscal 2000 financial results, see Section VI.)

World Bank Assistance: Results of Operations

Fiscal 2000 was a year of lower lending volumes, sustained improvement in the quality of lending, and expanded nonlending support.

Total lending in fiscal 2000 amounted to $15.3 billion for the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) combined, significantly below the record levels of the last two years (see Table 1.1, on page 33). Having reached peak levels in the wake of the 1997–98 financial crises that hit three continents, demand for IBRD funds subsided in fiscal 2000 as global financial markets recovered and emerging market economies regained access to private capital flows. Lending to IBRD "crisis" borrowers—Argentina, Brazil, Indonesia, Republic of Korea, the Russian Federation, and Thailand—which accounted for $13 billion in fiscal 1999, was down to $1.8 billion in fiscal 2000. IDA lending also declined, although by less, which reflects the confluence of country-specific factors, largely in Asia (Bangladesh, Pakistan, and Vietnam) and in Africa (Côte d'Ivoire, Eritrea, Ethiopia, and Zimbabwe), where several countries faced conflict situations.

FIGURE 1.1
IBRD AND IDA LENDING TRENDS, FISCAL 1970–00
(billions of dollars)



The year's results attest to an increasing emphasis, in Bank assistance, on demand-driven services and aid effectiveness. In fiscal 1998–99, the Bank had responded rapidly to IBRD borrowers' changing needs, in the face of difficult market conditions, while the recovery of financial markets explains the significant decline in lending in fiscal 2000. But the results also reflect two underlying trends characterizing the 1990s: a leveling of overall demand compared with the steady growth in the two previous decades, and within that band, greater volatility (see Figure 1.1)—both the result of increased reliance by IBRD borrowers on private capital markets. Meanwhile, in line with IDA's increasing focus on aid effectiveness, new IDA commitments declined in fiscal 2000 in response to a deterioration in country policy performance (including governance), and other conditions that dimmed prospects for effective use of financial aid. For both IBRD and IDA countries, lower lending also reflects a trend toward smaller operations, as countries have sought more support for the social sectors, public sector management, and institution building—rather than large-scale physical infrastructure investment, where the private sector is assuming a growing role. New lending instruments that provide phased support and that promote learning and innovation—both aimed at reducing risk and building institutions to increase aid effectiveness—also imply smaller operations. Average

MAKING A DIFFERENCE... TO INDIA'S HEALTH.

Bank-supported reforms in six states are transforming the quality of health care systems—and beginning to have a major impact on health outcomes.

MAKING A DIFFERENCE... TO TANZANIA'S POOR.

IDA's $1.2 billion in debt relief to Tanzania enables more public spending for poor people and will help the country pursue economic growth-led poverty reduction.

loan size in fiscal 2000 was $69 million, compared with $93 million for fiscal 1990. Finally, the year's lending results also reflect a strengthened emphasis on quality, in recognition of the greater complexity of operations as well as heightened concern for fiduciary frameworks—corruption-free procurement, for example—and social and environmental safeguards.

In fiscal 2000, the Bank increased its emphasis on **nonlending** services to enhance aid effectiveness. A wide range of advisory, analytical, training, and knowledge-related services sought to nurture improved policies, strengthen coordination among partners, and build domestic capacity to manage development programs. Bank assistance increasingly recognizes that the quality of lending is enhanced when it is accompanied or preceded by nonlending services that provide advice and knowledge. But nonlending services also have development impact when used without lending to inform the policy dialogue and to underpin the development of Country Assistance Strategies (CASs). A significant example of this relationship was the Bank's support in fiscal 2000 to countries in the preparation of Poverty Reduction Strategy Papers, which set out country priorities and policies providing the context for debt relief or IDA lending through the CAS process.

Major themes of assistance in fiscal 2000 were anchored in the central objective of poverty

BOX 1.2 IDA-12 SUPPORT FOR POVERTY REDUCTION IN FISCAL 2000: SOME ILLUSTRATIONS

Education. *The Nicaragua Second Basic Education Project aims at a more equitable basic education system that involves the community in school governance. It will increase coverage at the preschool and primary levels, fund a pilot scholarship program for poor students, provide training for teachers as well as school management, and set up a national evaluation and monitoring system.*

Health. *The Madagascar Second Health Sector Support Project will support primary healthcare services, disease prevention, reproductive health, nutrition, and reduced incidence of major communicable diseases. This program will benefit the rural poor, especially women and children, and will target groups at risk (for example, in HIV/AIDS prevention).*

Gender. *A government-led strategy is being prepared in Vietnam, informed by two studies on gender-based violence and on changing gender relations in the country. The studies were recently completed by IDA in partnership with Vietnamese social research organizations.*

Social protection. *In India, the Andhra Pradesh District Poverty Initiatives Project is providing educational support for female child laborers and school dropouts, while the Second Social Fund for Development Project in Yemen is helping poor people gain access to microfinance and undertake income-generating activities.*

Governance. *Bank assistance, often through adjustment operations and technical assistance, is increasingly moving beyond projects to help countries improve public sector performance and reduce corruption in public spending. Such efforts are underway in nine African countries and six Eastern European countries, as well as in Indonesia, Cambodia, and India.*

Privatization-related issues. *About $94 million out of $120 million in project costs for the Mozambique Railways and Ports Restructuring Project will support retrenchment of over 12,000 employees. This support will cover provision of severance payments and efforts to help workers find jobs or become self-employed.*

Post-conflict. *A Transitional Support Strategy for Burundi, covering a period of about 18 to 24 months, contains actions to halt the worsening poverty and to stabilize the economy as the peace process evolves. Support will include a participatory approach to rehabilitating village-level infrastructure, generation of labor-intensive employment, and an emergency recovery credit to help restore a minimum level of social services.*

Environment. *Nonlending activities provide important support for environmental protection. In particular, analytical studies on rural energy in India will benefit rural and poor urban communities; collaborative activities across African countries are helping strengthen regulatory capacity and water resource management; and grants to Armenia and Georgia are improving environmental legislation and regulatory capacity.*

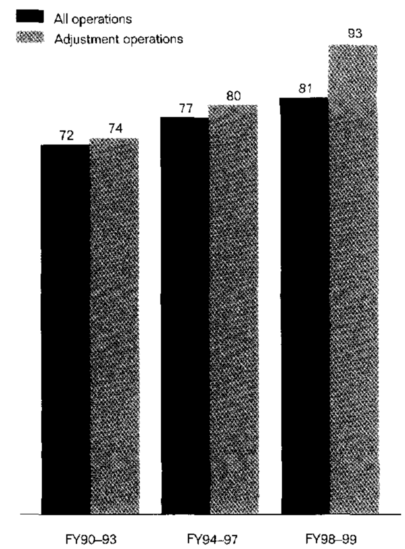
reduction, *with the role of the* IDA*—the* Bank Group's concessional lending arm—highlighted in Box 1.2 (an illustrative set of IDA-12 projects in fiscal 2000) and Box 1.3 (a retrospective of IDA-11 covering fiscal 1997–99):

➢ Key focal points of Bank assistance in fiscal 2000 were **economic management** and **private and financial sector development**, fundamental drivers of economic growth and poverty reduction. Aimed at attracting private investment, assistance was broad in scope and included institutional and governance reviews; financial sector assessments and other efforts to strengthen banks and capital markets; and support for stronger, more efficient public institutions, including anticorrupt judicial systems and regulatory frameworks. A sizable share of investment lending was focused on the poorest countries as well as on sectors that significantly affect poor people (for example, water supply and sanitation) but where private investment is scarce. Nonlending assistance has been important; substantial advisory services and some technical assistance were provided jointly with the International Finance Corporation (IFC) following some merging of functions in fiscal 2000 to maximize synergy across the Bank Group.

➢ *Attention to* **human development** *remained* a priority. Assistance included: multisectoral strategies to fight such killers as HIV/AIDS and malaria that disproportionately affect poor people; sustained efforts to strengthen basic health services; nontraditional approaches to delivering education services to poor people (involving the private sector or directly through scholarships); and continued emphasis on social protection through social funds and social expenditure reforms. A strategy paper on reproductive health complemented lending operations; another on social protection is under preparation.

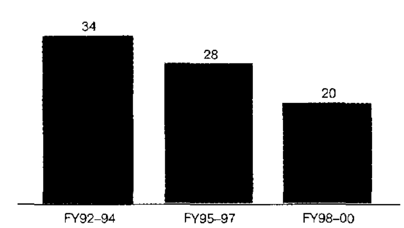
➢ **Environmental management** was another important focus of Bank assistance. Analytical studies proposed innovative ways of improving industry environmental performance and are examining environment–health links; lending operations sought to address water supply and usage, protect forests, build institutional and regulatory frameworks, shift environmental management to the community level, and promote disaster forecasting and preparedness.

FIGURE 1.2
SATISFACTORY OUTCOMES
(percent of dollars lent)



Development effectiveness has improved, according to the latest data on the quality of operational projects. Out of the projects that closed in fiscal 1998–99, the Bank's independent Operations Evaluation Department (OED) has found that over 80 percent of dollars lent (or 72 percent of projects) achieved a satisfactory or better outcome, which reflects a steady improvement from the early 1990s (see Figure 1.2). Moreover, only 6 percent of these dollars are unlikely to produce sustainable results. Progress over prior years is notable in light of the increased complexity of *today's projects and the* inherent risks of the development business. Other indicators measuring the performance of projects still under implementation show even greater improvement. The share of projects that are at risk of not achieving their development objectives has fallen steadily (see Figure 1.3); it is estimated to have declined further, to 15 percent of the total in fiscal 2000. The quality of projects entering the portfolio has also improved markedly: nine out of 10 new projects in calendar 1999 were rated satisfactory, compared with seven in 10 in calendar 1996. Improvement in the quality of ongoing projects means that billions of dollars are being more effectively used, with greater development impact.

FIGURE 1.3
PROJECTS AT RISK OF NOT ACHIEVING DEVELOPMENT OBJECTIVES
(percent of projects)

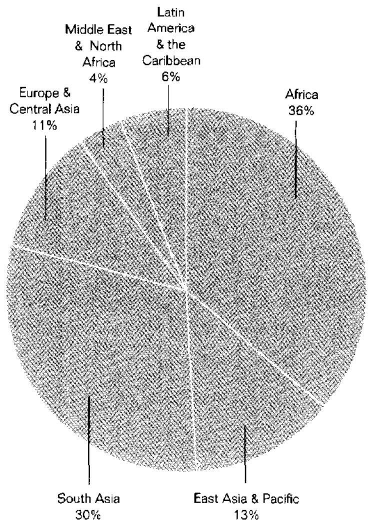


BOX 1.3 SUPPORTING POVERTY REDUCTION THROUGH IDA-11

***Period covered:* July 1, 1997 through June 30, 1999 *Amount of funding:* SDR 14.5 billion, US$19.2 billion equivalent**

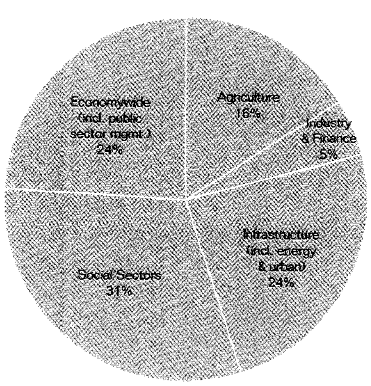
IDA-11 LENDING BY REGION

Total lending $19.2 billion (381 operations in 75 countries)



IDA-11 LENDING BY SECTOR

Total lending $19.2 billion (381 operations in 75 countries)



Global context. *The economic expansion of the 1990s and IDA-supported reforms brought faster growth to many IDA-eligible countries. Some of the poorest began to qualify for debt relief. But the absolute numbers of poor people remained high. And though spared the worst of the period's financial crises, a number of IDA countries saw their growth slow and the pressures on vulnerable groups rise. Meanwhile, armed conflict, natural disasters, and the HIV/AIDS epidemic strained the economic and social fabric of many very poor countries—all at a time when concessional resources were on the decline.*

New commitments under IDA-11 *were at a level similar to that of IDA-10, with lower adjustment lending offset by higher investment lending. The number of operations increased by 12 percent, with substantially more operations in Europe and Central Asia (ECA). Moldova and Indonesia became IDA-eligible, while China, the Arab Republic of Egypt, and Equatorial Guinea graduated at the end of fiscal 1999.*

IDA-11 assistance focused on social sectors, reconstruction following disasters or conflict, good governance, and support to countries in transition. Lending for social and human development accounted for nearly 40 percent of new investment lending, reflecting IDA's strong focus on the social underpinnings of growth and poverty reduction, and reduced inequality. South Asia and Africa, the regions with the lowest social indicators, accounted for almost three-quarters of total investment lending, with substantial social sector lending also to Egypt. Poverty reduction and long-term rebuilding were at the center of support to countries following disasters such as Hurricane Mitch in Central America in fiscal 1999; conflict in Sub-Saharan Africa; and countries suffering the effects of the Kosovo crisis. IDA was able to increase lending in good policy environments for both Africa (below) and some of India's states, as well as Bolivia, Honduras, Nicaragua, and the Republic of Yemen.

Africa. *Lending increased significantly in several countries with good or improving performance: Madagascar, Senegal, Uganda, and Zambia. IDA responded swiftly to the return to stability in Rwanda, and also supported Mozambique in its recovery effort. But poor performance and armed conflict resulted in minimal or no lending to such potentially large borrowers as Angola and Nigeria, as well as Ethiopia since fiscal 1999. The number of operations was higher under IDA-11 relative to IDA-10, given the many smaller operations focused on capacity building and institutional development. The volume of lending was lower by 11 percent.*

Asia. *New lending to China, India, and Indonesia (in the financial crisis' immediate aftermath) continued to emphasize human development and poverty alleviation. Almost half of all investment lending in South Asia went to the social sectors. Commitments to Bangladesh doubled, partly due to floods in fiscal 1999. The overall lending volume in Asia was 5.1 percent below the comparable level for IDA-10, which reflects a 50 percent reduction in loans to China as part of IDA phase-out, as well as India's improving creditworthiness.*

Europe and Central Asia. *New lending to Europe and Central Asia nearly doubled as poverty in the region rose. Bosnia and Herzegovina received extraordinary support as did other countries coming out of civil conflict: Albania, Armenia, Georgia, FYR Macedonia, and Tajikistan. Reconstruction and transition management were the key objectives for this region.*

World Bank Assistance: A Business in Change

Progress to date

The improvements in operational quality noted above stem largely from the Strategic Compact between the Bank and its shareholders to transform itself into a client-focused organization. In fiscal 2000, the Compact's final year, progress was further consolidated. While the impact of the Compact is measurable in many areas (see Box 1.4), equally notable is its effect in moving the Bank toward a culture of listening, learning, partnership, flexibility, and innovation, in order to adapt its services to better meet member countries' needs. A noteworthy innovation in fiscal 2000 was the policy-based guarantee offered to Argentina, which allowed the country to put forward a $1.5 billion note issued at a time of investor coolness to emerging market debt. Innovation in meeting investors' needs, which translates into benefits for the borrowers, has also been an important objective (see Box 1.5).

Building blocks of a new vision

With a more strongly client-focused culture in fiscal 2000, the Bank embarked on new long-term efforts that could significantly improve the prospects for poverty reduction. These efforts recognize the huge scope of the poverty problem. They go beyond traditional solutions and aim at mobilizing people and institutions everywhere. Forging partnerships, fostering consensus, building awareness, and sharing knowledge, at country as well as global levels, are key themes underlying these efforts. The central challenge is to increase development impact.

In fiscal 2000, the Bank began to work closely with countries interested in piloting the **Comprehensive Development Framework** (CDF) approach introduced last year. This approach recognizes the multidimensional nature of the challenges in poverty reduction and the need for extensive partnership. Country pilots have made progress, but the pace and depth have been uneven due to country circumstances (see Box 1.6). Realizing the promise of the CDF will be challenging, not only for countries but also for their external partners, and it will require funda-

MAKING A DIFFERENCE... TO RWANDAN WOMEN.

An adjustment operation is supporting the enactment of legislation that would end discrimination against women in inheritance and ownership, and the adoption of a plan to give them more opportunity.

Investments in rural electrification, water supply, and diverse small-scale facilities under the Rural Poverty Alleviation Program have not only improved the quality of life but also created economic opportunity throughout Northeast Brazil. In the state of Sergipe alone, 22,000 homes, 1,200 small businesses, and 400 rural schools and daycare centers have been electrified.

BOX 1.4 THE STRATEGIC COMPACT: INSTITUTIONAL RENEWAL IN FISCAL 1998–00

In 1997, the Bank embarked on the Strategic Compact, a three-year program of institutional renewal. The Compact aimed, fundamentally, to enhance the Bank's effectiveness as a development institution. While an evaluation of the program is forthcoming, the Compact has had a marked impact on several fronts. Sustaining progress will be an ongoing challenge.

GOAL	IMPACT
Increased client focus	➢ Nearly half of the Bank's country directors, who are responsible for three-fourths of its loan portfolio, are now located in client countries (nearly all were in Washington, D.C. initially) ➢ About 43 percent of all staff assigned to regional units are located at country offices (compared with 33 percent in fiscal 1997) ➢ Increased emphasis on country ownership of development efforts ➢ Stronger, more open working relationships with country partners
Broader development agenda and partnerships	➢ Increased focus on governance, financial sector, social dimensions of development, rural development ➢ Special support for debt relief, post-conflict needs, and capacity building (especially in Africa), reflecting targeted efforts to reduce poverty ➢ Greater role in addressing global needs (for example, HIV/AIDS, environmental issues) ➢ More effective partnerships in pursuing all of the above
Enhanced quality of operations *(see also Section III)*	➢ Improved results at project closing (more satisfactory and sustainable outcomes, greater development impact) ➢ Improved health of ongoing projects (improved quality at project start, such as greater readiness for implementation; and better supervision)
New lending and nonlending products *(see also Section VI)*	➢ New loan types (recognizing the need for longer-term approaches, learning and innovation, special response in times of crisis) ➢ New financial products (helping borrowers better manage their debt and financial risk) ➢ New analytical and advisory products (for example, Institutional and Governance Reviews and Financial Sector Assessments)
Increased internal capacity	➢ Reform of human resources policy ➢ World class (internal) knowledge management system ➢ Strengthened training capabilities ➢ Comprehensive management reporting system ➢ Stronger quality assurance program ➢ Strengthened core services for projects (procurement, financial management, social development)
Increased knowledge sharing	➢ Stronger, expanded World Bank Institute ➢ Large array of web sites for clients ➢ Global distance learning network

mental changes in culture and working practices. Effective and cost-efficient partnership with governments, other development agencies, and civil society will be crucial for the Bank; also important is progress on harmonization of donor policies, procedures, and practices.

As an outcome of the joint World Bank–International Monetary Fund Annual Meetings in September 1999, which followed extensive worldwide consultations, debt relief under the **Heavily Indebted Poor Countries (HIPC) Initiative**, launched by the Bank and the Fund in 1996, was enhanced to be made deeper, broader, and faster. These enhancements double the assistance provided by the original framework, accelerate delivery of relief, and strengthen the link between debt relief and poverty reduction. Fiscal 2000 was a year of active implementation of the enhanced HIPC Initiative framework; debt relief commitments were agreed for seven countries (Bolivia, Burkina Faso, Mauritania, Mozambique, Senegal, Tanzania, and Uganda), which will amount to $8.4 billion in nominal terms over time from all creditors. Including relief already committed to Bolivia, Burkina Faso, Côte d'Ivoire, Guyana, Mali, Mozambique, and Uganda under the original HIPC framework, total relief from all creditors under the Initiative amounts to about $14 billion. Of this total, IDA relief is projected to provide approximately $4 billion. When completed, debt relief from all participating creditors under the HIPC Initiative could amount to more than $50 billion over time, with the Bank projected (as of June 30, 2000) to contribute nearly $11 billion of this total. When combined with traditional debt relief mechanisms, the Initiative will reduce, by more than one-half, the outstanding debt of 32 eligible countries. Only the poorest countries with unsustainable levels of debt are eligible for debt relief; delivery of complete debt relief provided under the enhanced framework follows the development of country-owned, participatory poverty reduction strategies.

At the joint Bank–Fund Annual Meetings in September 1999, ministers also endorsed a framework to strengthen the link between Bank and Fund programs in low-income countries—including debt relief and poverty reduction. Under this framework, countries receiving debt relief or concessional lending from the Bank and the Fund would produce **Poverty Reduction Strategy Papers** (PRSPs) before they receive such resources. This new framework is designed to strengthen country ownership of policies and programs to reduce poverty; ensure broad stakeholder participation in formulating strategies; improve coordination among development partners; and focus the combined resources of the international community to achieve results. By the end of 1999, the Bank and the Fund had agreed on an operational approach to jointly support country efforts to prepare PRSPs. To elicit broad partner support for PRSPs, they are reaching out to government officials, bilateral donors, the U.N., multilateral agencies, nongovernmental organizations (NGOs), and other stakeholders. Two PRSPs were presented in fiscal 2000 by Burkina Faso and Uganda, along with eight "interim" PRSPs, road-maps to forthcoming PRSPs that help avoid delays in debt relief and concessional lending (Albania, Bolivia, Mauritania, Mozambique, São Tomé and Principe, Senegal, Tanzania, and Uganda). A large body of new poverty-focused research undertaken for the *World Development Report 2000/2001* (which updates the landmark 1990 issue on poverty) is aimed at strengthening the analytical basis for poverty reduction strategies.

Poverty-focused country assistance increasingly centers on those policies and institutional reforms that support private sector-led growth, empowerment of poor communities, and security against shocks for the most vulnerable. Reflecting these trends, CASs, the governing instrument for Bank support to a country, are evolving. For fiscal 2000, 100 percent of full CASs and CAS Progress Reports for IDA-eligible countries were disclosed to the public or are in the process of being disclosed. For IBRD-only countries, 64 percent of full CASs and CAS Progress Reports were disclosed or are in the process of being disclosed. All full CASs (for both IDA- and IBRD-eligible countries) were prepared with civil society consultation in the countries, continuing the trend of the last few years of increasing stakeholder participation in the CAS process. According to a fiscal 2000 review, CASs' coverage of governance issues and the social and political underpinnings of reform has improved; and IDA CASs are even more focused on poverty reduction and human development. Complementing CASs are sector strategy papers, which help to identify areas of relatively weak country performance. The Board reviewed six sector strategy and related papers in fiscal 2000: *Fuel for Thought: An Environmental Strategy for the*

MAKING A DIFFERENCE... TO FLOOD-RAVAGED MOZAMBIQUE.

Early Bank response—with partners—to assess damage, fund reconstruction, accelerate debt relief, and lead a fundraising initiative enabled flood victims to rebuild their communities.

BOX 1.5 INNOVATION IN THE CAPITAL MARKETS: THE E-BOND

In January 2000, the Bank launched the first-ever integrated electronic bond offering in capital markets. The $3 billion five-year notes were marketed electronically, distributed via the internet, and traded electronically in the secondary market. This transaction set a new standard in the use of technology in bond markets. For the first time, retail customers and smaller institutional investors had access through the click of a mouse to a large global bond in primary offering and were able to buy it at the same price as large institutional accounts. As of June 30, 2000, the E-bond had outperformed comparable securities since its launch.

Capital market innovation helps mobilize lower-cost funds for the Bank's borrowing member countries.

BOX 1.6 THE COMPREHENSIVE DEVELOPMENT FRAMEWORK: PROGRESS IN FISCAL 2000

The Comprehensive Development Framework (CDF) is an approach to development that has won growing support worldwide. CDF principles are being implemented in 12 pilots and also by some nonpilot countries at their initiative. While it is too early for results, given the inherently long-term nature of the CDF approach and its call for societal transformation, the pilot efforts are moving forward. Indeed, countries using the CDF (such as Bolivia, Ghana, and Uganda) have made significant progress in preparing Poverty Reduction Strategy Papers, which are based on CDF principles and aim to translate a country's poverty reduction strategy into an action plan. More generally, however, progress in implementing the CDF has been uneven, given different starting points and varying country circumstances.

- All pilots have formulated, or are formulating, a **long-term, integrated vision**, with explicit efforts to balance social, structural, and institutional dimensions with macroeconomic objectives.
- Pilots have used national consultative processes to promote **country ownership** among a wide range of domestic stakeholders, and many country governments are taking the lead on aid coordination.
- **Strengthened partnerships** are emerging in many pilots, as donors better align their strategies to the country's long-term vision and prepare joint analytical work as a basis for strategic selectivity and improved division of labor.
- Some pilots are working to specify **development results** and put in place systems to monitor progress in poverty reduction.

Challenges. The particular challenges of CDF include: capacity constraints within government; the quality of governance; difficulties in harmonizing donor policies and procedures; and ensuring that national consultative processes do not undermine existing democratic institutions. For the Bank, ensuring strategic selectivity in country assistance will be crucial.

*Nearly all pilots are focusing on **governance** issues, and many are implementing projects to improve justice systems. Romania, for example, is embarking on a major public administration reform effort; they hosted a regional anticorruption conference in March 2000.*

*Several pilots are emphasizing the importance of **knowledge sharing and transparency** through country-based CDF web sites. The multi-partner-run Vietnam Development Center provides access to the latest development knowledge and information available worldwide and offers targeted distance learning courses.*

*Over time, the critical test of CDF will be how far poverty is reduced. Poverty reduction requires **specific goals and indicators** linked to country-owned strategies. Bolivia has adopted a results-based budget to integrate the monitoring of such indicators into its budget cycle.*

CDF Pilots: Bolivia; Côte d'Ivoire; Dominican Republic; Eritrea; Ethiopia; Ghana; Kyrgyz Republic; Morocco; Romania; Uganda; Vietnam; West Bank and Gaza.

Energy Sector; A Strategic View of Urban and Local Government Issues: Implications for the Bank; a *Population Note* (in a follow-up to the 1997 *Health, Nutrition, and Population Strategy Paper); the World Bank Group Private Sector Development (PSD) Strategy;* a *PSD Subsector Strategy on Small and Medium Enterprises;* and *Corporate Governance: A Framework for Implementation.*

Support from the **International Development Association** continues to emphasize basic social services; social sector lending is expected to be sustained at about 40 percent of total IDA investment lending in fiscal 2000–02. Governance, client participation, and partnerships are also priorities. An IDA donors meeting in June 2000 endorsed an aggressive approach to attack HIV/AIDS and other communicable diseases that account for 80 percent of the mortality gap between rich and poor countries. Donors also emphasized the development challenges in Africa as a central mission for IDA in the new century. Additional challenges for IDA-12 relate to girls' education, rural growth, recovery from natural disasters, child labor issues, and post-conflict needs in countries whose (often) low performance ratings may not justify the level of resource allocation needed for speedy recovery. Also a priority are new approaches to governance, such as partnerships to spur knowledge sharing and dialogue; citizen surveys on corruption and service delivery; and national anticorruption strategies. Interaction with partners is crucial, especially following such new initiatives as the Memorandum of Understanding with the African Development Bank and growing interaction with U.N. agencies. Other principles underpinning IDA support are country participation and ownership; emphasis on poverty diagnosis as a first step to poverty reduction; and a strengthened allocation process that links policy performance and the adaptation of effective poverty reduction strategies to the size and nature of IDA assistance to borrowers.

In fiscal 2000, the Bank addressed **global challenges** that have a profound impact on poverty. Responding to requests from clients and partners, the Bank has joined many regional and global partners to help address issues that cross national borders. Support has, for the most part, taken the form of research and knowledge management, advocacy and advisory services, capacity building, global standards setting, donor coordination, and resource mobilization.

Among such global challenges, HIV/AIDS is of grave concern. HIV/AIDS is wiping out decades of progress in improving the quality of life of the poorest people, and it is worsening the prospects for economic development and poverty alleviation. Out of more than 33 million people infected, 90 percent are in the developing world, and two-thirds are in Sub-Saharan Africa (see Figure 1.4). In fiscal 2000, the Bank committed to substantially expanding the financial resources it makes available to programs, specifically to combat HIV/AIDS and other communicable diseases. To that end, it will initially make $1 billion in IDA resources available and is prepared to move well beyond that level in the future as national and regional programs are developed. In parallel, the Bank will aim to mobilize large financial sums from partners. Collaborative efforts include launching the Partnership against HIV/AIDS in Africa, and continuing to work with and support UNAIDS and other partners. In addition, the Bank is an active partner in a number of partnerships, including the Global Alliance for Vaccines and Immunization (GAVI). GAVI is a public-private partnership that aims to ensure that all children have access to existing priority vaccines and to stimulate the rapid development of critical new vaccines against diseases such as HIV/AIDS and malaria.

Regarding **education**, after 10 years of international commitment to Education for All (EFA), enrollment grew globally, but more than 113 million children still have no access to primary education, and 880 million adults are illiterate, most of them girls and women. In April 2000, the Bank and UNDP, UNESCO, UNFPA, and UNICEF convened the World Education Forum in Dakar, Senegal, to review the progress and renew the commitment to EFA. With 181 governments participating, developing countries agreed to prepare a national EFA plan in the wider context of poverty reduction and development strategies. The Bank and other partners stand ready to support them in implementing the plan.

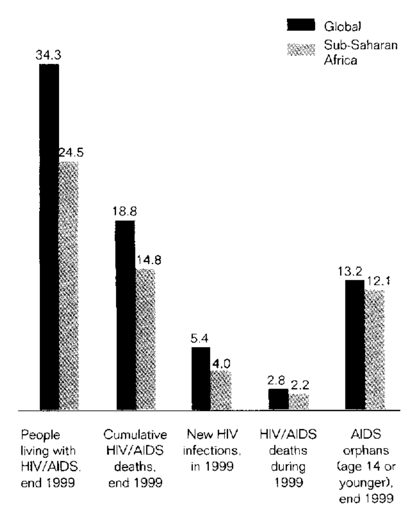
Avoiding **financial crisis** is no longer just a national goal but one of international concern, and it has become a top priority in the Bank's antipoverty strategy. In fiscal 2000, the Bank and the Fund worked together to strengthen financial systems and identify vulnerabilities; they completed assessments for 10 developing countries on a pilot basis, with another 24 slated for fiscal 2001. In addition, the Bank and the Fund continued to help crisis countries stem increases in poverty, and they supported noncrisis countries in diagnostic work (toward developing a long-term debt market in India, for example) and capacity building in such areas as financial supervision and securities regulation. Both institutions also collaborated with other international bodies to strengthen international standards for accounting, corporate governance, and insolvency regimes.

MAKING A DIFFERENCE… TO PAKISTANI GIRLS.

With Bank-supported funding, village education committees in Baluchistan have established nearly 1,300 schools and substantially raised girls' enrollment rates in rural areas.

New global initiatives with partners are focusing on **climate change and natural disasters**. In January 2000, the Bank launched the Prototype Carbon Fund, the world's first attempt to create a market in emissions reductions that would promote transfer of climate-friendly technology to developing countries. A month later, the Bank launched another effort, with international agencies, donor governments, regional development banks, and private organizations, to help developing countries better cope with natural disasters, which hurt poor people the most. The ProVention Consortium will help countries better anticipate natural catastrophes as well as assess and

FIGURE 1.4 GROWTH OF HIV/AIDS EPIDEMIC
(millions of people)



Source: WHO/UNAIDS, posted on "AIDS: Africa in Peril" at http://cnn.com/SPECIALS/2000/aids reduce associated risks (for example, adopting improved building codes). The consortium complements the Bank's Disaster Management Facility, which is charged with strengthening attention to prevention and mitigation practices in Bank operations. Meanwhile, support for the world's forests continued under the World Bank/WWF Forest Alliance, which is active in over 22 countries in partnerships with other NGOs and governments. Recognizing the urgent need for progress on environmental issues, the Bank has launched a comprehensive effort to develop an environmental strategy via a wide consultative process involving client countries and a range of partners. The strategy will build on lessons learned and explore the links between the public, private, and institutional sectors (water, forestry, urban transport, rural) and the environment.

Capacity building through knowledge sharing is key to achieving poverty reduction. Knowledge sharing increases the potential reach of the Bank's expertise and the potential for people in the poorest countries to help themselves. The Bank is advancing this agenda through efforts on several fronts.

➢ **Communities of practice.** A central vehicle for sharing the Bank's expertise is through communities of practice: Practitioners inside and outside the Bank come together through technology, which provides access to knowledge for large numbers of clients, partners, and users around the world. Over 100 such communities cover virtually all areas of Bank activity and serve as engines of informal learning, across clients and partners as well as Bank staff. These communities of practice also build country capacity by helping to form and strengthen local communities. In February 2000, the American Productivity and Quality Center ranked the World Bank as one of five "best-practice partners" (out of some 80 organizations worldwide) in the implementation of knowledge management.

➢ **The World Bank Institute (WBI).** The World Bank Institute (WBI) now reaches 30,000 participants annually, in nearly 150 countries, through nearly 500 training activities. In fiscal 2000, WBI scaled up its programs through distance learning, global knowledge networks, and extended partnerships, and by harnessing the newest learning technologies. A new initiative, Global Development Learning Network (GDLN), gives clients access to learning opportunities drawing on information and knowledge existing in the Bank and partner organizations. Using the Internet, videoconferences, and peer exchange, 13 GDLN centers are operational, and over 50 countries have expressed interest. Demand for assistance in developing knowledge strategies is also expanding, as countries seek to use global and domestic knowledge more effectively in support of economic and social development. Vietnam and China are among the countries that have requested such assistance, following a report jointly produced by the World Bank and the Organisation for Economic Co-operation and Development (OECD) on the Republic of Korea's Transition to a Knowledge-Based Economy. WBI's outreach, which con-

In February 2000, the Bank hosted an Innovation Competition at the Development Marketplace—a forum envisioned to be both a series of events and an electronic space for the development community to find new and creative solutions to reduce poverty. In a competition open to NGOs, businesses, academia and many others, the Marketplace awarded about $5 million in start-up funds to proposals carrying the greatest prospects for success.

tributes to the success of lending programs, is further leveraged through programs for "gatekeepers" such as journalists, mayors, parliamentarians, civil society, and the private sector, especially in such policy areas as governance and anticorruption.

➢ **Development research.** In fiscal 2000, the Bank developed a new strategy for knowledge generation through research. The strategy reflects consultations with numerous partners, including, in one survey, policymakers in 36 countries who indicated that they used Bank analytical reports more than those of any other institution, national or international. This development research strategy aims to: improve understanding of the dynamics of poverty and the factors underlying successful antipoverty strategies; increase the effectiveness of development assistance; identify newly emerging trends and problems with a view to helping countries plan appropriate responses; and help countries expand their research capacity. Four principles underpin the Bank's research strategy: increased client orientation; enhanced building of research capacity; expanded dissemination; and a stronger poverty focus. Such a focus aims to support evaluation of public policy and preparation of PRSPs, with particular attention to the role of institutions and means by which countries can benefit from globalization. The 2000/2001 issue of the Bank's flagship publication, the *World Development Report* (WDR), is devoted to poverty (see "The Poverty Challenge" at the beginning of this report). The WDR 1999/2000 on globalization and urbanization underscored the importance of strong institutions at the global, national, and local levels, while the WDR 2001/2002 will examine a range of institutional market-related arrangements, to develop concrete proposals on competition strategies and corporate governance. To build capacity and promote informed debate, the Global Development Network supports a growing worldwide network of research and policy institutes, while the Development Forum, a moderated Internet discussion that has reached over 10,000 subscribers in 175 countries, fosters dialogue between the Bank and its partners.

➢ **Harnessing technologies.** Internally and externally, the role of technology in Bank assistance is growing. State-of-the-art global connectivity has brought staff closer to clients; internal information systems have grown more efficient; and electronic knowledge sharing and collaboration, within the Bank and with partners, are thriving. Over 1,000 projects in the portfolio, many in Africa and Latin America, have information technology components, ranging from investments in communications infrastructure to technical assistance to set up management systems in various sectors. Other support is

MAKING A DIFFERENCE...
TO MEXICAN FARMERS.

Innovative solutions to complex land degradation problems in hilly or infertile "marginal areas" are helping — especially the indigenous —small farmers in Mexico raise agricultural productivity and incomes.

BOX 1.7 PARTNERSHIP WITH CIVIL SOCIETY

Partnership with civil society is of growing importance. The Bank is enhancing tools for civil society participation, providing resources to build capacity among nongovernmental organizations (NGOs), and working with governments to promote civil society involvement in countries' development agendas.

Policy dialogue. *During fiscal 2000, in-country processes to prepare Poverty Reduction Strategy Papers (PRSPs) provided for civil society engagement in policy dialogue and monitoring of outcomes. Consultations with NGOs, religious groups, and universities got under way, and a special PRSP link was created in the Bank's NGO/Civil Society web site. Civil society participation in Country Assistance Strategy (CAS) formulation also increased, and CAS public disclosure improved. Policy dialogue has varied in content, depending on regions' needs: the CDF (Africa); gender strategies (South Asia); poverty reduction, post-conflict issues, governance, and the environment (Europe and Central Asia); employment, income generation, safety nets, and the social impacts of reform (Latin America and the Caribbean); and anticorruption measures, NGO legislation, and gender equity (Middle East and North Africa).*

Operational collaboration. *The Bank collaborated actively with NGOs in fiscal 2000 in the context of natural disasters, social emergencies, and long-term development. In East Timor, the Bank–UNTAET (United Nations Transitional Administration in East Timor) donor meetings of December 1999 and June 2000 included civil society organizations involved in Bank-supported reconstruction programs. Other notable collaboration supported HIV/AIDS treatment and prevention in Africa, rehabilitation programs following cyclones in India, and post-conflict reconstruction in the Balkans.*

Global partnerships. *To promote global dialogue with national and international NGOs, the Bank organized a series of briefings for NGOs at both the joint Bank–Fund Annual Meetings in September 1999 and the Spring 2000 Meetings of the Development Committee. They covered such topics as HIPC, civil society engagement in CDF, and the Bank's Inspection Panel.*

BOX 1.8 STRATEGIC APPROACH TO DONOR RELATIONS AND MAJOR COFINANCING ACTIVITIES IN FISCAL 2000

During fiscal 2000, donor relations activities were reorganized around major policy areas, including poverty reduction strategies, global public goods, and the Global Development Gateway. In addition, bilateral, multilateral, private, and export agencies came together to cofinance activities supporting common development objectives. (see Table 1.1A in the Annex Tables for a list of consultations and seminars with donors and other institutions.)

The Strategic Partnership with Africa *(SPA, formerly Special Program of Assistance for Africa) represents the major coordinating instrument for aid to Africa. The fifth three-year phase (SPA-5, 2000-02) was launched in December 1999. SPA donors and supporting institutions pledged about $4.0 billion in highly concessional quick-disbursing cofinancing and coordinated assistance to support growth strategies and programs aimed at reducing poverty in low-income, debt-burdened countries. Donors stressed the need to strengthen the poverty focus of SPA-supported programs through the PRSP approach, and to improve aid effectiveness by tracking donor support for sectoral programs.*

The Japan Social Development Fund *was newly established by the government of Japan in June 2000 as a tool to address the social consequences of the 1997–99 economic and financial crisis. This new facility, amounting to approximately $93 million, will provide grant assistance for innovative social programs to help improve living conditions of poor and vulnerable groups affected by the crisis, in particular through community-driven development processes, including capacity building at the grassroots level.*

The Bank–Netherlands Partnership Program *is an umbrella agreement between the Dutch Authorities and the Bank to channel funds for global and regional initiatives. In fiscal 2000, the program helped address a wide range of development issues, including poverty, gender, good governance, and social sectors. The program has 87 projects, amounting to $71 million. In addition, nearly $30 million was approved by the Dutch authorities in late fiscal 2000.*

provided by InfoDev, a public-private program helping countries build information and communication technology capability. One application of technology that could advance knowledge sharing by leaps and bounds is the **Global Development Gateway**, currently in concept stage. The Gateway is being conceived as an Internet-based vehicle to enable a wide array of stakeholders to access ideas and good practice, information about development activities and trends, funding, and commercial opportunities. The initiative would thrive on partnership; the Bank's role has been a catalytic one.

Partnerships: listening, learning, and collaborating

The Bank's heightened commitment to listening and learning is perhaps best embodied in the *Voices of the Poor*, a series of studies that build on participatory research with about 60,000 poor men and women from over 60 countries around the world. The findings, which were used to inform the WDR 2000/2001, are striking and similar across countries. Many poor people find themselves worse off, with fewer economic opportunities and greater insecurity than in the past. Their experience with public institutions is largely negative, and corruption and poor quality services are seen to be all too common. Yet, many believe that governments have an important role to play in their lives.

The Bank's work increasingly recognizes that progress in poverty reduction requires broad coalitions: individuals, groups, and institutions working together with a common purpose. The pages of this *Annual Report* attest to the vital roles of client governments, the private sector, other donor and development agencies, and local and global civil society (see Box 1.7). Extensive collaboration on the CDF pilots and on PRSPs over the past year is testimony to the centrality, within Bank assistance, of country partnership. Knowledge initiatives offer another example of partnership: WBI works with over 200 partner training institutes and 100 bilateral, international, charitable, and private sector organizations to design and implement knowledge-sharing programs worldwide. The diversity of the Bank's partnerships in fiscal 2000 is evident from the following examples:

➢ The Bank and the European Union (EU) coordinated a comprehensive regional approach for economic and social development in South East Europe.

➢ IDA and UNICEF embarked on a new partnership to help the Republic of Yemen, where human development indicators are among the poorest in the world, to improve children's health and nutritional status and to raise the education status of primary school-aged girls.

➢ The Bank and an outside panel co-hosted over 4,000 civil society leaders in Buenos Aires to help develop the Bank's Country Assistance Strategy for Argentina.

➢ The Bank and the Commonwealth Secretariat joined with the IMF, World Trade Organization (WTO), EU, U.N. agencies, and regional development banks to address development issues of importance to small states, as presented in the final report of the Bank–Secretariat Task Force, *Small States: Meeting Challenges in the Global Economy.*

➢ More than 500 participants, including 200 local government officials from 77 cities, came together for the World Competitive Cities Congress hosted by the Bank, to discuss the challenges of explosive city growth. If current trends continue, a third of the world's urban people could be living in poverty by 2025.

➢ A governance partnership was launched in Indonesia between the government, civil society, private sector, bilateral donors, the Asian Development Bank, UNDP, and the World Bank.

➢ Eminent thinkers, business people, social activists, academics, politicians, writers, and economists from Latin America came together with senior staff from the Bank, IMF, and Inter-American Development Bank (IADB) to exchange views on the region's growth, inequality, and poverty, in the first-ever distance meeting of the region's external advisors.

➢ Members of the International Task Force on Commodity Risk Management in Developing Countries (international institutions, producer and consumer organizations, major commodity exchanges, and commodity trading firms) worked with stakeholders to help countries better manage their vulnerability to commodity price fluctuations through new, market-based approaches.

➢ Universities, U.N. agencies, and private foundations worked with the WBI on a new course offering in population and reproductive health, to be "wholesaled" through a network of universities and training institutes in Africa.

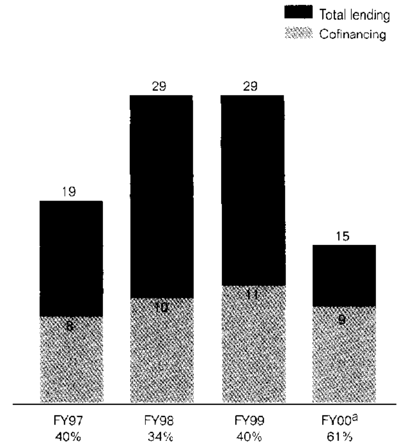
Partnership: Mobilizing resources

Cofinancing and trust funds constitute powerful and flexible mechanisms to advance and implement the strategic agenda shared by the Bank, clients, and development partners. These mechanisms help at the country level to implement programs, and at the global level to agree on policies and mobilize financing in support of challenges ranging from prevention of infectious diseases to sound corporate governance. New program and sector-wide approaches to lending, moreover, will facilitate donor coordination in country-owned programs.

Cofinancing refers to funding committed by external official bilateral partners, multilateral partners, export credit agencies, or private sources in the context of specific Bank-funded projects (see Figures 1.5 and 1.6. Cofinancing data in this section are as presented to the Board at the time of approval; figures could be higher than reported). Official bilateral and multilateral partners continued to be the largest sources of cofinancing in fiscal 2000, providing 59 percent (see Box 1.8). Major partners included the Inter-American Development Bank ($2,576 million); private sponsors ($2,206 million); Andean Development Corporation ($900 million); Montreal Protocol Investment Fund ($230 million); Global Environment Facility ($197 million); and EU institutions ($165 million).

The Bank's **trust funds** program is also an important form of collaboration and coordination with numerous partners (see Figure 1.7). Official bilateral donor agencies still finance most trust fund partnerships with the Bank; at the same time, the Bank is increasingly reaching out to new partners—private sector, foundations, and NGOs—as a way of leveraging its own financial and staff resources (see Box 1.9). The strategic agenda for trust funds has grown,

FIGURE 1.5
COFINANCING TRENDS
(millions of dollars)



* Cofinancing figures are as presented to the Board at the time of approval. Current figures could be higher than reported.

a. The ratio of cofinancing to total Bank lending was substantially higher in fiscal 2000 in comparison with previous years mainly because of a single large operation; excluding this operation, the ratio would be 38 percent.

FIGURE 1.6
COFINANCING BY REGION, FISCAL 2000
Total $9.3 billion

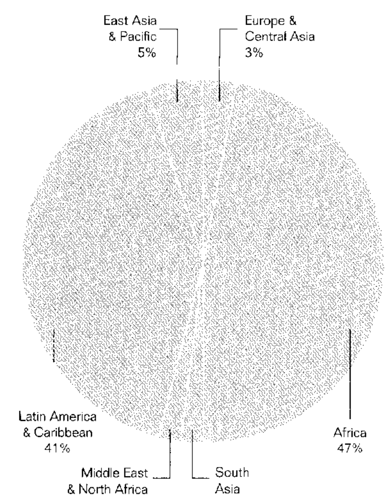
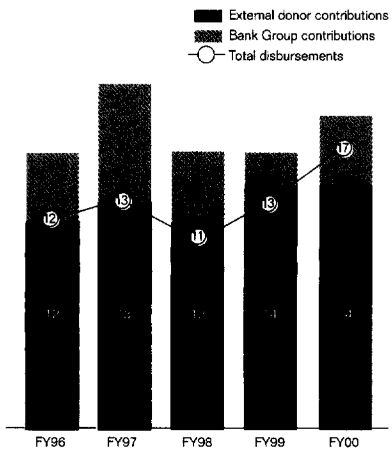


FIGURE 1.7
TRUST FUND CONTRIBUTIONS AND DISBURSEMENTS, FISCAL 1996–00[a]

(hundreds of millions of dollars)



a. The financial information presented for the trust fund portfolio reflects reporting on an accrual basis for contributions to the Heavily Indebted Poor Countries (HIPC) Trust Fund, and reporting on a cash basis for contributions to all other trust funds. Disbursements for all trust funds (including the Heavily-Indebted Poor Countries Trust Fund) are reported on a cash basis.

and now includes new global and post-conflict collaborations that respond to urgent needs. While Japan, the Netherlands, and Canada provided the largest share of external contributions during fiscal 2000, the Bank Group's own contributions totaled $414 million, mainly for HIPC and post-conflict operations. Support for global and regional trust funds increased through additional contributions for existing funds as well as the creation of new trust funds such as the Prototype Carbon Fund (about $140 million mobilized).

Looking Ahead

The Bank has come far in transforming itself to be more responsive to the needs of people in the developing world; but the task ahead is daunting. The fight against poverty entails a host of formidable challenges, including: combating HIV/AIDS; finding ways to ensure that debt relief reduces poverty; ensuring that the poorest countries have the opportunity to benefit from globalization; narrowing the "digital divide" to make technology work for poor people; ensuring them opportunity rather than charity; meeting the international goals for education and especially girls' education; and breaking the disturbing trend of rising inequality across and within nations. Africa will require particular attention within IDA's program to address post-conflict issues and arrest the spread of HIV/AIDS.

The activities described in this overview, and generally in the *Annual Report*, reflect the evolving strategy of the Bank to help countries fight poverty. The core of Bank assistance will continue to be implemented at the country level, with increasing emphasis on the principles of country ownership, long-term and comprehensive development, wide partnerships, and a focus on outcomes. Private sector-led economic growth—necessary for increased opportunities for poor people—will remain a central theme of Bank assistance. This economic growth must be complemented by greater empowerment of poor people through community-driven development efforts, to increase their voice in decisionmaking and to reduce inequality. The poorest countries, with weak access to other capital, will receive IDA, and in some cases HIPC, assistance, which will focus especially on human capital and on attracting private investment. In middle-income countries, home to over 2 bil-

BOX 1.9 TRUST FUNDS HIGHLIGHTS IN FISCAL 2000

➢ ***Support for post-conflict operations.*** *During fiscal 2000, the Bank approved new contributions for Kosovo ($25 million), the West Bank and Gaza ($60 million), and East Timor ($10 million); these Bank contributions are being leveraged to mobilize trust fund contributions from external donors. In the case of Sierra Leone, the Bank has played a key role in mobilizing and coordinating donor support for the Bank-administered multidonor trust fund supporting the government's disarmament, demobilization, and reintegration program.*

➢ ***Support from private foundations*** *was significant in fiscal 2000. For example, contributions from the Bill and Melinda Gates Foundation of $3.5 million and $28.5 million were pledged to support Bank efforts toward immunization and eradication of the guinea worm, respectively.*

➢ ***Japan's Policy and Human Resources Development Program*** *remains the mainstay of external funding for borrowers' project preparation costs, other technical assistance, and training. Contributions during fiscal 2000 totaled almost $90 million. Over 175 new technical assistance grants were approved during the year.*

➢ ***The Consultant Trust Funds Program*** *benefits the Bank by financing consultants who assist in developing and appraising projects, supervising them, and preparing analytical studies. The donors benefit by having procurement tied to their countries, and the consultants benefit from gaining hands-on experience with the Bank's work. Contributions totaled $60 million in fiscal 2000.*

TABLE 1.1 WORLD BANK LENDING BY SECTOR, FISCAL 1992–00

(millions of dollars)

Sector	Classified on a Loan-by-Loan Basis[a]				Classified on a Loan Component Basis[b]
	FY92–97	FY98	FY99	FY00	FY00
	Annual Average				
Agriculture	2,920.2	2,691.9	2,507.8	1,125.2	1,150.0
Economic policy	2,355.7	1,536.1	9,890.1	1,286.8	1,301.0
Education	1,738.7	3,129.3	1,344.3	684.0	762.3
Electric power and other energy	2,549.1	2,067.0	440.0	994.2	990.6
Environment	747.5	738.6	539.3	514.1	918.8
Finance	1,637.4	5,893.5	2,322.3	1,828.0	1,774.0
Mining	220.0	1376.5	315.0	54.5	20.0
Multisector	125.2	5.0	641.4	726.5	513.7
Oil and gas	550.9	140.0	17.5	167.0	166.6
Population, health, and nutrition	1,235.2	1,990.9	1,106.8	987.0	1,044.3
Private sector development	751.2	431.0	1,337.4	221.3	207.3
Public sector management	575.8	1,669.7	963.3	2,262.1	1,868.0
Social protection	788.1	2,240.0	2,678.6	1,101.0	1,517.9
Telecommunications	261.0	70.5	110.8	109.3	109.4
Transportation	3,068.4	3,287.5	3,021.8	1,690.0	1,612.3
Urban development	1,122.1	773.5	706.5	621.6	699.5
Water supply and sanitation	896.6	552.9	1,052.7	903.6	620.5
Total	**21,543.0**	**28,593.9**[c]	**28,995.6**[c]	**15,276.2**	**15,276.2**
Of which IBRD	15,368.3	21,086.3	22,182.3	10,918.6	
IDA	6,174.7	7,507.7[c]	6,813.3[c]	4,357.6	

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

a. To better capture the evolving nature of Bank operations, the Bank's sector classification system is reviewed and changed as appropriate. In fiscal 2000, two new sector categories were created (Economic Policy and Private Sector Development) and one sector category was dropped (Industry). Economic Policy comprises operations that support macroeconomic policy, trade, and other economic and institutional reforms. It includes structural adjustment operations previously assigned to Multisector and some operations previously assigned to Finance. Private Sector Development comprises operations dealing with the business environment, private infrastructure, small scale enterprise, and privatization issues. As such, it includes some operations previously assigned to Industry and to Public Sector Management. Other operations previously included under Industry have been assigned to Public Sector Management. In addition, a few individual operations approved in FY98-99 were reassigned, including an FY99 project from Agriculture to Water Supply and Sanitation.

b. This column shows lending by sector, based on a classification by major loan component. The example of a $100 million mining loan, with components aimed at addressing environmental, financial, and social protection needs, serves as an illustration. In the case of loan-by-loan classification, the full amount of the loan appears in the Mining sector; in the component classification, the full amount is split among the four sectors--Mining, Environment, Finance, and Social Protection. As a result, total lending of $1.5 billion for Social Protection in the component classification is the sum of all social protection components within loans approved in fiscal 2000.

c. Excludes IDA HIPC grants of $75 million to Uganda in FY98 and $154 million to Mozambique in FY99.

emphasis will be on promoting private sector development, supporting key public investments or social programs that would otherwise be unfunded by private or public sources, and meeting crisis needs. Wherever poverty challenges require action at the global level, the Bank will capitalize on its advantage as a global institution to play the role of advocate, advisor, catalyst, coordinator, or financier as needed.

The vision embodied in the Comprehensive Development Framework (CDF) offers the chance for solid progress in this first decade of the 21st century. It will mean a focus on partnership among all development actors and a determination to link development effectiveness with a relentless focus on poverty reduction. It will mean a greater emphasis on knowledge sharing, learning, and partnerships. It will also mean an intense effort to sustain the momentum and spirit of the Strategic Compact, to continuously innovate and improve responsiveness to clients, with an emphasis on results, especially poverty-related outcomes. Finally, the development challenge will have to be tackled by the countries themselves, responding to the call of President Mkapa of Tanzania at a meeting in Stockholm to assess progress on the CDF: "Our people must be encouraged and facilitated to be owners of their development; not just beneficiaries, but doers of development."

Section II

The Board of Executive Directors

The Executive Directors are responsible for the conduct of the Bank's general operations; they perform their duties under powers delegated by the Board of Governors. As provided in the Articles of Agreement, 5 of the 24 Executive Directors are appointed by the member countries having the largest number of shares; the rest are elected by the other member countries, which form constituencies in an election process conducted every two years.

Executive Directors consider and decide on IBRD loan and IDA credit proposals made by the President, and they decide on policies that guide the general operations of the Bank. They are also responsible for presenting to the Board of Governors at the Annual Meetings an audit of accounts, an administrative budget, and an Annual Report (*this report*) on the Bank's operations and policies, as well as any other matters deemed necessary in their judgment.

During fiscal 2000, Executive Directors regularly met at Bank headquarters twice a week with frequent additional meetings, both formal and informal. Directors also serve on one or more of five standing committees: Audit, Development Effectiveness, Budget, Personnel, and Executive Directors' Administrative Matters. The committees help the Board discharge its oversight responsibilities through in-depth examinations of policies and practices.

In addition, groups of Executive Directors and Alternate Executive Directors periodically visit borrowing countries to observe, first-hand, Bank assistance in progress. They meet with project managers, beneficiaries, government officials, nongovernmental organizations, the business community, as well as other development partners, financial institutions, and resident Bank staff. In fiscal 2000, Directors visited Indonesia, Kenya, Madagascar, Mauritius, Rwanda, and the Solomon Islands. Executive Directors' oversight responsibility covers all Bank policies and activities, including approval of all lending operations and the annual budget. In shaping Bank policy, the Board takes into account the evolving perspectives of member countries on the role of the Bank Group as well as the Bank's operational experience. Directors also play an active role in preparing the agenda and issues papers for the semi-annual meetings of the joint Bank–Fund

Development Committee. In fiscal 2000, the Development Committee addressed the fight against HIV/AIDS, the links between trade, development, and poverty reduction, the report of the Joint Commonwealth/World Bank Task Force on Small States, and a number of the issues discussed below. (For more detail, see Appendix 16 in *The World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.*)

Strategic Issues

Major areas of Board emphasis during fiscal 2000, discussed in the body of the Annual Report, are highlighted below:

Strategic Compact and the Strategic Directions Paper. Executive Directors continued to monitor, with substantial input from the Committees, the fiscal 1998–00 Strategic Compact between the Bank and its shareholders, which has been aimed at making the Bank more responsive, and improving the quality of services, to clients. Directors welcomed the progress achieved under the Compact, including reform of the budget process. For the future, Directors generally supported the Strategic Directions Paper, which emphasized assistance for poverty reduction at the country level, complemented by efforts at the global level; they were also pleased that resource requirements adhered to the Compact agreement. Directors endorsed Management's commitment to continue working on the quality of nonlending services and on matrix management and staffing issues.

Comprehensive Development Framework (CDF). The Board focused on the implementation challenges of the CDF. In reviewing the progress in pilot countries, the Directors focused on harmonization of procedures, sector-wide approaches, strategic selectivity in the Bank's program, and links between the CDF and Poverty Reduction Strategy Papers. While supportive of the approach to CDF laid out in the Strategic Directions Paper, they encouraged a full evaluation of CDF pilots before considering mainstreaming the CDF to Bank clients.

Heavily Indebted Poor Countries (HIPC) Initiative. In September 1999, the Executive Board and the Development and Interim Committees endorsed enhancements to the HIPC Initiative to provide deeper, faster, and broader debt relief for countries committed to pursuing sound policies. In so doing, they expressed concern about the remaining financing gap and stressed the critical importance of full participation by multilateral and bilateral creditors. Directors approved decision points for seven countries and a completion point for one country under the enhanced framework.[1]

Poverty Reduction Strategy Papers (PRSPs). Also in September 1999, the Development and Interim Committees supported stronger links between debt relief and poverty reduction in low-income countries, based on poverty reduction strategies prepared by countries with support from the Bank, the Fund, and other partners. Directors broadly endorsed the principles and core elements of PRSPs, welcoming the emphasis on pro-poor growth, country ownership, transparency, and stakeholder participation. They also reviewed two PRSPs and progress on the preparation of interim PRSPs for eight countries.

Country and sector strategies. Guided by the Committee on Development Effectiveness (CODE), the Board continued to stress the need to evaluate results at the country (rather than project) level. Directors urged that Country Assistance Strategies (CASs) focus on poverty reduction, partnership, and selectivity in allocating resources; they also called for more emphasis on country ownership, results, self-evaluation, and progress on cross-cutting themes such as gender and private sector development. They also reviewed, with substantial input from CODE, six sector strategy and related papers that set priorities in key subject areas. CODE and its subcommittee also provided input on draft public sector, financial sector, social protection, and gender strategy papers, and supported structural changes proposed for IFC and Bank units working on private sector development.

*1. **Decision point**: The point at which the international community agrees, for countries with unsustainable debt levels and a solid record on economic reform and poverty-reduction programs, on the amount of relief needed to reduce outstanding debt to a sustainable level. Multilateral creditors, including IDA, begin providing significant "interim assistance" beginning immediately at the decision point.*

***Completion point**: The point at which all creditors provide, unconditionally, the remainder of their share of debt relief agreed to at the decision point. The completion point is tied to implementation of key reforms and policies outlined in a country's Poverty Reduction Strategy Paper.*

Financial Capacity

In September 1999, Executive Directors discussed a report titled *Options for Enhancing the IBRD's Financial Capacity*, in response to a request from the Development Committee. The request was the result of a report from the Bank's President (in part, based on the findings of an external panel) that the Bank might be reaching the limits of its risk-bearing capacity. At last September's Annual Meetings, the Development Committee agreed with the report's finding that the Bank's finances remain sound but that its financial capacity may limit its ability to respond to unanticipated future needs, especially if global financial markets were to weaken. The Committee asked for continued review of options and regular reports, a request echoed by the Executive Directors, the Development Committee, and ministers at the Spring meetings in April 2000. This issue will continue to be carefully monitored by the Board's Audit Committee as well as by the full Board.

Administrative Budget

Following review by the Budget Committee, Executive Directors approved a total net administrative budget for fiscal 2000 of $1,445.1 million. In August 1999, the Board separately approved an allocation of $125.9 million for the Development Grant Facility. The fiscal 2000 administrative budget maintained the discipline of the Strategic Compact Framework with two exceptions: an additional $16.9 million was approved for the Bank's institutional anticorruption ($6.9 million) and Y2K ($10.0 million) programs. The fiscal 2000 budget was lower by $106.1 million in nominal dollars and by $92.4 million in fiscal 1997 dollars than the original Compact envelope, thus reducing the claims on income. In June 2000, the Executive Directors approved a total administrative budget of $1,442.2 million for fiscal 2001, the first post-Compact budget.

Human Resources Reform

Executive Directors continued to monitor, with guidance from the Personnel Committee, the comprehensive reform of human resource policies and systems approved as part of the Strategic Compact. Realigned employment and compensation policies now ensure that all Bank staff are selected and evaluated against common criteria and have access to a comparable set of benefits. Directors were generally satisfied with progress on the Bank's learning agenda and endorsed reform of the Bank's internal conflict resolution system. They welcomed, in particular, the new mediation service, greater access by field staff, the strengthening of the Ombudsman Office and Office of Professional Ethics, and the system's increased focus on cost-effective prevention and informal, nonadversarial channels for dispute resolution.

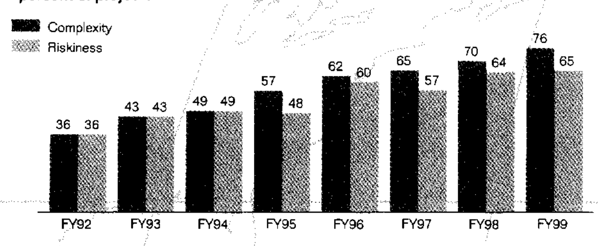
Inspection Panel

The Board created an independent Inspection Panel in September 1993 to more closely address the concerns of the populations affected by the Bank's operations. This panel ensures that the latter adhere to the institution's operational policies and procedures regarding the design, preparation, and implementation of a project. In fiscal 2000, the Panel processed five requests for inspection, including one on the China Western Poverty Reduction Project, on which the Panel issued a report to the Board in April 2000.

Section III

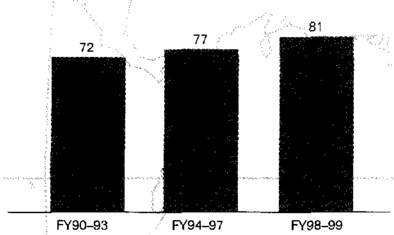
Although projects have become more complex and risky...

Complexity and Riskiness[a]
(percent of projects)

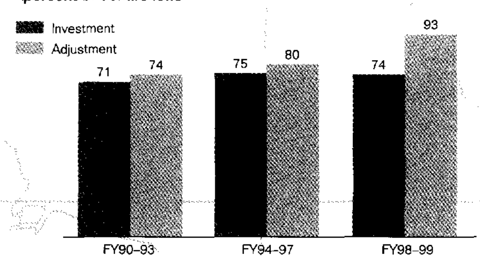


the Bank has improved or maintained development outcomes at a satisfactory or better level...

Satisfactory Outcomes: Total Lending[a]
(percent of dollars lent)

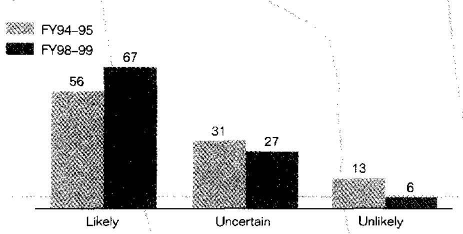


Satisfactory Outcomes: Investment and Adjustment Lending[a]
(percent of dollars lent)

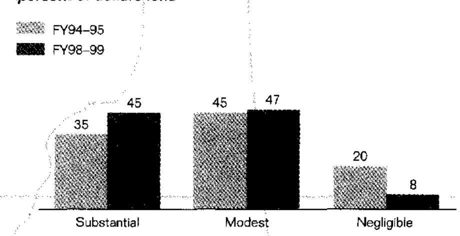


improved the sustainability of projects as well as their institutional development impact...

Sustainability[a]
(percent of dollars lent)

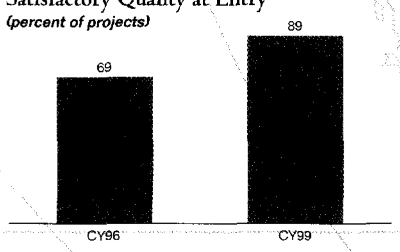


Institutional Development Impact[a]
(percent of dollars lent)

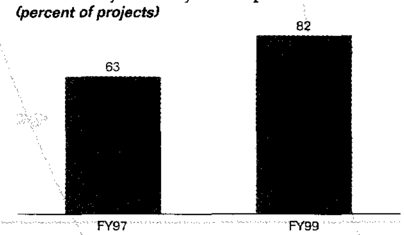


and raised the quality of projects entering the portfolio and under implementation.

Satisfactory Quality at Entry[b]
(percent of projects)



Satisfactory Quality of Supervision[b]
(percent of projects)



a. Data refer to independent evaluation assessments by the Operations Evaluation Department (OED) of projects that have completed their loan disbursement phase and have exited the Bank's active lending portfolio. Results for fiscal 1999 exits are preliminary, based on all currently available independent assessments, covering roughly 50 percent.

b. Data refer to the evaluation assessments by the Quality Assurance Group (QAG) of a sample of recently approved and ongoing projects each year.

Evaluation of Operations — Taking on the Challenge

For several reasons, effective performance evaluation—understanding what works and what does not—has taken on a new urgency. Development risks are on the rise. Local involvement in development programs is increasing. And governments are more accountable to citizens for development effectiveness.

The World Bank strives for development effectiveness by continuously learning from experience and focusing on quality and results (see Box 3.1). Evaluation is crucial to these efforts: it strengthens accountability, improves the quality of operations, and informs strategy, policy, and resource allocation. Since 1997, the Bank's evaluation strategy has emphasized: **participatory evaluation**, to actively involve all relevant stakeholders; **knowledge management**, to identify best practices in development and to inform Bank and country policies; and **"real time" feedback**, to help management assess the performance of projects under implementation.

BOX 3.1 EVALUATION AT THE WORLD BANK

Among multilateral development banks, the World Bank's evaluation methods are closest to best practice, according to two recent independent reviews (1996 and 1999, sponsored by the Evaluation Cooperation Group). Evaluation at the Bank Group is carried out by five units:

- ***The Operations Evaluation Department** (OED) —in place for more than 30 years, provides an independent assessment of Bank operations at the project, thematic, and country levels. OED reports on the (in)adequacy of the feedback system, assesses Bank responses to evaluation findings, and encourages evaluation capacity development in member countries.*
- ***The Operations Evaluation Group** (OEG) does the same for the IFC, joining with OED when appropriate.*
- ***The Quality Assurance Group** (QAG)—established in 1996, aims to improve the quality of **ongoing** projects (and therefore, outcomes) by focusing on project appraisal and supervision, portfolio management, and economic and sector analytical work. "Real-time" indicators help managers track quality in key risk areas.*
- ***The Internal Auditing Department** (IAD) provides independent appraisals to help management discharge its responsibility to establish and maintain sound internal controls.*
- ***The World Bank Institute's** (WBI) evaluation unit evaluates WBI's training activities and supports capacity development in evaluation through training programs at headquarters and in the field, the latter through distance learning methods (such as interactive video conferences) as well as face-to-face learning.*

Completion reports are prepared for all projects, and their performance ratings are independently validated by OED. Field performance audits are carried out for 25 percent of all operations one to seven years after project completion. To provide a full picture of likely development impact, OED complements its outcome ratings (the most probable estimate of results) with ratings of long-term sustainability (resiliency to risk), and institutional development (contribution to capacity building). OED judges the outcome of a project to be satisfactory if its major objectives are likely to be met, and if the rate of return is above 10 percent in real terms.

BOX 3.2 HIGHER IMPACT ADJUSTMENT LENDING: HELPING AFRICA REFORM

With only 60 percent of adjustment operations achieving satisfactory outcomes, the Bank introduced Higher Impact Adjustment Lending (HIAL) in the Africa region in 1995. HIAL was designed to improve results by focusing adjustment support on countries most likely to use assistance effectively and by enhancing the design of such operations. The improved design was to help match transfers to needs and to the pace of reforms, with fewer but more concrete conditions than in the past. This new design was to smooth resource flows and give governments increased freedom in the timing of reforms and greater ownership of programs.

An initial evaluation in 1999 shows that HIAL has been effective. With the number of conditions cut in half (compared with 1980–93) on average, HIAL produced improved development outcomes:

- *HIAL countries performed better than comparable countries (IDA countries) in fiscal adjustment, exchange and interest rate policy, and structural reforms.*
- *Better results were also achieved in economic growth, inflation, the current account, foreign exchange reserves, and debt sustainability.*
- *There were more poverty-focused operations in the HIAL group (although social expenditures decreased slightly as a share of GDP).*

Improved Development Results Amid Greater Complexity

The Bank supports activities that are increasingly focused on such challenging areas as policy reform; human, social, and institutional development, including governance; and environmental protection. As the latest *Annual Review of Development Effectiveness* (1999 ARDE) shows, even projects in such traditional sectors as transport have become more demanding. Achieving development impact often requires inclusion of many components and agencies, wide geographic dispersion of activities, and tackling tough institutional and policy issues. Moreover, implementation often takes place in environments where human resources, infrastructure, and implementation capacity are inadequate. Removing social and structural obstacles to poverty reduction entails substantial risks, although it brings high development rewards. In fiscal 1999, 72 percent of all Bank projects were thus classified by OED as substantially or highly complex, doubling the 1992 ratio.

Despite the growing challenges, development outcomes held steady or improved in the last two fiscal years, according to independent evaluations by OED. Over 80 percent of dollars lent (and 72 percent of projects) achieved satisfactory outcomes, with adjustment operations faring especially well. Rates of return on Bank-supported projects averaged 22 percent. Project sustainability improved, as did institutional development impact.

The share of Bank lending achieving satisfactory outcomes would be even higher (84 percent of dollars lent and 78 percent of projects), if Africa were excluded. Africa faces great obstacles to development, including a devastating HIV/AIDS epidemic, civil conflict, and a limited—albeit improving—skills base. However, project outcomes in Africa are showing some improvement. In fiscal 1998–99, 69 percent of dollars lent and 61 percent of projects yielded satisfactory or better results, compared with 68 percent of dollars lent and 55 percent of projects in fiscal 1994–97. Similar results are evident for adjustment lending in Africa (see Box 3.2).

Bankwide, even projects rated unsatisfactory have been shown to have had useful development consequences that could not have been predicted

BOX 3.3 FAILURE? OR PRELUDE TO SUCCESS?

Even projects that appear to fail may contribute to development. For example, the completion report for a $25 million urban development project in Colombia rated project outcome as unsatisfactory. Community centers had been built in slum areas to channel and coordinate the delivery of services to poor households. But the sophisticated coordination mechanisms proved unworkable in Colombia's highly centralized government structure. When project funds ran out, no one was available to run or fund the centers.

A decade later, an OED evaluation found that the project had produced a substantial impact. The community buildings were a focus for community activities. Once project funds were spent, services started to be coordinated naturally because of their proximity within the buildings. Colombia's policy of decentralizing government services (encouraged by the Bank) facilitated and validated these developments.

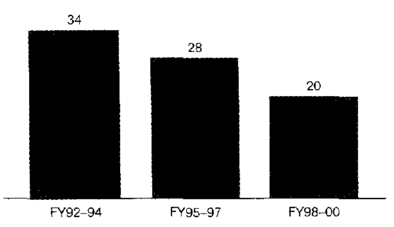
when the project closed (see Box 3.3). In the development business, perfect outcome scores would be unlikely, and even undesirable. Given the riskiness of the operating environment, they could indicate that the Bank is not tackling relevant challenges in its operations.

Quality Reforms

Along with the improvement in project outcomes, the higher quality of **ongoing operations** reveals increasing development effectiveness. Quality has improved significantly since the creation of the QAG in 1996 and the introduction of "real time" monitoring tools; these instruments of accountability have provided incentives for greater managerial emphasis on quality, and they have catalyzed systemic change by improving the understanding of the key determinants of quality. The fiscal 1998–00 Strategic Compact between the Bank and its shareholders strongly reinforced the focus on quality (see Section 1, Overview). At the same time, engagement with client-country governments to improve results has increased.

Portfolio management indicators have been improving. Overall quality at entry (attesting to a project's design and readiness for implementation) improved for the third consecutive year in calendar 1999; in line with the Strategic Compact target, 9 out of 10 operations were rated satisfactory or better. The quality of project supervision has also risen. These improvements have translated into jumps in the health of the overall lending portfolio. The number of active projects in danger of not achieving their development objectives has been substantially reduced since the early 1990s (see Figure 3.1). Improvements just in the last year mean that over $5 billion in lending is now likely to produce better results.

FIGURE 3.1
PROJECTS AT RISK OF NOT ACHIEVING DEVELOPMENT OBJECTIVES
(percent of total projects)



In addition, because quality management takes time to affect the bottom line—investment projects take an average of seven years to implement, and adjustment operations, two to three years—the full impact on results is yet to come. The mainstreaming of these efforts points to sustained improvements in project performance and better outcomes for clients.

The Comprehensive Development Framework

A broadened agenda led by the **results-based** Comprehensive Development Framework (CDF) would have important implications for evaluation, as noted in OED's 1999 ARDE. The CDF approach recognizes that client empowerment and joint learning are crucial, and that standard policy prescriptions are obsolete. It recognizes that country ownership of reform results not from externally imposed conditionality but from consensus-building efforts. **Participatory approaches** improve outcomes (see Box 3.4); projects prepared by outsiders, without involving all stakeholders and beneficiaries, tend to fail. Thus the CDF approach calls for extensive stakeholder involvement and stronger partnerships at all

BOX 3.4 PARTICIPATORY EVALUATION IN UGANDA

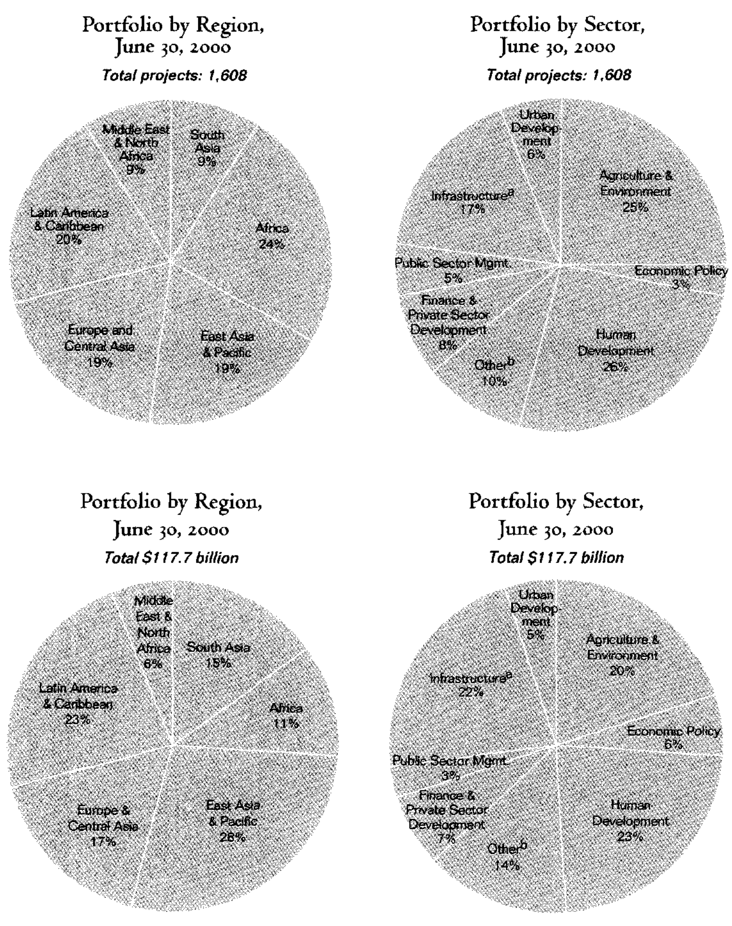
In January 1999, 70 participants in seven focus groups, representing Uganda's government, civic leaders, nongovernmental organizations, the private sector, and donors, engaged in a participatory evaluation of the Bank's assistance to Uganda since 1986. "When this project in research and training started," said one participant, "all through it, there were participatory discussions with the Bank. When we did the research on privatization, we all discussed it and tried to reach a consensus. Thinking has changed—that's why we have this positive response."

Participants observed that the Bank is consulting more with stakeholders (especially in project design and appraisal), is more open to criticism, and is reaching out to a wider range of constituents. But the Bank still needs to listen better, to respect local ideas and expertise, and to engage in even wider consultations with stakeholders (including NGOs), especially at the sector, project, and district levels.

levels; flexible Bank instruments and interventions; and appropriate performance indicators as well as monitoring and evaluation to assess progress on new objectives, methodologies, and operational modalities. The CDF approach emphasizes an unwavering focus on results and the development of evaluation capacity in borrowing countries.

The Bank actively supports governments in **building evaluation capacities**; that is, developing their monitoring and evaluation functions as part of sound governance. Evaluation helps governments better understand the entire range of their activities and identify how best to achieve development effectiveness: what works, what does not, and why. It is also a means to foster a service-oriented, performance culture within governments.

FIGURE 3.2 PORTFOLIO OF LENDING OPERATIONS



Source: Quality Assurance Group
a. Includes transportation, telecommunications, and water supply and sanitation.
b. Includes multisector, electric power and energy, oil and gas, and mining.

Successful capacity building in evaluation requires an in-depth assessment of country evaluation capacities and needs, strong awareness and demand from governments and civil society, and good partnership with other development agencies. In Ghana, for example, a brainstorming workshop organized by OED with senior officials, NGOs, and parliamentarians led to a detailed diagnosis and action plan for evaluation activities. As part of the plan, the World Bank Institute has begun to develop trainers in Ghana and has conducted seminars for senior policymakers on monitoring and evaluation. The Bank also supports evaluation capacity building in Benin, Honduras, the Kyrgyz Republic, Poland, Tanzania, and Uganda.

Development Effectiveness: Unfinished Agenda

Bank management's targets for project performance are within reach. The level of satisfactory outcomes is expected to meet the Strategic Compact target of 75 percent of projects, or about 85 percent of dollars lent. But Bank performance can improve further; there is also room for borrowers to progress in their project implementation performance, which has stagnated recently. The CDF approach poses important challenges as noted above. In addition, as the Bank's role moves beyond projects to encompass systemic policy change, capacity building, and the creation and dissemination of development knowledge, new operational approaches and instruments will be needed to enhance selectivity and leverage the Bank's impact.

Portfolio of Lending Operations

At the end of fiscal 2000, the Bank's active portfolio consisted of 1,608 operations, which represents outstanding commitments on active projects (net of cancellations) of $118 billion equivalent (see Figure 3.2). The portfolio continues to be dominated by investment loans, with adjustment loans accounting for 4 percent of total projects and 13 percent of the dollar amount of outstanding commitments. The regional and sectoral distributions are about the same as last year, as is the

BOX 3.5 ONCE BARELY AFLOAT, CARIBBEAN PORTFOLIO BECOMES TOP PERFORMER

The quality of the Caribbean portfolio today ranks among the Bank's best—a complete turnaround from 1997, when it received the lowest performance rating. At the time, 21 of the portfolio's 48 projects were classified as problem projects. The portfolio suffered from inadequate project supervision and weak local implementation capacity. Project designs failed to fully factor in local conditions. And because of its small size, the Caribbean portfolio received inadequate attention. Quality performance indicators flagged the urgent need for action.

Improving the portfolio became the top priority of a new Caribbean Country Management Unit that was keen to address these issues in December 1997. Task teams were strengthened. Borrowers and implementing agencies were mobilized. Project supervision budgets were increased. Several projects were restructured and closing dates extended after much scrutiny. Meanwhile, projects that could not be restructured were closed, freeing up scarce administrative resources to be used more effectively for strategy and project development.

The swift and sustained managerial attention, along with good Bank-Borrower collaboration and a willingness to make tough decisions, was key to bringing the Caribbean portfolio out of rough waters and making it one of the Bank's top performers this year.

size of the overall portfolio. However, average project size is lower ($73 million) compared with the portfolio at the end of fiscal 1999 ($80 million), which echoes the trend noted in new commitments.

Highlights of portfolio performance in fiscal 2000 are noted below:

➢ **Continued improvement in overall portfolio performance:** At the end of fiscal 2000, commitments and projects at risk of not achieving their development objectives were at half their levels of 1996, when the Portfolio Improvement Program was introduced.

➢ **Noteworthy progress in Africa, and in the private sector–infrastructure sector:** The Africa region's portfolio, historically one of the Bank's riskiest, is now on a par with the Bank average. Substantial reductions in risk were also achieved, Bankwide, in projects that address needs in electric power and energy, private sector development, water supply and sanitation, and urban development.

➢ **Stronger project outcomes:** Eighty-four percent of projects exiting the portfolio in fiscal 2000 were rated satisfactory in terms of achieving development objectives at the time of closing, compared with 78 percent in fiscal 1999. These ratings bode well for sustained improvement in satisfactory project outcomes as measured by OED's independent evaluations, which are conducted after a project has closed.

The improvements noted above are the result of increased and systematic attention to portfolio management (see Boxes 3.5 and 3.6). To ensure sustained progress, Country Assistance Strategies are attaching a high priority to improving portfolio quality. Such a priority means: addressing links between project implementation and other aspects of the Bank's policy dialogue (for example, procurement difficulties tied to corruption); reflecting lessons learned in the assistance strategy; tying new lending to country portfolio performance; and reflecting Bankwide experience in identifying appropriate instruments for assistance (for example, Learning and Innovation Loans, or nonlending services).

BOX 3.6 THE MAURITANIA PORTFOLIO—AN AFRICAN SUCCESS STORY

Performance indicators for the Bank's portfolio in Mauritania, comprising 13 credits amounting to $234 million at the end of fiscal 2000, have been consistently strong. As of June 30, 2000, no dollar commitments were at risk (of not achieving their development objectives), compared with 16 percent for the Bank overall. A deliberate, multipronged strategy is driving sustained success. Elements include:

➢ *Resolving, in a timely fashion, overall and project-specific problem issues, in part through frequently held, action-oriented Country Portfolio Performance Reviews*

➢ *Building local implementation capacity*

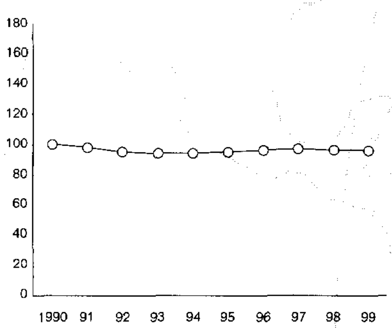
➢ *Developing links between macroeconomic and sector policy dialogue and Bank lending*

➢ *Forging strong partnerships with government and local stakeholders throughout the project cycle*

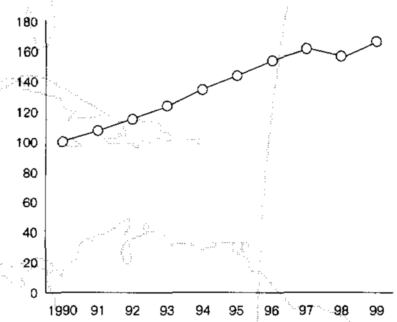
➢ *Increasing the responsibility and accountability of the field office in portfolio management*

SECTION IV

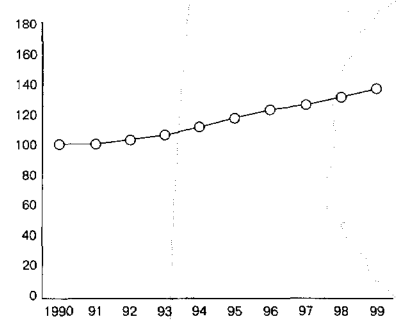
AFRICA
GNP-PER-CAPITA INDEX,
1990–99



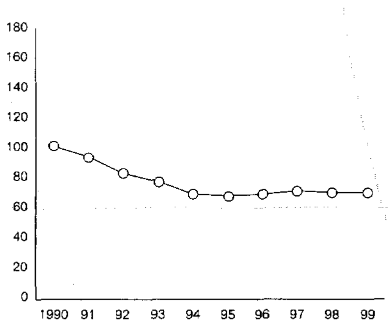
EAST ASIA AND PACIFIC
GNP-PER-CAPITA INDEX,
1990–99



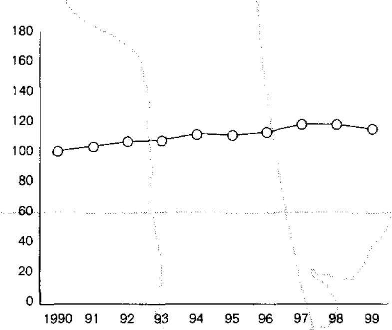
SOUTH ASIA
GNP-PER-CAPITA INDEX,
1990–99



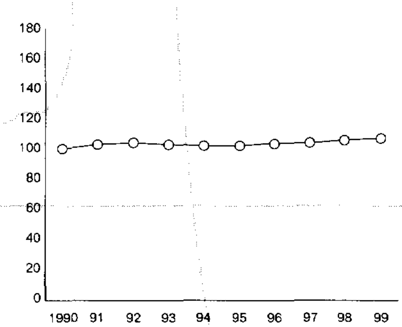
EUROPE AND
CENTRAL ASIA
GNP-PER-CAPITA INDEX,
1990–99



LATIN AMERICA AND
THE CARIBBEAN
GNP-PER-CAPITA INDEX,
1990–99



MIDDLE EAST AND
NORTH AFRICA
GNP-PER-CAPITA INDEX,
1990–99



Regional Perspectives

AFRICA

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

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

Regional Context

Preliminary economic data for Africa suggest a modest recovery in 1999, following a slowdown in growth a year earlier due to developments in East and South Asia and to increased conflict and adverse weather conditions in the region. Performance within the region showed divergent trends but there was continued evidence in 1999 that economies responded to social stability and sound policies. Nearly half the countries in the region posted positive per capita growth rates; however, on average, growth continues to fall short of what is needed for the absolute number of poor to decline. The outlook for 2000 is for a further acceleration of growth, with more export expansion, recovery in agriculture, and a reduction in conflict.

The continent has made significant advances over the last decade. Democratic governance has been strengthened, and the progress towards more open systems of governance seems irreversible. Most African economies are growing again. Africans are assuming leadership of the development agenda. Government ownership of reforms, accompanied by an increasing capacity for implementation, is among the more enduring development of the 1990s. Leaders across the continent have realized that the primary challenge, apart from restoring peace, is stronger and more widespread growth so that Africa can begin to make a serious dent on poverty.

Most countries have been pursuing reforms that will equip them for global economic integration: restoring macroeconomic balance, improving resource allocation, and creating conditions more promising for efficient investment. Since 1995, the median African economy has grown at about 4 percent per year, the best sustained performance since independence. Markets have been opened, currencies realigned, tariffs reduced, and price controls abolished. The export sector has been revitalized and is currently growing at around 8 percent. Ongoing efforts at regional integration are providing a boost to intra-African trade and to export expansion. Subregional institutions such as the Southern Africa Development Community (SADC) and the Economic and Monetary Union of West Africa (UEMOA), along with bilateral cooperation initiatives such as the Maputo Corridor, are facilitating cross-border trade and investment initiatives. New financial institutions and regional stock exchanges have also been taking root.

Still, only a few countries—Botswana, Mauritius, Mozambique, and Uganda, for example—have sustained growth rates that could significantly reduce poverty within a decade. Growth in the region must be accelerated to over 7 percent if Africa is to halve severe poverty by 2015, and it must be broad-based and equitably distributed. A major challenge across much of the continent is the establishment of peace, a precondition for growth. The unfinished agenda includes greater efforts at social inclusion and peace, as well as continued improvements in governance, which is broadly defined to include keeping a healthy peace, empowering local

people through community-driven programs, enabling Africans by building capacity in the region, bridging the digital divide, and strengthening and enforcing the rule of law. Also crucial will be investments in infrastructure (except for South Africa, the continent has fewer roads than all of Poland) and protecting the environment, especially Africa's forests.

There is an urgent need for determined action to fight HIV/AIDS in Africa. The spread of the disease has continued unabated in most countries, threatening development in the region as a whole. The epidemic has indeed reversed progress in East and southern Africa in the last four decades, reducing life expectancy by as much as 17 years in the worst hit countries, doubling child and adult mortality rates, and depleting the already scarce supply of skilled managers. Over 23 million people in Africa live with HIV/AIDS; 3.8 million of them were infected in 1999 alone. Almost 14 million Africans have died of the disease since the start of the epidemic.

Bank Assistance

Working more closely with clients and partners is a growing hallmark of Bank assistance to Africa. To enhance client focus, the Bank is increasing its presence in the field, with many staff who work on Africa now based in country offices. Such field presence is helping reinvigorate the quality and rate of implementation of operations and strengthening collaboration with partners. Collaboration is also evident in the Bank's work in fiscal 2000 on a groundbreaking report, *Can Africa Claim the 21st Century?*, prepared jointly with the African Development Bank, the United Nations Economic Commission for Africa, the African Economic Research Consortium, and the Global Coalition for Africa. The report highlights policies that are successful as well as others in need of adaptation to the region's pressing circumstances. It also proposes ways in which international donors could support Africa's development efforts more effectively.

The Bank's assistance to Africa aims to spur economic growth to higher rates that would guarantee significant and sustained poverty reduction, improve governance, and help reverse the HIV/AIDS crisis. Support for the region recognizes the diverse

AFRICA FAST FACTS

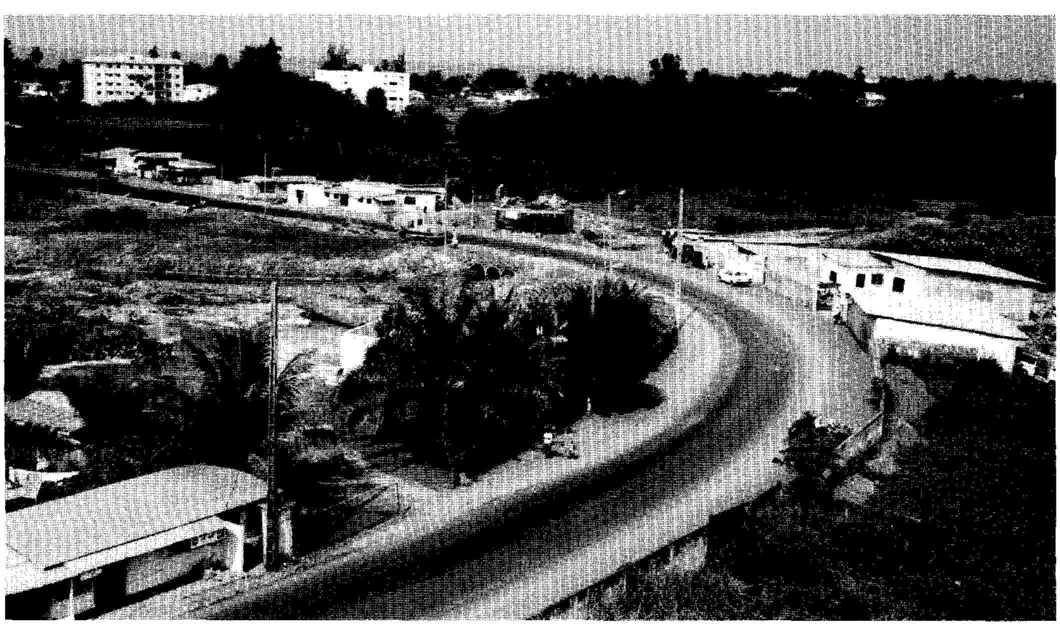
- *Total population: 0.6 billion*
- *Population growth: 2.4%*
- *Life expectancy at birth: 50 years*
- *Infant mortality per 1,000 births: 92*
- *Female youth illiteracy: 28%*
- *1999 GNP per capita: $500*

Total FY00 New Commitments
IBRD $97.6 million
IDA $2,061.4 million

Total FY00 Disbursements
IBRD $88.0 million
IDA $1,848.4 million

Outstanding portfolio as of June 30, 2000
$13.4 billion

Note: Population and GNP data are for 1999, other indicators are for 1998, from the World Development Indicators database.



Infrastructure development is critical to improving living standards in Africa, creating access to services, reducing transaction costs and expanding private sector activity, and attracting investors to the region.

nature of Africa's challenges. One group of countries, which includes Botswana, Cape Verde, Ghana, and Uganda, has undertaken serious economic, political, and institutional reforms. The Bank supports these countries in their pursuit of "second generation" economic reforms. A second and larger group comprises countries that have launched reform programs but need to deepen their reform agendas. Facing such a challenge, for example, are Cameroon, Guinea, and Madagascar. The third group is extremely volatile, with countries such as Angola, the Democratic Republic of Congo, and Sierra Leone marked by varying degrees of violent conflict. In these countries, peace will require greater inclusion of excluded groups and the empowering of communities. Ongoing programs and new Bank-supported projects, such as the Sierra Leone Community Reintegration and Rehabilitation Project, have sought to support the process of consolidating peace and reducing poverty. Poverty reduction is also an important objective of the Chad-Cameroon Petroleum Development and Pipeline Project (see Box 4.1).

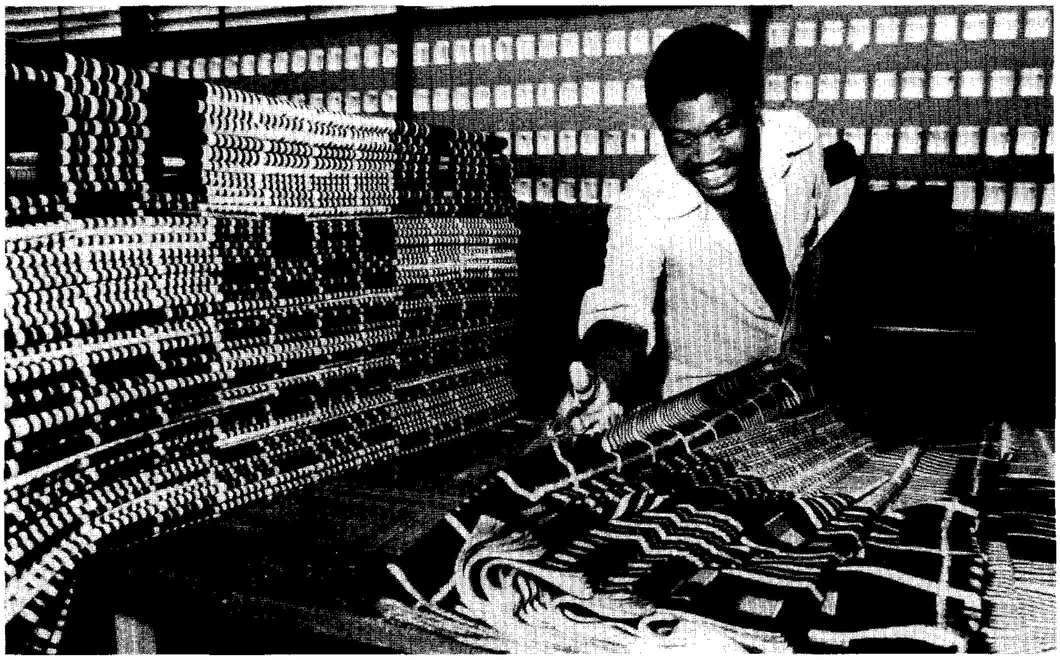
In a recent survey, clients credited the Bank with helping to bring about economic growth, strengthen sound macroeconomic and trade policies, and establish needed physical infrastructure. The challenge for Africa and the Bank will be to consolidate and deepen policy gains to achieve higher growth and better governance. Dealing with the HIV/AIDS crisis, putting special emphasis on human development, and delivering resources directly to poor people will be among the top priorities for the region. An important challenge for Africa will also be to find the capacity to develop, introduce, and sustain reforms. In fiscal 2000, the Bank continued to support the Partnership for Capacity Building in Africa (PACT), a collaborative framework between African countries, the Bank, and other donors, which was approved

BOX 4.1 THE CHAD-CAMEROON PETROLEUM DEVELOPMENT AND PIPELINE PROJECT

The World Bank Board approved support for a project to develop oil fields in southern Chad and to build a 1,070 km pipeline to off-shore oil loading facilities on Cameroon's Atlantic coast. The project will cost an estimated $3.7 billion; its private sponsors, a consortium of oil companies including ExxonMobil (USA), Petronas (Malaysia), and Chevron (USA), are providing the bulk of the funding. Bank Group support includes $93 million on IBRD terms ($53.4 million to Cameroon and $39.5 million to Chad) and $100 million from the International Finance Corporation (IFC).

Bank Group role. *Financing was only one element of Bank Group support for this project. National and international civil society groups had expressed strong concerns related to the use of oil revenue, the environment, human resettlement, the project's impact on indigenous peoples, and public consultations. These groups also noted that the region's natural resource "booms" had, in the past, a negative impact on poverty reduction efforts. In response, the Bank, working closely with the governments and private sponsors, redoubled its efforts to ensure a project design that would respond to these concerns. The result was the development in Chad of a* ***sound revenue management program*** *targeting significant funds to education, health, rural development, infrastructure, and environmental management, with 10 percent of revenue held in trust for future generations. Application of the Bank's* ***environmental and social safeguard policies*** *also resulted in the re-routing of the pipeline to ensure protection of biodiversity, human settlements, indigenous peoples, and cultural heritage. The pipeline will be buried, and two large national parks have been newly created. Project-related public consultation started in 1993 and evolved considerably throughout project preparation. The IFC's role has also been important in mobilizing long-term finance and in supplying technical skills for financing.*

Poverty reduction focus. *The project could transform the economy of Chad, one of the world's poorest countries. Nearly 6 million Chadians live on less then $1 a day, infant mortality is high, and access to basic social services is extremely limited. The government's program for use of the new revenues, estimated at nearly $2 billion for Chad over 25 years, targets key sectors of its poverty alleviation strategy. Other expected benefits are infrastructure improvements in Cameroon and Chad, employment generation, local procurement, capacity building, and increased private investment in both countries.*



Creating a base for competitive industrialization in Africa is not easy but there are enough examples to show that the region can diversify and be competitive across a broad range of products—including textiles.

by the Board in fiscal 1999 and which recognizes the crucial role of capacity building in Africa's development.

Table 4.1 shows the value and sectoral distributions of total Bank lending to the Africa region in the fiscal 1992–00 period. Table 4.1A (see Annex) compares commitments, disbursements, and net transfers to the region for fiscal 1995–00; and Table 4.2A (see Annex) shows operations approved in fiscal 2000 by country. Figure 4.1 shows IBRD and IDA lending by sector.

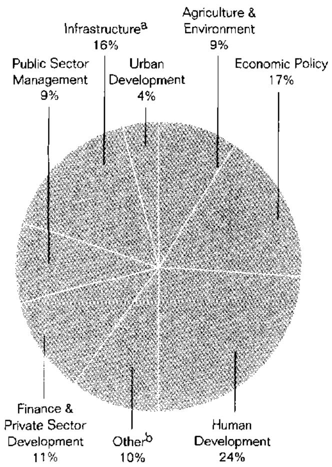
Supporting strategies for growth and poverty reduction

The piloting of the Comprehensive Development Framework (CDF) approach, introduced in fiscal 1999, reflects countries' recognition of the need for a sharper focus on poverty and for strong partnerships. The CDF approach calls upon governments to take an integrated and long-term view of their countries' development, engage their civil societies in defining priorities and goals, and coordinate donor assistance. Partners' coordinated support around a common, country-driven strategy is crucial. The CDF is enabling pilot countries such as Ghana and Uganda, for example, to think more strategically about the sequencing of policies, programs, and projects, and the pacing of reforms. Some other African countries, while not in the pilot program, have also adopted the approach informally, and they have begun to apply CDF principles.

A key focus of the Bank's strategy for poverty reduction in Africa is debt relief. Through the Heavily Indebted Poor Countries (HIPC) Initiative, the Bank has been working closely with African countries and other donors to deal with the region's official debt, which at the end of 1999 stood at approximately $170 billion. Thirty-two of the 41 countries from around the developing world that are currently classified as HIPCs are from Africa. Fiscal 2000 has been an important year for the Initiative (see Overview), and a year of active implementation. During fiscal 2000, six countries from the region (Burkina Faso, Mauritania, Mozambique, Senegal, Tanzania, and Uganda) qualified for debt relief under the enhanced Initiative, which is estimated to total some $7.1 billion in nominal terms over time, from all creditors. Including relief already committed to Burkina Faso, Côte d'Ivoire, Mali, Mozambique, and Uganda under the original HIPC framework, total debt relief committed as of end June 2000 is estimated to be nearly $12 billion. IDA's share of this relief would amount to $3.6 billion over time. To qualify for debt relief under the Initiative, countries have to present a Poverty Reduction Strategy Paper (PRSP), which is an operational instrument

FIGURE 4.1 AFRICA: IBRD AND IDA LENDING BY SECTOR, FISCAL 2000

Total $2.2 billion



Note: Sector classification is on a loan-component basis. See Table 1.1, page 33.
a. Includes transportation, telecommunications, and water supply and sanitation.
b. Other includes electric power and energy, oil and gas, and mining.

intended to translate a country's poverty reduction strategy into a focused plan of action. A number of additional African countries are due to receive debt relief under the enhanced Initiative in early fiscal 2001.

Intensifying response to the HIV/AIDS challenge

Africa's future depends on its success in meeting the HIV/AIDS challenge. The Bank has developed a vigorous response to the epidemic in Africa. After committing about $233 million in AIDS assistance between fiscal 1986 and fiscal 1999, it is now aggressively pursuing a strategy to help countries deal with the crisis. A special unit, ACTAfrica, has been created in the office of the Vice President of the Africa Region to deal exclusively with this challenge, working closely with UNAIDS (see Box 4.2). One of the unit's important tasks is to ensure that all Bank-funded projects in the region, not just the stand-alone HIV/AIDS projects, have HIV/AIDS–fighting components.

Helping empower communities

Community Action Programs (CAPs) are the Africa Region's version of Community Driven Development (CDD), a new emphasis in Bank assistance across all regions, which empowers local communities by making resources available to them for homegrown development programs. Recognizing that conventional assistance programs have failed to reach the poorest Africans when delivered through weak, centralized mechanisms, CAPs allocate and channel resources to poor populations; in addition, CAPs improve the institutional and governance environment to empower communities to design and implement their own development initiatives. A credit supporting the first CAP, benefiting rural infrastructure in Senegal, was approved by the Board in January 2000. Project funds will be used to improve local governance and financial management; to pilot initiatives that will improve mobility for some 1.3 million people living in rural areas; and to help communities fight the spread of HIV/AIDS.

BOX 4.2 ACTAfrica—RESPONDING TO THE HIV/AIDS CRISIS IN AFRICA

HIV/AIDS is undermining macroeconomic growth, human capital development, and good governance in Africa. To help fight the epidemic, the Bank has adopted a strategy of intensified action. Launched in September 1999, the strategy seeks to:

- *Use advocacy to increase demand for HIV/AIDS–related action*
- *Strengthen the Bank's capacity to respond to new demand for action*
- *Expand resources available from the international community*
- *Expand available knowledge and develop new prevention tools.*

To stimulate and support implementation of the strategy, the Bank has established a multisectoral HIV/AIDS Campaign Team for Africa (ACTAfrica). The team will serve as the focal point and clearinghouse on HIV/AIDS and will provide a variety of services, including:

- *Equipping and supporting Bank country teams to mobilize African leaders and civil society, and the private sector to intensify action against HIV/AIDS*
- *Retrofitting projects with HIV/AIDS components where possible, and assisting in the development of new dedicated HIV/AIDS projects*
- *Supporting Bank country teams in addressing HIV/AIDS in their country assistance strategies*
- *Strengthening and expanding the Bank's partnership with UNAIDS, as well as with other key agencies, nongovernmental organizations (NGOs), and interested bilateral donors.*

TABLE 4.1 WORLD BANK LENDING TO BORROWERS IN AFRICA, BY SECTOR, FISCAL 1992–00

(millions of U.S. dollars)

Sector	Classified on a Loan-by-Loan Basis				Classified on a Loan Component Basis
	FY92–97	FY98	FY99	FY00	FY00
	Annual Average				
Agriculture	322.1	176.9	188.1	173.5	181.4
Economic policy	527.1	330.1	676.6	426.3	360.1
Education	235.7	372.3	194.1	159.7	203.7
Electric power and other energy	181.4	380.3	0.0	42.9	60.3
Environment	47.1	71.8	15.0	16.4	22.6
Finance	213.1	5.0	29.4	60.4	60.4
Mining	10.7	5.0	15.0	0.0	0.0
Multisector	38.9	0.0	0.0	65.0	43.2
Oil and gas	31.4	0.0	17.5	116.6	116.7
Population, health, and nutrition	133.3	227.0	172.1	110.0	154.0
Private sector development	204.5	44.4	78.1	200.6	186.6
Public sector management	96.4	180.5	121.2	283.4	194.9
Social protection	118.9	114.7	129.6	139.4	143.4
Telecommunications	14.9	0.0	10.8	10.2	10.2
Transportation	294.4	770.1	236.6	256.2	256.2
Urban development	132.3	85.0	110.9	10.8	91.7
Water supply and sanitation	124.6	110.7	75.0	87.7	73.7
Total	**2,726.7**	**2,873.8**[a]	**2,070.0**[a]	**2,159.1**	**2,159.1**
Of which IBRD	175.0	57.4	5.0	97.6	
IDA	2,551.7	2,816.4[a]	2,065.0[a]	2,061.4	

Note: See Table 1.1, page 33. Numbers may not add to totals because of rounding.

a. Excludes IDA HIPC grants of $75 million to Uganda in FY98 and $154 million to Mozambique in FY99.

EAST ASIA AND PACIFIC

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING*

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

** This section also reports on East Timor*

Regional Context

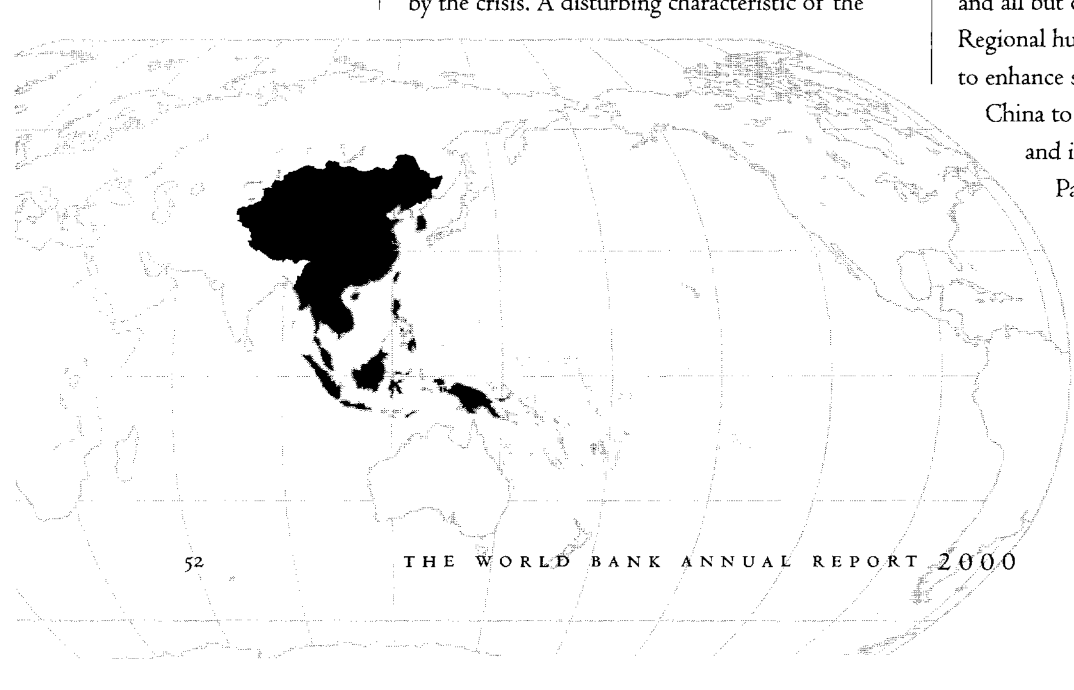
East Asia's recovery from the 1997–98 financial crisis strengthened during fiscal 2000 and is gaining momentum, though unevenly across countries (see Figure 4.2). External developments supported this recovery, as demand for the region's exports increased and the region's terms of trade improved. While the social impact of the crisis was less than had originally been feared, poverty became more acute throughout the region, affecting school attendance and preventive health care expenditures. Nonetheless, the creation of new jobs has offered hope to workers and their families, and while incomes of low-income groups have not yet been restored, renewed economic growth has at least halted the decline of incomes. With a few more years of growth, poverty levels would return to those prevailing before the crisis.

Though sharper than expected, the recovery remains fragile due to the overhang of bad debts (see Figure 4.3), which drain corporate earnings and fiscal resources. Consolidating recovery will require: restructuring of banks and corporations to restore their financial viability; sound management of the burgeoning public sector debt; and efforts to reduce lingering inefficiencies exposed by the crisis. A disturbing characteristic of the post-crisis environment, particularly among low-income and urban households, is increased economic insecurity as a result of job losses and lower real wages. The prospect of increased unemployment also looms in the transition economies (Cambodia, China, Laos, Mongolia, and Vietnam) as governments move to reform inefficient state enterprises and downsize large public sectors.

Bank Assistance

The Bank's assistance strategy in East Asia has been completely transformed in the aftermath of the crisis. According to *East Asia: Recovery and Beyond*, a World Bank publication released in May 2000, the region's long-term prospects hinge on unleashing new productivity-induced growth. These prospects are in turn dependent on the effectiveness of regulatory policies and of business, government, and social institutions. While continuing to emphasize prudent macroeconomic management, the Bank is drawing on its analytical work in the region and focusing its support on financial and corporate restructuring and governance; public sector performance and governance; and social protection.

Increased contact with clients and stronger partnerships continue to characterize Bank assistance in East Asia. Operations have been increasingly decentralized, with nearly 50 percent of staff and all but one country director now in the field. Regional hubs have been established (in Singapore to enhance strategic regional links, in Hong Kong, China to focus on private sector development, and in Sydney to support activities in the Pacific Islands, Papua New Guinea, and East Timor). A local presence has also been established in East Timor to assist in implementing the reconstruction effort. Assistance to East Timor is underpinned by a comprehensive sector framework agreed upon with other donors,



the U.N., and the East Timorese leadership, which already has yielded considerable results. By June 2000, the Bank and the Asian Development Bank (ADB) had together rolled out comprehensive programs in all sectors of the economy, with special emphasis on employment generation activities. Throughout the region, Bank operations are fostering partnerships with other multilateral and bilateral institutions, including the ADB, Association of Southeast Asian Nations (ASEAN), Asia–Pacific Economic Cooperation (APEC), and the Asia–Europe Meetings group.

Vietnam is among the countries piloting the CDF approach. This initiative reflects the government's concern that fragmented donor programs were having less impact than they would as part of a coordinated framework. In fiscal 2000, the government promoted awareness of the new approach; strengthened partnerships among donors, government, and civil society; and began to tackle the harmonizing of procedures across donors. Achievements in the first year included *Vietnam: Attacking Poverty*, a joint report of a government-donor-NGO working group. The coordinated approach has generated a shared perspective on the nature of poverty and its causes, and an agreed-upon agenda for future work. A joint donor-government working group on governance has also been established. In fiscal 2000, assistance strategies were also prepared for the Pacific Island states (see Box 4. 3).

New lending operations in EAP numbered 29 in fiscal 2000 and total lending was $3 billion, down from fiscal 1999 levels as anticipated. Demand for funds was substantially lower as the crisis receded and the region's economic performance improved. Lending was complemented by economic and sector studies, short policy notes, and advisory consultations that, in some cases, resulted in agreement on reform measures even when not tied to lending. A number of technical assistance projects supported corporate and banking sector reforms, funded primarily through the Asia–Europe Meetings (ASEM) Trust Fund and the Policy and Human Resources Development (PHRD) Trust Fund. Table 4.2 shows the value and sectoral distributions of total Bank lending to the East Asia and Pacific region in the fiscal 1992–00 period. Table 4.3A (see Annex) compares commitments, disbursements, and net transfers to the region for fiscal 1995–00; and Table 4.4A (see Annex) shows operations approved in fiscal 2000, by country. Figure 4.4 shows IBRD and IDA lending by sector.

Accelerating financial and corporate restructuring

Financial and corporate sector reforms continued to advance in fiscal 2000, if at an uneven and generally slow pace. Three patterns have emerged. First, the five crisis countries (Republic of Korea, Thailand, Indonesia, Malaysia, and the Philippines) are at advanced stages of identifying and transferring bad loans to asset management companies; their progress well exceeds that of noncrisis countries (particularly China and Mongolia). Second, progress in debt restructuring and resolution of bad loans has been fitful, with the Republic of Korea leading and Indonesia lagging in a process that may span the better part of a decade. Third, financial sectors are being opened to foreign owners and competitors in varying degrees, with dramatic changes in Thailand and Korea. Bank assistance in fiscal 2000—in close collaboration within the Bank Group and with

EAST ASIA AND PACIFIC FAST FACTS

- *Total population: 1.8 billion*
- *Population growth: 1.1%*
- *Life expectancy at birth: 69 years*
- *Infant mortality per 1,000 births: 35*
- *Female youth illiteracy: 5%*
- *1999 GNP per capita: $1,000*

Total FY00 New commitments
IBRD $2,495.3 million
IDA $483.8 million

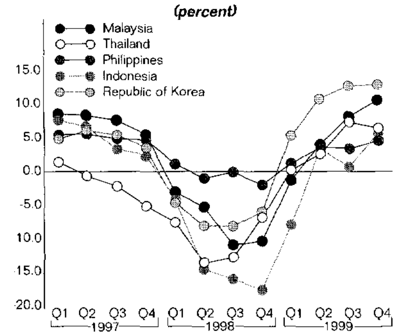
Total FY00 Disbursements
IBRD $2,940.3 million
IDA $706.1 million

Outstanding portfolio as of June 30, 2000
$31.7 billion

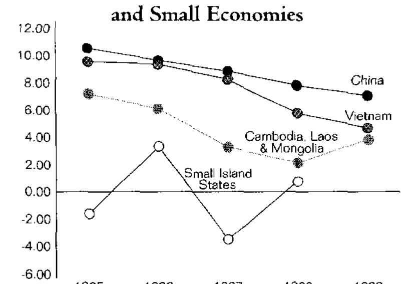
Note: Population and GNP data are for 1999, other indicators are for 1998, from the World Development Indicators database.

FIGURE 4.2 PERFORMANCE HAS BEEN UNEVEN ACROSS THE REGION

Quarterly Growth Rates in East Asia's "crisis" countries
(percent)

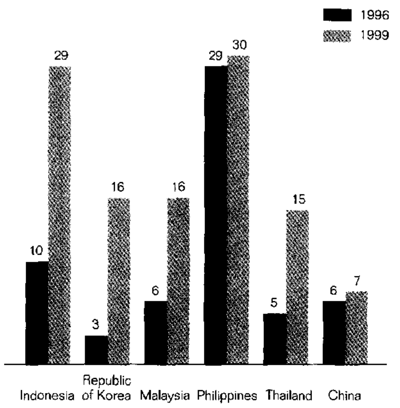


Growth Rates for Transition and Small Economies



Note: Small Island States include Fiji, Kiribati, Papua New Guinea, Solomon Islands, and Vanuatu. Data for 1999 is not available.

FIGURE 4.3
INTEREST PAYMENTS AS A SHARE OF TAX REVENUES BEFORE AND AFTER CRISIS
(percent)



other international agencies—aimed to facilitate the restructuring of banks and corporations, and to strengthen regulatory frameworks and institutions, including the judicial system, insolvency system reform, financial supervision, and competition policy. In Thailand, to complete financial and corporate sector reforms, the Bank has supported economic and financial adjustment through two loans since the crisis, with a third under discussion this fiscal year. Policy dialogue with the Republic of Korea yielded agreement on extending and deepening corporate and financial sector reforms. Though the funds under the Corporate and Financial Sector Restructuring Loan were not accessed, the Republic of Korea nonetheless implemented the bulk of reforms associated with the operation.

Strengthening public sector performance and governance

With rising public debt squeezing noninterest public spending, civil society in many East Asian countries is increasingly demanding more efficient, effective, and accountable government; improved social and infrastructure services; and the safeguarding of the environment. In response, the Bank has supported sector projects and policy reforms emphasizing public sector transparency and accountability (see Box 4. 4) as well as greater stakeholder participation in project design and implementation. Wide-ranging efforts in Indonesia include anticorruption and civil service reforms. The Indonesia Forests Program, for example (developed this year through an intensive Bank-sponsored consultation process with donors, government, and civil society), represents a government commitment to introduce major reforms in the sector, address urgent issues including illegal logging, and set a framework for coordinated forest development. Bank operations are also adopting demand-oriented and private sector approaches to service delivery (particularly in infrastructure activities) with an emphasis on

BOX 4.3 ASSISTANCE STRATEGY FOR THE PACIFIC ISLAND STATES

The challenges facing the Pacific Island countries (Federated States of Micronesia, Fiji, Kiribati, Palau, Papua New Guinea, Marshall Islands, Samoa, the Solomon Islands, Tonga, and Vanuatu) are: to overcome the constraints they share as small states, including economic and environmental vulnerability; to deal with changing global trade regimes; to improve institutional and human capacity; and to identify practical options in response to the ongoing process of globalization. A major challenge unique to these countries is how to provide sustainable and meaningful economic and social opportunities and services for growing populations within a context of fast-paced social, cultural, and economic change.

Regional cooperation, by pooling resources across countries, would minimize the vulnerabilities of these small countries. Regional cooperation opportunities, however, are limited in the Pacific region, due to its immense size and the variety of cultures and political systems. Nonetheless, the Bank's strategy aims to support regional initiatives in those limited areas where prospects are strong, such as trade, banking, transport, telecommunications, management of marine resources, and bulk purchasing of supplies and products.

The CDF and the shared work with the Commonwealth Secretariat on small island states provide the basis for a long-term strategy for assistance to the Pacific Island countries. This assistance plan was outlined in the Pacific Regional Strategy *(May 2000) and the* Papua New Guinea Country Assistance Strategy *(December 1999). The Bank's strategy supports country-led reform programs (in coordination with other regional and bilateral development partners) as a key element for success. The strategy focuses on the importance of sustainable utilization of natural resources in meeting development aspirations, and it emphasizes the critical role of Pacific institutions, traditions, and customs in reducing poverty.*

cost recovery of recurrent expenses. New projects in China with these features will help reduce air pollution, address water pollution and sewerage problems, and support water supply, waste water treatment, and industrial pollution control.

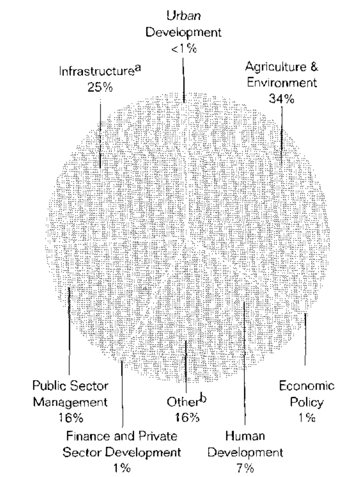
In fiscal 2000, the Bank also supported decentralization of public sector decisionmaking and accountability. These significant challenges must be met: to ensure neutral impact on fiscal resources, adequate capacity at the local government level, and reduced corruption at local levels. In the Philippines, the Mindanao Rural Development Project (a project to improve rural incomes and food security) assigns a larger role to local governments while also closely involving rural poor communities in project design and implementation. The project emphasizes capacity-building at local levels, which represents a new approach to rural development in the Philippines.

Enhancing social protection

During the crisis, the Bank supported efforts to bolster safety net programs and to gather data to strengthen related policymaking functions. Greater involvement exposed severe limitations in the ability of private and public systems to cope with a shock as severe as the recent crisis. The need for policies and institutions that could help households manage social risks also became evident. Bank assistance in fiscal 2000 sought to help build a comprehensive and effective social policy framework and to ensure that poor people participate in the benefits of future growth. Also recognizing the fiscal constraints on governments as well as demands from communities, social sector programs have increasingly emphasized commu-

FIGURE 4.4
EAST ASIA AND PACIFIC: IBRD AND IDA LENDING BY SECTOR, FISCAL 2000

Total $3.0 billion



Note: Sector classification is on a loan-component basis. See Table 1.1, page 33.
a. Includes transportation, telecommunications, and water supply and sanitation.
b. Includes multisector, electric power and energy, oil and gas, and mining.

The Indonesia Village Infrastructure Project has empowered communities to assume responsibility for project planning and implementation.

The Mindanao Rural Development Project benefits Phillipines' coastal communities, and includes a Global Environmental Facility component for biodiversity conservation that will contribute to increasing fish stocks.

BOX 4.4 THAILAND PUBLIC SECTOR REFORM LOAN

Strengthening public sectors has been an important focus of Bank assistance in the East Asia region. Public sector reforms can raise productivity (of workers and public investment) in the economy, improve competitiveness, enhance citizen satisfaction with public services, and ultimately help sustain economic growth. In Thailand, the Bank is supporting an important effort of the government to improve public sector governance in central agencies and line ministries, through a $400 million loan approved this fiscal year. The comprehensive Public Sector Management Reform Plan, issued in May 1999, aims at improved performance-based resource management, better service delivery, and greater accountability and transparency. Recognizing that institutional reforms require time to implement, and that the pace of implementation is often uneven, the reform program has been designed around concrete objectives with flexible benchmarks that can be adjusted to accommodate the pace of implementation.

The reforms are already yielding tangible results, which reflects the strong support among various stakeholders in Thailand, as well as the reforms' grounding in the principles of the new constitution. Agencies and ministries have been restructured to promote efficiency; processes in pilot departments have been re-engineered to emphasize results-based management; new financial management approaches have been developed; and important legislation (including the Official Information Act) has been passed.

TABLE 4.2 WORLD BANK LENDING TO BORROWERS IN EAST ASIA AND PACIFIC, BY SECTOR, FISCAL 1992–00

(millions of U.S. dollars)

Sector	Classified on a Loan-by-Loan Basis				Classified on a Loan Component Basis
	FY92–97	FY98	FY99	FY00	FY00
	Annual Average				
Agriculture	961.6	1,058.7	711.8	353.8	412.8
Economic policy	97.8	50.0	3,612.0	30.0	40.0
Education	499.8	103.5	557.2	5.0	7.0
Electric power and other energy	1,292.0	846.7	100.0	470.0	470.0
Environment	275.9	215.4	304.0	382.7	590.3
Finance	105.7	5,385.0	826.0	32.0	32.0
Mining	5.8	0.0	0.0	10.0	10.0
Multisector	10.5	0.0	0.0	0.0	0.0
Oil and gas	139.3	0.0	0.0	7.0	7.0
Population, health, and nutrition	181.2	146.5	104.7	119.4	82.7
Private sector development	22.5	0.0	198.5	0.0	0.0
Public sector management	74.6	230.0	505.0	490.0	470.0
Social protection	52.9	310.0	990.0	100.0	105.0
Telecommunications	180.7	34.5	100.0	0.0	0.0
Transportation	1,148.0	1,110.0	1,041.5	629.2	577.3
Urban development	320.1	45.1	264.7	0.0	0.0
Water supply and sanitation	136.8	87.8	449.8	350.0	175.0
Total	**5,505.1**	**9,623.2**	**9,765.2**	**2,979.1**	**2,979.1**
Of which IBRD	4,389.1	8,847.0	8,754.8	2,495.3	
IDA	1,116.0	776.2	1,010.4	483.8	

Note: See Table 1.1, page 33. Numbers may not add to totals because of rounding.

nity empowerment and demand-driven approaches to promote operational efficiency, transparency, and effectiveness.

Support for social protection has entailed the strengthening of local communities and NGOs, as well as assistance for health, education, infrastructure, environment, water supply and sanitation, urban and rural development, and other local capacity-building activities. A Social Investment Fund in Thailand, aimed at assisting the needy, has in the words of some Thai community leaders become "a social movement," promoting lasting goals of community self-reliance and cooperation, mutual learning and continuous development, and the strengthening and stabilizing of society through community networks. Under the comprehensive City Development Strategies approach, the Bank supports the formation of civil society umbrella associations charged with producing a strategic vision for their cities. The Bank and Bandung, Indonesia (one of 12 initially targeted cities), have agreed to work together on a Cities Without Slums Initiative to upgrade and improve living standards in poor neighborhoods of Bandung. Bank operations are also increasing their use of innovative technological approaches to social service delivery.

SOUTH ASIA

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

Regional Context

South Asia was the fastest growing developing region in 1999 for the second consecutive year. GDP growth averaged 5.4 percent, up slightly from the previous year. Growth in India, at 6 percent in 1999, continued to lead the region's performance, spurred by an expanding commitment to a broad range of reforms at the national level and in some key states, as well as rising business confidence. Bangladesh grew at a healthy 5.2 percent in 1999, up from 5.1 percent the previous year. This growth was better than expected; a bumper rice crop and sound macroeconomic management helped to offset the effects of the 1998 floods, weak external markets, falling commodity prices, and surging petroleum bills. Growth slowed in Pakistan, to 3.1 percent; the weak performance reflected political uncertainties and serious balance of payments difficulties as well as weak external markets (the latter also affected Sri Lanka).

South Asia's strong growth is all the more remarkable—and indicative of its potential dynamism—in the face of regional and national political instability. Tensions between Pakistan and India over Kashmir continue to take a toll on lives, command large defense expenditures, and keep G7 sanctions in place following nuclear weapons tests in 1998; a military coup in Pakistan in October 1999 created further uncertainties. Elsewhere in the region, a sharp escalation in the scale of the Sri Lankan civil conflict caused an interruption in renewed mediation efforts; political strikes continue in Bangladesh, costing the economy an estimated $60 million for each day lost; and political instability continues in Nepal. Combined with economic and policy constraints, these upheavals limit the region's ability to attract the foreign investment critical to growth and poverty reduction. Gross capital market flows to South Asia are just 1 percent of the total to developing countries. The instabilities have also contributed to large public sector deficits, inadequate infrastructure services, and poor quality of public spending.

South Asia's poverty continues to present a profound challenge to the Bank's mission. The region is home to 40 percent of the world's poor, with some half a billion people living on less than a dollar a day. Key indicators signal the scope of the challenge: South Asia has the world's highest adult illiteracy rate (59 percent of women are unable to read or write), a third of the world's maternal deaths, and malnutrition that affects more than half the region's children under 5 years of age. Lack of access to health care, major public health threats such as HIV/AIDS and malnutrition (see Figure 4.5), low primary school enrollment rates, environmental degradation, inadequate infrastructure, and social exclusion are among the many obstacles to future growth and poverty reduction.

Bank Assistance

The Bank articulates its strategy to help South Asia reduce poverty around three key dimensions. First, it recognizes the need for sound economic policies to promote growth. Second, it recognizes that equitable distribution of the benefits of growth requires institutional development (supporting good governance) and policies conducive to supporting poverty alleviation and human development, especially among vulnerable groups such as women. Third, in applying CDF principles, it calls for a holistic approach to address multidimensional poverty, reaching across sectoral boundaries and engaging governments, other country partners, and donors in a coordinated effort to ensure maximum impact on poverty reduction.

This strategic approach has implications not only for the role of the Bank in each South Asian country but also for how it works with these countries. While projects and programs continue to be important, capacity building and knowledge-driven activities tailored to a country's needs are increasingly emphasized (see Box 4.5). In fiscal 2000, the Bank consolidated recent years' efforts to transform the way Bank staff work with client countries and to devolve decisionmaking to country offices. The strategic vision that the "country should be in the driver's seat" found expression at several levels: from the Bank's interaction with countries and states to its efforts at the community level to enable people to take control of their own development.

Table 4.3 shows the value and sectoral distributions of total Bank lending to the South Asia region in the fiscal 1992–00 period. Table 4.5A (see Annex) compares commitments, disbursements, and net transfers to the region for fiscal 1995–00, and Table 4.6A (see Annex) shows operations approved in fiscal 2000, by country. Figure 4.6 shows IBRD and IDA commitments by sector.

Building country ownership

Strengthening client ownership of policies and programs and involving poor people in development efforts became focal points of Bank assistance in fiscal 2000. A key priority in India was building strong partnerships with reforming states (see Box 4.6). Following the lead of Andhra Pradesh, Uttar Pradesh, India's largest state and one of its poorest (with 40 percent of its 160 million people living below the poverty line), has also embraced much needed reforms. In Pakistan, the Bank and the Fund continued to engage in high-level policy dialogue with the new government on macroeconomic and structural issues, with an emphasis on the need to build support for policy change at national and provincial levels. In Bangladesh, a consultation process to inform the Bank's Country Assistance Strategy (CAS) engaged all levels of society, including rural communities, the urban poor, NGOs, academia, business communities, trade unions, ministers, and parliamentarians. Following another consultation process supported by the Bank and development partners, the government presented its poverty reduction strategy at the April 2000 Development Forum in Paris.

Emphasis on country-led development characterizes Bank assistance to Nepal. The Bank's fiscal 1999–01 CAS emphasizes government-led donor coordination to improve aid effectiveness. A Public Expenditure Review in fiscal 2000 helped the government to trim its donor assistance requests and to use limited public resources to maximum effect; a parallel study looked at decentralization and improved monitoring of public expenditures. In the same spirit, a $5 million Rural Infrastructure Project is piloting a local government-led approach to the planning and improvement of rural roads, entrusting district-level committees with the design, supervision, and implementation of civil works. Another new project is setting up a road rehabilitation and maintenance fund to be managed by government and private sector representatives; the fund, similar to one being established in Pakistan, aims at increased private sector involvement in infrastructure.

SOUTH ASIA FAST FACTS

- *Total population: 1.3 billion*
- *Population growth: 1.9%*
- *Life expectancy at birth: 62 years*
- *Infant mortality per 1,000 births: 75*
- *Female youth illiteracy: 42%*
- *1999 GNP per capita: $440*

Total FY00 New commitments
IBRD $934.3 million
IDA $1,178.1 million

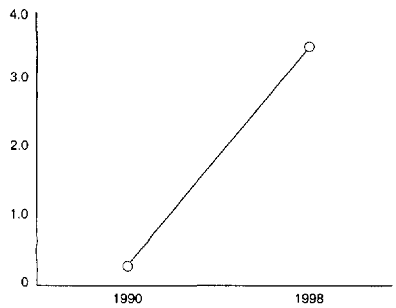
Total FY00 Disbursements
IBRD $846.8 million
IDA $1,604.6 million

Outstanding portfolio as of June 30, 2000
$17.8 billion

Note: Population and GNP data are for 1999, other indicators are for 1998, from the World Development Indicators database.

FIGURE 4.5
ESTIMATED NUMBER OF PEOPLE LIVING WITH HIV/AIDS IN INDIA

(millions of people)



Source: 1990 WHO/GPA; 1999 NACO

The World Bank has helped India start up and intensify its response to HIV/AIDS through the IDA-assisted First National AIDS Control Project ($84 million, 1992–1999) and the Second National HIV/AIDS Control Project ($191 million, 1999–2005).

Strengthening governance and institution building

Governance and institution building—to strengthen citizens' voice, improve government accountability, and reduce corruption—are key themes of Bank assistance to South Asia. The new government in Pakistan has put good governance at the heart of its reform agenda. A major step is a comprehensive plan for decentralization, which would devolve political, financial, and administrative responsibilities to local representatives. In Bangladesh, several new initiatives, such as the Country Financial Accountability Assessment, a Procurement Review, an Anti-Corruption Report, and an Institutional and Governance Review, have identified numerous social and political obstacles to reform and have stimulated a dialogue on measures that can strengthen the rule of law, reduce corruption, and improve service delivery.

The Bank is helping strengthen the region's institutions through a combination of lending and nonlending services. In Sri Lanka, a Legal Reform Project is addressing legal constraints to private sector development by simplifying regulatory structures and adjudication processes and enhancing government capacity to reform and improve the quality and efficiency of the judiciary. A Financial Sector Update in Pakistan examined the government's banking sector reform program and emphasized the need to extend reforms to the legal and regulatory environment. The Bank also helped the government examine the costs of corruption through a series of workshops that drew representation from a wide section of government, NGOs, and the private sector. Also in Pakistan, a Provincial Finances study and a Public Expenditure Review of Punjab Province sought to strengthen provincial governments' capacity for planning and funding essential social and economic services.

Empowering poor people

Critical to a sound poverty reduction strategy are institutions, public and private, that not only improve access to services, markets, and economic opportunities but also empower poor people to participate in the development process. India's District Poverty Initiatives Projects in Andhra Pradesh and Rajasthan are examples of such institution-building support by the Bank in fiscal 2000. Designed to finance small-scale subprojects at community and village levels, these initiatives seek to mobilize and empower groups of poor people by helping them to voice their demands as well as plan and implement their own poverty-reducing schemes. District and subdistrict agencies, both state and nongovernmental, are

BOX 4.5 SUPPORTING BHUTAN'S UNIQUE VISION FOR DEVELOPMENT

Nestled in the remote eastern Himalayas, the tiny Kingdom of Bhutan has made great progress in improving the living standards of its people since first embarking on modernization in the early 1960s. Over 70 percent of primary school-age children are now in school, compared with only 35 percent in the early 1970s. Bhutan has a unique vision for social transformation: policies aim to preserve the country's strong cultural and environmental heritage.

In fiscal 2000, the Bank developed a CAS that supports Bhutan's vision and development priorities. At the country's request, the strategy emphasizes the transfer of knowledge and ideas, rather than finance. In one such initiative, the Bank is helping Bhutan improve its training of government officials by offering greater access to World Bank Institute courses and internships for promising Bhutanese civil servants. Close collaboration on analytical and advisory services will lead to shared learning valuable to both Bhutan and the Bank. The emphasis on such nonlending services is illustrative of an increasing recognition—on the part of countries and the Bank alike—that knowledge is key to development and to the effective use of development resources.

encouraged to listen to citizens and ensure that the social and economic infrastructure within their purview reaches the poorest.

In Bangladesh, local communities are helping NGOs to implement a new nutrition project. It is the first of a series of projects supporting a 10-year National Nutrition Program, which aims to eradicate malnutrition countrywide by 2010. An earlier Integrated Nutrition Program saw the incidence of severe malnutrition in children under 24 months decline from 13 percent to 2 percent; the new endeavor is designed to build on those gains.

Bank support is also helping to empower people in Pakistan and strife-ridden northeast Sri Lanka. Approved at the end of fiscal 1999, the Pakistan Poverty Alleviation Fund Project aims to help poor individuals and communities (with a particular focus on women) by providing microcredit, capacity-building support, and community infrastructure. The fund has already approved $10 million to five partner organizations, reflecting a mix of rural and urban NGOs in the country. In Sri Lanka, an irrigation project to revive agricultural production is aimed at rebuilding communities torn apart by ethnic conflict. For this project, NGOs will train villagers to play a decisive role in planning and implementing development activities; project management will be entrusted to regional and district levels in coordination with other existing rehabilitation programs. The Bank is working with UNHCR and the Red Cross in these efforts.

BOX 4.6 SUPPORTING INDIA'S REFORMING STATES

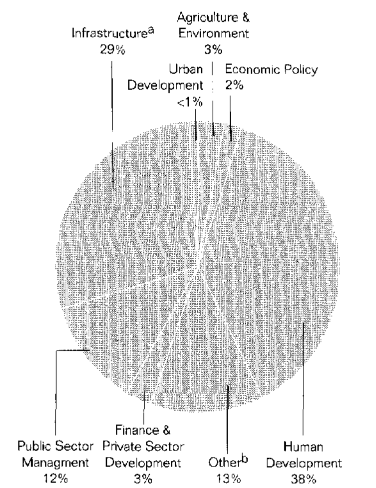
India's large deficits at the central and state levels have obstructed poverty reduction by putting macroeconomic stability at risk, diverting financing from the private sector, hindering financial sector reforms, and limiting state spending on health, education, and infrastructure. Reforms in several states are beginning to address these imbalances, and in recent years, the Bank Group has re-oriented its strategy to focus assistance mainly on those states. In fiscal 1998, the Bank supported innovative efforts in Andhra Pradesh to restructure public expenditures through fiscal reforms, social spending targets, and public enterprise divestiture. Public spending on primary education and health is already climbing.

In fiscal 2000, Uttar Pradesh became the second state to receive state-level Bank assistance; the Bank is providing a multisectoral package that supports its economic reform program and helps the state put its finances on a sustainable path. Operations supporting fiscal, public sector, and power sector reform have provided urgently needed funds, especially for the improvement of social services for poor people. The package supports reforms relating to the civil service, taxation, and privatization; it also includes assistance for primary education and health systems development.

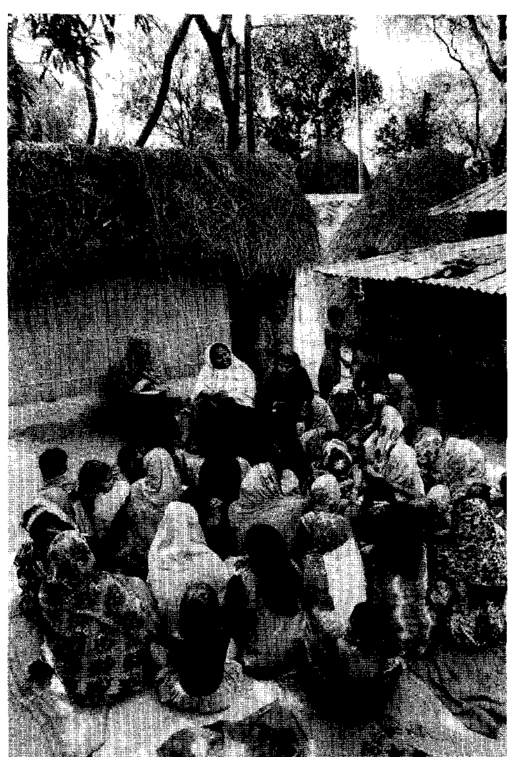
Andhra Pradesh and Uttar Pradesh together account for over a fourth of India's poor. Similar support to other reforming states is under preparation.

FIGURE 4.6 SOUTH ASIA: IBRD AND IDA LENDING BY SECTOR, FISCAL 2000

Total $2.1 billion



Note: Sector classification is on a loan-component basis. See Table 1.1, page 33.
a. Includes transportation, telecommunications, and water supply and sanitation.
b. Includes multisector, electric power and energy, oil and gas, and mining.



Knowledge is power: Village women in Bangladesh learn about arsenic contamination, as the Bank works closely with partners to support the national effort to raise awareness and help people cope with the country's massive environmental health crisis.

TABLE 4.3 WORLD BANK LENDING TO BORROWERS IN SOUTH ASIA, BY SECTOR, FISCAL 1992–00

(millions of U.S. dollars)

	Classified on a Loan-by-Loan Basis				Classified on a Loan Component Basis
Sector	FY92–97	FY98	FY99	FY00	FY00
	Annual Average				
Agriculture	405.1	876.1	390.6	60.0	61.0
Economic policy	138.4	0.0	350.0	45.0	45.0
Education	271.4	718.2	98.2	200.0	200.0
Electric power and other energy	507.4	295.0	210.0	280.0	280.0
Environment	94.9	0.0	138.6	0.0	7.8
Finance	220.0	250.0	119.0	65.1	65.1
Mining	12.5	532.0	0.0	0.0	0.0
Multisector	16.7	0.0	200.0	100.5	0.0
Oil and gas	50.1	0.0	0.0	0.0	0.0
Population, health, and nutrition	357.8	626.4	325.0	344.6	344.6
Private sector development	73.8	0.0	32.0	0.0	0.0
Public sector management	79.8	0.0	0.0	251.3	251.3
Social protection	86.6	543.2	0.0	111.0	231.5
Telecommunications	15.0	0.0	0.0	62.0	62.0
Transportation.	269.8	23.5	561.3	582.1	556.3
Urban development	51.1	0.0	105.0	10.8	7.8
Water supply and sanitation	139.0	0.0	32.4	0.0	0.0
Total	**2,789.1**	**3,864.4**	**2,562.1**	**2,112.4**	**2,112.4**
Of which IBRD	1,056.7	1,318.0	750.0	934.3	
IDA	1,732.5	2,546.4	1,812.1	1,178.1	

Note: See Table 1.1, page 33. Numbers may not add to totals because of rounding.

More than 100 South Asia Regional staff have participated in the Village Immersion Program that puts them in the shoes of clients, namely the poor people of South Asia.

EUROPE AND CENTRAL ASIA

Regional Context

Ten years after the breakup of the Soviet System, what is perhaps most striking about the Europe and Central Asia (ECA) region is its diversity. A decade ago, all countries in the region seemed to face similar challenges of transition from a planned centralized system to a market economy. Today, Central Europe is far advanced in its transition and is making progress toward meeting the challenges of European Union membership. Countries in South East Europe remain troubled by post-conflict uncertainties but face a potential turning point offered by the Stability Pact, which aims at their integration into European structures (see Box 4.7). And for the Commonwealth of Independent States (CIS) countries, transition has been more difficult, although some countries have made more progress than others.

Economic performance in 1999 varied across the region. Aggregate growth in Central and South East Europe was slightly down—not, however, as a result of deteriorating economic policies. Rather, slower growth was due to a less favorable external environment, reflecting in part the Russian Federation's 1998 financial crisis and the hardening of terms in international capital markets as well as efforts to cool the economies in the face of unsustainable macroeconomic trends and to confront the costs of postponed reforms. The new governments in Croatia, Estonia, Latvia, Lithuania, Romania, and the Slovak Republic are confronting their remaining reform agendas, while Turkey's new administration has embarked on aggressive reforms. In CIS countries, aggregate growth in 1999 reached a new high of about 2.5 percent. The outcome largely reflects the Russian Federation's rapid recovery, helped by a sharp devaluation and higher oil prices. However, with capital flight at peak rates of about 10 percent of GDP in 1999, sustained recovery will require the new government to give high priority to strengthening the climate for private sector development. Recovery in Ukraine will likewise depend on the policies of the new administration. Sustaining momentum in policy reform will also be key to continued growth in Central Asia and the Caucasus; while better terms of trade and an expanding Russian economy helped economic performance in 1999, progress in reform was erratic due to elections in many countries.

Bank Assistance

Adapting to rapidly changing circumstances at the country and subregional levels was a key feature of Bank assistance in fiscal 2000. The Bank responded quickly to an earthquake in Turkey (see Box 4.8), floods in Tajikistan, and post-conflict reconstruction in the Balkans. The Kosovo crisis set off a major reorientation of Bank assistance. Several operations were approved in fiscal 2000 to support Albania in the rehabilitation of water supply, emergency road repair, and education. Grant financing also provided for key infrastructure, rehabilitation of agriculture and social services, and budget support in Kosovo. These efforts were part of the Bank's wider involvement in the long-

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING*

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

** This section also reports on Kosovo.*

term development of South East Europe in the context of the Stability Pact.

Bank support for reforms was guided by countries' pace of implementation. In Turkey, the Bank responded to a notable acceleration of reforms with a large adjustment operation. In the Russian Federation and Ukraine, on the other hand, where political developments slowed the reform effort, the Bank cut back its lending activities while maintaining policy dialogue and providing analytical support. Such nonlending services will help strengthen the basis for strong Bank response to renewed reform efforts by new administrations.

As the "transition" theme that has characterized the Bank's work in the ECA region becomes a less useful organizing principle, four priorities are emerging: poverty prevention and reduction; building of public and private institutional capacity; effective decentralization and community development; and improved environmental management. In the CDF pilot countries—the Kyrgyz Republic and Romania—the process has also broadened stakeholder participation in the discussion of country priorities.

EUROPE AND CENTRAL ASIA FAST FACTS

- *Total population: 0.5 billion*
- *Population growth: 0.2%*
- *Life expectancy at birth: 69 years*
- *Infant mortality per 1,000 births: 22*
- *Female youth illiteracy: 2%*
- *1999 GNP per capita: $2,150*

Total FY00 New commitments
IBRD $2,733.1 million
IDA $309.1 million

Total FY00 Disbursements
IBRD $3,188.1 million
IDA $469.8 million

Outstanding portfolio as of June 30, 2000
$20.2 billion

Note: Population and GNP data are for 1999, other indicators are for 1998, from the World Development Indicators database.

Table 4.4 shows the value and sectoral distributions of total Bank lending to the Europe and Central Asia Region in the fiscal 1992–00 period. Table 4.7A (see Annex) compares commitments, disbursements, and net transfers to the region for fiscal 1995–00, and Table 4.8A (see Annex) shows operations approved in fiscal 2000, by country. Figure 4.7 shows IBRD and IDA lending by sector.

Preventing and alleviating poverty

Poverty and inequality are today recognized as major issues for the ECA region; this was not the case at the beginning of the transition process. An ongoing ECA Poverty Study as well as *Voices of the Poor* document the region's heightened incidence of poverty, inequity, and declining quality of life. In response, the Bank has sharpened the poverty focus of its assistance and increased the emphasis on lending for public goods and basic social services. Interim Poverty Reduction Strategy Papers are in preparation for all IDA countries in the region, and the one for Albania was submitted to the Board last June. In Armenia, a social investment fund is financing demand-driven community projects to improve basic social and economic infrastructure, short-term employment opportunities, community outreach, and local capacity building. In the Russian Federation, an operation aimed at developing a sustainable coal industry disbursed $200 million in fiscal 2000 to mitigate the impact on workers (and their families and communities) who were laid off following the closing of inefficient mines. Rural poor people will benefit from the Tajikistan Primary Health Care Project, which seeks to improve primary health services and develop a more equitable approach to their funding. In Central Asia and the Caucasus, Bank assistance has aimed at increasing agricultural productivity to raise the incomes of the poorer segments of the population. Examples include research and extension operations in Armenia, and land registration and on-farm irrigation operations in the Kyrgyz Republic (see Box 4.9).

The World Bank worked closely with the government and key donors to help Turkey recover from the devastating August 1999 earthquake that claimed the lives of 17,000 people and left 200,000 homeless.

Promoting institutional development, governance, and anticorruption

A key challenge for countries in transition is building state institutions capable of governing a modern market economy. The Bank continues to assist in developing new and better strategies for identifying and addressing problems of governance, and by integrating these strategies into its nonlending and lending assistance.

Five countries—Bosnia and Herzegovina, Poland, Romania, the Russian Federation, and the Slovak Republic—requested and received assistance in fiscal 2000 for diagnosing problems of corruption and developing strategies for reform. A new type of governance diagnostic was piloted in Armenia, which examines the institutional origins of weak public sector performance. Governance and anticorruption workshops were conducted in a number of countries, including Bosnia and Herzegovina, the Kyrgyz Republic, Poland, Romania, the Slovak Republic, and Turkey. Two innovative adjustment loans, to Albania and Latvia, supported reforms aimed at strengthening governance and reducing corruption.

In fiscal 2000, nonlending services helped countries analyze the effect of powerful private interests in preventing policies aimed at creating a level playing field. Such interests harm the business environment by obstructing competition, entry, and investment, and by increasing inequality and poverty. A new report, *Anticorruption in Transition,* offers remedies for this and other forms of corruption and will be disseminated at the Joint Bank–Fund Annual Meetings in September 2000.

Promoting decentralization and community development

In the region's formerly centrally planned systems, government authority and capacity at the provincial and municipal levels were poorly developed or nonexistent. The transition has given rise to an important need for building the institutional capacity of these subnational authorities. A special challenge for EU accession countries will be to ensure that regional and local authorities are able to put substantial EU grant funds to good use.

The Local Initiatives Project in Bosnia and Herzegovina offers a good example of local-level institution building. The project gives low-income microentrepreneurs access to credit by helping selected NGOs serve as microfinance institutions through provision of appropriate knowledge, technology, and performance incentives. More than 35,000 small loans have been disbursed, nearly half to women and a fifth to returning refugees or displaced persons. Seven out of eight institutions have become operationally self-sufficient and developed the governance, human resource, and financial capacity to be sustainable over the long term.

Protecting the environment

In fiscal 2000, the Bank supported the region's environmental needs by helping countries to shape country and regional environmental strategies; build stronger environmental institutions; and finance priority investments to improve environmental management. Preparation of National Environmental Action Plans was launched, with Bank support, in Bosnia and Herzegovina, Croatia, and Turkmenistan, virtually completing the roster of national environment strategies in ECA countries. In Poland and other EU accession countries, the Bank helped environmental authorities assess the cost of complying with EU environmental legisla-

BOX 4.7 WORKING WITH THE EC TO PROMOTE STABLE DEVELOPMENT IN SOUTH EAST EUROPE

In June 1999, soon after the Kosovo crisis, the international community and South East European countries signed a Stability Pact[1] to promote regional integration and economic development. The Pact gave the European Commission (EC) and the World Bank the mandate to coordinate a comprehensive regional development approach and economic assistance to the region.

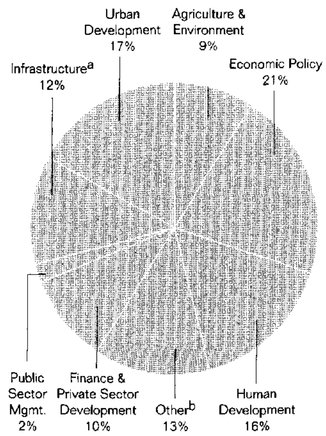
In an early effort to carry out the Pact's mandate, the Bank collaborated closely with partners to prepare a regional strategy paper. The Road to Stability and Prosperity in South East Europe *proposes four areas of action: to move rapidly toward trade integration with the EU and create a stable, transparent, and nondiscriminatory environment for private sector development; to foster social inclusion and efforts to promote peace; to improve institutional capacity and governance, with a focus on corruption; and to invest in infrastructure, with attention to environmental concerns.*

As part of their donor coordination role, the Bank and the EC co-chaired a funding conference in March 2000. Donors pledged $2.4 billion equivalent for a series of "quick-start" regional activities. The conference marks a crucial step in translating the Stability Pact's principles into tangible progress, and it signals strong prospects for continued productive partnership.

[1] *The participants of the Stability Pact are: all EU Member States, Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Romania, Russian Federation, Slovenia, FYR Macedonia, Turkey, the United States, the European Commission, Chairman in Office of the Organization for Security and Cooperation in Europe, and the Council of Europe.*

FIGURE 4.7 EUROPE AND CENTRAL ASIA: IBRD AND IDA LENDING BY SECTOR, FISCAL 2000

Total $3.0 billion



Note: Sector classification is on a loan-component basis. See Table 1.1, page 33.
a. Includes transportation, telecommunications, and water supply and sanitation.
b. Includes multisector, electric power and energy, oil and gas, and mining.

tion. Assistance to Tajikistan is focused on capacity building for planning and implementing sustainable mitigation and preparedness activities for Lake Sarez.

Among lending activities, the Bulgaria Privatization Support Adjustment Operation is noteworthy for its innovative approach to industrial pollution. To attract private investment by removing environment-related investor risks, a legal framework is being established along with mechanisms for dealing with past environmental liabilities in the privatization of polluting industries. The approach includes provisions to clean up past pollution and to ensure future compliance with environmental standards. The Poland Rural Environmental Protection Project demonstrates another effective mechanism for channeling investment for environmental protection, this one in rural areas. The project will help reduce nitrate run-off from approximately 1,000 farms, while helping Poland meet EU accession requirements.

BOX 4.8 RESPONDING TO TURKEY'S EARTHQUAKE: SPEED, PARTNERSHIP, PREVENTION

In August 1999, the Marmara Region of Western Turkey was hit with a devastating earthquake that caused over 17,000 deaths and physical destruction estimated at somewhere between 1.5 percent and 3.3 percent of GNP.

The World Bank responded immediately, beginning with a comprehensive assessment of the disaster's impact and needs for recovery. Five weeks later, the Board approved reallocations of up to $267 million from eight ongoing loans, making funds available for urgent needs in health, education, infrastructure reconstruction, and other services. Two new loans were approved in November 1999, bringing the Bank's total financial support for recovery to over $1 billion. The government and the Bank worked with key donors in preparing the projects, which support disaster recovery and disaster preparedness. Two new institutions are being established: the Emergency Management Agency of Turkey, to help the nation respond quickly to human and organizational needs after a natural disaster, and the Turkish Catastrophic Insurance Pool, a new compulsory insurance program for homeowners that will both provide an incentive for sound construction practices and transfer catastrophic risk offshore through reinsurance markets (see Box 5.7). The IFC has also provided a credit line to help small- and medium-sized firms (SMEs) in Turkey's earthquake regions.

Supported by the Post-Conflict Fund in cooperation with UNHCR, the Shkolla E Paqe—School of Peace—is the first of its kind in Kukes, Albania, combining education, nutrition, and physical education activities for some 800 Kosovar refugee children.

TABLE 4.4 WORLD BANK LENDING TO BORROWERS IN EUROPE AND CENTRAL ASIA, BY SECTOR, FISCAL 1992–00

(millions of U.S. dollars)

Sector	Classified on a Loan-by-Loan Basis				Classified on a Loan Component Basis
	FY92–97	FY98	FY99	FY00	FY00
	Annual Average				
Agriculture	393.1	124.0	242.9	160.6	130.6
Economic policy	1,018.2	1,115.0	1,790.2	764.6	635.0
Education	40.4	592.4	41.1	22.6	22.6
Electric power and other energy	301.0	545.0	46.0	196.5	177.4
Environment	40.5	93.5	27.4	62.4	151.8
Finance	232.5	82.0	362.0	359.0	309.0
Mining	140.1	800.0	300.0	44.5	10.0
Multisector	21.0	0.0	50.0	252.5	222.5
Oil and gas	278.9	10.0	0.0	0.0	0.0
Population, health, and nutrition	172.9	27.0	94.5	168.4	168.4
Private sector development	232.8	138.3	816.6	0.0	0.0
Public sector management	96.4	459.4	203.6	87.9	47.5
Social protection	237.1	383.1	229.1	35.0	295.0
Telecommunications	30.5	30.0	0.0	0.0	0.0
Transportation	399.5	356.0	638.0	207.5	207.5
Urban development	194.1	314.4	59.1	507.0	507.0
Water supply and sanitation	86.8	154.4	385.5	173.6	157.8
Total	**3,915.7**	**5,224.5**	**5,286.0**	**3,042.1**	**3,042.1**
Of which IBRD	3,606.7	4,462.3	4,350.3	2,733.1	
IDA	309.0	762.0	935.7	309.1	

Note: See Table 1.1, page 33. Numbers may not add to totals because of rounding.

BOX 4.9 PROMOTING LAND MARKET INSTITUTIONS AND SUSTAINABLE IRRIGATION IN THE KYRGYZ REPUBLIC

In the Kyrgyz Republic, agriculture accounts for nearly half of GDP and employment, particularly in rural areas where two-thirds of the population reside and where poverty is concentrated. Agricultural growth is a high priority in the national economic strategy. To promote efficient use of land resources, IDA has been working with the government to build infrastructure and institutional capacity. Two new credits were approved in fiscal 2000:

➢ ***The Land and Real Estate Registration Project*** *takes forward the land privatization reforms that have boosted agricultural production since 1996 by putting in place arrangements to protect property rights and facilitate market activity in land. The project addresses rural needs but will also foster development of urban real estate markets.*

➢ ***The On-Farm Irrigation Project*** *helps build sustainable irrigation systems by establishing Water User Associations (WUAs) and rehabilitating distribution systems serving private farmers. To promote sustainability, the project supports adequate maintenance, institutional strengthening of WUAs, and a sound legal framework.*

IDA's role. *IDA's experience in land reform-related issues in CIS and other countries gives it a unique advantage in providing such support to the Kyrgyz Republic. Complementary IDA support for rural development, privatization, banking reform, and fiscal reform should further advance prospects for agricultural growth.*

LATIN AMERICA AND THE CARIBBEAN

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Antigua and Barbuda
Argentina
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay
Venezuela, Republica Bolivariana de

Regional Context

The economic slowdown in Latin America and the Caribbean (LAC) that began in 1998 continued throughout most of 1999, although by 2000 recovery was underway in most LAC countries. Regional growth was flat in 1999, down from about 2 percent in 1998. The contributing factors were external shocks to terms of trade and reduced access to capital markets; natural disasters—an earthquake in Colombia and devastating floods in the Republica Bolivariana de Venezuela—compounded problems for those countries. The regional current account deficit declined, due mainly to reduced imports. While fiscal balances deteriorated, they are expected to improve. Also promising was foreign direct investment (FDI), which surged to a record $89 billion in 1999 and bodes well for the future, especially in Brazil and Mexico. Overall, prospects have brightened, due to the receding impact of shocks to terms of trade and renewed access to international capital markets.

The magnitude of slowdown and the pace of recovery have varied among countries. Three small nations, Costa Rica, the Dominican Republic, and Trinidad and Tobago, led in economic growth. Certain large nations also performed well. Brazil's swift policy response to the currency crisis stopped speculative capital outflows and enabled rapid economic recovery. Mexico's tight fiscal policy and a flexible foreign exchange regime (helped by a booming U.S. economy) reassured external creditors and spurred growth of about 3.5 percent. Peru's growth also approached 4 percent, as exchange rate movements helped the economy adjust to shocks and recover from El Niño problems. Other large countries fared poorly, however. Argentina was affected by declining commodity prices, by trade shocks triggered by Brazil's currency crisis, and by reduced access to (more costly) private financing. In Colombia, Ecuador, and the Republica Bolivariana de Venezuela, internal political difficulties and financial system weaknesses intensified the slump, prompting authorities to raise interest rates to avoid currency runs in the face of external shocks.

Regional growth is expected to average 3–4 percent in 2000, likely led by Chile, Mexico, and Peru. Argentina could achieve similar growth with improved access to international capital markets on more favorable terms. Even with growth, however, deep inequalities of wealth persist in most LAC countries, with 35 percent of the region's people, or about 177 million, living in poverty. This high level of poverty is partly due to the macroeconomic shocks, which resulted in increased unemployment and cuts in social programs aimed at poor people.

Bank Assistance

In fiscal 2000, the Bank responded to the region's external financial shocks and natural disasters by helping people cope with worsened poverty as well as the sudden loss of jobs and, in some cases, homes. Assistance to help countries manage environmental resources in sustainable ways continued, along with other efforts (developed in consultation with

local communities) to improve the quality of life in cities and rural areas. With emerging market economies recovering faster than expected from the 1997–98 crisis, the region has had less need for the large capital transfers associated with last year's adjustment lending. At the same time, the Bank has continued efforts to improve countries' access to private capital. In a first-time use of the new instrument, the Bank issued a $250 million policy-based IBRD guarantee in support of a sovereign bond issue by Argentina that raised $1.5 billion on the U.S. dollar bond market in October 1999 (see page 98).

Bank assistance to the LAC region in 2000 focused on three broad areas. A first priority was the reform of financial and governance systems, building on the macroeconomic stability achieved in most countries, to attract and sustain investor confidence. Second, and also critical, were investments in health and education to improve the quality of life and to provide future generations with the skills needed to compete in the global economy. The third focus of Bank support was the response to economic and natural crises. Nonlending services complemented the Bank's financial assistance. A study exploring the links between poverty and crime, for example, aimed to help policymakers address this crucial challenge for the region (see Box 4.10).

Two LAC countries, Bolivia and the Dominican Republic, chose to be among the first to pilot the Comprehensive Development Framework (CDF) approach that emphasizes partnership with civil society and a balance in policymaking across macroeconomic, financial, social, structural, and environmental elements of development (see Box 4.11). Bolivia now has in place a five-year National Action Plan, developed through a National Dialogue that brought together representatives of government, civil society, and the private sector.

Debt relief continues to be an important part of Bank support for poverty reduction in the region. Bolivia's National Dialogue met in May 2000 to develop a Poverty Reduction Strategy that would provide the framework within which Bolivia would qualify for delivery of its complete debt relief package amounting to $2.1 billion in nominal terms, under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Guyana, Honduras, and Nicaragua are expected to qualify for debt relief under the enhanced HIPC framework within calendar year 2000.

Table 4.5 shows the value and sectoral distributions of total Bank lending to the Latin America and Caribbean region in the fiscal 1992–00 period. Table 4.9A (see Annex) compares commitments, disbursements, and net transfers to the Region for fiscal 1995–00, and Table 4.10A (see Annex) shows operations approved in fiscal 2000, by country. Figure 4.8 shows IBRD and IDA lending by sector.

LATIN AMERICA AND THE CARIBBEAN FAST FACTS

- *Total population: 0.5 billion*
- *Population growth: 1.6%*
- *Life expectancy at birth: 70 years*
- *Infant mortality per 1,000 births: 31*
- *Female youth illiteracy: 6%*
- *1999 GNP per capita: $3,840*

Total FY00 New Commitments
IBRD $3,898.1 million
IDA $165.3 million

Total FY00 Disbursements
IBRD $5,756.9 million
IDA $316.3 million

Outstanding portfolio as of June 30, 2000
$27.3 billion

Note: Population and GNP data are for 1999, other indicators are for 1998, from the World Development Indicators database.

Supporting institutional reform

In fiscal 2000, Bank activities in LAC focused heavily on institutional reform, including of public administration, taxation, social security, and judicial and financial systems. Major loans were approved to help countries rebuild and strengthen fragile financial systems affected or threatened by economic, financial, and currency crises. In Colombia, Ecuador, Mexico, Peru, and Uruguay the Bank approved loans amounting to almost $1.4 billion in support of financial sector reforms. These reforms address the need for stronger bank supervision, deposit insurance requirements, and regulations promoting greater transparency and improved risk assessments, which will all help to increase confidence in banking systems. Other reforms are helping clean up countries' banking industries and making them more competitive.

Support for institutional reform also addressed needs in governance, which is especially relevant as LAC countries continue their shift from the 1980s' centralized systems of authoritarian rule to decentralized forms of government

A $225-million emergency World Bank loan to Colombia is helping rebuild homes and public facilities following the severe earthquake of January 1999, benefiting more than 560,000 people in the country's coffee-growing region.

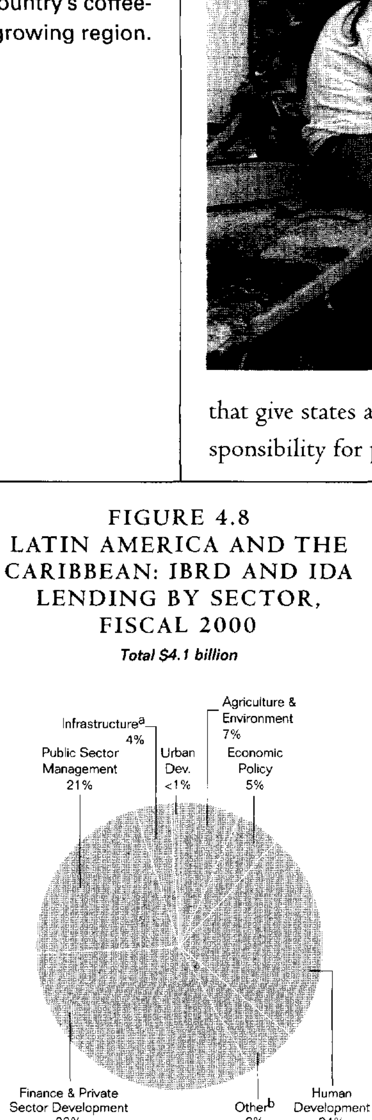
that give states and municipalities greater responsibility for public service delivery. Research on decentralization constituted one form of such support in fiscal 2000. In *Beyond the Center—Decentralizing the State*, the Bank underscores the need for transfers of accountability to local governments to be accompanied by transfers of authority and of human and financial resources. The report discusses challenges facing local and national governments regarding the division of powers, the sharing of fiscal responsibility, and the delivery of quality services.

The Bank also provided financial support for decentralization in fiscal 2000. A $606 million adjustment loan to Mexico will help subnational governments borrow and manage debt, ensure greater transparency on federal transfers to lower levels, and improve intergovernmental coordination. In Brazil, a $505 million special sector adjustment loan is helping state and federal governments carry out administrative reform, control personnel costs, and increase efficiency. The Bank is also helping decentralized environmental management in Brazil through support for the country's Second National Environmental Program and through a loan that helps the Ceará state government upgrade water conservation and implement reasonable prices for water use.

Local governance is being supported by the World Bank Institute (WBI). WBI has conducted distance-learning courses on municipal finance by video-conference for over 3,000 local administrators across the region, with seminars and conferences on subnational capital markets, municipal management, and planning and information systems. With numerous partners, WBI is also helping cities develop action plans to improve air quality. Urban areas, which are now home to 75 percent of the region's people, are receiving such support under the Clean Air Initiative for Latin American Cities, now in its second year.

FIGURE 4.8
LATIN AMERICA AND THE CARIBBEAN: IBRD AND IDA LENDING BY SECTOR, FISCAL 2000

Total $4.1 billion



Note: Sector classification is on a loan-component basis. See Table 1.1, page 33.
a. Includes transportation, telecommunications, and water supply and sanitation.
b. Includes multisector, electric power and energy, oil and gas, and mining.

Investing in people

Investments in health, education, water, and sanitation services are critical dimensions of the Bank's work in LAC. These include social investment funds and other mechanisms to finance more than 5,000 local community initiatives a year, all of which constitute about one-fifth of the Bank's portfolio in the region. Community-driven development projects funded this way not only target poor people but also provide rapid responses to emergencies, while building leadership and problem-solving capacity at the local level.

Support for education in fiscal 2000 included a credit to Nicaragua to expand coverage for school reconstruction and to improve the quality of preschool and primary education. In addition, the Bank is continuing its assistance to Central American countries devastated by Hurricane Mitch in November 1998. Other efforts are helping bring worldwide best practices to decision-makers in government, the private sector, and civil society. Bolivia and the Dominican Republic are among 10 pilot countries participating in the Global Distance Learning Network, a multidonor fiscal 2000 initiative led by the Bank and the government of Spain, which uses interactive videoconferencing, the Internet, and electronic classrooms to deliver high quality training to specialized groups.

Bank support for the region's health was also substantial in fiscal 2000. A $52 million loan to Argentina aims to strengthen public health surveillance, while a $20 million loan to Ecuador helped support basic health and nutrition programs during that country's economic crisis. Operations focusing on poor people included an $80 million loan to expand health service coverage to Peru's rural poor, especially mothers and young children, and a similar-sized loan will help extend water and sewerage services to poor communities in Colombia.

There is growing awareness in the region that the social exclusion of indigenous people and African Latin Americans undermines their development prospects and prevents countries from capitalizing on their potential. The Bank is supporting efforts such as the Ecuador Indigenous and Afro-Ecuadorean People's Development Project, which mobilizes community experience, knowledge, and cooperation to develop subprojects in agriculture, handicrafts, and natural resources management. Similar projects are underway in Peru and Colombia.

Responding to crisis

Response to financial and natural crises, with an emphasis on poverty reduction, has been a crucial aspect of recent Bank assistance to the region. In Brazil, in late 1998, the Bank responded to external shocks by committing up to $4.5 billion through June 30, 2001 to support the country's recovery. In addition to the administrative reform loan mentioned above, the Bank also approved a second social security adjustment loan in fiscal 2000, to help make sustainable Brazil's public pension system for private sector workers.

In Colombia, the challenges were twofold. To ease the social impact of recession and help bolster the economy, in fiscal 2000, the Bank

BOX 4.10 NONLENDING SERVICES: EXPLORING THE LINKS BETWEEN POVERTY AND VIOLENT CRIME

Latin America's homicide rates are among the world's highest, a reality borne out by the Bank's recent study, Voices of the Poor, *which found personal security the most frequently cited challenge facing Latin America's poor people. In fiscal 2000, the Bank launched an ambitious research effort to explore the causes of crime and violence in the region. The findings showed that violent crime was linked to income inequality, low GDP growth, low and ineffective police presence, and drug-related, illicit activities.*

Case studies in Brazil, Colombia, El Salvador, Mexico, and Peru confirm that economic conditions are significant determinants of who becomes a crime victim in the region. High-income employed, educated men are more likely to become the victims of crime, for example; but police presence, youth gangs, illicit drug trade, and availability of weapons are also important risk factors. Lack of reliable data impedes effective allocation of public resources to reduce crime in most LAC countries. The studies' data and conclusions will help address this need and assist policymakers in crime reduction.

BOX 4.11 CONSENSUS BUILDING IN THE DOMINICAN REPUBLIC

National consensus helped build continuity into the Dominican Republic's emerging development strategy as a new government took office in 2000. The consensus grew out of consultations managed by the Pontificia Universidad Católica Madre y Maestra and financed by the World Bank as a step toward a national development strategy using the CDF approach. Launched in late 1998, the consultation process concluded its first round in December 1999 with a Document of Accord, which identifies the conclusions of five discussion "roundtables," attended by leaders of major political parties, the government, private sector, and civil society. The Document includes provisions for efforts in poverty reduction, modernization of the state, relations with Haiti, environmental policy, and reform of agriculture.

This process produced valuable guidance to the Bank for preparation of its assistance strategy for the Dominican Republic. A participatory approach was key to development of the strategy, which envisages focused support for social protection, health and education, the environment, and power services.

The Bank supports a long-term integrated approach to development in the Dominican Republic, supporting needs ranging from health and education to reforms in telecommunications, water and sanitation services, power services, and environmental institutions.

announced its intention to contribute $1.4 billion of a $6.9 billion multilateral three-year program (including a $100-million Community Works and Employment Project) to finance temporary public works jobs for 117,000 low-income people. When an earthquake in January 1999 killed over 1,000 people and left 150,000 homeless, the Bank responded quickly, in part through a $225 million loan financing reconstruction and repair of damaged homes and public infrastructure.

Bank assistance in fiscal 2000 also extended to precautionary disaster mitigation. With IDA support, Honduras will strengthen its capacity to prepare for and respond to natural disasters, in order to prevent and reduce loss of life and property in the future.

TABLE 4.5 WORLD BANK LENDING TO BORROWERS IN LATIN AMERICA AND THE CARIBBEAN, BY SECTOR, FISCAL 1992–00

(millions of U.S. dollars)

Sector	Classified on a Loan-by-Loan Basis				Classified on a Loan Component Basis
	FY92–97	FY98	FY99	FY00	FY00
	Annual Average				
Agriculture	531.0	342.0	520.4	224.2	211.20
Economic policy	378.4	41.0	3,091.3	20.9	220.90
Education	588.5	1,199.9	398.6	77.5	95.50
Electric power and other energy	179.1	0.0	30.0	4.8	2.80
Environment	251.7	323.0	54.3	52.6	73.80
Finance	771.9	91.5	826.9	1,311.5	1,307.50
Mining	50.8	39.5	0.0	0.0	0.00
Multisector	38.2	5.0	391.4	225.0	185.00
Oil and gas	18.7	130.0	0.0	43.4	43.00
Population, health, and nutrition	334.1	824.0	309.4	157.6	175.60
Private sector development	197.1	248.4	76.2	4.8	4.80
Public sector management	220.5	728.3	81.0	1,114.2	869.30
Social protection	250.4	784.0	1,279.9	640.6	693.60
Telecommunications	0.0	6.0	0.0	28.2	28.20
Transportation	898.0	970.1	544.5	0.0	0.00
Urban development	258.7	117.0	102.8	10.8	10.80
Water supply and sanitation	306.0	190.0	30.0	147.3	141.50
Total	**5,272.9**	**6,039.7**	**7,736.7**	**4,063.4**	**4,063.50**
Of which IBRD	4,957.1	5,679.5	7,133.3	3,898.1	
IDA	315.8	360.2	603.6	165.3	

Note: See Table 1.1, page 33. Numbers may not add to totals because of rounding.

MIDDLE EAST AND NORTH AFRICA

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING*

Algeria
Djibouti
Egypt, Arab Republic of
Iran, Islamic Republic of
Iraq
Jordan
Lebanon
Morocco
Syrian Arab Republic
Tunisia
Yemen, Republic of

** This section also reports on West Bank and Gaza.*

Regional Context

During the 1990s, tighter demand management, trade liberalization, and improved regulatory reform measures helped improve economic performance in most economies of the Middle East and North Africa (MNA) region. Average annual GNP growth during the 1990s was slightly more than 3 percent, compared with 2.1 percent growth in the 1980s.

In the second half of 1999, the region's fiscal and current account balances improved, owing mainly to higher oil prices. Regional GDP growth was 2.2 percent for the year, with considerable differences across countries. For major oil exporters, the swift reversal in terms of trade was equivalent to an increase of over 5 percent of GDP, but fiscal prudence and lower oil export volume held growth to 1.5 percent. More populated oil exporters (Algeria, the Islamic Republic of Iran) fared slightly better with 2.7 percent growth, although drought in Iran hurt agricultural incomes and raised inflationary pressures. The more diversified economies (Jordan, Morocco, the Syrian Republic) also suffered from drought but managed growth of nearly 3 percent. Growth was significantly higher in the Arab Republic of Egypt and Tunisia (5–6 percent) following the recovery of traditional markets and a rise in tourism.

Despite these improvements, important challenges remain. Faster GDP growth is required to reduce unemployment and provide jobs for over one million young people entering the region's labor markets annually. The public sector remains large, even in countries such as Jordan, Morocco, and Tunisia that have undertaken significant reforms to reduce the scope and improve the efficiency of public administration. Integration with the global economy lags well behind other developing economies in East Asia and Latin America. Furthermore, the fragility of the natural environment threatens to constrain economic growth, and absolute poverty is on the rise in some countries, as is the number of economically vulnerable groups.

Bank Assistance

The Bank's assistance strategy for MNA countries recognizes that sustainable growth depends on improved incentives to individuals for economically productive behavior: increasingly, interventions focus on removing constraints to productive behavior at the level of both household and firm. Bank assistance is focused on three areas. A first priority is rapid, broad-based, and sustainable economic growth to reduce unemployment, while mitigating rural-urban disparities and improving natural resources management. Related initiatives aim to deepen integration with the global economy and develop tourism, while preserving cultural heritage. A second area of support is public sector reform, to help improve budget management, efficiency of public service provision, transparency of financial market operations, and the climate for private sector investment, particularly in infrastructure. Reducing the social costs of transition is a third focus of assistance: support for social protection strategies and community-based development aims to

benefit those who are poor and economically vulnerable. Learning and development partnerships remain crucial for integrating wider segments of society into the development process.

Table 4.6 shows the value and sectoral distributions of total Bank lending to the Middle East and North Africa region in the fiscal 1992–00 period. Table 4.11A (see Annex) compares commitments, disbursements, and net transfers to the region for fiscal 1995–00, and Table 4.12A (see Annex) shows operations approved in fiscal 2000, by country. Figure 4.9 shows IBRD and IDA lending by sector.

Promoting rapid, broad-based, and sustainable growth

Today, the predominantly middle-income MNA economies are characterized by unemployment rates exceeding 15 percent. The unemployed are primarily young, educated, and urban. Addressing joblessness will require governments to intensify economic reform, accelerate human capital accumulation, and mitigate persistent rural-urban disparities in access to jobs, and goods and services.

Broad-based and sustainable growth is an important theme in overall country strategies, including the CAS for Tunisia; the CDFs for Morocco and the West Bank and Gaza; and the Comprehensive Development Review/Interim Poverty Reduction Strategy Paper (being prepared) for the Republic of Yemen. The Tunisia CAS, for example, incorporates support for economic reforms to enhance competitiveness, create employment opportunities, and strengthen local institutions while continuing Bank support for human resource development, natural resource management, and rural management.

A key driver of growth, potentially, is human capital, one of the region's greatest assets. The Bank has long supported education reforms, focusing particularly on the need to improve the quality of educational services. In one example of the Bank's nonlending assistance, an ongoing region-wide labor market study highlights the need to restructure incentives within education systems in favor of private sector employment, while improving cognitive and quantitative skills development. The study aims to improve the effectiveness of financial assistance for education projects in the region. In Lebanon, for example, an education project is helping reorganize the education ministry, build accurate and timely data, and develop and disseminate a national education strategy. Targeted outcomes include higher enrollments in primary and secondary education, a narrower gap between public and private school outcomes, and enhanced access to public education for poor, underserved communities.

Strengthening urban services will also help growth. More than half the region's population is urban, with rising pressures on urban schools, hospitals, public utilities, communications, and transport services. The Bank is helping upgrade urban infrastructure through support for sewerage (Algeria, the Islamic Republic of Iran, Lebanon, West Bank and Gaza, and the Republic of Yemen), urban transport (Lebanon and Tunisia), and municipal infrastructure (Lebanon, Morocco, West Bank and Gaza, and the Republic of Yemen). The Bank's regional urban water and sanitation strategy aims to improve public utility performance, increase private sector participation, and meet the needs of the poorest segments of urban populations.

Of paramount importance to the MNA region's sustainable development is preservation of its natural resource base. Agriculture and the rural economy also continue to be a significant source of jobs and income. Water and agriculture projects are underway in Egypt, Jordan, Morocco, Tunisia, and the Republic of Yemen, with growing emphasis on water management. In Tunisia, for example, a water sector investment loan supports policy and institutional reforms to better manage water demand and price the resource. This loan is also supporting the creation of a socioeconomic

MIDDLE EAST AND NORTH AFRICA FAST FACTS

- *Total population: 0.3 billion*
- *Population growth: 1.9%*
- *Life expectancy at birth: 68 years*
- *Infant mortality per 1,000 births: 45*
- *Female youth illiteracy: 25%*
- *1999 GNP per capita: $2,060*

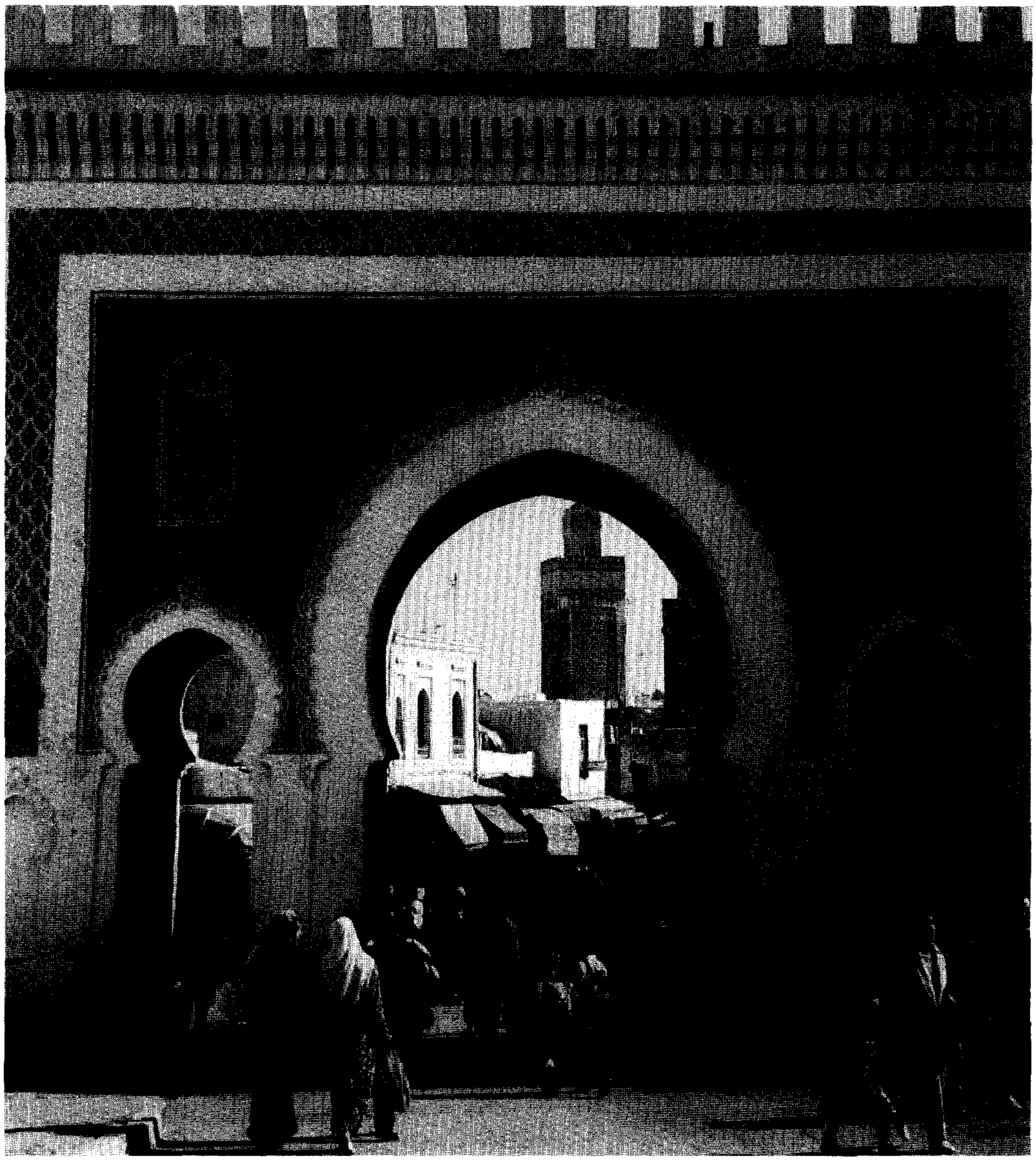
Total FY00 New commitments
IBRD $760.2 million
IDA $159.8 million

Total FY00 Disbursements
IBRD $512.2 million
IDA $231.5 million

Outstanding portfolio as of June 30, 2000
$7.4 billion

Note: Population and GNP data are for 1999, other indicators are for 1998, from the World Development Indicators database.

The Fes Medina Rehabilitation Project in Morocco is helping improve the quality of life in this center of culture through capacity building and enhancement of tourism-related income and employment.



unit for water management in the agriculture ministry and the preparation of a communications strategy for water conservation.

A prerequisite for broad-based growth is a competitive private sector able to attract investment and create jobs. To encourage foreign direct investment and deepen capital markets, the Bank is supporting privatization in several MNA countries (see Box 4.12). Other support aims to deepen integration with the global economy. And several countries are beginning to address obstacles to exports created by nontariff barriers, including administrative burdens on exporters. A Private Sector Assessment update in Tunisia outlines methods to make Tunisian firms more competitive through increased efficiency, innovation, and flexibility in responding to changes in market demand. In Egypt, the Bank is helping improve export competitiveness as well as the general business environment.

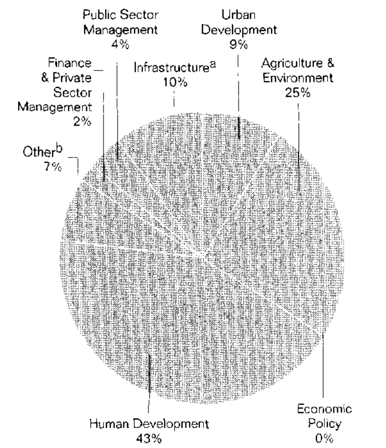
The Bank's regional cultural heritage strategy highlights the rich potential for MNA culture to reinforce development goals by promoting tourism and traditional craft industries and upgrading urban infrastructure while preserving heritage sites of worldwide and regional significance. Such efforts were ongoing in fiscal 2000 in Jordan, Morocco, and West Bank and Gaza; new projects are being developed in Lebanon, Tunisia, and the Republic of Yemen.

Supporting public sector reform

Although fiscal deficits have generally been reduced, most countries still need to streamline and modernize fiscal management. Assistance to Algeria, for a budget modernization program using new information systems to track expenditures, is under preparation. Efforts in the Republic of Yemen are wide-ranging, covering not only civil service reform and upgrading of technical skills but also improvement and computerization of personnel and financial management systems. The Bank is also providing, under the Technical Cooperation Program, reimbursable advisory services to member countries of the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates). Issues include efficiency of public sector budgetary management and planning, and cost recovery (through user fees) and quality of health and education services. Related activities include workshops, training and preparation of policy notes on small- and medium-sized enterprise (SME) activity, export financing, industrial restructuring, and infrastructure upgrading in railways, ports, and waterways.

Good governance and well functioning institutions, recognized as critical to strong fiscal performance and growth, represent new directions in Bank assistance to the region. The Bank's judicial and legal reform project in Morocco, West Bank and Gaza, and the Republic of Yemen, supports the network of jurisdictions, the training of magistrates, and a general framework for performance assessment of the judiciary. Nonlending services in this area include a regionwide study outlining the links between institutional budget procedures and the size, allocation, and use of fiscal resources.

FIGURE 4.9
MIDDLE EAST AND NORTH AFRICA: IBRD AND IDA LENDING BY SECTOR, FISCAL 2000
Total $0.9 billion



Note: Sector classification is on a loan-component basis. See Table 1.1, page 33.
a. Includes transportation, telecommunications, and water supply and sanitation.
b. Includes multisector, electric power and energy, oil and gas, and mining.

Strengthening social protection

Broad-based and sustainable development must also ensure the participation of key economic actors in society. While measured poverty rates in MNA countries are lower than in other parts of the developing world, the numbers of poor people are on the rise in some countries and many more live only marginally above the poverty line. The Bank is actively supporting governments in their efforts to help vulnerable and disadvantaged groups access the benefits of growth and become more active in the development process.

Social funds and social development agencies supporting community-selected activities

BOX 4.12 PRIVATIZATION INITIATIVES IN THE MNA REGION

Many countries in the region are committed to enhancing private sector–led growth through privatization measures and performance-based management contracts:

- *Jordan's privatization program is one of the most successful in the region, with 33 of its targeted 40 companies privatized, including Jordan Cement Factories and Jordan Telecommunications Company; the result is an increase of $600 million in foreign investment.*
- *Performance-based management contracts in water and sanitation projects in Amman, the Gaza Strip, and the southern area of the West Bank have yielded almost immediate benefits. In Amman, results include better water quality and maintenance, sewer cleaning, and responsiveness to customer complaints. In the Gaza Strip, an independent audit rated the management contract as excellent in improving water quantity and quality.*
- *In Morocco, Bank support has targeted development of a sound institutional and legal framework for the telecommunications sector to facilitate private sector development and expand cost-efficient service to poor people, particularly in rural areas.*

Economic management, institution strengthening, enhanced access to education and health services, and empowerment of local communities through social funds are crucial for poverty reduction in the Republic of Yemen.

have proven to be powerful tools for development in Algeria, Egypt, Jordan, West Bank and Gaza, and the Republic of Yemen. In the Republic of Yemen, the IDA-supported Social Fund for Development supports 785 subprojects covering a wide range of activities, selected and cofinanced by local communities. Community contributions guarantee local ownership, and user charges (including cross-subsidies for poor people) ensure good operation and maintenance. The fund is meeting needs for primary schools, health clinics, and water supply and sanitation; in addition the fund has extended microfinance to nearly 40,000 borrowers (with repayment rates of 97 percent) and created thousands of permanent new jobs.

BOX 4.13 MNA GENDER INITIATIVES

The Bank's agenda in the MNA region is expanding to include dialogue on gender issues and to build a gender dimension into lending operations. In fiscal 2000, the Bank also committed to a program of regionwide training on gender awareness for client countries as well as Bank staff. The program's top priority is improving the status of women in rural areas, with a focus on education, health, employment, and legal status. MNA's Consultative Council on Gender, now in its second year, mobilizes members of civil society, professional occupations, and NGOs; promotes dialogue on gender concerns within client countries; and guides the Bank in developing gender perspectives in its regional operations. Following are some examples of Bank support to MNA countries that address gender concerns:

- *A pilot program in Morocco featuring workshops and consensus-building efforts brought together, in fiscal 2000, government officials and representatives from women's organizations and civil society; this collaboration resulted in a National Plan of Action on Gender.*
- *Nearly half of the small-scale subprojects implemented in the West Bank and Gaza's NGO project cater to women's practical needs (kindergartens, educational services for women, prenatal care, and childcare), and a number have been directly implemented and managed by women.*
- *In the Republic of Yemen, the Child Development Project supports community schools for girls and offers incentive packages to schools that enroll the highest proportion of girls.*

TABLE 4.6 WORLD BANK LENDING TO BORROWERS IN THE MIDDLE EAST AND NORTH AFRICA, BY SECTOR, FISCAL 1992–00

(millions of U.S. dollars)

Sector	Classified on a Loan-by-Loan Basis				Classified on a Loan Component Basis
	FY92–97	FY98	FY99	FY00	FY00
	Annual Average				
Agriculture	307.4	114.2	454.0	153.0	153.0
Economic policy	195.8	0.0	370.0	0.0	0.0
Education	103.0	143.0	55.0	219.2	233.5
Electric power and other energy	88.3	0.0	54.0	0.0	0.0
Environment	37.4	35.0	0.0	0.0	72.5
Finance	94.2	80.0	159.0	0.0	0.0
Mining	0.0	0.0	0.0	0.0	0.0
Multisector	0.0	0.0	0.0	83.5	62.8
Oil and gas	32.5	0.0	0.0	0.0	0.0
Population, health, and nutrition	56.0	140.0	101.0	87.0	119.0
Private sector development	20.6	0.0	136.0	15.9	15.9
Public sector management	8.2	71.5	52.5	35.3	35.3
Social protection	42.2	105.0	50.0	75.0	49.4
Telecommunications	20.0	0.0	0.0	9.0	9.0
Transportation	58.9	57.8	0.0	15.0	15.0
Urban development	165.8	212.0	64.0	82.2	82.2
Water supply and sanitation	103.4	10.0	80.0	145.0	72.5
Total	**1,333.6**	**968.5**	**1,575.5**	**920.1**	**920.1**
Of which IBRD	1,183.8	722.0	1,189.0	760.2	
IDA	149.8	246.5	386.5	159.8	

Note: See Table 1.1, page 33. Numbers may not add to totals because of rounding.

Promoting learning and development partnerships

Bank strategy in the region is also emphasizing gender dimensions in lending and nonlending activities (see Box 4.13), broadening the dialogue with civil society, and employing a more participatory approach to the design of project and sector work. Learning partnerships, too, are growing in importance. The Third Mediterranean Development Forum held in Cairo in March 2000 brought together participants from governments, think tanks, academia, and the business community to discuss topics such as globalization, development finance, partnerships with civil society, knowledge institutions, social protection, and employment generation. The Bank also continues to support regional research networks such as the Economic Research Forum for the Arab Countries, Islamic Republic of Iran, and Turkey.

Regionwide knowledge management activities continued in fiscal 2000 to advance the Bank's goal of becoming a "Knowledge Bank." This year, the Bank launched a new external web site for the region, and it expanded the live database that provides constantly updated country, thematic, and sectoral information. New activities include the creation of a Document Library as well as Country and Project Activity Rooms to integrate and disseminate information at local levels.

Section V

Thematic Perspectives

Poverty in the Voices of the Poor

In an effort to understand poverty from the perspective of poor people themselves, the World Bank undertook a 60-country participatory study, known as *Voices of the Poor*. The study was conducted as background for the *WDR 2000/2001* and consists of two parts: a review of recent participatory studies in 50 countries involving 40,000 poor women and men; and a comparative study in 1999 involving 20,000 people in 23 countries.[1] What emerges is that poverty entails multiple and interlocking disadvantages that frequently leave poor people powerless to better their lives.

Poor people emphasize material deprivation but also speak of social, physical and psychological dimensions and lack of freedom of choice and action. Their livelihoods are often precarious, seasonal and inadequate; many see economic conditions worsening. Their villages and slums are often isolated, lacking in basic services and transport. Hunger and illness are common, and access to medical care, difficult. Especially in urban areas, crime and violence pose daily threats; police protection is scarce. Within the household, domestic violence against women remains widespread even though more poor women are earning incomes than ever before. Descriptions of poverty also often encompass mental distress and anxiety about the future. "Poverty is lack of freedom, enslaved by crushing daily burdens, by depression and fear of what the future will bring," says a participant from the Caucuses.

Poor people highlight powerlessness, pointing to officials, traders and civic actors who are neither responsive nor accountable to them. They share numerous examples of criminality, abuse and corruption in encounters with public institutions, saying they have little recourse to justice. "Government has let us down, too many promises—never fulfilling them," says a 30-year-old unemployed mother from the Caribbean. In poor communities worldwide, local groups and actors are key supports; however, poor people recognize limits to how much "one hungry man can help another hungry man."

[1] *The study is being published in a three-part series:* Voices of the Poor: Can Anyone Hear Us? *(2000) by Deepa Narayan, with Raj Patel, Kai Schafft, Anne Rademacher, and Sarah Koch-Schulte;* Voices of the Poor: Crying Out for Change *(2000) by Deepa Narayan, Robert Chambers, Meera K. Shah and Patti Petesch;* Voices of the Poor: From Many Lands *(forthcoming) edited by Deepa Narayan and Patti Petesch.*

POVERTY REDUCTION AND ECONOMIC MANAGEMENT

Poverty reduction is the Bank's core mission and guides all its work in developing countries. In fiscal 2000, the Bank positioned itself to pursue its mission more effectively. A country-owned approach to poverty reduction strategies has been adopted, linking poverty reduction to debt relief and concessional lending. To ensure the greatest effectiveness of these strategies, the Bank has worked to mainstream gender, promote good governance and public sector reform, and assist developing countries' integration into the global economy.

Much Bank lending to support improved economic management, policies, and institutions falls under the umbrella of adjustment lending. Adjustment lending promotes sustained growth and poverty reduction by supporting countries' efforts to undertake structural and social reforms (see Table 5.1, and Table 5.1A in the Annex). Another classification of lending, Poverty-Targeted Interventions, represents those investment operations that directly target poor people (see Figures 5.1 and 5.2, and Table 5.2 in the Annex).

PARTNERSHIPS

Partnerships are integral to the Bank's work in poverty reduction and economic management. They are central to participatory, country-driven poverty reduction strategies and they also bolster the Bank's work on gender, public sector reform, trade, and international financial architecture. Collaboration with the Fund increased over the past year: on international standards (for accounting, corporate governance, and insolvency regimes); trade; and the Initiative for Heavily Indebted Poor Countries (HIPC) and the Poverty Reduction Strategy Papers program through the establishment of the Joint Implementation Committee, whose agenda included the streamlining of procedures for approval of debt relief and other concessional assistance.

Other important partnerships include:

- *The Integrated Framework (IF)— a partnership of multilateral agencies (WTO, World Bank, IMF, UNDP, UNCTAD, and ITC) and developed countries that provides trade-related assistance to help developing countries integrate into the global economy. A review of the IF was completed in fiscal 2000.*
- *A Joint Task Force of the Commonwealth Secretariat and the Bank to address the development challenges faced by small states (populations of less than 1.5 million), whose final report was endorsed at the Development Committee's Spring Meetings in April 2000.*
- *Collaboration with the Organisation for Economic Co-operation and Development (OECD), on developing indicators to monitor progress toward International Development Goals as well as corporate governance, sustainable development, knowledge economics, social safety nets, and anticorruption.*

THE ENHANCED HIPC INITIATIVE

Fiscal 2000 was a turning point for the Initiative for Heavily Indebted Poor Countries (HIPC), established in 1996 to alleviate the debt burden of some of the world's poorest nations. During the joint Bank–Fund Annual Meetings in September 1999, the international community endorsed sweeping enhancements to the Initiative, which more than doubled the assistance provided, accelerated the delivery of relief, and strengthened the link between debt relief and poverty reduction. It was also a year of active implementation. Debt relief was committed for Bolivia, Burkina Faso, Mauritania, Mozambique, Senegal, Tanzania, and Uganda. In May 2000, Uganda became the first country to become eligible to receive its full debt relief under the enhanced framework.

When completed, the enhanced HIPC Initiative will yield more than $50 billion in debt service relief to 32 eligible countries. When combined with traditional debt relief instruments, the Initiative will more than halve the outstanding external debt of these countries. The Bank itself (specifically, the International Development Association) will provide nearly $11 billion in debt relief over time. Under the new framework, qualifying countries will begin receiving significant debt relief immediately at the decision point (or point of approval of a country's eligibility by the Bank and IMF Boards), which will provide up-front assistance to countries in financing much-needed social programs.

Relief under the enhanced HIPC Initiative is also now more firmly linked to the support of economic and social programs designed to reach the poorest people. Governments eligible for debt relief will formulate a poverty reduction strategy (in consultation with members of civil society and representatives of poor people) that will outline how resources freed from debt service and other sources of external assistance will be integrated into a comprehensive plan to reduce poverty. A key objective is to attain the International Development Goal of reducing poverty by one-half by 2015.

Poverty Reduction Strategies: A New Approach

Prompted by concern that progress in the fight against poverty has been too slow, the Bank and the Fund launched in December 1999 a major new program to achieve greater poverty reduction in low-income countries. Under this program, Poverty Reduction Strategy Papers (PRSPs), which are produced by the countries themselves, are becoming the basis for debt relief under the HIPC Initiative and for concessional lending by the Bank and IMF. PRSPs identify the key obstacles to poverty reduction and lay out a plan to overcome them, including mechanisms to monitor progress. Successful implementation will depend on the full involvement of the whole development community; an important aim is that these strategies become the basis for all donor support.

As noted above, PRSPs are to be fully owned by countries, designed in broad consultation with civil society, poor people, and their representatives. The country-driven nature of PRSPs represents an important shift in organizational culture for the Bank and the Fund. The Bank would support governments through advice on areas within the Bank's expertise and, together with the Fund, would issue a joint staff assessment of the PRSP and make a recommendation to the Executive Boards of both institutions on whether the strategy provides a sound basis for Bank and IMF concessional assistance.

All countries that receive debt relief or concessional lending from the Bank and IMF must eventually produce a PRSP before they receive these resources. In the meantime, countries scheduled to receive debt relief before the PRSP program was initiated can produce an Interim PRSP as part of their debt relief application. Such an Interim paper would present the main elements of a poverty reduction strategy along with a roadmap for the subsequent preparation of the full PRSP. In fiscal 2000, Albania, Bolivia, Mauritania, Mozambique, Saõ Tomé and Principe, Senegal, Tanzania, and Uganda produced Interim PRSPs; Burkina Faso and Uganda produced a full PRSP.

FIGURE 5.1
POVERTY-TARGETED INTERVENTIONS, LENDING BY REGION, FISCAL 2000

Total $3.1 billion

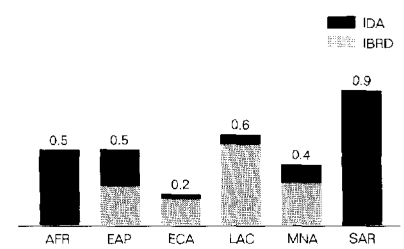
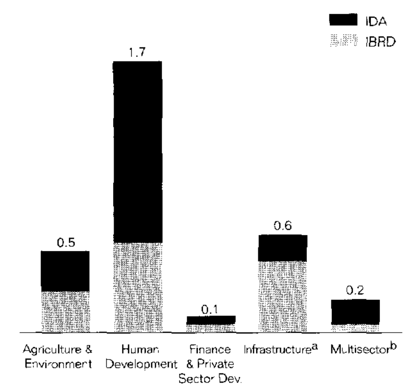


FIGURE 5.2
POVERTY-TARGETED INTERVENTIONS, LENDING BY SECTOR, FISCAL 2000

Total $3.1 billion



a. Infrastructure includes transportation, telecommunications, water supply and sanitation, and urban development
b. Multisector includes $50 million in public sector management

Gender

Economic development policies affect men and women differently. It is also well documented that gender inequality contributes to poverty and is often an obstacle to economic growth. Addressing the gender aspects of development can therefore promote equitable and sustainable development. The Gender Sector Strategy the Bank is currently developing is a step in this direction. It will outline ways in which the Bank can better integrate gender into its work, to help create a global environment where gender barriers no longer impede economic growth and poverty reduction, and where men and women have equal access to health care, food, the political system, training, education, and credit.

To expand knowledge sharing and partnerships with other development organizations, governments, and civil society, the Bank is making a number of statistical indicators on gender available to the public (see the list of web sites on page 171). Work is also underway to develop specific targets as well as tools for monitoring and evaluation, and to prepare country-specific gender reviews.

Support for gender issues in Bank lending is evident in projects in diverse areas such as agriculture, water and sanitation, energy, transportation, community development, and legal reform. For example, in the Ghana Community Water and Sanitation Project, local NGOs work with communities to ensure that women actively participate in decisionmaking; according to a midterm review, women accounted for 48 percent of water and sanitation committee members and 35 percent of executive committee members. In another example, the Nicaragua Agricultural Technology and Land Management Project increased women's involvement in extension services six-fold (for men, four-fold). The improvement resulted from actions such as providing technical information on home gardens cultivated by women, incorporating gender-related issues in technical training, and preparing an action plan on gender and monitoring its implementation.

Gender issues are being integrated into areas such as agriculture, water and sanitation, energy, transportation, community development, legal reform, and gender-based violence.

Governance and Public Sector Reform

Building effective and accountable public institutions is a core challenge. Experience has shown that tackling deep-rooted structural and institutional weaknesses is essential for sustainable poverty reduction. Misguided allocation of public resources, excessive government intervention, and corruption have deterred private investment and slowed growth and poverty reduction efforts in many countries. Much of the Bank's poverty work points to the high cost of weak government and inadequate service delivery to poor people.

Responding to this accumulation of evidence, the Bank has increasingly focused its assistance on the reform of public sector institutions. Work with partners and clients in-country and international forums reveals the harmful economic consequences of corruption, which is a fundamental symptom of public sector malfunction. In fiscal 2000, the Bank completed Institutional and Governance Reviews in Armenia, Bangladesh, and Bolivia, and work is underway in Argentina, the Balkans, Benin, the Caribbean, Ethiopia, Jordan, Kenya, and Morocco. Additionally, the Bank is analyzing its fiduciary responsibilities in adjustment lending to establish clearer guidelines to link governance and Country Assistance Strategies (CASs).

Support in core areas of public sector functioning, such as public expenditure analysis, tax administration, civil service reform, auditing, and judicial reform, has grown steadily (see Figure 5.3). Much of the Bank's work in public service delivery has focused on institutional concerns, including promotion of private provision, decentralization, and capacity building.

Over the past year, the Bank has sought to gather lessons of experience, integrate governance and anticorruption concerns in all activities, and identify ways to enhance the impact of assistance. The evolving strategy for governance and public sector reform involves three broad directions for the future:

➢ **Broadening the approach,** emphasizing "bottom-up" empowerment, transparency, and competition in public service delivery (where feasible) as well as "top-down" reforms inside government

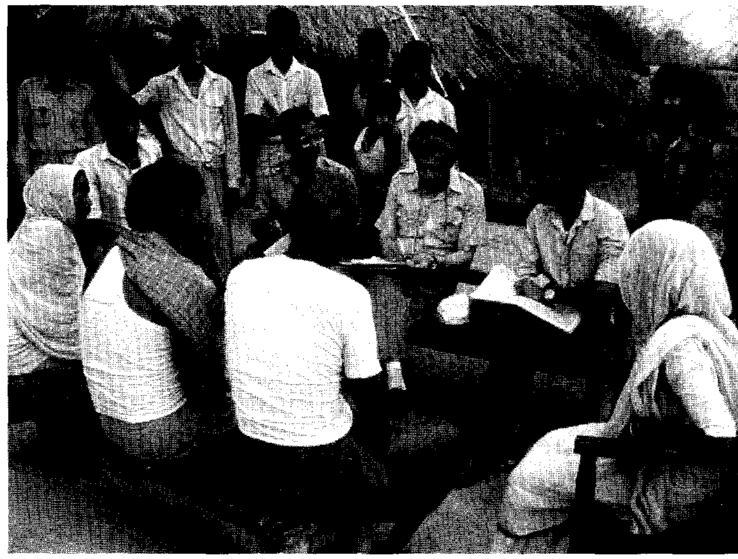
➢ Working more closely with clients to undertake **better, deeper, and more participatory analytical work** (including public expenditure reviews, institutional and governance reviews, and anticorruption and governance surveys of households, firms, and policymakers)

➢ Taking a **longer-term approach in Bank lending** where possible, to allow time for institutional reform. The Bank is now pursuing both longer-term programmatic adjustment loans (as with 3-year Programmatic Structural Adjustment Loans in Thailand and Latvia) and longer-term *investment* loans (as with 10- to 12-year Adaptable Program Loans in Bolivia and Tanzania).

International Trade

Trade reform plays a critical role in spurring growth and, thus, in reducing poverty. The Bank supports developing country trade in several ways. First, analytical work is increasing understanding of the link between trade, development, and poverty reduction; the potential advantages of regional trade agreements; and the importance of coordination among multilateral organizations on trade-related issues. Second, research and assistance are helping developing countries to formulate negotiating objectives for trade and to adapt to the changing nature of trade in services, product standards, and absorption of technology. Finally, operational support to developing countries continues to help them maximize the benefits to their economies from international trade.

The Bank relies largely on adjustment but also on investment operations to further countries' trade agendas. While many developing countries have taken major steps to liberalize their trade regimes, a significant number have, so far, failed to reap the advantages of greater integration into the global economy. A major reason, particularly for the poorest countries, relates to an inadequate supply of the human and physical capital needed for trade. Excessive trade protection on the part of both developed and middle-income countries also remains a serious problem. Between 1990 and 1998, 68 percent of Bank adjustment operations included support for reform of trade and exchange rate policies. In comparison, the Bank's investment lending for trade-related activities accounted for around 26 percent of total Bank lending from 1994 to 1999.



Participation is a key element in the formulation of poverty reduction strategies that empower poor people and lead to sustainable development.

International Financial Architecture

The term "international financial architecture" refers to the financial and institutional arrangements that are critical to help countries avoid and mitigate crises, integrate into the global economy, and develop successfully. The Bank's role in this area has three dimensions: ensuring that developing country perspectives are brought to bear in discussions on international norms and governance; helping developing countries integrate into the international economic and financial system; and diagnosing the social and structural obstacles to successful development, as a basis for Bank assistance.

FIGURE 5.3
NUMBER OF PUBLIC SECTOR COMPONENTS IN FISCAL 1997–99 PROJECTS

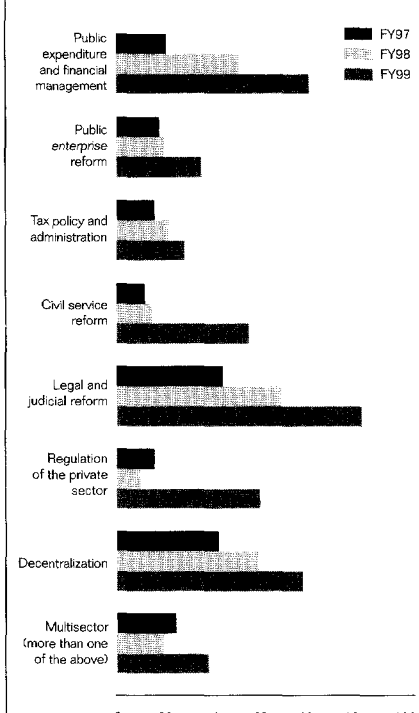


TABLE 5.1 WORLD BANK ADJUSTMENT COMMITMENTS, FISCAL 1998–00

	Fiscal 1998		Fiscal 1999		Fiscal 2000	
	$ Million	Percent	$ Million	Percent	$ Million	Percent
Adjustment Commitments by Region						
Africa	818	7	769	5	495	10
East Asia and Pacific	5,685	50	5,712	37	552	11
Middle East and North Africa	180	2	680	4	-	-
Latin America and the Caribbean	1,589	14	4,445	29	2,860	56
Europe and Central Asia	2,768	25	3,372	22	950	19
South Asia	250	2	350	2	251	5
IBRD and IDA Adjustment Commitments						
IBRD	9,935	88	13,937	91	4,426	87
IDA	1,354	12	1,391	9	682	13
Total Adjustment Loans	11,289	100	15,328	100	5,108	100
Total World Bank Lending Commitments						
IBRD	21,086		22,182		10,919	
IDA	7,508		6,813		4,358	
Total IBRD plus IDA	28,594		28,996		15,276	
Share of Adjustment Loans		39		53		33

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

The key challenge is to find the best way for global institutions to work together and with countries to ensure that developing countries are not marginalized from the global economy and are able, instead, to derive its full benefit. The Bank has stepped up its collaboration with other institutions, in particular, the IMF. Three joint initiatives deserve highlighting. One of them is the Financial Sector Assessment Program (see page 102). Another is the Report on the Observance of Standards and Codes (ROSCs), for which the Bank will share ownership and prepare modules in its traditional areas of expertise. This report summarizes the extent to which countries observe certain internationally recognized standards that can help improve economic policymaking and strengthen the international financial system. Third, the Bank and the Fund are collaborating on a series of studies on external debt management aimed at developing a set of core principles for sovereign debt management.

HUMAN DEVELOPMENT

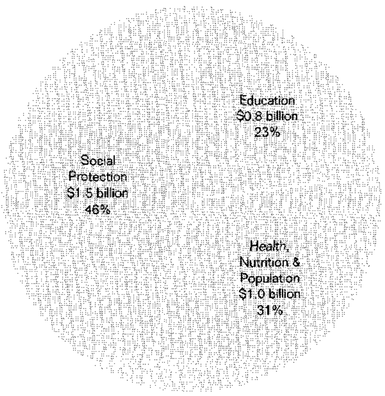
In fiscal 2000, the Bank continued to help countries accelerate their efforts toward human development. The central focus of these efforts is attaining the International Development Goals, including those for poverty reduction; universal primary education; reduction in infant, child, and maternal mortality; and universal access to reproductive health services (see Overview, Box 1.1). Notwithstanding the progress in some areas, enormous challenges remain: malnutrition, pregnancy-related deaths, and infectious and sexually transmitted diseases continue to ravage the lives of people in the developing world. Life expectancy in at least 10 African countries is likely to decrease by 17 years due to the scourge of HIV/AIDS. In a single year, 11 million children worldwide die before reaching age 5, in most cases from preventable causes. About 113 million primary school-age children are still out of school. Human development indicators are particularly low for low-income communities, and they are often worse for women and girls. In addition, poor people are the most vulnerable to economic and other types of shocks.

Bank support for human development aims at helping countries build the fundamental basis for accelerating poverty reduction and becoming more competitive in the globalizing world, while protecting poor people. The Bank's *World Development Report 2000/2001* brings into sharper focus the central role of human development in poverty reduction. The three core poverty reduction strategies highlighted in the Report—opportunity, empowerment, and management of risk for the most vulnerable—are also key elements of the Bank's support for human development.

Out of 58 projects in the social sectors approved in fiscal 2000, 21 were in Education, 21 in Health, Nutrition, and Population, and 16 in Social Protection. New lending to these sectors of $2.8 billion ($3.3 billion when classified by loan component; see Figure 5.4) follows record levels reached in fiscal 1998-99 as a

FIGURE 5.4 LENDING FOR HUMAN DEVELOPMENT, FISCAL 2000

Total $3.3 billion



Note: Sector classification is on a loan-component basis. See Table 1.1, page 33.

PARTNERSHIPS

The Bank has engaged in key partnerships with the U.N. and private sector agencies on strategic health, nutrition, and population issues such as HIV/AIDS, malaria, tuberculosis, and a new initiative for vaccines and immunization.

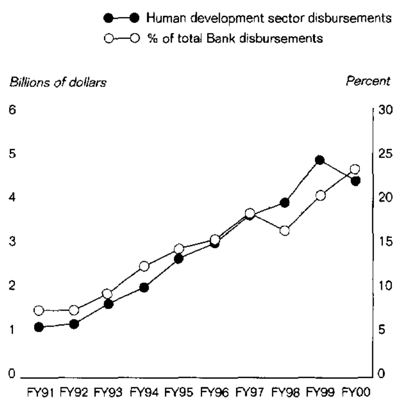
An important partnership of the Bank and IFC with the private sector is EdInvest, an on-line facility that promotes private participation in education. The first in a series of regional conferences on private education took place in Côte d'Ivoire in fiscal 2000, co-sponsored by the Ministry of Education, the African Development Bank, and the private sector; this conference brought together more than 200 participants from West Africa, North America, Europe, and Asia to learn about successful models in other countries.

Another example of productive partnerships in the social sectors was a project funded by the Asia–Europe Meetings Trust Fund (jointly sponsored by the Bank, ILO, and the Japanese government) in fiscal 2000 to analyze the employment effects of the East Asian crisis and critically examine the policy responses of the governments. Delegations from Indonesia, the Republic of Korea, Malaysia, the Philippines, and Thailand agreed on the need for tripartite institutions to build on the social dialogue emanating from the crisis; balance between active and passive (more market-oriented) labor market policies; labor market regulation that addresses economic efficiency and social protection; and government interventions targeted at vulnerable groups, such as women, youth, and migrants.

result of the East Asian crisis. The lower amount reflects both a return to more normal levels and a strategic shift from support for large hardware projects (for example, building hospitals) to policy reforms and capacity building. Disbursments for human development projects accounted for 23 percent of total Bank disbursements in fiscal 2000 (see Figure 5.5).

The Bank is systematically addressing issues that cut across the human development subsectors. In fiscal 2000, the HIV/AIDS crisis was placed squarely on the global agenda as a development and multisectoral issue, and not just a health issue. Support for HIV/AIDS prevention and mitigation includes strengthening of advocacy and policies as well as financing new and ongoing projects in Africa and other parts of the world, including major operations in South Asia and Latin America. Similarly, the Roll Back Malaria Program is being implemented as a multisectoral program that incorporates health, water, and sanitation as well as transport issues. The Bank also supports a multisectoral approach to reducing malnutrition, with a focus on community-based nutrition services. The Bangladesh National Nutrition Project, for example, will increase nutritional coverage to nearly one-third of the population over a four-year period. In a number of African countries, new initiatives integrate nutrition services with other activities to support the optimal development of young children. The Integrated Early Childhood Development Project in Eritrea, for example, takes a holistic approach that integrates health care, nutrition, social protection, and early child development.

FIGURE 5.5
DISBURSEMENT FOR HUMAN DEVELOPMENT PROJECTS



The Bank held a Children's Week in April 2000 to address the interrelated issues of the development, protection, and welfare of children. The event served to highlight pragmatic and cost-effective ways to reverse economic and social inequality through early childhood development programs and initiatives to reduce child labor, drawing on lessons learned from NGOs and national and international organizations, and on the results of an evaluation of research on street children in Eastern Europe and in Latin America.

Health, Nutrition, and Population

During fiscal 2000, $1 billion of new Bank lending was approved for health (including reproductive health) and nutrition operations. Bank strategy in this area is aimed at better health, nutrition, and population outcomes for poor people; enhanced performance of health systems; and sustainable health care financing.

Support to these subsectors is focused on the country level and complemented by efforts at the global level. Policy advice and projects were tailored to country needs, which ranged from malaria control, school health programs, maternal and child health, and nutrition services, to systemic reforms in the financing, management, and delivery of services. Strengthening basic health services was a core issue and accounted for nearly three-quarters of lending in this area, supporting operations such as the Argentina Public Health Surveillance and Disease Control Project and the Lithuania Health Project. At the global level, the Bank is working actively to mobilize partners and resources where problems and solutions go beyond country borders (see Box 5.1).

Over half of child mortality in low-income countries can be linked to malnutrition. The World Bank supports a multisectoral approach that targets poor people, especially young children and their mothers.

BOX 5.1 THE GLOBAL ALLIANCE FOR VACCINES AND IMMUNIZATION

The Global Alliance for Vaccines and Immunization (GAVI) was launched in January 2000 to re-invigorate the international community's commitment to bring vaccines and immunization to current and future generations of children throughout the developing world. New challenges facing immunization programs include strengthening the basic immunization system, making new expensive vaccines more widely available, and encouraging greater investment in new vaccines for poor people. GAVI represents a promising global network of all interested governments, UNICEF, WHO, bilateral agencies, research and technical agencies, the Bill and Melinda Gates Children's Vaccine Program, private sector vaccine manufacturers, the Rockefeller Foundation, the Bank, and other partners. Each of the partners has identified its contribution to the GAVI effort that is consistent with its comparative advantage.

The Bank has taken on a greater role in immunization, through country dialogue, lending, and efforts to address market failures in research and development for priority vaccines. Other partners such as WHO will continue to take the lead in developing global immunization strategies and policies, and the pharmaceutical industry will play a leading role in efficiently developing and marketing products.

In fiscal 2000, the Bank prepared a strategy note addressing population and reproductive health challenges in the coming decade. A Safe Motherhood Action Plan was also prepared, and the Bank joined WHO, UNFPA, and UNICEF in a statement of commitment to reduce the unacceptably high levels of maternal mortality in poor countries. Maintaining quality and resource levels for these activities will continue to be a priority, as Bank lending shifts toward programmatic support of broad sectoral reforms.

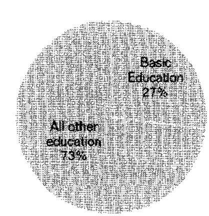
EDUCATION

The year 2000 marks the tenth year since the Jomtien World Conference in 1990 stimulated international commitment to a new and broader vision of basic education. Together with UNESCO, UNDP, UNICEF, and UNFPA, the Bank had then committed itself to helping countries pursue the international targets of providing universal access to primary education; expanding early childhood care; improving learning achievement; reducing the adult illiteracy rate; and doubling lending for education. Bank lending for education increased from an annual average of $0.9 billion for the period 1986–90 to $1.8 billion for the period 1991–00. As a share of such lending, support to basic education increased from 27 percent to 44 percent (see Figure 5.6). Within that share, lending for early child development increased dramatically in the 1990s. Another high priority has been to improve education opportunities for girls, who comprise about two-thirds of the out-of-school population. In April 2000, partners of Education for All met in Dakar, Senegal for the end-of-decade review and to set new directions for the future. A key outcome of the Dakar conference was significant scaling up of Bank efforts to help countries accelerate the development of their education systems with increased emphasis on quality improvements. In March, President Wolfensohn formally launched *Higher Education in Developing Countries*, a report prepared by an independent task force marking an important collaborative effort between the Bank and the academic community.

Bank assistance is supporting nontraditional delivery of education services where quality and efficiency improvements are possible. Many projects are financing the contracting-out of services (such as textbooks and supplies) previously deliv-

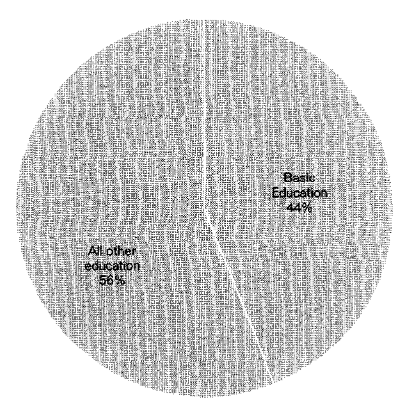
FIGURE 5.6 WORLD BANK LENDING FOR EDUCATION: EMPHASIS ON BASIC EDUCATION

Fiscal 1986–90



Yearly Lending Average: $0.9 billion

Fiscal 1991–00



Yearly Lending Average: $1.8 billion

The World Bank's education projects focus on improving access to relevant learning, using educational resources more efficiently and equitably, and building stronger institutional capacity.

ered by governments, which generates a savings of 15–40 percent. Moreover, projects increasingly finance households directly through stipends and scholarships, which expands access and efficiency as well as voice and choice for poor people. Scholarship programs enable poor children (Indonesia) and girls (Pakistan and Tanzania) to enroll in school in a cost-effective and equitable manner.

Social Protection

Lending for social protection, which includes pension reform (see Box 5.2), public works employment assistance, social assistance, and social funds, returned to pre-crisis levels in fiscal 2000. The Bank supported pension reforms in Brazil, Croatia, and Turkey; social funds in countries as varied as Armenia, Burundi, Honduras, India, St. Lucia, Tanzania, the Republic of Yemen, and Zambia; labor market interventions in Bosnia and Herzegovina; and social assistance and overall social expenditure reforms in Angola, the Philippines, and the Slovak Republic. The Turkey earthquake relief loan is helping to provide public works employment, as do many of the social fund projects.

In partnership with external social fund networks, the Bank organized a second international conference on social funds in June 2000, to evaluate the impact of these operations. The funds, which finance small-scale investments in basic infrastructure, social services, training, and income-generating services (prioritized and implemented by communities themselves), were found to have a positive impact. For example, 30

BOX 5.2 WANT TO KNOW ABOUT PENSION REFORM? VISIT WWW.WORLDBANK.ORG/PENSIONS

The web site address shown above offers users a pension reform primer, and it enables reformers around the world to share their experiences. Information on problems and solutions is exchanged between researchers and practitioners in long-reforming countries such as Argentina, Mexico, Poland, and Sweden and their counterparts in newly reforming countries. Material prepared by Bank staff documents reform experience in countries such as Bolivia, Hungary, and Latvia. The knowledge base is further enriched by papers of other authors on specific implementation issues, such as public management of pension reserves, annuitization, and supervision of private pension funds; these papers were submitted at the request of client countries and Bank staff. The web site is heavily used by external clients eager to access up-to-date information in this area.

The Bank has developed a pension model, PROST, *to help countries evaluate the health of their pension systems, the fiscal outcome as well as the poverty impact of various reform options, and the level of benefits to be expected by participants.* PROST *is in heavy demand, with usage by 43 countries and training during fiscal 2000 in Brazil, China, Estonia, the Republic of Korea, Lebanon, Lithuania, Malta, Romania, Sri Lanka, as well as for the European Central Bank.*

percent of the Honduran Social Fund reached the lowest 10 percent of the income distribution; infant mortality in Bolivia decreased significantly among social fund health center beneficiaries; and enrollment in rural primary schools improved in Peruvian districts that received social fund support.

Building on these successes, the Bank launched a Community-Driven Development Initiative in fiscal 2000. The initiative aims to scale up Bank support for development efforts that are identified, planned, and implemented at the community level.

In fiscal 2000, the Bank initiated preparation of a social protection strategy paper that aims to draw on lessons learned in the sector from the recent financial crises. The paper, slated for fiscal 2001 approval, emphasizes the need for a social risk management structure in anticipation of future crises, both at the individual and national levels, and with particular efforts to ensure adequate safety nets for poor people. Various kinds of risk would be identified, along with the best instruments—among a wide array of informal mechanisms, market mechanisms, and public programs—to reduce the risk, help prepare for it, and deal with the unexpected.

Toward the Future

Countries' macroeconomic and poverty reduction strategies increasingly emphasize human development. In support of these strategies, the Bank will continue to focus on critical development challenges such as HIV/AIDS, tuberculosis, malaria and other major communicable diseases, malnutrition, basic education, girls' education, and risk management, within the context of its overall efforts to promote comprehensive development.

ENVIRONMENTALLY AND SOCIALLY SUSTAINABLE DEVELOPMENT

There is little point in lifting people out of poverty today only to have their children—or their children's children—thrust back into its grip tomorrow. Ensuring sustainable development is a complex task that must integrate many strands of the development process. First, it must take into account the growing pressures on the world's natural resource base that lead to expanding deserts, degrading soils, worsening air quality, depleting water resources, degrading forests, and endangering biodiversity, both on land and under water. Second, it must address the crucial role of poor people, who bear the impact of these pressures but also determine—through their behavior—the condition of forests, soils, fish stocks, and the air we breathe. Environmental protection thus entails a comprehensive vision of rural development, to address poor people's needs for not only food security but also nonfarm sources of income, improved transport links to markets, and greater rural access to health and education. Finally, sustainable development requires that poor people have more say and participate as equal partners; key to such social transformation are efforts that promote participation, civic engagement, cultural expression, and post-conflict reconstruction.

PARTNERSHIPS

Partnerships have been central to the Bank's support for sustainable development. Some of its newer collaborative efforts are highlighted below:

➢ *The **World Bank—WWF Forest Alliance** brings together governments, the private sector, and civil society to reduce the loss and degradation of forests worldwide.*

➢ *The **Global Water Partnership** supports sustainable management of water resources by improving communications within the water community and developing fundable projects.*

➢ *The **Africa Land and Water Initiative** develops an integrated approach to land, water, and natural resource management for sustainable growth in Africa.*

➢ *The **Popular Coalition to Eradicate Hunger and Poverty** helps give poor people increased access to productive assets and a greater voice in decisionmaking.*

➢ *The **Clean Air Initiative in Latin America** promotes development of clean air action plans by fostering public and private sector involvement in the introduction of clean technologies.*

➢ *The **Prototype Carbon Fund**, supported by the Bank, governments, and private companies, is the world's first market-based mechanism to address climate change and to help transfer finance and technology to developing countries.*

Environment

The 2.8 billion people living on less than $2 per day are disproportionately affected by bad environmental conditions and natural catastrophes. Every year, between 5 and 6 million people die in developing countries from water-borne diseases and air pollution. The livelihoods of more than 1 billion rural people are at risk because of desertification and dryland degradation. The loss of an estimated 65 million hectares of forests in developing countries in the last five years is also hurting rural poor people, a quarter of whom depend on forests for income, food, and medicines. Policymakers also face hard decisions on how to allocate scarce water.

Emphasizing the role of environment in poverty reduction

A key principle underlying World Bank assistance in fiscal 2000 was that lasting poverty reduction is only possible if the environment is able to provide the services people depend on, and if natural resource use does not undermine long-term development. The Bank is supporting countries in their efforts to preserve the environment in the following ways:

➢ **Natural resource management.** Several projects are helping to protect forests and watersheds, support land tenure and property rights issues, and create appropriate incentives for conservation. A project in Vietnam, for example, will reestablish the coastal mangrove wetland ecosystem along the Mekong Delta and protect the system's aquatic resources.

➢ **Institution building.** The Bank is increasing its support for the institutional and regulatory frameworks that govern natural resources, which will ensure long-term environmental stewardship. Brazil's Second Environmental Project, for example, aims to make national environmental institutions more effective and to strengthen decentralized environmental management at the state and municipal levels.

➢ **Support in dealing with natural disasters.** The Bank has provided extensive support in the wake of floods, droughts, cyclones, and earthquakes to help countries rebuild and reduce risks of future damage, with a focus on poor people's needs. Examples include the introduction of an early warning network under the Amazon Emergency Fire Prevention and Control Project and efforts to prevent the spread of disease and to rebuild roads after floods in three Chinese provinces under the Yangtze Emergency Rehabilitation Project.

Preparation of a new environment strategy is underway. It focuses on the effect that the environment has on the health, livelihoods, and vulnerability of poor people. The environment strategy complements work on other strategies that guide Bank work in the water, energy, forestry, transport, urban, and rural sectors, and it also reflects the lessons of OED's environment review. In addition, the Bank is developing an environment sourcebook to help policymakers mainstream environment concerns into a country's overall poverty reduction framework.

The global dimension

As an implementing agency of the Global Environment Facility (GEF) and the Multilateral Fund of the Montreal Protocol (MFMP), the Bank helps developing countries address global environmental challenges and meet their international obligations in this area. In fiscal 2000, the GEF Council approved 20 Bank–GEF full project grants, amounting to $266 million; 17 GEF medium-sized grants (each under $1 million), adding up to $13.07 million; and two activities building capacity to prepare inventories, strategies, and action plans in response to biodiversity and climate conventions,

involving grants of $0.4 million. Significant progress has also been made in helping developing countries phase out the use of ozone depleting substances (such as chlorofluorohydrocarbons or CFCs) under the Montreal Protocol, with more than 70 percent of CFC production in developing and transition economies now slated for phaseout. In an innovative approach to address climate change issues, multiple partners came together in fiscal 2000 to launch the Prototype Carbon Fund (see Box 5.3).

Strengthening compliance

Of increasing importance in the design and implementation of Bank-supported projects is the careful application of environmental and social safeguard policies and guidelines, with support from the Bank's Quality Assurance Group (QAG). Support to the private sector in dealing with environmental regulations is an emerging priority. A new Bank publication, *Greening Industry: New Roles for Communities, Markets, and Governments,* advocates combining market-based incentives and public

Every year, more countries become water stressed—forcing their people to search longer, harder, and at considerably more expense to harness water supplies.

BOX 5.3 THE PROTOTYPE CARBON FUND

The World Bank launched the Prototype Carbon Fund (PCF) in January 2000, which is the world's first market-based mechanism to address climate change and promote the transfer of finance and climate-friendly technology to developing countries.

Established with contributions from governments and private companies, the PCF is designed to operate like a closed-end mutual fund. It is intended to pilot project-based carbon emission reduction activities within the framework of two of the flexibility mechanisms of the Kyoto Protocol — the Joint Implementation and the Clean Development Mechanism. The Bank, acting as "trustee," will enter into agreements with "host" countries (developing countries and economies-in-transition) for each project. The emissions reductions will be achieved by upgrading each project through the use of cleaner technologies. Once certified by independent experts funded by the PCF, these emissions reductions will be transferred to the Fund. The Fund, in turn, will distribute them among the industrialized countries that have invested or "participated" in it.

Benefits accrue to both industrialized and developing countries. Industrialized nations benefit by counting the emissions reductions allocated to them by the Fund toward the reductions in the greenhouse gas emissions that they are committed to achieve under the Kyoto Protocol. For the host countries, the PCF is beneficial as it would not be profitable for them, in the absence of revenue from the sales of emissions reductions to the Fund, to adopt the renewable energy technologies such as wind, small hydro, and biomass energy.

information disclosure to encourage factory managers to improve environmental performance while pursuing profits.

Rural Development

With 70 percent of the world's poor people living in rural areas, support for rural development is central to poverty reduction efforts. The Bank's rural strategy recognizes that, while a vibrant and growing agricultural sector is vital in reducing poverty, agriculture alone is insufficient to solve the problem of rural poverty. A total of 38 projects was approved in fiscal 2000 in support of rural development, including 25 in the agriculture sector, amounting to $1.6 billion and $1.1 billion, respectively. On June 30, 2000, the Bank's rural development portfolio stood at $22.1 billion.

With a view to moving to a more action-oriented phase, the Bank conducted a review of its rural strategy in fiscal 2000. Experience from successful strategies, notably those in Brazil, Ethiopia, Mexico, and Uganda, points to the need for:

➢ **Strong political commitment and leadership:** While a stable macroeconomic policy framework and a good rural strategy are critical, sustained commitment to rural development is important for results, as seen in Mexico and Uganda.

➢ **Effective rural institutions:** Strong institutions able to formulate and implement rural development strategy are important, along with a long-term strategy to identify and nurture potential leadership for rural development.

➢ **Information on rural development:** There is a dearth of data on the number of rural poor people, the specific determinants of their poverty, their access to land and other resources, the level of resources directed at rural poverty reduction, or the level of financial and other services available to poor people. While the Bank has developed a rural score card providing a composite indicator to monitor progress, data availability remains a serious constraint in many countries.

A doubling of world food production to feed an extra 2 billion people by 2025—most of them in developing countries—will require new and improved agricultural technologies. Such innovation calls for not only more resources for agricultural research but also a better balance between public and private sector funding. Supported by 58 public and private sector members, including the Bank, the Consultative Group on International Agricultural Research (CGIAR) works through a network of 16 international research centers to mobilize modern agricultural science on behalf of the world's poor and hun-

Community-driven development is about people gaining access to resources and increasing capacity to improve their lives and influence decisions that affect them.

gry. CGIAR technologies support the Bank's rural lending programs to alleviate hunger and poverty; improve rural productivity and raise agricultural incomes; manage natural resources sustainably; and build partnerships with national agricultural research programs.

Social Development

The Bank has made progress in promoting a more equitable and inclusive approach to development. Compliance with Bank policies on resettlement, indigenous peoples, and cultural property has been improving; social analysis and participation are being mainstreamed into projects; and projects are addressing social development needs and becoming culturally sensitive. Several tools have been developed to promote the inclusion and empowerment of poor people, and new ground has been broken in the areas of conflict and culture.

Participation and Civic Engagement

During the past year, the Bank scaled up its work to promote participation and civic engagement in a number of ways. Facilitating public participation in investment lending operations has enabled local communities to identify priorities and act on them. Support for decentralized institutional arrangements is allowing local governments to assume responsibility for resource allocation and enabling communities to assert more voice in decisions that affect them (see Box 5.4). Finally, the Bank has also been promoting increased participation of civil society in national-level policymaking to make it more responsive and transparent.

Conflict and development

Conflict and violence remain among the world's most pressing problems. In societies emerging from conflict, the Bank has shifted its emphasis from the physical dimensions of reconstruction to the social aspects of conflict prevention and reconciliation. The Post-Conflict Fund was established in 1997 to provide catalytic financing for early phases of Bank work in post-conflict situations

BOX 5.4 COMMUNITY-DRIVEN DEVELOPMENT

Community-driven approaches to development—giving local organizations more say—can make resource allocation more responsive to the needs of poor people and increase the power of poor communities to interact with government, the private sector, and civil society in planning and implementing their own development programs.

The Bank is launching a major initiative in Africa, the Community Action Program, to mainstream community-driven development in country programs, with similar efforts envisaged in other regions. A chapter on community-driven development is being prepared for the Poverty Reduction Strategy Paper sourcebook; other efforts are underway to disseminate information on legal and procurement matters. Training programs for officials and Bank staff are also planned.

and to promote best practice and piloting of initiatives in conflict prevention. This fund allocated approximately $22 million in grants across 25 countries over the first two years of its operation. A grant to Kosovo covered teachers' and health workers' salaries, for example, while support in East Timor funded the international community's initial assessment mission and the start-up of the local empowerment and governance program.

Culture

Cultural identity is an essential part of empowering communities to take charge of their own destinies. From tourism to restoration, investments in cultural heritage promote labor-intensive economic activities that generate wealth and income. Community-based development through social funds and innovative cultural heritage operations is responding to the interests of poor communities to develop income-generating activities that draw on their traditions, skills, and other cultural endowments. The Bank has increasingly included culture in its core work, both to make development services (such as education) more culturally responsive and effective, and to develop new tools to reduce poverty. Over the past year, the Bank has financed culture-oriented urban, education, and social development projects in Bolivia, China, East Timor, Indonesia, Romania, and the Republic of Yemen. A research program is under way to develop the socioeconomic rationale for investment in culture.

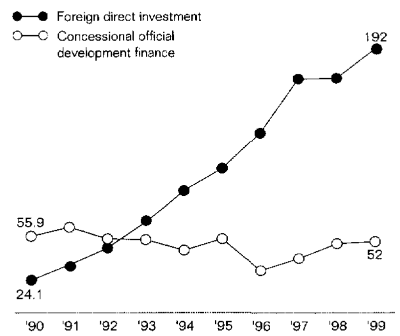
PRIVATE SECTOR DEVELOPMENT AND INFRASTRUCTURE

The experience of the 20th century underscores the crucial role of dynamic private markets for poverty reduction. It is of concern that, although private resource flows to developing countries have increased eight-fold in the past decade (see Figure 5.7), two-thirds of these flows go to only 10 countries, only two of which are poor. And key sectors that form the foundation for economic growth and social well-being, such as transport and water, receive only a small share of this investment.

Where it exists, private participation in infrastructure has made an enormous contribution to improving the efficiency of infrastructure services and extending delivery to poor people. In the Republic of Yemen, for example, where free entry is allowed in the electrical wires business, thousands of mini-power systems exist and two-thirds of the population has access to electricity. Such investments have had a substantial impact on poor people through improved physical access to goods, services, and markets; reduced cost of existing goods and services; and the creation of new jobs and better access to existing businesses.

Helping countries develop needed legal and regulatory frameworks and institutions, in a way that protects the interests of poor people is at the heart of the Bank's assistance for private sector development. The Private Sector Development Strategy presented to the Board in September 1999 calls for accelerated intervention in

FIGURE 5.7
LONG-TERM RESOURCE FLOWS TO DEVELOPING COUNTRIES, 1990–99
(billions of dollars)



Source: Global Development Finance 2000, p. 36.
Note: 1999 data are preliminary. Net long-term resource flows are defined as net liability transactions or original maturity of greater than one year.

PARTNERSHIPS

Partnerships supporting private sector development take the form of several global trust-funded programs that help shape thinking in the development community, including:

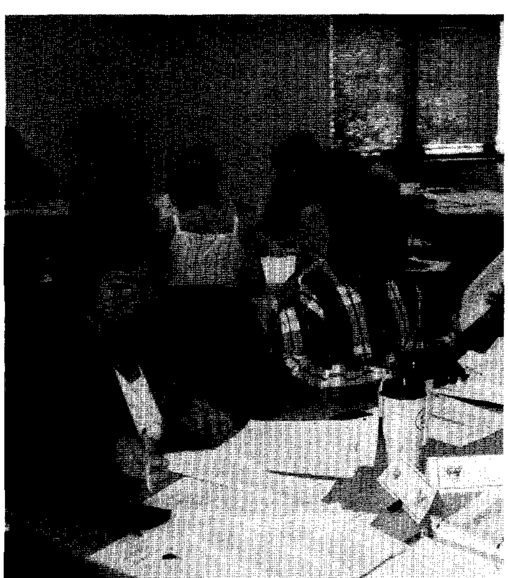
- ***Cities Alliance**, a global partnership to support city development strategies involving UNCHS (Habitat), bilateral donors, NGOs, and the business community, whose **Cities Without Slums Initiative** plans to improve living conditions for urban poor people by building on successful community-based programs.*
- ***ProVention Consortium**, an international partnership of governments, multilateral agencies, private insurance companies, universities, and NGOs, newly launched in fiscal 2000 to develop strategic, rapid responses to natural and technological disasters in the developing world.*
- *The **Global Corporate Governance Forum**, a Bank–OECD effort to help developing countries improve corporate governance by bringing partners together to exchange experience and good practices and by supporting enforcement and voluntary compliance in this area.*
- ***Information for Development Program (InfoDev)**, a multidonor partnership chaired by the Bank, which has carried out an intensive Y2K Initiative (about $26 million) to help governments address Y2K risks and to develop and implement national remediation plans, and awarded 140 grants (two-thirds of which to national, Y2K-related institutions in IDA countries).*
- ***Water and Sanitation Program**, a multipartner effort to build field knowledge, strengthen sector policies, and target investments towards poor people (fiscal 2000 outputs included about 20 pilot/demonstration projects, 40 investment projects, 80 studies and field notes, 50 learning events, and 45 policy reform initiatives in 36 countries).*
- ***Business Partners for Development**, a program initiated in 1998 that supports pilot projects implemented by companies with the objective of demonstrating how the private sector can help community development.*

BOX 5.5 TELECOMMUNICATIONS OPERATIONS: SECTOR REFORM TO HELP POOR PEOPLE

Poor people have identified communication services as one of their priority needs. Meeting this need, however, has proven to be difficult: providing service to poor, isolated areas is often not commercially viable; and countries can no longer support tariffs that cross-subsidize service to these areas. In fiscal 2000, the Bank promoted innovative solutions that rely on market mechanisms to meet the communication needs of poor people.

Two fiscal 2000 operations ($15.9 million in Nicaragua and $12.3 million in the Dominican Republic) are examples of these mechanisms. Under both projects, the Bank is helping governments establish telecommunications development funds financed by contributions from all telecommunications service providers. The funds subsidize initial infrastructure investments to those carriers who are willing to operate in poor areas. The residents of rural areas benefit directly by obtaining access to telephone and internet services, often for the first time, and indirectly through better provision of government services and increased commercial activity of local businesses (resulting from the improved telecommunications facilities).

the poorest countries; in sectors that directly affect poor people (such as water supply and energy distribution); and with a focus on providing more, better, and cheaper services to the poorest. These strategic thrusts guided the Bank's fiscal 2000 operations in private sector development and infrastructure (see Box 5.5 on telecommunications services for poor people); Bank–IFC organizational changes to better harness the private sector's potential; and the Bank's knowledge-sharing activities.



Trainers from the Consultative Group to Assist the Poorest (CGAP) are featured at the world-renowned Microfinance Training Program of the Economics Institute in Boulder, Colorado. The program includes a course on Accounting for Microfinance, and has benefited microfinance practitioners from around the world.

Operations

Lending

Infrastructure support continues to play a leading role in the Bank's fight against poverty: 28 percent of the Bank's fiscal 2000 lending supported projects in infrastructure (here defined broadly to include the sectors shown in Figure 5.8). In the water supply/sanitation, transport, and urban development sectors, where private investment is still scarce, Bank lending in fiscal 2000 reached a total of $2.9 billion. In the energy, mining, and telecommunications sectors, where investment is shifting to the private sector, Bank investment lending continued to decline to about $1.3 billion in fiscal 2000. Bank operations in these sectors focused increasingly on supporting institutional reform and catalyzing private financing rather than direct funding of investment (see Figure 5.9). The quality of the portfolio in private sector development and infrastructure improved in fiscal 2000 as a result of proactive management of problem projects, especially in the electric power and energy and oil and gas sectors.

Guarantees

In fiscal 2000, the Bank continued to expand its menu of guarantee products through the extension of partial credit guarantees in support of structural adjustment. A Policy-Based Guarantee was issued for the first time in October 1999, in the amount of $250 million, to support the issuance of $1.5 billion in notes by the Republic of Argentina. The guarantee supported Argentina's reform program and allowed the country to put forward a large issue at a time when investors generally were not disposed to buying emerging market debt. It also helped to broaden the market for Argentine paper and mobilize capital market financing; in addition, it will help Argentina's future access to private foreign capital (in terms of increased volumes, longer maturities, and reduced spreads). The unique financing structure helped to enhance country creditworthiness, assure continuity of macroeconomic policies, and ensure that vital social services were sustained in a difficult financial environment. In addition, in Haripur, Bangladesh, a Partial Risk Guarantee of $61 million served to support construction of a private power plant by protecting investors against certain types of nonperformance by the government.

Stimulating private provision of infrastructure

Bank operations to stimulate private investment in infrastructure numbered 306 between fiscal 1988 and fiscal 2000 (Table 5.2). In fiscal 2000, about 60 percent of operations in the infrastructure sectors included private-sector participation as a key objective. In Cartagena, Colombia, for example, the Bank is helping the city's water and sanitation utility pioneer a private sector participation model; and a project in Albania is introducing private sector participation in water supply rehabilitation through a management/lease contract. Other projects supporting private infrastructure provision are helping to reduce electric energy waste and facilitate private and public investments in energy efficiency (Brazil); improve the quality of electricity supply, develop a competitive electricity market, and increase the grid company's efficiency (Kazakhstan); and support the country's private sector development strategy through banking restructuring, infrastructure and utility regulation, and a public enterprise privatization program (Tanzania). In addition, the Bank worked with other donors to launch a new technical assistance facility to promote private sector involvement in infrastructure (see Box 5.6).

Organizational Changes to Improve Bank–IFC Integration

Past efforts to support private sector development point to the need for an integrated approach: countries need support not only to create an enabling business environment and develop sound regulatory frameworks but also to mobilize investment capital. To that end, beginning January 1, 2000, the Bank integrated its staff and work programs in three key PSI sectors with those of IFC.

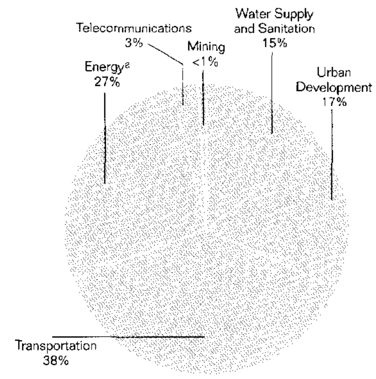
First, to strengthen coordination, staff working on privatization, business environment, and private participation in infrastructure and in social sectors were regrouped into a joint **World Bank-IFC Private Sector Advisory Service (PSAS)**. PSAS provides wide-ranging technical and policy-related advisory services to Bank Group clients in the area of private sector development, focusing on frontier sectors and countries where the private sector is not yet a major force for change in the economy.

Second, to better mobilize the Bank Group's transactions and policy expertise in sectors where investment is shifting rapidly to the private sector, the Bank and IFC created joint **Global Product Groups** in Information and Communications Technologies; Oil, Gas, and Chemicals; and Mining. These groups provide a full range of assistance to clients, from support for regulatory frameworks to equity investment. They also aim to sharpen the focus on poverty alleviation and environmental issues by, for example, broadening the distribution of liquid propane gas to poor people or improving environmental conditions for them in mining communities.

Finally, the IFC and the Bank have joined forces to improve the business environment for **small and medium enterprises** (SMEs), strengthen their capacity and management skills, and help them overcome financial constraints through

FIGURE 5.8
BANK OPERATIONS IN SELECTED INFRASTRUCTURE AND OTHER SECTORS, FISCAL 2000

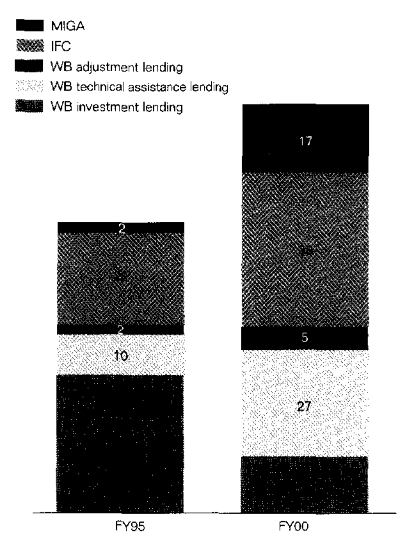
Total $4.2 billion



Note: Sector classification is on a loan-component basis. See Table 1.1, p. 33.
a. Energy consists of $991 million in electric power and energy, and $167 million in oil and gas.

FIGURE 5.9
WORLD BANK GROUP OPERATIONS IN THE TELECOMMUNICATIONS SECTOR

(number of projects)



While Bank Group lending to the telecommunications sector has declined since 1995 in dollar terms (from $4.3 billion to $3.6 billion in fiscal 2000), the number of projects is significantly higher. IFC and MIGA account for all of this growth, playing a crucial role in leveraging relatively small Bank Group lending commitments against large volumes of private investment. The dramatically different composition of World Bank assistance (IBRD and IDA)—reflecting greater support for policy reforms, in the form of technical assistance loans and structural adjustment lending rather than for investment in physical infrastructure—accounts for the decline in dollar volume.

TABLE 5.2 WORLD BANK PPI OPERATIONS, FISCAL 1988–00*

Instrument	Africa	East Asia and Pacific	South Asia	Europe and Central Asia	Latin America and the Caribbean	Middle East and North Africa	Total	Increase in FY00
Adjustments:								
Single Sector	7	0	0	4	1	3	15	1
Multi Sector	6	7	2	10	10	2	37	8
Technical assistance	10	3	2	4	19	2	40	7
Investment lending	53	35	25	30	44	16	203	22
Guarantees	1	5	3	0	1	0	10	1
Adaptable Program Lending	0	0	1	0	0	0	1	0
Total	**77**	**50**	**33**	**48**	**75**	**23**	**306**	**39**
of which: increase in FY00	12	3	5	8	7	4	39	

As of 6/30/00

innovative work in capital markets. The SME program is especially important in poor countries where domestic private investment is weak. The Bank Group's strategy to assist SMEs includes support for: expanded training through local partners; utilization of information technologies and expanded internet access; enterprise-level support programs; government–private sector reform dialogue; and development of business associations.

Knowledge Management

Knowledge management activities in the infrastructure sectors are helping client countries manage their sector investment programs and increasing the timeliness and impact of Bank assistance. In Mauritania, for example, through analytical support and sharing of best practice, the Bank is helping the government use information technology to support health, education, and microenterprise development in poor countries. Support to the Arab Urban Development Institute is of a broader nature, building knowledge management capability to provide access to information on urban economic and social indicators, urban best practices, and urban projects to alleviate poverty. In addition, web sites, seminars, and pilot programs are helping disseminate knowledge to external partners and client countries. The Bank's Gender and Transport web site, for example, has worldwide participation that is helping improve women's involvement in transport planning and provision; the web site's ultimate objective is to increase female economic participation and access to education and social services.

BOX 5.6 PUBLIC-PRIVATE INFRASTRUCTURE ADVISORY FACILITY LAUNCHED

Working with the U.K. and Japanese governments, the Bank launched a new multidonor technical assistance facility in fiscal 2000 to help developing countries improve the quality of their infrastructure through private sector involvement. The Public–Private Infrastructure Advisory Facility (PPIAF) channels technical assistance to developing country governments, aimed at tapping the full potential of private sector involvement in infrastructure. It also identifies, disseminates, and promotes best practices on private sector involvement in infrastructure in developing countries.

During fiscal 2000, PPIAF provided grants of over US$15 million for some 70 activities. Examples include:

- *Preparation of Country Framework Reports for eleven countries (e.g. India, the Philippines, and Uganda), which entailed comprehensive analysis of the supporting policy, regulatory, and financial framework for attracting private investment in infrastructure;*
- *Technical advice on establishing legal and regulatory frameworks, strengthening institutional capacity of regulatory agencies, privatizing network utilities, increasing rural access, and other reforms (for example, to prepare privatization of Paraguay's telecommunications company);*
- *International conferences and country workshops bringing together key stakeholders to discuss best practice and build consensus on policy, legislative, and regulatory options for private participation in infrastructure;*
- *Support for the creation of regional regulatory forums in South Asia, Africa, and the Caribbean to build capacity of government regulators through training, regional information centers, conferences, workshops, and support of basic regulatory research (for example., a two-week training course delivered to over 100 participants in India by the South Asia Forum for Infrastructure Regulation).*

FINANCIAL SECTOR

A well-functioning financial system mobilizes resources and savings and ensures efficient allocation and use of resources. These functions help increase productivity, which is key to growth and poverty alleviation. However, the pivotal role of the financial system in development is even more evident when it breaks down. Many governments weathered the 1997–98 financial crisis through efforts to redress vulnerabilities in their financial systems. Low-income households are further affected when troubled banking systems face loan losses and insolvencies, and the government response to them results in higher taxes, lower social expenditures, or inflation.

As part of its anti-poverty strategy this year, the Bank has helped governments to prevent financial system vulnerabilities and to build strong financial systems. The Bank's lending and nonlending support is centered on strengthening banks and nonbank financial institutions, equity and bond markets, microfinance, pensions, mortgage markets, and payment systems, and on developing insurance products to mitigate natural disasters (see Box 5.7).

Lending: Helping Build Sound Financial Systems

Lending for financial sector reform amounted to $1.8 billion in fiscal 2000 and concentrated on building sound foundations for financial systems. Activities included: support to Turkey to create a new banking and regulatory and supervisory entity; to Tanzania to sell the country's largest state-owned bank to one of South Africa's largest commercial banks; and to Mexico for a program of bank restructuring that will strengthen the financial sector, spur economic growth, and help poverty alleviation.

Nonlending: Improving Diagnostics and Capacity Building in Crisis and Noncrisis Countries

Mitigating financial vulnerabilities is today not just a national goal, but a matter of common interest for the international community. The joint Bank–IMF Financial Sector Assessment Program (FSAP), launched in May 1999 on a pilot basis, identifies country vulnerabilities and key priorities for financial sector development. It provides national authorities with a strategic framework within which to undertake financial sector strengthening. Twelve country assessments were completed in fiscal 2000 (Cameroon, Canada, Colombia, the Republic of El Salvador, Estonia, Kazakhstan, Hungary, India, the Islamic Republic of Iran, Ireland, Lebanon, and South Africa). The pilot program is being substantially expanded, with another 24 assessments slated for fiscal 2001.

Diagnostic work on specific components of the financial system (housing finance, public debt markets, insurance and contractual savings,

PARTNERSHIPS

Participation in international forums is important to the Bank's support for financial sector development. Sponsored by the Financial Stability Forum, a joint effort with the IMF in fiscal 2000 on debt management and the development of public bond markets will help governments better manage risk and withstand future shocks. Together with international standard-setting bodies, the Bank is working on revising, promoting, and implementing standards for financial supervision in order to improve the legal and regulatory framework required for strong financial systems. Lastly, the Bank has enhanced collaboration with other regional and multilateral development banks (MDBs) through the MDB Working Group in order to better serve client countries, learn from each other's experience, and leverage resources.

BOX 5.7 THE TURKISH CATASTROPHIC INSURANCE POOL (TCIP)

In countries frequently plagued by large natural disasters, people often rely on governments to bail them out, draining the government of resources that would otherwise be available to finance development. Following Turkey's earthquake in 1999 (its third in eight years), the government asked for Bank assistance to develop a mechanism that would reduce its liability and mitigate risk, while creating a more financially viable response to natural disasters.

With support from the Marmara Emergency Earthquake Reconstruction Project, a national insurance plan has been developed that will shift the financial burden of future reconstruction of housing and infrastructure from the individual families and the government to international re-insurers, capital markets, and to the Turkish Catastrophic Insurance Pool (TCIP), newly being established. TCIP will act as a stand-alone provider of catastrophic insurance in Turkey, with $100 million in Bank financing providing the initial capital support. By requiring a small insurance premium to be paid by all families paying taxes, the government will no longer guarantee replacement housing but instead serve as a re-insurer of last resort. The scheme will be managed and administered by the private sector, to the maximum extent possible, and at the end of five years, the private sector will likely take over capital provision, with the Bank involved only as a credit enhancer.

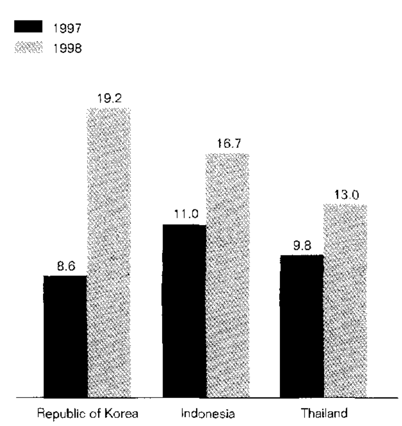
If successful, TCIP would represent a major breakthrough in reducing the adverse financial and economic exposure of Turkey to catastrophic events. It would also benefit the country's economic growth as well as its ability to weather major catastrophes without resorting to massive emergency aid from international financial institutions and donor countries.

rural and micro finance) creates opportunities for increased nonbank intermediation, lessens the reliance on banks, mitigates risk in the financial sector, insulates firms from short-run pressures, and in the end, lessens the burden of crises on poor people. In Brazil, support for housing finance reform aims to make homes affordable to more people. In India, the Bank is helping the government explore the potential for developing a long-term debt market, so as to reduce exposure to external shocks. Assistance to the Arab Republic of Egypt will increase access to rural finance.

Advisory services and training are other important nonlending services. A special Bank unit continued in fiscal 2000 to provide intensive crisis management support to Indonesia, the Republic of Korea, and Thailand, and most recently, Ecuador, in close cooperation with the IMF, the Asian Development Bank (ADB) and other regional partners. Support has focused on policies and institution-building for restructuring financial institutions, debt recovery, corporate restructuring, and broader financial sector strengthening, and on the need to reduce instability in domestic financial markets as a way to minimize the impact of crisis on poor people (see Figure 5.10). Further, the World Bank Institute has invested in client training programs in conjunction with partners (OECD, International Organization of Securities Commissions (IOSCO), International Association of Insurance Supervisors (IAIS), and the Toronto Centre), on various elements of the financial system.

FIGURE 5.10 POVERTY RATES AND FINANCIAL CRISES

(percent of population living below the poverty line)



The pecentage of the population living below the poverty line during the Asian crisis increased dramatically, highlighting the importance of a strong financial system in the effort to reduce poverty.

Section VI

World Bank Finances

WORLD BANK FINANCES: MAXIMIZING THE BANK'S DEVELOPMENT IMPACT

Why is financial strength important for institutions providing development finance?

Because it helps ensure for borrowers a sustainable supply of long-term capital, which is key to development finance

Financial Strength allows IBRD to

- minimize its cost of funds and, therefore, the cost to borrowers
- leverage up its equity capital...

...thus providing its borrowing members access to capital

- in larger volumes
- on good terms
- with longer maturities
- in a more sustainable manner

...than the market would have provided, which means

- providing finance to support human and social development needs that are long-term in nature and unappealing to private creditors
- preserving borrowers' financial strength by providing countercyclical support at times of crisis, when poor people are the most adversely affected
- using the leverage of low-cost finance to promote key policy and institutional reforms (for example, social safety net and anti-corruption reforms)
- catalyzing private capital, by helping create favorable investment climates and through the collective efforts of the World Bank Group
- providing financial support for important global public goods that are critical for the well-being of poor people

WHAT MAKES THE WORLD BANK UNIQUE AS A FINANCIAL INSTITUTION?

*The World Bank is a unique lending institution that differs in many ways from a commercial financial institution. First, its **shareholders are sovereign governments** from nearly all the world's countries. Second, it is a cooperative of nations **driven by development objectives,** with member borrowers having a voice in the policies of the institution. It does not maximize profit but targets income to ensure financial strength and to support development activities. Third, **lending is only one part of an overall assistance package** of policy advice, technical assistance, and other nonlending services developed jointly with a country and its partners in support of the country's comprehensive development strategy. Fourth, member borrowers provide **preferred creditor status** to IBRD, lowering its cost of funds, which in turn results in attractive borrowing terms for members. Finally, IBRD is **not externally regulated but emulates best practices** for risk management and regulation.*

ELEMENTS OF IBRD'S FINANCIAL STRATEGY

PRESERVING AAA-RATED FINANCIAL STRENGTH	ACHIEVING EFFICIENT INTERMEDIATION	CONTINUOUSLY ADAPTING TO BORROWER NEEDS
Goal: ensure income-generating/ *risk-bearing capacity to support* IBRD's development objectives	**Goal: provide cost-effective *funding for development***	**Goal: ensure flexibility and inno-*vation in meeting diverse and* changing client needs**
➢ **Capital commitments** (including callable capital) of 181 sovereign shareholders (60 percent of which are OECD countries)	➢ **Wide access to markets**, due to strong issuing track record	➢ **Several product innovations** in recent years, to help clients manage financial risk, tailor terms to their debt strategies, and meet exceptional crisis demands
➢ **Preferred creditor status**: *shareholders give high priority* to repayments	➢ **Over 50 years of innovation** in capital markets, to meet investor needs and increase mar-*ket efficiency*	➢ ***Wide borrower choice in loan* types,** to help meet operational needs (ranging from emergency recovery and specific investment loans to sectoral and structural adjustment loans)
➢ **Conservative financial management**: total lending cannot exceed total capital	➢ **Leadership in new products** (global bond, electronic bond), **structured finance, emerging markets** issuance	➢ **Growing currency and interest rate choice,** to help clients manage financial risk (multicurren-*cy pool, LIBOR-based single cur-*rency, fixed-rate single currency, fixed spread over LIBOR)
➢ **High liquidity**: ensures cash flow to meet obligations	➢ **Wide underwriter partnerships,** to maximize distribution and liquidity of World Bank bonds	➢ **Flexible guarantees,** to mobilize private sector financing for projects and, since April 1999, support structural, social, and institutional reforms
➢ ***Conservative capital struc-*ture**: debt is supported by callable capital and is less than 60 percent of total capital	➢ **Diversified global investor base,** to broaden market access and minimizes the cost of funds	➢ **Increased choice of lending terms** (longer maturities, more flexible repayment)
➢ **Risk-minimizing lending policies** (lending only to sovereigns; no loan rescheduling; loan concentration limits; sector and geographic diversification; rigorous approval criteria; emphasis on country "ownership")	➢ **Ample Treasury liquidity,** to provide flexibility in market timing of borrowings	
	➢ **Strong derivatives capacity,** to optimize borrowing strategy and reduces cost to borrowers	
	➢ **Active asset-liability management,** to ensure adequate funding for each product at the most attractive cost	

International Bank for Reconstruction and Development

Condensed Management's Discussion and Analysis June 30, 2000

Throughout Management's Discussion and Analysis, terms in **boldface** type are defined in the Glossary of Terms on page 25 of *The World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.* The Notes to Financial Statements referred to in this Management's Discussion and Analysis are also included in that report .

The Management's Discussion and Analysis may contain forward looking statements. Such statements are based on current expectations which are subject to risks and uncertainties. Consequently, actual results could differ materially from those currently anticipated.

I. Financial Overview

The International Bank for Reconstruction and Development (IBRD) is an international organization established in 1945 and is owned by its member countries. IBRD's main goal is reducing poverty by promoting sustainable economic development. It pursues this goal primarily by providing loans, guarantees and related technical assistance for projects and programs in its developing member countries. IBRD's ability to intermediate funds from international capital markets for lending to its developing member countries is an important element in achieving its development goals. IBRD's objective is not to maximize profit, but to earn adequate net income to ensure its financial strength and to sustain its development activities. **Box 6.1** presents selected financial data for the last five fiscal years.

The financial strength of IBRD is based on the support it receives from its shareholders and on its array of financial policies and practices. Shareholder support for IBRD is reflected in the capital backing it has received from its members and in the record of its borrowing members in meeting their debt-service obligations to it. IBRD's financial policies and practices have led it to build reserves, to diversify its funding sources, to hold a large portfolio of liquid investments, and to limit a variety of risks, including credit, market and liquidity risks.

IBRD's principal assets are its loans to member countries. The majority of IBRD's outstanding loans are priced on a cost pass-through basis, in which the cost of funding the loans, plus a lending spread, is passed through to the borrower.

To raise funds, IBRD issues debt securities in a variety of currencies to both institutional and retail investors. These borrowings, together with IBRD's equity, are used to fund its lending and investment activities, as well as general operations.

IBRD holds its assets and liabilities primarily in U.S. dollars, euro (and its national currency units), and Japanese yen. IBRD mitigates its exposure to exchange rate risks by matching the currencies of its assets with those of its liabilities and reserves; however, the reported levels of its assets, liabilities and income in the financial statements are affected by exchange rate movements of major currencies compared to IBRD's reporting currency, the U.S. dollar. This financial statement reporting effect does not impact IBRD's **risk bearing capacity**.

FY 1998 and FY 1999 were marked by unprecedented growth in the loan portfolio as IBRD responded to the financial crisis that had begun in East and Southeast Asia and spread to other parts of the developing world. While the global financial crisis led to an increase in lending activity in FY 1998 and FY 1999, the number of loans and the volume of lending commitments fell sharply in FY 2000, returning to pre-crisis levels. This decline was due partly to the recovery from financial crises and country specific circumstances. Many of the borrowers directly affected by the financial crisis have stabilized, in part because of the quick and flexible response of the international community. Lower commitments also reflected a general trend in demand from borrowers for smaller average lending operations.

In the context of assessing changes in IBRD's operating environment, it is management's practice to recommend each year the allocation of net income to augment reserves, waivers of loan charges to eligible borrowers, and grants from net income to support developmental activities.

As part of this annual review, in July 1998, IBRD's Executive Directors took several actions to augment its financial capacity. These measures included increasing the contractual charges on **new loans**, and reducing the interest waiver for FY 1999 from 25 basis points to 5 basis points on **old loans**. These pricing changes effectively brought the net spread for FY 1999 to 45 basis points on **old loans** and to 50 basis points on **new loans**. Also, a front-end fee of 100 basis points, payable for each such loan at the time it becomes effective, was introduced. In July 1999, the Executive Directors allocated $955 million of FY 1999 income to reserves and maintained the FY 1999 loan pricing strategy and interest waivers for FY 2000.

FY 2000 net income was $1,991 million, $473 million higher than the preceding year. An FY 2000 reduction in the loan loss provision contributed $412 million to this increase. Income was further bolstered by the impact of interest rate resets on loans. These increases to net income were partially offset by the absence in FY 2000 of a one time gain of $237 million, resulting from the liquidation in FY 1999 of the held-to-maturity portfolio.

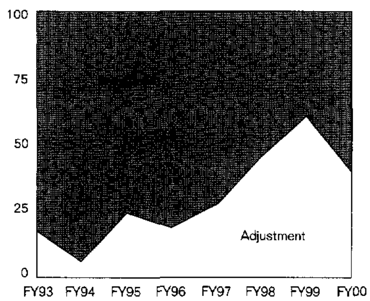
On August 1, 2000, the Executive Directors approved the allocation of $1,280 million of FY 2000 net income to reserves, and recommended to IBRD's Board of Governors the transfer of $635 million from unallocated net income to other development purposes, and that the remainder be retained as surplus. For FY 2001, an increase to 15 basis points in the interest waiver was approved for **old loans** so that the net lending spread will be 35 basis points. For **new loans**, the interest waiver of 25 basis points was maintained. FY 2001 waivers of commitment charges were also maintained at the FY 2000 level.

Box 6.1: Selected Financial Data

	2000	1999	1998	1997	1996
For the Year *(U.S. $ millions)*					
Loan Income (comprised of)	8,153	7,649	6,881	7,235	7,922
Interest	8,041	7,535	6,775	7,122	7,804
Commitment Charges	112	114	106	113	118
Provision for Loan Losses	166	(246)	(251)	(63)	(42)
Investment Income	1,589	1,684	1,233	834	720
Borrowing Expenses	(7,128)	(6,846)	(6,144)	(5,952)	(6,570)
Net Noninterest Expense	(789)	(723)	(476)	(769)	(843)
Net Income	1,991	1,518	1,243	1,285	1,187
Performance Ratios *(%)*					
Net Return on Average Earning Assets[a]	1.34	1.05	0.96	1.02	0.89
Gross Return on:					
Average Earning Assets[a]	6.53	6.47	6.29	6.41	6.50
Average Outstanding Loans[a]	6.71	6.58	6.43	6.62	6.78
Average Cash and Investments	5.74	6.00	5.63	5.02	4.47
Cost of Average Borrowings (after swaps)	5.92	5.92	6.01	6.06	6.31
Interest Coverage Ratio	1.28	1.22	1.20	1.22	1.18
Return on Equity	7.73	6.16	5.29	5.21	4.61
Equity Capital-to-Loans Ratio [b]	21.23	20.65	21.44	22.06	21.80
Total at Year-end *(U.S. $ millions)*					
Total Assets	227,810	230,445	204,808	161,786	151,837
Cash and Liquid Investments[c]	24,331	30,122	24,837	18,250	15,990
Loans Outstanding	120,104	117,228	106,576	105,805	110,246
Accumulated Provision for Loan Losses	(3,400)	(3,560)	(3,240)	(3,210)	(3,340)
Borrowings Outstanding[d]	110,379	115,739	103,477	96,679	96,719
Total Equity	29,289	28,021	26,514	27,228	28,300

a. *Includes income from commitment charges.*
b. *See Section 5: Funding Resources, Equity for additional discussion.*
c. *Includes investments designated as held-to-maturity for fiscal years 1996-98.*
d. *Outstanding borrowings, before swaps, net of premium/discount.*

FIGURE 6.1
IBRD LENDING COMMITMENTS



IBRD continues to evaluate alternative strategies to enhance its **risk-bearing capacity** to ensure that it can respond to borrowers as needed, while preserving its financial strength.

2. Development Activities

IBRD offers loans, related hedging products, and guarantees to its borrowing member countries to help meet their development needs. It also provides technical assistance and other services to support poverty reduction in these countries.

Loans

From its establishment through June 30, 2000, IBRD had approved loans, net of cancellations, totaling $309,839 million to borrowers in 129 countries. The loans held by IBRD, including loans approved but not yet effective, at June 30, 2000, totaled $164,858 million, of which $120,104 million was outstanding and $44,754 million was undisbursed. Cumulative loan repayments at June 30, 2000, based on U.S. dollar equivalents at the time of receipt, were $141,265 million.

The amount of loans outstanding at June 30, 2000 was $2,876 million higher than that at June 30, 1999. The increase is primarily attributable to net disbursements of $2,750 million.

During FY 2000, commitments of new loans to member countries were $10,919 million, down from $22,182 million in FY 1999. In FY 1998 and FY 1999, IBRD's commitments had reached unprecedented levels. FY 2000 commitments have declined from these levels, most notably in adjustment lending. Three types of factors have contributed to this decrease in lending commitments:

- *Cyclical Factors*: Emerging market economies have stabilized after the global financial crisis;
- *Long-term Factors:* There is a continuing trend toward smaller average project size;
- *Country-specific Factors:* A number of country-specific factors such as political transitions, conflicts, and country performance.

Compared to the preceding fiscal year, the relative regional composition of commitments in FY 2000 shifted away from East Asia and slightly more towards Eastern Europe, Central Asia and Latin America.

Under IBRD's Articles of Agreement (the Articles), as applied, the total amount outstanding of direct loans made by IBRD, participation in loans and callable guarantees may not exceed the **statutory lending limit.** At June 30, 2000, outstanding loans and callable guarantees (net of the accumulated loan loss provision) totaled $117,181 million, equal to 57% of the **statutory lending limit.**

Lending Instruments

IBRD lending generally falls into one of two categories: investment or adjustment lending. Historically, most IBRD loans have been for investment projects or programs. **Figure 6.1** presents IBRD lending by category for the last eight fiscal years, as a percentage of total loans approved.

Current operating guidelines state that adjustment lending, excluding debt and debt-service reduction loans, will normally not exceed 25% of total IBRD lending. This guideline was established with the understanding that it was likely to be exceeded if world economic conditions worsened. This guideline is not a rigid limit but rather a trigger for a reevaluation of such lending. As a result of several large adjustment loans made by IBRD during FY 1999, 63% of IBRD's lending in that year consisted of such loans (47% for FY 1998). In FY 2000, this proportion decreased to 41% as fewer adjustment loans were necessary. The lower commitments for adjustment lending reflect the general improvement in global financial circumstances compared to the two prior fiscal years. The Executive Directors are aware that, in light of recent financial circumstances in the world, the guideline has been exceeded in recent years, and may possibly be exceeded again in subsequent years.

Investment Lending

IBRD has several lending instruments that support investment activities, either discrete projects or programs of investment. Investment lending committed for FY 2000 totaled $6,493 million ($8,245 million—FY 1999; $11,151 million—FY 1998).

Adjustment Lending

IBRD also makes adjustment loans designed to support the introduction of basic changes in economic, financial and other policies of key importance for the economic development of member countries. Disbursements on these loans are conditioned on certain performance objectives. Adjustment lending committed for FY 2000 totaled $4,426 million ($13,937 million—FY 1999; $9,935 million—FY 1998.)

Enclave Lending

On rare occasions, IBRD will lend for a large, foreign exchange generating project in a member country usually eligible only for loans from the International Development Association (IDA). In these circumstances appropriate risk mitigation measures are incorporated (including off-shore escrow accounts and debt-service reserves acceptable to IBRD) to ensure that the risks to IBRD are minimized. At June 30, 2000, IBRD had $170 million in outstanding loans for enclave projects. In FY 2000, IBRD approved enclave loans totalling $93 million.

Financial Terms of Loans

In recent years, IBRD has offered new loans with three types of financial terms: multicurrency pool loans, variable-spread single currency loans, and fixed-rate single currency loans. Beginning September 1, 1999, IBRD also made available a new **LIBOR**-based fixed spread loan product and, effective December 1, 1999, the offer of fixed-rate single currency loans was terminated. This choice of financial terms is intended to provide borrowers with the flexibility to select terms that are both compatible with their debt management strategy and suited to their debt-servicing capability. Most multicurrency pool loans and variable spread single currency loans mature over a period that ranges from fifteen to twenty years and carry a three- to five-year grace period for principal. While fixed-spread loans offer more flexible repayment terms, this flexibility is subject to limits aimed at maintaining a similar average loan maturity across all loan products for a given borrower.

For most products, IBRD charges a lending rate composed of its average cost of borrowings plus a spread. Until July 31, 1998, that spread was 50 basis points. However, during the first quarter of fiscal year 1999, the lending spread was increased to 75 basis points for **new loans**. Also, a front-end fee of 100 basis points, payable for each such loan at the time it becomes effective, was introduced. In addition, most loans carry a commitment charge of 75 basis points on undisbursed amounts. However, the fixed-spread loans carry a commitment charge of 85 basis points for the first four years and 75 basis points thereafter.

Waivers of a portion of interest owed by all eligible borrowers are determined annually and have been in effect for each of the previous nine fiscal years. Waivers of a portion of the commitment charge owed on the undisbursed portion of loans are also determined annually and have been in effect for each of the last eleven fiscal years. For interest periods beginning during FY 2000, the interest waiver was 5 basis points for **old loans** and 25 basis points for **new loans**. The commitment charge waiver for FY 2000 was 50 basis points on all loans. Interest waivers for FY 2001 are 25 basis points for **new loans** and 15 basis points for **old loans**. Commitment charge waivers for FY 2001 remain at 50 basis points. Further details are provided in the Notes to Financial Statements-Note C.

Multicurrency Pool Loans

The currency composition of multicurrency pool loans is determined on the basis of a pool, which provides a currency composition that is the same for all loans in the pool. Pursuant to a policy established by the Executive Directors and subject to their periodic review, at least 90% of the U.S. dollar equivalent value of the pool is in a fixed ratio of one U.S. dollar to 125 Japanese yen to one euro.

The lending rate on these cost pass-through loans is variable, adjusted every six months to reflect the previous semester's average cost of outstanding borrowings allocated to fund these loans, weighted by the average currency composition of the pool. IBRD adds its lending spread to that average cost.

Multicurrency Pool Loan Conversion Options

In FY 1997, in response to borrower demand for broader currency choice, the Executive Directors approved the offer of currency choice for all IBRD multicurrency pool loans for which the invitation to negotiate was issued before September 1, 1996. The purpose of this invitation was to provide borrowers the flexibility to amend the terms of their existing multicurrency pool loans to reflect their choice of the offered currencies by converting multicurrency pool loans to single currency loan terms or single currency pool terms. Those options expired on July 1, 1998. Single currency pool terms are not available for new commitments.

Single Currency Loans

For new commitments, borrowers may select **LIBOR**-based, variable spread single currency terms. Fixed-rate single currency loan terms were available for loans if the invitation to negotiate was issued before December 1, 1999.

Variable-Spread Single Currency Loans

IBRD currently offers variable-spread single currency loans in U.S. dollars, Japanese yen, euro, pounds sterling and Swiss francs, and will consider borrower requests for loans in other currencies. Variable-spread single currency loans carry a lending rate that is reset semi-annually. The lending rate consists of a base rate, which is **LIBOR** for the applicable currency plus a spread. The spread consists of: (a) IBRD's weighted average cost margin for funding for the preceding semester allocated to these loans relative to **LIBOR**; and (b) IBRD's lending spread. These variable rate loans are designed to pass IBRD's funding spread to **LIBOR** through to its borrowers. This spread is set every six months, in January and July. At June 30, 2000, the proportion of outstanding variable-spread single currency loans denominated in U.S. dollars was 96.1% (92.3% at June 30, 1999).

Non-standard Single Currency Loans

In response to the global financial crises, IBRD approved and disbursed several large loans totaling $7,000 million on non-standard single currency loan terms during FY 1998 and FY 1999. These loans carry a six-month U.S. dollar **LIBOR** interest rate plus a fixed spread ranging from 75 to 100 basis points and a front-end fee. None of these loans is eligible for waivers of interest or commitment charges.

Subsequent to the disbursement of these loans, during FY 1999 IBRD introduced a new type of loan tailored to be part of a broad financial support package for borrowing countries. These special structural and sector adjustment loans also carry non-standard single currency loan terms. As of June 30, 2000, IBRD had approved a total of $5,051 million of special structural or sector adjustment loans. At June 30, 2000, $4,051 million of this amount had been disbursed. Their terms include a six-month U.S. dollar **LIBOR** interest rate plus a minimum fixed spread, currently set at 400 basis points, which may vary for new loans over time depending on IBRD's overall risk-bearing capacity and market conditions. These loans have a five year maturity with a three-year grace period on principal, and a front-end fee of one percent of the principal amount payable on effectiveness. Special structural and adjustment loans are not eligible for waivers of interest or commitment charges.

Fixed-rate Single Currency Loans

As of December 1, 1999, fixed-rate single currency loans were no longer available for new commitments. Fixed-rate single currency loans carry lending rates that are set on specified semi-annual rate fixing dates for amounts disbursed during the preceding six months. The lending rate consists of a base rate, which reflects market interest rates for the applicable currency on the rate-fixing date for the equivalent loan maturity, plus a spread. The spread consists of: (a) IBRD's funding cost margin relative to the base rate for these loans; (b) a risk premium to compensate IBRD for market risks it incurs in funding these loans; and (c) IBRD's lending spread.

Fixed-Spread Loans

During the first quarter of FY 2000, IBRD introduced the fixed-spread loan, designed in response to the borrowers' desire for more flexible financial products. Fixed-spread loans can be tailored to meet the needs of individual projects and programs and support borrowers' debt management strategies. Fixed-spread loans are currently offered in U.S. dollars, Japanese yen and euro. Requests for other currencies will also be considered.

These fixed-spread loans carry an interest rate of **LIBOR**, plus a spread that is fixed at loan signing for the life of the loan. At June 30, 2000, the fixed spread was 55 basis points for U.S. dollar and euro denominated loans and 45 basis points for Japanese yen. The fixed spread consists of (a) IBRD's projected funding cost margin relative to U.S. dollar **LIBOR**, with a basis swap adjustment for non-U.S. dollar loans; (b) a market risk premium of 5 basis points; and (c) IBRD's standard lending spread. The fixed-spread offered will be evaluated from time to time and may be reset when market changes warrant. Fixed-spread loans carry IBRD's standard loan charges for new commitments, including a 100 basis point front-end fee on the loan amount and a 75 basis point commitment fee on undisbursed loan amounts. In addition, these loans carry a commitment charge risk premium of 10 basis points on undisbursed loan amounts for the first four years of the loan's life. This premium, along with the market risk premium in the interest spread, compensates IBRD for funding and refinancing risk.

Borrowers selecting this product may change the currency or interest rate basis over the life of the loan and have more flexibility in selecting loan maturities. Effective February 1, 2000, a borrower may choose to include the following conversion features in the loan contract:

- option to change the currency at market rates of all or a part of the undisbursed or disbursed loan amounts (for a fee);
- option to fix the interest rate at market rates on all or a part of the disbursed amounts (without charge) for rate fixings for up to the full maturity of the loan, and for amounts up to the outstanding loan amount;
- option to unfix or re-fix the interest rate at market rates on all or part of disbursed loan amounts (for a fee);
- option to cap or collar the floating interest rate on all or a part of disbursed loan amounts (for a fee).

Transaction fees range from 12.5 to 25 basis points of the notional transaction amount. Repayment terms are more flexible than for prior products, subject to certain constraints on the average repayment maturity and final maturity on a country basis. Within these constraints, borrowers have flexibility to configure grace periods and maturity profiles in a manner consistent with the purpose of the loan. Repayment profiles may be level repayment of principal, an annuity type schedule, a bullet repayment or a customized schedule. Repayment profiles cannot be changed after a loan is signed. **Table 6.1** presents a breakdown of IBRD's loan portfolio by loan product.

For more information, see the Notes to Financial Statements-Note C.

Hedging Products

Along with the approval of the introduction of the fixed-spread loan product, IBRD also approved the offer of new hedging products for its borrowers to respond to their needs for access to better risk management tools. These products assist borrowers in hedging their risks on individual loans made to them by IBRD. These hedging products include interest rate and currency swaps, and interest rate caps and collars. On a case-by-case basis, commodity-linked swaps may also be considered.

Each request from a borrower for execution of a hedging product must include an explanation of its suitability for risk management purposes. IBRD will serve as a financial intermediary, passing through the market cost of the instrument to the borrower, and will charge an administrative fee which varies from 12.5 to 37.5 basis points of the notional principal involved. These instruments may be executed either under a master derivatives agreement which substantially conforms to industry standards, or in individually negotiated transactions. IBRD is in the process of making these instruments available.

Guarantees

IBRD offers guarantees on loans from private investors for projects in countries eligible to borrow from IBRD. In exceptional cases, IBRD may offer enclave guarantees for loans for foreign-exchange generating projects in a member country usually eligible only for credits from IDA. IBRD guarantees are flexible instruments that provide the credit enhancement required to mobilize private sector financing for individual projects through targeted and limited support, thus enhancing IBRD's developmental impact by catalyzing private sector participation. On a pilot basis,

TABLE 6.1: IBRD'S LOAN PORTFOLIO BY LOAN PRODUCT

In millions of U.S. dollars

	FY 2000		FY 1999		FY 1998	
Loan Product	*Principal Balance*	*As a % of Total Loans*	*Principal Balance*	*As a % of Total Loans*	*Principal Balance*	*As a % of Total Loans*
Adjustable-rate Multicurrency Pool Loans						
Outstanding	$ 35,542	30	$ 37,203	32	$ 56,274	53
Undisbursed	4,567	10	6,344	12	8,765	17
Single Currency Pool Loans						
Outstanding	35,422	29	40,693	35	25,658	24
Undisbursed	241	1	374	*	131	*
Variable-Spread Single Currency Loans[a]						
Outstanding	33,078	28	25,462	22	15,018	14
Undisbursed	29,486	66	33,862	66	29,801	58
Fixed-Rate Single Currency Loans						
Outstanding[b]	13,636	11	11,238	9	5,683	5
Undisbursed	8,273	18	10,787	21	12,356	24
Fixed-Spread Loans						
Outstanding	968	1				
Undisbursed	2,187	5				
Other Loans						
Outstanding	1,458	1	2,631	2	3,943	4
Undisbursed	—	—	5	*	12	*
Total **						
Outstanding loans	$120,104	100	$117,228	100	$106,576	100
Undisbursed loans	$ 44,754	100	$ 51,372	100	$ 51,065	100

a. *Of which single currency loans with non-standard terms represent $10,801 million outstanding ($9,035 million—June 30, 1999 and $5,000 million—June 30, 1998). At June 30, 2000, $1,000 million was undisbursed.*

b. *Includes fixed-rate single currency loans for which the rate had not yet been fixed at fiscal year-end.*

* *Indicates amounts less than 0.5%.*

** *May differ from the sum of individual figures due to rounding.*

guarantees are being made available to support agreed-upon policies and reforms in certain member countries. IBRD applies the same country creditworthiness and project evaluation criteria to guarantees as it applies to loans. Projects in any member country that is eligible for IBRD lending are also eligible for IBRD guarantees.

3. Financial Risk Management

IBRD assumes various kinds of risk in the process of providing development banking services. Its activities can give rise to four major types of financial risk: credit risk; market risk (interest rate and exchange rate); liquidity risk; and operating risk. The major inherent risk to IBRD is country credit risk, or loan portfolio risk.

The risk management governance structure includes an Asset/Liability Management Committee chaired by the Chief Financial Officer. This committee makes decisions and recommendations to senior management in the areas of financial policy, the adequacy and allocation of risk capital, and oversight of financial reporting. The Market Risk and Currency Management Subcommittee reports to the Asset/Liability Management Committee. This subcommittee develops and monitors the policies under which market and commercial credit risks faced by IBRD are measured, reported and managed. The subcommittee also monitors compliance with policies governing commercial credit exposure and currency management. Specific areas of activity include establishing guidelines for limiting balance sheet and market risks, the use of derivative instruments, and monitoring matches between assets and their funding.

For the day-to-day management of financial risk, IBRD's risk management structure extends into its business units. Risk management processes have been established to facilitate, control and monitor risk-taking. These processes are built on a foundation of initial identification and measurement of risks by each of the business units.

The processes and procedures by which IBRD manages its risk profile continually evolve as its activities change in response to market, credit, product, and other developments. The Executive Directors periodically review trends in IBRD's risk profiles and performance, as well as any significant developments in risk management policies and controls.

Credit Risk

Credit risk, the risk of loss from default by a borrower or counterparty, is inherent in IBRD's development activities. Under the direction of the Asset/Liability Management Committee, policies and procedures for measuring and managing such risks are formulated, approved and communicated throughout IBRD. Senior managers represented on the committee are responsible for maintaining sound credit assessments, addressing transaction and product risk issues, providing an independent review function and monitoring the loans, investments and borrowings portfolios.

Country Credit Risk

Country credit risk is the primary risk faced by IBRD and is overseen by the Chief Credit Officer who leads the Country Credit Risk Deparment. It has three components as described below. Probable expected losses from all three components are covered by the accumulated provision for loan losses, while unexpected losses are covered by IBRD's income generating capacity and risk-bearing capital. IBRD continuously reviews the creditworthiness of its borrowing member countries and adjusts its overall country programs and lending operations to reflect the results of these reviews.

(i) The first component is idiosyncratic risk. This is the risk that individual countries will accumulate extended debt-service arrears, or move closer to accumulating extended debt-service arrears, for country specific reasons.

(ii) The second component is covariance risk. This is the risk that one or more borrowers will accumulate extended payment arrears, or move closer to accumulating extended payment arrears, as a result of a common external shock. This shock could be, for example, a regional political crisis or an adverse change in the global environment (such as a fall in commodity prices or a rise in global interest rates).

(iii) The third component is portfolio concentration risk, which arises when a small group of borrowers account for a large share of loans outstanding. Portfolio concentration increases the potential financial impact of idiosyncratic and covariance risk. Portfolio concentration risk is managed using the portfolio concentration limit described below.

In 1997, the Executive Directors approved an approach to portfolio concentration under which IBRD's largest loan portfolio exposure to a single borrowing country is restricted to the lower of an equitable access limit or a concentration risk limit. The equitable access limit is equal to 10% of IBRD's subscribed capital, reserves and unallocated surplus. The concentration risk limit is based on the adequacy of IBRD's risk-bearing capacity relative to its largest loan portfolio exposure to a single borrowing country. The concentration risk limit takes into account not only current exposure (loans outstanding, plus the present value of guarantees), but also projected exposure over the ensuing three- to five-year period. The limit is determined by the Executive Directors each year at the time they consider IBRD's reserves adequacy and the allocation of its net income from the preceding fiscal year. For FY 2001 the concentration risk limit is $13.5 billion, unchanged from FY 2000. The equitable access limit is $20.7 billion. IBRD's largest loan portfolio exposure (including the present value of guarantees) to a single borrowing country was $11.8 billion at June 30, 2000.

Overdue and Non-performing Loans

It is IBRD's policy that if a payment of principal, interest or other charges on an IBRD loan or IDA credit becomes 30 days overdue, no new loans to that member country, or to any other borrower in that country, will be presented to the Executive Directors for approval, nor will any previously approved loan be signed, until payment for all amounts 30 days overdue or longer has been received. In addition, if such payment becomes 60 days overdue, disbursements on all loans to or guaranteed by that member country are suspended until all overdue amounts have been paid. Where the member country is not the borrower, the time period for suspension of the approval and signing of new loans to or guaranteed by the member country is 45 days and the time period for suspension of disbursements is 60 days. It is the policy of IBRD to place all loans made to or guaranteed by a member of IBRD in nonaccrual status, if principal, interest or other charges on any such loan are overdue by more than six months, unless IBRD determines that the overdue amount will be collected in the immediate future. IBRD maintains an accumulated provision for loan losses to recognize the risk inherent in the portfolio. The methodology for determining the accumulated provision for loan losses is discussed in the following paragraphs. Additional information on IBRD's loan loss provisioning policy and status of nonaccrual loans can be found in the Notes to Financial Statements-Summary of Significant Accounting and Related Policies, and Note C.

In 1991, the Executive Directors adopted a policy to assist members with protracted arrears to IBRD to mobilize sufficient resources to clear their arrears and to support a sustainable growth-oriented adjustment program over the medium term. Under this policy, IBRD will develop a lending strategy and will process loans, but not sign or disburse such loans, during a pre-clearance performance period with respect to members that: (a) agree to and implement a medium-term, growth-oriented structural adjustment program endorsed by IBRD; (b) undertake a stabilization program, if necessary, endorsed, or financially supported, by the International Monetary Fund; (c) agree to a financing plan to clear all arrears to IBRD and other multilateral creditors in the context of a medium-term structural adjustment program; and (d) make debt-service payments as they fall due on IBRD loans during the performance period. The signing, effectiveness and disbursement of such loans will not take place until the member's arrears to IBRD have been fully cleared.

Accumulated Provision for Loan Losses

IBRD's accumulated provision for loan losses reflects the following:

- Management's assessment of the overall collectibility risk on accruing loans (which includes callable guarantees); and
- The present value losses on nonaccruing loans. Such losses are equal to the difference between the discounted present value of the debt-service payments on a loan at its contractual terms and the expected cash flows on that loan.

Management determines the adequacy of the accumulated provision for loan losses by assessing the amount required to cover probable expected losses in the accrual portfolio and losses inherent in the nonaccrual portfolio as of the balance sheet date. The amount required to cover probable expected losses in the accrual portfolio is related to the mean of the distribution of losses facing the institution over the next three years, which has been developed to estimate the probable losses inherent in the accrual portfolio at the balance sheet date. This is calculated using a risk-adjusted capital allocation framework that takes into account the concentration and covariance risk in the portfolio. The amount required to cover losses inherent in the nonaccrual portfolio is based on the calculation of the discounted present value of future cash flows.

Estimating probable expected losses is inherently uncertain and depends on many factors. IBRD periodically reviews such factors and reassesses the adequacy of the accumulated provision for loan losses accordingly. Actual losses may differ from expected losses due to unforeseen changes in general macroeconomic and political conditions, unexpected correlations within the portfolio, and other external factors.

Commercial Credit Risk

IBRD's commercial credit risk is concentrated in investments in debt instruments issued by sovereigns, agencies, banks and corporate entities. The majority of these investments are in AAA and AA rated instruments.

In the normal course of its business, IBRD utilizes various derivatives and foreign exchange financial instruments to meet the financial needs of its borrowers, to generate income through its investment activities and to manage its exposure to fluctuations in interest and currency rates.

Derivative and foreign exchange transactions involve credit risk. The effective management of credit risk is vital to the success of IBRD's funding, investment and asset/liability management activities. The monitoring and managing of these risks is a continuous process due to changing market environments.

IBRD controls the credit risk arising from derivatives and foreign exchange transactions through its credit approval process, the use of collateral agreements and risk limits, and monitoring procedures. The credit approval process involves evaluating counterparty creditworthiness, assigning credit limits and determining the risk profile of specific transactions. Credit limits are calculated and monitored on the basis of potential exposures taking into consideration current market values, estimates of potential future movements in those values and collateral agreements with counterparties. If there is a collateral agreement with the counterparty to reduce credit risk, then the amount of collateral obtained is based on the credit rating of the counterparty. Collateral held includes cash and government securities.

IBRD treats the credit risk exposure as the replacement cost of the derivative or foreign exchange product. This is also referred to as replacement risk or the mark-to-market exposure amount. While contractual principal amount is the most commonly used volume measure in the derivative and foreign exchange markets, it is not a measure of credit or market risk.

Mark-to-market exposure is a measure, at a point in time, of the value of a derivative or foreign exchange contract in the open market. When the mark-to-market is positive, it indicates the counterparty owes IBRD and, therefore, creates an exposure for IBRD. When the mark-to-market is negative, IBRD owes the counterparty and does not have replacement risk.

When IBRD has more than one transaction outstanding with a counterparty, and there exists a legally-enforceable master derivatives agreement with the counterparty, the "net" mark-to-market exposure represents the netting of the positive and negative exposures with the same counterparty. If this net mark-to-market is negative, then IBRD's exposure to the counterparty is considered to be zero. Net mark-to-market is, in IBRD's view, the best measure of credit risk when there is a legally enforceable master derivatives agreement between IBRD and the counterparty which contains legally enforceable close-out netting provisions. For the contractual value, notional amounts and related credit risk exposure amounts by instrument, see the Notes to Financial Statements-Note E.

Table 6.2 provides details of IBRD's estimated credit exposure on its investments and swaps, net of collateral held, by counterparty rating category. The swap credit exposure, net by counterparty, of $440 million, for swap activity associated with investments and borrowings, is offset by collateral of $329 million, which results in a total net swap exposure of $111 million.

The FY 2000 decline in credit exposure parallels the decrease in the size of the investment portfolio. The credit exposure from swaps, net of collateral held, declined from $230 million to $111 million during the year.

The FY 1999 increase in credit exposure over that of FY 1998 reflected the growth in the size of the investment portfolio. The net credit exposure from swaps declined from FY 1998 to FY 1999 by $387 million to $230 million.

TABLE 6.2: IBRD'S ESTIMATED CREDIT EXPENSE

In millions of U.S. dollars

	At June 30, 2000					*At June 30, 1999*		*At June 30, 1998*	
	Investments								
Counterparty Rating	*Sovereigns*	*Agencies, Banks & Corporates*	*Net Swap Exposure*	*Total Exposure on Investments and Swaps*	*% of Total*	*Total Exposure on Investments and Swaps*	*% of Total*	*Total Exposure on Investments and Swaps*	*% of Total*
AAA	$3,791	$ 8,516	$ —	$12,307	49	$12,513	41	$ 9,740	37
AA	2,019	8,813	85	10,917	44	15,449	51	14,725	56
A	—	1,776	26	1,802	7	2,311	8	1,939	7
Total	$5,810	$19,105	$111	$25,026	100	$30,273	100	$26,404	100

Asset/Liability Management

The objective of asset/liability management for IBRD is to ensure adequate funding for each product at the most attractive available cost, and to manage the currency composition, maturity profile and interest rate sensitivity characteristics of the portfolio of liabilities supporting each lending product in accordance with the particular requirements for that product and within prescribed risk parameters. IBRD's Risk Management Department is charged with identifying, measuring and monitoring market risks, liquidity risks, and counterparty credit risks in IBRD's financial operations.

Interest Rate Risk

There are two potential sources of interest rate risk to IBRD. The first is the interest rate sensitivity associated with the net spread between the rate IBRD earns on its assets and the cost of borrowings which fund those assets. The second is the interest rate sensitivity of the income earned from funding a portion of IBRD assets with equity. The borrowing cost pass-through formulation incorporated in the lending rates charged on most of IBRD's existing loans has traditionally helped limit the interest rate sensitivity of the net spread earnings on its loan portfolio. Such cost pass-through loans currently account for more than 84% of the existing outstanding loan portfolio (82% at the end of FY 1999). However, the majority of cost pass-through loans do entail some residual interest rate risk, given the lag inherent in the lending rate calculation. If new borrowings are at interest rates above the average of those already in the debt pool, the higher average debt costs would not be passed through to the lending rate charged to the borrowers and thus would not affect the interest income generated on cost pass-through loans until the following semester. The reverse is true when market interest rates decline.

Another potential risk arises because the cost pass-through currency pool products have traditionally been funded with a large share of medium- and long-term fixed rate borrowings, to provide the borrowers with a reasonably stable interest basis. Given that the cumulative impact of interest rate changes over the last decade has resulted in a decline in the level of interest rates, the cost of these historical fixed-rate borrowings in the multicurrency pool and the single currency pools is currently considerably higher than IBRD's new borrowing costs. Recent interest rate increases in the market have mitigated this difference to some extent. However, the amount of "above market" debt allocated to the multicurrency pool debt, in aggregate terms, still exceeds the outstanding multicurrency pool loans beyond FY 2011, i.e. the pool is over-funded beyond FY 2011. The present value of this over-funded portion of the above-market debt is about $230 million as of June 30, 2000. Over-funding reaches a maximum of approximately $5.6 billion in FY 2015. Strategies for managing this risk include changing the rate fixity of the overfunded portion of the debt from fixed to floating rates. During FY 2000, IBRD completed two **forward interest rate swap** transactions and plans to enter into additional swap transactions until the over-funded portion of the above-market fixed-rate debt is completely swapped to floating rates. A portion of the loss attributable to the combined position will be passed as a rate adjustment to the multicurrency pool loans.

Interest rate risk on non-cost pass-through products, which currently account for 16% of the existing loan portfolio (18% at the end of FY 1999), is managed by using **interest rate swaps** to closely align the rate sensitivity characteristics of the loan portfolio with those of their underlying funding. As the portfolio of fixed-spread loans increases, the proportion of non-cost pass-though products will grow. The interest rate risk on IBRD's liquid portfolio is managed within specified duration-mismatch limits and is further limited by stop-loss limits.

Because equity funds a portion of outstanding loans, IBRD's level of net income is sensitive to movements in the level of nominal interest rates. In general, lower nominal interest rates result in lower lending rates which, in turn, reduce the nominal earnings on IBRD's equity.

Interest rate risk also arises from a variety of other factors, including differences in the timing between the contractual maturity or repricing of IBRD's assets, liabilities and derivative financial instruments. On floating rate assets and liabilities, IBRD is exposed to timing mismatches between the re-set dates on its floating rate receivables and payables.

As part of its asset/liability management process, IBRD employs **interest rate swaps** to manage and align the rate sensitivity characteristics of its assets and liabilities. IBRD uses derivative instruments to adjust the interest rate repricing characteristics of specific balance sheet assets and liabilities, or groups of assets and liabilities with similar repricing characteristics.

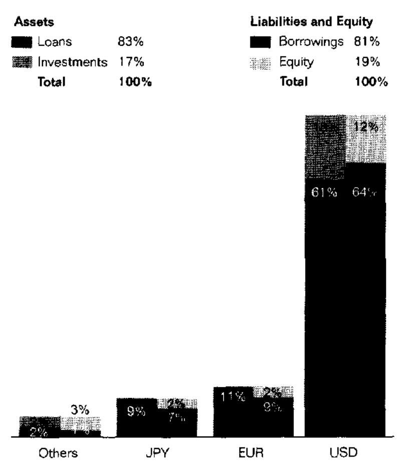
Exchange Rate Risk

In order to minimize exchange rate risk in a multicurrency environment, IBRD matches its borrowing obligations in any one currency (after swap activities) with assets in the same currency, as prescribed by the Articles. In addition, IBRD's policy is to minimize the exchange rate sensitivity of its reserves-to-loans ratio. It carries out this policy by undertaking currency conversions periodically to align the currency composition of its reserves to that of its outstanding loans. This policy is designed to minimize the impact of market rate fluctuations on the reserves-to-loans ratio, thereby preserving IBRD's ability to better absorb potential losses from arrears regardless of the market environment. IBRD is constantly evaluating alternative strategies to better manage its exchange rate risk.

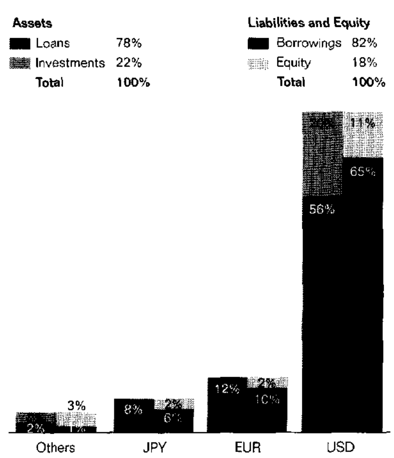
Figure 6.2 presents the currency composition of significant balance sheet components (net of swaps) at the end of FY 2000 and FY 1999.

FIGURE 6.2
RELATIVE CURRENCY COMPOSITION OF SIGNIFICANT BALANCE SHEET COMPONENTS

2000 CURRENCY COMPOSITION



1999 CURRENCY COMPOSITION



Operating Risk

Operating risk is the potential for loss arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities. IBRD, like all financial institutions, is exposed to many types of operating risks, including the risk of fraud by staff or outsiders. IBRD attempts to mitigate operating risk by maintaining a system of internal controls that is designed to keep operating risk at appropriate levels in view of the financial strength of IBRD and the characteristics of the activities and markets in which IBRD operates. In the past, IBRD has suffered certain minor financial losses from operating risk and while it maintains an adequate system of internal controls, there can be no absolute assurance that IBRD will not suffer such losses in the future.

In FY 1996, IBRD adopted the COSO[a] control framework and a self-assessment methodology to evaluate the effectiveness of its internal controls over financial reporting, and it has an on-going program in place to assess all major business units. In each of the last four fiscal years, IBRD obtained an attestation report from its external auditors that IBRD's assertion that, as of June 30 of each of these fiscal years, its system of internal control over its external financial reporting met the criteria for effective internal control over external financial reporting described in COSO, is fairly stated in all material respects.

Economic and Monetary Union in Europe

Since January 1, 1999, in the normal course of business as a multicurrency organization, IBRD has been conducting euro-denominated transactions in paying and receiving, investments, bond issuance, loan disbursements, loan billing and new lending commitments.

IBRD has adopted a gradual approach to redenominate national currency unit balance sheet items and IBRD-administered donor trust funds to euro during the transition period, before their automatic conversion to euro on January 1, 2002.

Year 2000 Update

The Year 2000 issue was the result of computer programs using two digits rather than four to define the applicable year. Without remediation or replacement, this could have resulted in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions. Modification and replacement of software and hardware and coordination with third party providers enabled IBRD to operate normally across the globe without experiencing any material interruptions in any critical systems during the roll over and thereafter. The total cost of Year 2000 preparation was estimated at approximately $17 million. The cost of certain major systems replacements and enhancements already planned were not considered Year 2000 costs.

a. In 1992, the Committe of Sponsoring Organizations of the Treadway Commission (COSO) issued its *Internal Control-Integrated Framework*, which provided a common definition of internal control and guidance on judging its effectiveness.

While ongoing tracking continues, no latent Year 2000 issues have arisen. Nor have there been indications from any borrowers that they have experienced any serious disruptions to national infrastructure or public administration due to Year 2000 problems which could affect their ability to continue to service IBRD loans.

4. Liquidity Management

Liquidity risk arises in the general funding of IBRD's activities and in the management of its financial positions. It includes the risk of being unable to fund its portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner at a reasonable price. The objective of liquidity management is to ensure the availability of sufficient cash flows to meet all of IBRD's financial commitments.

The cumulative performance of the liquid asset portfolio in FY 2000 compared to FY 1999 is presented in **Table 6.3.** These returns exclude investment assets funding certain other postemployment benefits.

The returns for FY 1999 were heavily affected by IBRD's liquidation, in FY 1999, of the sterling U.K. government securities in the held-to-maturity portfolio. At the time of liquidation the securities in the held-to-maturity portfolio had a fair value of $1,389 million and a carrying value of $1,152 million. This liquidation resulted in a realized gain of $237 million.

Under IBRD's liquidity management policy, aggregate liquid asset holdings should be kept at or above a specified prudential minimum. That minimum is equal to the highest consecutive six months of debt service obligations for the fiscal year, plus one-half of net approved loan disbursements as projected for the fiscal year. The FY 2001 prudential minimum liquidity level has been set $18.4 billion, representing a $400 million increase over that for FY 2000. IBRD also holds liquid assets over the specified minimum to provide flexibility in timing its borrowing transactions and to meet working capital needs.

IBRD's liquid assets are held principally in obligations of governments and other official entities, time deposits and other unconditional obligations of banks and financial institutions, asset-backed securities, and futures and options contracts pertaining to such obligations.

Liquid assets are held in three distinct sub-portfolios: stable; operational; and discretionary, each with different risk profiles, funding, structures and performance benchmarks. The stable portfolio is principally an investment portfolio holding the prudential minimum level of liquidity, which is set at the beginning of each fiscal year. The operational portfolio provides working capital for IBRD's day-to-day cash flow requirements. The discretionary portfolio provides flexibility for the execution of IBRD's borrowing program and can be used to take advantage of attractive market opportunities. The discretionary portfolio was gradually liquidated over the first half of FY 2000. This liquidation provided the funding necessary to meet an unusually large concentration of debt service payments during this period. **Figure 6.3** represents IBRD's liquid asset portfolio size and structure at the end of FY 2000 and FY 1999, excluding investment assets associated with certain other postemployment benefits.

At the end of FY 2000, the aggregate size of the IBRD liquid asset portfolio stood at $24,193 million, a decrease of $5,817 million over FY 1999. The higher volume of liquid assets at June 30, 1999 included the proceeds from the borrowing program undertaken to pre-fund the large amount of debt maturing in FY 2000. The IBRD liquid asset portfolio is largely composed of U.S. dollars, with the currency composition of the operational portfolio varying the most as a result of the cash flows generated by disbursements, debt-service payments, new borrowings and reserves conversions.

TABLE 6.3: CUMULATIVE PERFORMANCE OF THE LIQUID ASSET PORTFOLIO

	Annualized Financial Return (%)	
	FY 2000	*FY 1999*
IBRD Overall Portfolio	5.75	6.00
Stable Portfolio of which:		
Actively Managed	5.93	5.35
Held-to-maturity Portfolio	—	82.96
Operational Portfolio	5.39	4.48
Discretionary Portfolio	5.27	5.23

FIGURE 6.3

IBRD LIQUIDITY PORTFOLIO

(in millions of U.S. dollars)

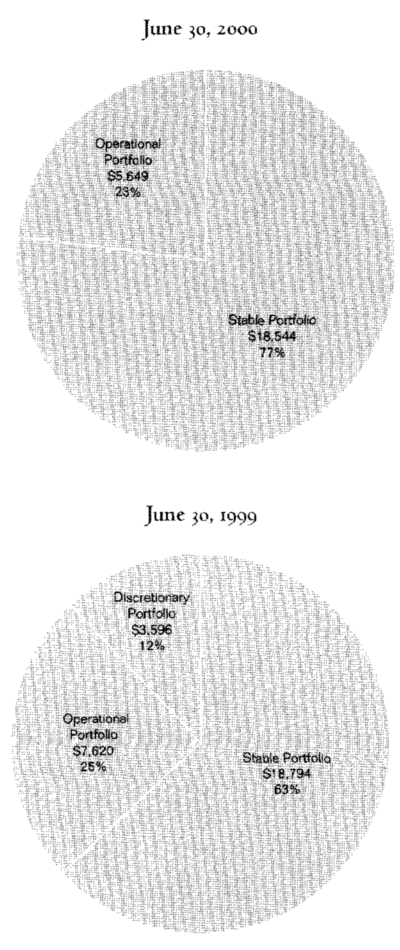
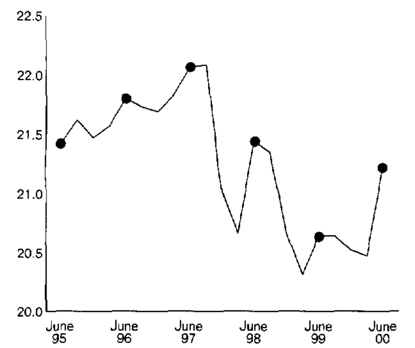


FIGURE 6.4
EQUITY CAPITAL-TO-LOAN RATIO



5. Funding Resources

Equity

Total shareholders' equity at June 30, 2000 was $29,289 million compared with $28,021 million at June 30, 1999. The increase from FY 1999 primarily reflects the increase in retained earnings of $1,318 million, the reduction in restricted paid-in capital of $180 million due primarily to encashments of demand obligations, and the increase in paid-in capital of $23 million. **Table 6.4** presents the composition of equity at June 30, 2000 and 1999.

IBRD's equity base plays a critical role in securing its financial objectives. By enabling IBRD to absorb risk out of its own resources, its equity base protects shareholders from a possible call on callable capital. The adequacy of IBRD's equity capital is judged on the basis of its ability to generate future net income sufficient to absorb plausible risks and support normal loan growth, without reliance on additional shareholder capital. IBRD uses the **equity capital-to-loans** measure as a summary statistic for financial capacity. Cash flow analysis is the basis by which IBRD measures its income generating capacity and its capital adequacy. IBRD continues to consider additional methodologies for evaluating its risk-bearing capacity.

As a result of higher net income and the increase in reserves, shareholders' equity grew at a faster pace than the loan portfolio, compared to the prior year. As a result, the ratio of **equity capital-to-loans** rose to 21.23% at June 30, 2000, from 20.65% one year earlier. In accordance with the financial policy defining this ratio, the amount of transfer to general reserves of $1,114 million approved on August 1, 2000 was included in this ratio at June 30, 2000 ($700 million—June 30, 1999). **Figure 6.4** depicts this ratio over the last five years.

Capital

The authorized capital of IBRD at June 30, 2000 was $190,811 million, of which $188,606 million had been subscribed. Of the subscribed capital, $11,418 million had been paid in and $177,188 million was callable. Of the paid-in capital, $8,168 million was available for lending and $3,250 million was not available for lending.

No call has ever been made on IBRD's callable capital. Any calls on unpaid subscriptions are required to be uniform, but the obligations of the members of IBRD to make payment on such calls are independent of each other. If the amount received on a call is insufficient to meet the obligations of IBRD for which the call is made, IBRD has the right and is bound to make further calls until the amounts received are sufficient to meet such obligations. However, no member may be required on any such call or calls to pay more than the unpaid balance of its capital subscription.

At June 30, 2000, $103,115 million (58%) of the uncalled capital was callable from the member countries of IBRD that are also members of the

TABLE 6.4: COMPOSITION OF EQUITY

In millions of U.S. dollars

	June 30, 2000	*June 30, 1999*
Usable Paid-in Capital		
Paid-in Capital	$11,418	$11,395
Net Receivable for Maintenance of Value	(898)	(869)
Restricted Paid-in Capital	(2,328)	(2,509)
Total Usable Paid-in Capital	**8,192**	**8,017**
Retained Earnings and Cumulative Translation Adjustments	**18,386**	**17,072**
Equity Excluded from Equity Capital-to-Loans Ratio		
Surplus	(85)	(195)
Pension Reserve	(549)	(294)
Prospective allocation of FY 2000/FY 1999 net income, other than to General Reserve	(877)	(818)
Equity Capital Used in Equity Capital-to-Loans Ratio	**$25,067**	**$23,782**

Development Assistance Committee of the Organization for Economic Cooperation and Development. This amount was equal to 90.4% of IBRD's outstanding borrowings after swaps at June 30, 2000. **Table 6.5** sets out the capital subscriptions of those countries and the callable amounts.

The United States is IBRD's largest shareholder. Under the Bretton Woods Agreements Act, the Par Value Modification Act and other U.S. legislation, the Secretary of the U.S. Treasury is permitted to pay up to $7,663 million of the uncalled portion of the subscription of the United States, if it were called by IBRD, without any requirement of further congressional action. The balance of the uncalled portion of the U.S subscription, $22,303 million, has been authorized by the U.S. Congress but not appropriated. Further action by the U.S. Congress would be required to enable the Secretary of the Treasury to pay any portion of this balance. The General Counsel of the U.S Treasury has rendered an opinion that the entire uncalled portion of the U.S. subscription is an obligation backed by the full faith and credit of the United States, notwithstanding that congressional appropriations have not been obtained with respect to certain portions of the subscription.

For a further discussion of capital stock, restricted currencies, **maintenance of value** and membership refer to the Notes to Financial Statements-Summary of Significant Accounting and Related Policies and Note A.

Borrowings

Source of Funding

IBRD diversifies its sources of funding by offering its securities to institutional and retail investors globally on terms acceptable to IBRD. Under its Articles, IBRD may borrow only with the approval of the member in whose markets the funds are raised and the member in whose currency the borrowing is denominated, and only if each such member agrees that the proceeds may be exchanged for the currency of any other member without restriction.

Funding Operations

In FY 2000 medium- and long-term debt raised directly in financial markets by IBRD amounted to $15,789 million compared to $22,443 million in FY 1999. **Table 6.6** summarizes IBRD's funding operations for FY 2000 and FY 1999. Funding raised in any given year is used for IBRD's general operations, including loan disbursements, refinancing of maturing debt and prefunding of future lending activities. All proceeds from new funding are initially invested in the liquid asset portfolio and subsequently allocated to the different debt pools funding loans as necessary in accordance with operating guidelines. In FY 2000, IBRD followed a strategy of selective bond issuance, composed of cost-effective private placements, largely pre-sold institutional public issues and retail targeted transactions.

IBRD strategically repurchases or prepays its debt to reduce the cost of borrowings and to reduce exposure to refunding requirements in a particular year or meet other operational needs. During FY 2000, IBRD repurchased or prepaid a total of $807 million of its outstanding borrowings

Use of Derivatives

IBRD engages in a combination of interest rate and currency swaps to convert direct borrowings into a desired interest rate structure and currency composition. Interest rate and currency swaps are also used for asset/liability management purposes to match the pool of liabilities as closely as possible to the interest rate and currency characteristics of liquid assets and loans.

In FY 2000 the majority of new funding continued to be initially swapped into floating rate U.S. dollars, with conversion to other currencies or fixed rate funding being carried out subsequently in accordance with funding requirements.

TABLE 6.5: CAPITAL SUBSCRIPTIONS

In millions of U.S. dollars

Member Country[a]	*Total Capital Subscription*	*Uncalled Portion of Subscription*
United States	$ 31,965	$ 29,966
Japan	15,321	14,377
Germany	8,734	8,191
France	8,372	7,851
United Kingdom	8,372	7,832
Canada	5,404	5,069
Italy	5,404	5,069
Netherlands	4,283	4,018
Belgium	3,496	3,281
Switzerland	3,210	3,012
Australia	2,951	2,770
Spain	2,857	2,682
Sweden	1,806	1,696
Denmark	1,623	1,525
Austria	1,335	1,254
Norway	1,204	1,132
Finland	1,033	971
New Zealand	873	821
Portugal	659	620
Ireland	636	599
Greece	203	189
Luxembourg	199	190
Total	**$109,940**	**$103,115**

a. *See details regarding the capital subscriptions of all members of IBRD at June 30, 2000 in Financial Statements-Statement of Subscriptions to Capital Stock and Voting Power.*

TABLE 6.6: IBRD'S FUNDING OPERATIONS

	FY 2000	*FY 1999*
Total Medium- and Long-term Borrowings[a] (USD million)	$15,789	$22,443
Average Maturity (years)	5.8	6.7
Number of Transactions	148	186
Number of Currencies	13	12

a. *Includes one-year notes and represents net proceeds on a trade date basis.*

Composition of Borrowings

Of the borrowings outstanding after swaps at June 30, 2000, 55% was at variable rates (54% at June 30, 1999). The currency composition continues to be concentrated in U.S. dollars, with its share at the end of June 30, 2000 at 80% of the borrowings portfolio (79% at June 30, 1999). This reflects IBRD borrowers' preference for U.S. dollar-denominated loans and the corresponding currency composition of the liquid asset portfolio.

A more detailed analysis of borrowings outstanding is provided in the Notes to Financial Statements-Note D.

6. Results Of Operations

IBRD's net income can be seen as broadly comprising a spread on earning assets, plus the contribution of equity, less provisions for loan losses and administrative expenses. **Table 6.7** shows a breakdown of income, net of funding costs.

FY 2000 versus FY 1999

FY 2000 net income was $1,991 million, $473 million higher than in FY 1999. The majority of this change was due to the following:

- A $412 million reduction in loan loss provision expense resulting primarily from a reassessment of the possible losses inherent in the loan portfolio. That assessment concluded that a general improvement in credit quality for certain large borrowers, as well as for the accrual portfolio as a whole, warranted a $243 million reduction in the accumulated provision for loan losses. The remaining $169 million decrease in expense is attributable to a reduction in the growth of the loan portfolio.
- A $345 million increase in loan interest income, net of funding costs, resulting from an increase in the average outstanding loan balance, especially in the higher-yielding special adjustment loans, as well as the improved net returns from the single currency pool loans. Net returns from the single currency pool loans recovered because the higher U.S. dollar borrowing costs were not fully passed through to borrowers in FY 1999. The lower interest waivers and higher front-end fees in effect for the full FY 2000 also contributed to the increase in net returns from the loan portfolio.
- A $208 million reduction in investment income, net of funding costs, primarily as a result of the non-recurring $237 million gain realized in FY 1999 from the liquidation of the held-to-maturity portfolio.
- A $66 million increase in net noninterest expenses, due primarily to a decrease in pension and postretirement income.

FY 1999 versus FY 1998

FY 1999 net income was $1,518 million, $275 million higher than FY 1998. This increase was primarily attributable to:

- A $237 million gain realized upon liquidation of the held-to-maturity portfolio during the first quarter of the fiscal year.
- A $233 million increase in loan interest income, net of funding costs, resulting from the changes in loan pricing. During the year IBRD reduced its interest waiver on existing loans, introduced a front-end fee on new loans and earned higher loan spreads on the special adjustment loans disbursed during the year.
- Offset in part by an increase of $247 million in net noninterest expense due primarily to a decrease in pension and postretirement income.

TABLE 6.7: IBRD'S INCOME, NET OF FUNDING COSTS

In millions of U.S. dollars

	FY 2000	*FY 1999*	*FY 1998*
Loan interest income, net of funding costs			
Debt funded	$ 678	$ 387	$ 374
Equity funded	1,771	1,717	1,497
Total loan interest income, net of funding costs	2,449	2,104	1,871
Other loan charges	49	59	22
Loan loss provision	166	(246)	(251)
Investment income, net of funding costs	116	324	77
Net noninterest expense	(789)	(723)	(476)
Net Income	**$1,991**	**$1,518**	**$1,243**

Net Interest Income

IBRD's primary interest earning assets are its loans and liquid asset investments. **Table 6.8** provides a breakdown of the gross interest income on earning assets (including other loan income). **Table 6.9** provides a breakdown of gross borrowing costs.

FY 2000 versus FY 1999

Loan interest income increased by $504 million to $8,153 million in FY 2000 due primarily to the higher average balance of loans outstanding during the year. This increased volume resulted in an additional $354 million of net income. Additionally, an increase in the average return from loans contributed another $150 million to the increase in income. This increase in the weighted average return were mainly due to four

TABLE 6.8: GROSS INTEREST INCOME ON EARNING ASSETS

In millions of U.S. dollars

	FY 2000			FY 1999			FY 1998		
		Interest Income			Interest Income			Interest Income	
	Average Volume	Amount	Return %	Average Volume	Amount	Return %	Average Volume	Amount	Return %
Loans by Product									
Multicurrency Pool	$ 37,654	$2,074	5.51	$ 39,607	$2,361	5.96	$ 70,047	$4,335	6.19
Single Currency Pools	38,824	3,104	8.00	43,687	3,199	7.32	18,136	1,250	6.89
Variable-Spread Single Currency Loans	20,791	1,189	5.72	14,970	777	5.19	8,061	448	5.56
Fixed-Rate Single Currency Loans	11,855	742	6.26	7,468	468	6.27	3,330	218	6.55
Nonstandard Variable-Spread Single Currency Loans	9,676	773	7.99	6,833	477	6.98	2,165	158	7.30
Fixed-Spread Loans	383	23	6.00	—	—	—	—	—	—
Other Fixed Rate	2,272	199	8.76	3,618	308	8.51	5,323	450	8.45
Other Loan Income		49			59			22	
Total Loans	**121,455**	**8,153**	**6.71**	**116,183**	**7,649**	**6.58**	**107,062**	**6,881**	**6.43**
Cash and Investments	**27,652**	**1,589**	**5.74**	**28,049**	**1,684**	**6.00**	**21,895**	**1,233**	**5.63**
Total Earning Assets	**$149,107**	**$9,742**	**6.53**	**$144,232**	**$9,333**	**6.47**	**$128,957**	**$8,114**	**6.29**

TABLE 6.9: GROSS BORROWING COSTS

In millions of U.S. dollars

	FY 2000			FY 1999			FY 1998		
		Borrowing Cost			Borrowing Cost			Borrowing Cost	
	Average Volume	Amount	Cost %	Average Volume	Amount	Cost %	Average Volume	Amount	Cost %
Borrowing Portfolio by Debt Pools									
Multicurrency Pool	$ 26,475	$1,169	4.42	$ 29,640	$1,514	5.11	$ 54,266	$3,092	5.70
Single Currency Pools	28,598	2,213	7.74	33,832	2,507	7.41	14,252	1,012	7.10
Variable-Spread Single Currency Loans	16,828	906	5.38	11,961	581	4.86	6,341	348	5.49
Fixed-Rate Single Currency Loans	10,162	588	5.79	6,143	367	5.97	2,767	169	6.11
Nonstandard Variable-Spread Single Currency Loans	8,909	501	5.62	5,578	284	5.09	2,164	117	5.41
Fixed-Spread Loans	423	18	4.26	—	—	—	—	—	—
Other Debt Funding	29,060	1,733	5.96	28,541	1,593	5.58	22,382	1,406	6.28
Total Borrowings	**$120,455**	**$7,128**	**5.92**	**$115,695**	**$6,846**	**5.92**	**$102,172**	**$6,144**	**6.01**

factors: i) a higher average rate on the **LIBOR**-based loans in a rising interest rate environment; ii) the full year effect of the pass through of higher U.S. dollar borrowing costs funding single currency pool loans, iii) a larger proportion of the higher-yielding special adjustment loans during the year; and iv) having lower interest waivers and higher front-end fees in effect for the full fiscal year.

Investment income decreased by $95 million in FY 2000 to $1,589 million primarily due to two factors. In FY 1999, a $237 million one-time gain was realized upon liquidation of the securities in the held-to-maturity portfolio. This was partially offset by $165 million increase in income from higher returns achieved in the increasing interest rate environment seen over the past year.

The cost of borrowing increased by $282 million to $7,128 million in FY 2000, due to higher average borrowings outstanding. The maturity of higher-cost debt in FY 2000 just offset the increase in borrowing costs resulting from interest rate resets on variable rate debt.

FY 1999 versus FY 1998

The main factor contributing to the increase in loan interest income of $768 million was the higher average balance of loans outstanding in terms of U.S. dollars. A higher volume of loans outstanding, representing $607 million of the increased income, was the result of increased net disbursements and the effect of translation into U.S. dollar terms for reporting purposes. Additionally, increases in loan pricing contributed $161 million.

Two significant factors contributed to the increase of $451 million in investment income. In FY 1999 a gain of $237 million was realized upon liquidation of the securities in the held-to-maturity portfolio. Additionally, income increased by $214 million reflecting increases in the average investment balance, offset by the effect of slightly lower market interest rates.

The cost of borrowings increased $702 million. While a falling interest rate environment reduced the cost of borrowings from 6.01% to 5.92%, total costs increased because of the higher average borrowings balance.

Net Noninterest Expense

The main components of net noninterest expense are presented in **Table 6.10**.

FY 2000 versus FY 1999

Overall gross administrative expenses decreased by $33 million (see Notes to Financial Statements—Note G). Net noninterest expense increased $66 million. The major factor was that the contribution of income from pension and postretirement benefits dropped by $89 million, as a result of the decrease in the actuarially determined Staff Retirement Plan income.

FY 1999 versus FY 1998

Overall gross administrative expenses increased only slightly. From FY 1998 to FY 1999 net noninterest expense increased by $243 million, generally returning to FY 1997 levels. Staff costs increased 15%; however, the majority of the increase in expense is attributable to the FY 1998 non-recurring reduction in expense realized as a result of the change in accounting for other postretirement benefits. See Notes to the Financial Statements—Note I for a detailed discussion of those changes.

TABLE 6.10: MAIN COMPONENTS OF NET NONINTEREST EXPENSE

In millions of U.S. dollars

	FY 2000	*FY 1999*	*FY 1998*
Gross Administrative Expenses			
Staff Costs	$ 489	$ 538	$ 466
Consultant Fees	88	97	91
Operational Travel	92	94	94
Other Expenses	392	365	328
Total Gross Administrative Expenses	1,061	1,094	979
Less: Contribution to Special Programs	126	129	112
Total Net Administrative Expenses	935	965	867
Contribution to Special Programs	126	129	112
Service Fee Revenues	(118)	(116)	(104)
Pension & Postretirement Benefit Income	(156)	(245)	(399)
Net Other Expense (Income)	2	(10)	—
Total Net Noninterest Expense	**$ 789**	**$ 723**	**$ 476**

International Bank for Reconstruction and Development

June 30, 2000 Condensed Financial Statements

Report of Independent Accountants

Deloitte Touche Tohmatsu
(International Firm)

555 12th Street NW
Washington, DC

President and Board of Governors
International Bank for Reconstruction and Development

We have audited the balance sheets of the International Bank for Reconstruction and Development as of June 30, 2000 and 1999, including the summary statement of loans and the statement of subscriptions to capital stock and voting power as of June 30, 2000, and the related statements of income, comprehensive income, changes in retained earnings, and cash flows for each of the three fiscal years in the period ended June 30, 2000. Such financial statements and our report thereon dated July 31, 2000, expressing an unqualified opinion (which are not included herein), are included in *The World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report*. The accompanying condensed financial statements are the responsibility of the International Bank for Reconstruction and Development's management. Our responsibility is to express an opinion on such condensed financial statements in relation to the complete financial statements.

In our opinion, the information set forth in the accompanying condensed financial statements of the International Bank for Reconstruction and Development is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Deloitte Touche Tohmatsu (International Firm)

July 31, 2000

Beijing London Mexico City Moscow New York
Paris Tokyo Toronto

Condensed Balance Sheet

June 30, 2000 and June 30, 1999

Expressed in millions of U.S. dollars

	2000	1999
Assets		
Due from Banks		
Unrestricted currencies	$ 32	$ 33
Currencies subject to restrictions—Note A	659	664
	691	697
Investments—Trading—Notes B and E	24,941	30,345
Securities Purchased Under Resale Agreements—Trading—Note B	101	6
Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Subscribed Capital	1,670	1,846
Amounts Receivable from Currency Swaps		
Investments—Trading—Notes B and E	11,317	11,420
Borrowings—Notes D and E	67,231	67,592
	78,548	79,012
Amounts Receivable to Maintain Value of Currency Holdings on Account of Subscribed Capital	432	527
Other Receivables		
Amounts receivable from investment securities traded	189	88
Accrued income on loans	2,196	2,100
	2,385	2,188
Loans Outstanding (see Summary Statement of Loans, Notes C and E)		
Total loans	164,858	168,600
Less undisbursed balance	44,754	51,372
Loans outstanding	120,104	117,228
Less:		
Accumulated provision for loan losses	3,400	3,560
Deferred loan income	460	363
Net loans outstanding	116,244	113,305
Other Assets		
Unamortized issuance costs of borrowings	608	712
Miscellaneous—Note I	2,190	1,807
	2,798	2,519
Total assets	$227,810	$230,445

	2000	1999
Liabilities		
Borrowings—Notes D and E		
Short-term	$ 4,730	$ 5,328
Medium- and long-term	105,649	110,411
	110,379	115,739
Securities Sold Under Repurchase Agreements and Payable for Cash Collateral Received—Trading—Note B	—	102
Amounts Payable for Currency Swaps		
Investments—Trading—Notes B and E	11,720	11,501
Borrowings—Notes D and E	70,864	70,484
	82,584	81,985
Amounts Payable to Maintain Value of Currency Holdings on Account of Subscribed Capital	56	111
Other Liabilities		
Amounts payable for investment securities purchased	529	167
Accrued charges on borrowings	3,312	3,012
Payable for Board of Governors-approved transfers—Note F	861	607
Liabilities under other postretirement benefits plans—Note I	119	103
Accounts payable and miscellaneous liabilities	681	598
	5,502	4,487
Total liabilities	198,521	202,424
Equity		
Capital Stock (see Statement of Subscriptions to Capital Stock and Voting Power, Note A)		
Authorized capital (1,581,724 shares—June 30, 2000 and June 30, 1999)		
Subscribed capital (1,563,443 shares—June 30, 2000; 1,560,243 shares—June 30, 1999)	188,606	188,220
Less uncalled portion of subscriptions	177,188	176,825
	11,418	11,395
Amounts to Maintain Value of Currency Holdings—Note A	(522)	(453)
Payments on Account of Pending Subscriptions—Note A	7	7
Retained Earnings (see Statement of Changes in Retained Earnings, Note F)	19,027	17,709
Accumulated Other Comprehensive Income—Note K	(641)	(637)
Total equity	29,289	28,021
Total liabilities and equity	$227,810	$230,445

The Notes to Financial Statements are an integral part of these Statements and are included in the World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.

Condensed Statement of Income

For the fiscal years ended June 30, 2000, June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	2000	1999	1998
Income			
Income from loans—Note C			
Interest	$ 8,041	$7,535	$6,775
Commitment charges	112	114	106
Income from investments—Note B			
Trading			
Interest	1,575	1,425	1,107
Net gains (losses)			
Realized	3	1	(10)
Unrealized	3	(5)	1
Held-to-maturity			
Interest	—	47	176
Realized gains	—	237	—
Income from securities purchased under resale agreements—Note B	12	15	59
Income from assets designated for other postretirement benefits plans—Notes B and I	—	—	107
Income from Staff Retirement Plan—Note I	166	255	182
Other income—Notes G and H	133	134	114
Total income	10,045	9,758	8,617
Expenses			
Borrowing expenses—Note D			
Interest	6,979	6,704	5,993
Amortization of issuance and other borrowing costs	149	142	151
Interest on securities sold under repurchase agreements and payable for cash collateral received—Note B	4	36	100
Administrative expenses—Notes G and H	935	965	867
Contributions to special programs—Note G	126	129	112
Other postretirement benefits expense—Note I	10	10	50
Provision for loan losses—Note C	(166)	246	251
Other expenses	17	8	10
Total expenses	8,054	8,240	7,534
Operating Income	1,991	1,518	1,083
Effect of accounting change—Note I	—	—	160
Net Income	$ 1,991	$1,518	$1,243

The Notes to Financial Statements are an integral part of these Statements and are included in the World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.

Condensed Statement of Comprehensive Income

For the fiscal years ended June 30, 2000, June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	2000	1999	1998
Net income	$1,991	$1,518	$ 1,243
Other comprehensive income—Note K			
Currency translation adjustments	(4)	323	(1,045)
Total other comprehensive income (loss)	(4)	323	(1,045)
Comprehensive income	$1,987	$1,841	$ 198

Condensed Statement of Changes in Retained Earnings

For the fiscal years ended June 30, 2000, June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	2000	1999	1998
Retained earnings at beginning of the fiscal year	$17,709	$16,733	$16,194
Board of Governors-approved transfers to—Note F			
International Development Association	(348)	(352)	(304)
Trust Fund for Gaza and West Bank	(60)	(90)	—
Trust Fund for East Timor	(10)	—	—
Heavily Indebted Poor Countries Debt Initiative Trust Fund	(200)	(100)	(250)
Multilateral Investment Guarantee Agency	—	—	(150)
Capacity building in Africa	(30)	—	—
Trust Fund for Kosovo	(25)	—	—
Net income for the fiscal year	1,991	1,518	1,243
Retained earnings at end of the fiscal year	$19,027	$17,709	$16,733

The Notes to Financial Statements are an integral part of these Statements and are included in the World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.

Condensed Statement of Cash Flows

For the fiscal years ended June 30, 2000, June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	2000	1999	1998
Cash flows from lending and investing activities			
Loans			
Disbursements	$(13,222)	$(18,100)	$(19,193)
Principal repayments	9,973	9,988	10,146
Principal prepayments	499	94	1,372
Loan origination fees received	19	32	—
Investments: Held-to-maturity			
Purchases of securities and repayments of securities sold under repurchase agreements	—	(13,266)	(33,202)
Maturities of securities and proceeds from securities sold under repurchase agreements	—	13,426	33,184
Proceeds from sale of held-to-maturity portfolio net of securities sold under repurchase agreements	—	1,389	—
Net cash used in lending and investing activities	(2,731)	(6,437)	(7,693)
Cash flows from Board of Governors-approved transfers to			
International Development Association	(50)	—	(298)
Debt Reduction Facility for IDA-Only Countries	(19)	—	(18)
Trust Fund for Gaza and West Bank	(83)	(62)	(60)
Heavily Indebted Poor Countries Debt Initiative Trust Fund	(200)	—	(250)
Multilateral Investment Guarantee Agency	—	—	(150)
Trust Fund for East Timor, Trust Fund for Kosovo, and capacity building in Africa	(65)	—	—
Net cash used in Board of Governors-approved transfers	(417)	(62)	(776)
Cash flows from financing activities			
Medium- and long-term borrowings			
New issues	15,206	21,846	27,748
Retirements	(19,211)	(10,034)	(13,569)
Net short-term borrowings	(917)	(1,512)	(1,009)
Net currency swaps—Borrowings	(454)	(340)	(300)
Net capital stock transactions	154	175	217
Net cash (used in) provided by financing activities	(5,222)	10,135	13,087
Cash flows from operating activities			
Net income	1,991	1,518	1,243
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	884	819	855
Amortization of deferred loan income	(30)	(20)	(8)
Provision for loan losses	(166)	246	251
Income from Staff Retirement Plan	(166)	(255)	(182)
Gain on sale of held-to-maturity portfolio	—	(237)	—
Changes in other assets and liabilities			
Increase in accrued income on loans and held-to-maturity investments	(99)	(46)	(157)
(Increase) decrease in miscellaneous assets	(269)	(130)	190
Increase in net assets associated with other postretirement benefits	—	—	(739)
Increase in accrued charges on borrowings	322	470	448
Increase (decrease) in accounts payable and miscellaneous liabilities	135	(258)	253
Net cash provided by operating activities	2,602	2,107	2,154

	2000	1999	1998
Effect on liquid investments due to decrease in net assets associated with other postretirement benefits	$ —	$ 650	$ —
Effect of exchange rate changes on unrestricted cash and liquid investments	(23)	224	(207)
Net (decrease) increase in unrestricted cash and liquid investments	(5,791)	6,617	6,565
Unrestricted cash and liquid investments at beginning of the fiscal year	30,122	23,505	16,940
Unrestricted cash and liquid investments at end of the fiscal year	$24,331	$ 30,122	$ 23,505
Composition of unrestricted cash and liquid investments:			
Investments held in trading portfolio	$24,941	$ 30,345	$ 23,441
Unrestricted currencies	32	33	55
Net (payable) receivable for investment securities traded/purchased—Trading	(340)	(79)	7
Net (payable) receivable from currency swaps—Investments	(403)	(81)	397
Net receivable (payable) for securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	101	(96)	(395)
	$24,331	$ 30,122	$ 23,505
Supplemental disclosure			
Increase (decrease) in ending balances resulting from exchange rate fluctuations			
Loans outstanding	$ 16	$ 2,519	$ (6,994)
Investments—Held-to-maturity	—	13	2
Borrowings	(1,173)	1,010	(7,239)
Currency swaps—Borrowings	1,195	1,244	1,632
Capitalized loan origination fees included in total loans	110	115	90

The Notes to Financial Statements are an integral part of these Statements and are included in the World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.

International Development Association

June 30, 2000 Condensed Special Purpose Financial Statements

Report of Independent Accountants

Deloitte Touche Tohmatsu
(International Firm)

555 12th Street NW
Washington, DC

President and Board of Governors
International Development Association

We have audited the special purpose statements of sources and applications of development resources of the International Development Association as of June 30, 2000 and 1999, including the summary statement of development credits and statement of voting power, and subscriptions and contributions as of June 30, 2000, and the related special purpose statements of income, comprehensive income, changes in retained earnings, and cash flows for each of the three fiscal years in the period ended June 30, 2000. Such special purpose financial statements and our report thereon dated July 31, 2000, expressing an unqualified opinion and including explanatory paragraphs concerning the basis of accounting used to prepare the special purpose financial statements which are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or International Accounting Standards and the change in accounting policy for the HIPC Debt Initiative (which are not included herein), are included in *The World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report*. The accompanying condensed special purpose financial statements are the responsibility of the International Development Association's management. Our responsibility is to express an opinion on such condensed special purpose financial statements in relation to the complete special purpose financial statements.

In our opinion, the information set forth in the accompanying condensed special purpose financial statements of the International Development Association is fairly stated in all material respects in relation to the basic special purpose financial statements from which it has been derived.

This report is intended for the information and use of the Board of Governors, management, and members of the International Development Association. However, under the International Development Association's Articles of Agreement, this report is a matter of public record and its distribution is not limited.

Deloitte Touche Tohmatsu (International Firm)

July 31, 2000

Beijing London Mexico City Moscow New York
Paris Tokyo Toronto

Condensed Statement of Sources and Applications of Development Resources

June 30, 2000 and June 30, 1999

Expressed in millions of U.S. dollars

	2000	1999 as adjusted (Note A)
Applications of Development Resources		
Net Resources Available For Development Activities		
Due from Banks		
Unrestricted currencies	$ 63	$ 71
Currencies subject to restriction	20	22
	83	93
Investments—Notes B and F		
Investments—trading	9,760	8,206
Net (payable) receivable on investment securities transactions	(282)	9
	9,478	8,215
Receivable from the HIPC Debt Initiative Trust Fund—Note I	573	—
Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Member Subscriptions and Contributions	10,909	11,801
Receivable from the International Bank for Reconstruction and Development—Note D	650	354
Other Resources, Net	516	484
Total net resources available for development activities	22,209	20,947
Resources Used For Development Credits (see Summary Statement of Development Credits, Notes E, F and I)		
Total development credits	104,796	103,262
Less undisbursed balance	18,944	20,104
Development credits outstanding	85,852	83,158
Less accumulated allowance for HIPC Debt Initiative	8,020	—
Total resources used for development credits outstanding	77,832	83,158
Total Applications of Development Resources	$100,041	$104,105
Sources of Development Resources		
Member Subscriptions and Contributions (see Statement of Voting Power, and Subscriptions and Contributions, Note C)		
Unrestricted	$105,635	$ 95,463
Restricted	289	286
Subscriptions and Contributions Committed	105,924	95,749
Less subscriptions and contributions receivable and unamortized discounts on contributions—Note C	6,624	165
Subscriptions and Contributions Paid In	99,300	95,584
Deferred Amounts Receivable to Maintain Value of Currency Holdings	(233)	(231)
Payments on Account of Pending Membership—Note C	7	7
	99,074	95,360
Transfers from the International Bank for Reconstruction and Development—Note D	6,427	6,082
Accumulated Other Comprehensive Income—Note J	(718)	(194)
Retained Earnings (see Statement of Changes in Retained Earnings)	(4,742)	2,857
Total Sources of Development Resources	$100,041	$104,105

The Notes to Financial Statements are an integral part of these Statements and are included in the World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.

CONDENSED STATEMENT OF INCOME

For the fiscal years ended June 30, 2000, June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	2000	1999 *as adjusted (Note A)*	1998 *as adjusted (Note A)*
Income			
Income from development credits—Note E	$ 619	$ 588	$ 555
Income from investments, net—Note B	336	462	527
Total income	955	1,050	1,082
Expenses			
Net management fee charged by the International Bank for Reconstruction and Development—Notes G and H	438	368	222
Amortization of discount on subscription advances	3	2	6
Total expenses	441	370	228
Operating Income	514	680	854
Effect of exchange rate changes on accumulated income excluding HIPC Debt Initiative	(284)	(70)	(283)
Income before HIPC Debt Initiative	230	610	571
Enhanced HIPC Framework			
Allowance for principal component of debt relief—Notes E and I	(7,958)	—	—
Contribution from the HIPC Debt Initiative Trust Fund—Note I	584	—	—
Total charges for Enhanced HIPC	(7,374)	—	—
Initial HIPC Framework			
Allowance for write-down on sale of development credits—Note E	(455)	—	(93)
Development grants	—	(154)	(75)
Total charges for Initial HIPC	(455)	(154)	(168)
(Loss) Income after HIPC Debt Initiative	$(7,599)	$ 456	$ 403

The Notes to Financial Statements are an integral part of these Statements and are included in the World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2000, June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	2000	1999	1998
(Loss) Income after HIPC Debt Initiative	$(7,599)	$456	$ 403
Other Comprehensive Income—Note J			
Currency translation adjustment on development credits	(524)	197	(2,764)
Total other comprehensive (loss) income	(524)	197	(2,764)
Comprehensive (Loss) Income	$(8,123)	$653	$(2,361)

CONDENSED STATEMENT OF CHANGES IN RETAINED EARNINGS

For the fiscal years ended June 30, 2000 and June 30, 1999

	2000			1999		
	Balance at beginning of the fiscal year	*Activity during the fiscal year*	*Balance at end of the fiscal year*	*Balance at beginning of the fiscal year*	*Activity during the fiscal year*	*Balance at end of the fiscal year*
Allowance for Enhanced HIPC	$ —	$(7,958)	$(7,958)	$ —	$ —	$ —
Contribution for Enhanced HIPC from HIPC Debt Initiative Trust Fund	—	584	584	—	—	—
Initial HIPC	(322)	(455)	(777)	(168)	(154)	(322)
Accumulated income excluding HIPC Debt Initiative	3,179	230	3,409	2,569	610	3,179
Total	$2,857	$(7,599)	$(4,742)	$2,401	$456	$2,857

The Notes to Financial Statements are an integral part of these Statements and are included in the World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.

Condensed Statement of Cash Flows

For the fiscal years ended June 30, 2000, June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	2000	1999 as adjusted (Note A)	1998 as adjusted (Note A)
Cash Flows from Development Activities			
Development credit disbursements	$(4,886)	$(5,843)	$(5,432)
Development credit principal repayments	920	814	682
Development credits sold to the HIPC Debt Initiative Trust Fund—Note I	354	84	—
Reimbursement received for principal repayments forgiven—Note I	11	—	—
	(3,601)	(4,945)	(4,750)
Development grant disbursements	—	(149)	(74)
Net cash used in development activities	(3,601)	(5,094)	(4,824)
Cash Flows from Member Subscriptions and Contributions	4,682	4,710	4,789
Cash Flows from the International Bank for Reconstruction and Development Transfers	50	—	298
Cash Flows from Operating Activities			
Operating income	514	680	854
Net assets previously designated for other postretirement benefits received from the International Bank for Reconstruction and Development	—	76	—
Adjustments to reconcile operating income to net cash provided by operating activities			
Amortization of discount on subscription advances	3	2	6
Net changes in other development resources	(135)	(184)	(311)
Net cash provided by operating activities	382	574	549
Effect of exchange rate changes on unrestricted cash and liquid investments	(258)	(83)	(283)
Net Increase in Unrestricted Cash and Liquid Investments	1,255	107	529
Unrestricted Cash and Liquid Investments at Beginning of the Fiscal Year	8,286	8,179	7,650
Unrestricted Cash and Liquid Investments at End of the Fiscal Year	$ 9,541	$8,286	$ 8,179
Composed of:			
Unrestricted currencies	63	71	33
Investments	9,478	8,215	8,146
	$ 9,541	$8,286	$ 8,179
Supplemental Disclosure			
(Decrease) increase in ending balances of development credits outstanding resulting from exchange rate fluctuations	$ (524)	$ 197	$(2,764)
Total charges for Enhanced HIPC	(7,374)	—	—
Write-down on sale of development credits—Initial HIPC	(455)	—	(93)

The Notes to Financial Statements are an integral part of these Statements and are included in the World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.

Interim Trust Fund

June 30, 2000 Condensed Special Purpose Financial Statements

Report of Independent Accountants

Deloitte Touche Tohmatsu
(International Firm)

555 12th Street NW
Washington, DC

President and Board of Governors
International Development Association
As Administrator of the Interim Trust Fund

We have audited the special purpose statements of sources and applications of development resources of the Interim Trust Fund as of June 30, 2000 and 1999, including the summary statement of interim fund credits and statement of contributions as of June 30, 2000, and the related special purpose statements of income, comprehensive income, changes in retained earnings, and cash flows for each of the three fiscal years in the period ended June 30, 2000. Such special purpose financial statements and our report thereon dated July 31, 2000, expressing an unqualified opinion and including an explanatory paragraph concerning the basis of accounting used to prepare the special purpose financial statements which are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or International Accounting Standards (which are not included herein), are included in *The World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report*. The accompanying condensed special purpose financial statements are the responsibility of the International Development Association's management as Administrator of the Interim Trust Fund. Our responsibility is to express an opinion on such condensed special purpose financial statements in relation to the complete special purpose financial statements.

In our opinion, the information set forth in the accompanying condensed special purpose financial statements of the Interim Trust Fund is fairly stated in all material respects in relation to the basic special purpose financial statements from which it has been derived.

This report is intended for the information and use of the Board of Governors, the International Development Association's management as Administrator of the Interim Trust Fund, and contributors to and borrowers from the Interim Trust Fund. However, under the International Development Association's Board of Governors' resolution establishing the Interim Trust Fund, this report is included in the Annual Report of the Executive Directors to the Board of Governors of the International Development Association and is therefore a matter of public record and its distribution is not limited.

Deloitte Touche Tohmatsu (International Firm)

July 31, 2000

Beijing London Mexico City Moscow New York
Paris Tokyo Toronto

Condensed Statement of Sources and Applications of Development Resources

June 30, 2000 and June 30, 1999

Expressed in millions of U.S. dollars

	2000	1999
Applications of Development Resources		
Net Resources Available For Development Activities		
Due from Banks		
Unrestricted currencies	$ 9.7	$ 8.7
Investments—Notes B and D	1,346.2	935.8
Receivable from the HIPC Debt Initiative Trust Fund—Note F	17.3	—
Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Contributions	711.5	1,357.5
Other Resources, net	1.5	—
Total net resources available for development activities	2,086.2	2,302.0
Resources Used For Interim Fund Credits (see Summary Statement of Interim Fund Credits, Notes D and E)		
Total Interim Fund Credits	2,679.8	2,653.4
Less undisbursed balance	1,889.3	2,145.0
Interim Fund Credits outstanding	790.5	508.4
Less accumulated allowance for HIPC Debt Initiative	51.0	—
Total resources used for Interim Fund Credits outstanding	739.5	508.4
Total Applications of Development Resources	$2,825.7	$2,810.4
Sources of Development Resources		
Contributions (see Statement of Contributions)		
Contributions committed	$2,780.2	$2,788.4
Less contributions receivable—Note C	2.3	2.3
Less unamortized discount on contributions	1.0	1.5
Contributions paid in	2,776.9	2,784.6
Accumulated Other Comprehensive Income—Note G	(20.3)	(11.7)
Retained Earnings (see Statement of Changes in Retained Earnings)	69.1	37.5
Total Sources of Development Resources	$2,825.7	$2,810.4

The Notes to Financial Statements are an integral part of these Statements and are included in the World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.

Condensed Statement of Income

For the fiscal years ended June 30, 2000, June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	2000	1999	1998
Income			
Income from investments—Note B	$ 70.1	$36.9	$14.4
Expenses			
Amortization of discount on contribution advances	(0.3)	(0.4)	(0.3)
Operating Income	69.8	36.5	14.1
Effect of exchange rate changes on accumulated income excluding HIPC Debt Initiative	(4.5)	(2.3)	(10.1)
Income before HIPC Debt Initiative	65.3	34.2	4.0
Enhanced HIPC Framework			
Allowance for principal component of debt relief—Note E	(51.0)	—	—
Contribution from the HIPC Debt Initiative Trust Fund—Note F	17.3	—	—
Total charges for Enhanced HIPC	(33.7)	—	—
Income after HIPC Debt Initiative	$ 31.6	$34.2	$ 4.0

Condensed Statement of Comprehensive Income

For the fiscal years ended June 30, 2000, June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	2000	1999	1998
Income after HIPC Debt Initiative	$31.6	$34.2	$ 4.0
Other Comprehensive Income—Note G			
Currency translation adjustment on Interim Fund Credits	(8.6)	(2.2)	(10.3)
Total other comprehensive (loss)	(8.6)	(2.2)	(10.3)
Comprehensive Income (Loss)	$23.0	$32.0	$ (6.3)

Condensed Statement of Changes in Retained Earnings

For the fiscal years ended June 30, 2000 and June 30, 1999

	2000			1999		
	Balance at beginning of the fiscal year	*Activity during the fiscal year*	*Balance at end of the fiscal year*	*Balance at beginning of the fiscal year*	*Activity during the fiscal year*	*Balance at end of the fiscal year*
Allowance for Enhanced HIPC	$ —	$(51.0)	$(51.0)	$ —	$ —	$ —
Contribution for Enhanced HIPC from HIPC Debt Initiative Trust Fund	—	17.3	17.3	—	—	—
Accumulated Income excluding HIPC Debt Initiative	37.5	65.3	102.8	3.3	34.2	37.5
Total	$37.5	$ 31.6	$ 69.1	$3.3	$34.2	$37.5

The Notes to Financial Statements are an integral part of these Statements and are included in the World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.

Condensed Statement of Cash Flows

For the fiscal years ended June 30, 2000, June 30, 1999 and June 30, 1998

Expressed in millions of U.S. dollars

	2000	1999	1998
Cash Flows from Development Activities			
Interim Fund Credit disbursements	$ (290.7)	$(179.6)	$(197.6)
Cash Flows from Financing Activities			
Net short-term borrowings	—	—	(22.0)
Donor contributions	638.0	682.5	579.8
Net cash provided by financing activities	638.0	682.5	557.8
Cash Flows from Operating Activities			
Operating Income	69.8	36.5	14.1
Adjustments to reconcile operating income to net cash provided by operating activities			
Amortization of discount on contribution advances	0.3	0.4	0.3
Net changes in other development resources	(6.7)	1.3	(3.7)
Net cash provided by operating activities	63.4	38.2	10.7
Effect of exchange rate changes on unrestricted cash and liquid investments	0.7	(1.2)	(9.3)
Net Increase in Unrestricted Cash and Liquid Investments	411.4	539.9	361.6
Unrestricted Cash and Liquid Investments at Beginning of the Fiscal Year	944.5	404.6	43.0
Unrestricted Cash and Liquid Investments at End of the Fiscal Year	$1,355.9	$ 944.5	$ 404.6
Composed of			
Unrestricted currencies	9.7	8.7	14.3
Investments	1,346.2	935.8	390.3
	$1,355.9	$ 944.5	$ 404.6
Supplemental Disclosure			
Decrease in ending balances of Interim Fund Credits outstanding resulting from exchange rate fluctuations	$ (8.6)	$ (2.2)	$ (10.3)
Total charges for Enhanced HIPC	(33.7)	—	—

The Notes to Financial Statements are an integral part of these Statements and are included in the World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.

ANNEX TABLES

TABLE I.1A LIST OF CONSULTATIONS AND SEMINARS HELD WITH DONORS AND OTHER INSTITUTIONS, FISCAL 2000

Donors	Dates
Italy - Seminar on Cofinancing	July 7, 1999
Netherlands (Public/Private Mission)	September 13-15, 1999
Japan Center for International Finance (JCIF)	October 26-27, 1999
Italy	November 16-19, 1999
Norway	December 8-14, 1999
Netherlands	December 13-14,1999
Nordic Development Fund (Southern Africa)	January 10-14, 2000
Berne Union	January 18-19, 2000
Engineering Consulting Firms Association (ECFA)	January 24 and 27, 2000
KfW (Kreditanstalt für Wiederaufbau)	February 7-8, 2000
Finland	February 7-8, 2000
Spain - Seminar on Cofinancing	February 22, 2000
Nordic Development Fund (Excl. Southern Africa)	February 23-25, 2000
Canadian International Development Agency (CIDA)	March 2-3, 2000
Japan International Cooperation Agency (JICA)	March 21-24, 2000
Nordic Investment Bank	April 6-11, 2000
France - Ministry of Finance & Economy (DREE)	May 2, 2000
Netherlands	May 15-16, 2000
Japan - Ministry of Foreign Affairs	May 22-23, 2000
Japan Center for International Finance (JCIF)	May 23-24, 2000
Sweden – Joint mission by SIDA and NORAD	June 7-8, 2000
Belgium	June 14-16, 2000
Japan Bank for International Cooperation (JBIC)*	June 15-16, 2000
France - Conference on Trust Funds	June 19-20, 2000
Norway	June 22-27, 2000

** JBIC was established by merging the Export-Import Bank of Japan (JEXIM) and the Overseas Economic Cooperation Fund (OECF) on October 1, 1999.*

TABLE 1.2A TRUST FUND DISBURSEMENTS, FISCAL 1999–00[a]

(millions of dollars)

	Fiscal 1999	Fiscal 2000
Trust funds for multidonor special programs		
Highly Indebted Poor Countries (HIPC)	144.1	469.6
Global Environment Facility (GEF)	269.5	217.4
Central America Emergency	82.3	82.5
Montreal Protocol/Ozone	50.5	58.0
West Bank and Gaza	49.7	56.6
Bosnia and Herzegovina	54.6	55.7
Consultative Group for International Agricultural Research (CGIAR)	38.9	39.2
Onchocerciasis Control (ONCHO)	21.7	24.6
Information for Development (InfoDev)	12.4	17.9
ASEM-EU Asian Financial Crisis Response Fund	2.6	10.9
Partnership for Capacity Building in Africa	10.2	9.5
Consultative Group to Assist the Poorest (CGAP)	11.6	8.4
Brazilian Rain Forest	14.3	7.6
Energy Sector Management and Assistance Program (ESMAP)	5.3	7.2
Kosovo	n.a.	5.6
East Timor	n.a.	3.6
Other trust fund programs[a]		
Policy and Human Resources Development (PHRD) Fund[b]	146.4	133.7
Consultant Trust Fund Program[c]	60.1	47.2
Bank/Netherlands Partnership Program (BNPP)[d]	10.6	26.0
Institutional Development Fund	17.7	16.1
Other trust funds[e]	**324.0**	**310.1**
Total	**1,326.5**	**1,607.4**

a. Trust fund disbursements are reported on a cash basis. Amounts shown for the HIPC Trust Fund include payments in the form of promissory notes .
b. These figures include the portion of PHRD that is allocated to Japanese Consultant Trust Funds.
c. These figures exclude Japanese and Netherlands Consultant Trust Funds, which are included in PHRD and BNPP respectively.
d. BNPP disbursements include allocations to several multidonor special programs including ONCHO, InfoDev, CGAP, ESMAP, and the Partnership for Capacity Building in Africa. They also include allocations to the Netherlands CTF Program.
e. This category includes smaller programs and single-purpose trust funds that finance debt reduction, cofinancing, technical assistance, and other advisory services.

TABLE 4.1A WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN AFRICA, FISCAL 1995–00

(millions of dollars)

	Zambia		Tanzania		Mozambique		Total Region	
Item	2000	1995-00[a]	2000	1995-00[a]	2000	1995-00[a]	2000	1995-00[a]
IBRD and IDA commitments	270	1,152	330	741	162	572	2,159	13,822
Undisbursed balance	448	448	515	515	432	432	8,003	8,003
Gross disbursements	158	943	162	910	77	893	1,936	15,008
Repayments	13	216	31[b]	217	682[b]	690	1,554[b]	6,983
Net Disbursements	144	727	131	692	-605	203	382	8,025
Interest and charges	16	114	20	127	8	45	469	3,803
Net transfer	129	613	112	565	-614	158	-87	4,222

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (fiscal 1999-2000).
a. Disbursements from the IDA Special Fund are included through fiscal 1996.
b. During fiscal 2000, debt relief under the HIPC Initiative amounted to $8 million and $682 million for Tanzania and Mozambique, respectively.

TABLE 4.3A WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN EAST ASIA AND PACIFIC, FISCAL 1995–00

(millions of dollars)

	China		Indonesia		Republic of Korea		Total Region	
Item	2000	1995-00[a]	2000	1995-00[a]	2000	1995-00[a]	2000	1995-00[a]
IBRD and IDA commitments	1,673	15,170	133	6,901	0	7,323	2,979	38,347
Undisbursed balance	10,633	10,633	4,237	4,237	196	196	19,762	19,762
Gross disbursements	1,828	12,509	996	6,808	52	7,893	3,646	33,780
Repayments	602	2,578	775	6,331	224	2,072	2,307	15,667
Net Disbursements	1,226	9,931	221	476	-172	5,820	1,339	18,112
Interest and charges	750	3,555	909	5,009	532	1,746	2,702	13,562
Net transfer	476	6,376	-688	-4,532	-704	4,074	-1,362	4,550

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (fiscal 1999–2000).
a. Disbursements from the IDA Special Fund are included through fiscal 1996.

TABLE 4.5A WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN SOUTH ASIA, FISCAL 1995–00

(millions of dollars)

	India		Bangladesh		Pakistan		Total Region	
Item	2000	1995-00[a]	2000	1995-00[a]	2000	1995-00[a]	2000	1995-00[a]
IBRD and IDA commitments	1,801	10,668	172	2,579	0	2,498	2,112	16,485
Undisbursed balance	8,163	8,163	1,727	1,727	1,368	1,368	11,834	11,834
Gross disbursements	1,698	9,166	351	1,983	307	3,452	2,451	15,501
Repayments	1,501	7,086	82	364	287	1,549	1,906	9,163
Net Disbursements	197	2,080	269	1,619	21	1,904	545	6,338
Interest and charges	647	4,602	49	275	225	1,358	944	6,371
Net transfer	-450	-2,521	220	1,344	-205	546	-399	-33

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (fiscal 1999–2000).
a. Disbursements from the IDA Special Fund are included through fiscal 1996.

TABLE 4.7A WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN EUROPE AND CENTRAL ASIA, FISCAL 1995–00

(millions of dollars)

	Turkey		Russian Federation		Ukraine		Total Region	
Item	2000	1995-00[a]	2000	1995-00[a]	2000	1995-00[a]	2000	1995-00[a]
IBRD and IDA commitments	1,770	3,482	90	8,922	18	2,813	3,042	27,451
Undisbursed balance	1,672	1,672	4,698	4,698	883	883	13,428	13,428
Gross disbursements	958	2,693	606	6,643	138	2,046	3,658	22,308
Repayments	551	4,422	208	326	2	3	1,385	9,157
Net Disbursements	407	-1,729	398	6,317	136	2,042	2,273	13,151
Interest and charges	231	1,816	383	1,266	107	320	1,272	6,724
Net transfer	175	-3,545	14	5,051	28	1,723	1,001	6,427

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (fiscal 1999–2000).
a. Disbursements from the IDA Special Fund are included through fiscal 1996.

TABLE 4.9A WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN LATIN AMERICA AND THE CARIBBEAN, FISCAL 1995–00

(millions of dollars)

	Argentina		Brazil		Mexico		Total Region	
Item	2000	1995-00[a]	2000	1995-00[a]	2000	1995-00[a]	2000	1995-00[a]
IBRD and IDA commitments	57	9,030	1,290	7,013	1,169	7,285	4,063	32,340
Undisbursed balance	4,726	4,726	3,532	3,532	3,381	3,381	16,403	16,403
Gross disbursements	1,446	7,019	1,639	8,386	1,334	7,196	6,073	31,540
Repayments	475	2,035	934	6,734	1,339	7,940	3,931	25,069
Net Disbursements	971	4,984	705	1,652	-5	-744	2,143	6,471
Interest and charges	635	2,379	477	2,615	880	5,246	2,742	14,847
Net transfer	336	2,604	229	-963	-884	-5,990	-599	-8,375

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (fiscal 1999-2000).
a. Disbursements from the IDA Special Fund are included through fiscal 1996.

TABLE 4.11A WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN MIDDLE EAST AND NORTH AFRICA, FISCAL 1995–00

(millions of dollars)

	Arab Republic of Egypt		Morocco		Tunisia		Total Region	
Item	2000	1995-00[a]	2000	1995-00[a]	2000	1995-00[a]	2000	1995-00[a]
IBRD and IDA commitments	50	1,069	8	1,353	202	1,231	920	6,977
Undisbursed balance	939	939	585	585	738	738	3,802	3,802
Gross disbursements	78	796	107	1,807	147	1,042	744	7,070
Repayments	116	1,063	333	1,936	163	1,093	982	6,576
Net Disbursements	-38	-267	-227	-129	-16	-51	-238	494
Interest and charges	55	514	200	1,437	83	636	632	4,095
Net transfer	-94	-782	-427	-1,567	-99	-686	-870	-3,601

Note: The table shows the three countries with the largest lending commitments in the region over the past two fiscal years (fiscal 1999–2000).
a. Disbursements from the IDA Special Fund are included through fiscal 1996.

TABLE 4.2A OPERATIONS APPROVED DURING FISCAL 2000, AFRICA

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	US$
Angola				
Social Action Fund II Project	Jun 30, 2000	2010/2040	24.9	33.0
Benin				
Labor Force Development Project	Jun 9, 2000	2010/2040	3.8	5.0
Distance Learning Project	Feb 18, 2000	2010/2040	1.3	1.8
Private Sector Development Project	Nov 30, 1999	2010/2039	22.2	30.4
Burkina Faso				
Structural Adjustment Credit III	Dec 2, 1999	2010/2039	18.0	25.0
Burundi				
Emergency Economic Recovery Credit	Apr 25, 2000	2010/2040	26.2	35.0
Social Action II Project	Oct 5, 1999	2010/2039	9.0	12.0
Cameroon				
Chad/Cameroon Petroleum Development and Pipeline Project	Jun 6, 2000	2005/2015	n.a.	53.4
Petroleum Environment Capacity Enhancement Project	Jun 6, 2000	2010/2040	4.3	5.8
Structural Adjustment Credit—IDA Reflows II	Jun 6, 2000	2008/2038	8.4	11.0
Public-Private Partnership for Growth and Poverty Reduction Project	May 30, 2000	2010/2040	15.6	20.9
Cape Verde				
Public Sector Reform and Capacity Building II Project	Nov 23, 1999	2010/2039	2.3	3.0
Central African Republic				
Policy Support Project	May 30, 2000	2010/2040	6.0	8.0
Fiscal Consolidation Credit	Dec 16, 1999	2010/2039	14.4	20.0
Chad				
Chad/Cameroon Petroleum Development and Pipeline Project	Jun 6, 2000	2005/2013	n.a.	39.5
Petroleum Sector Management Capacity Building Project	Jun 6, 2000	2010/2040	17.4	23.7
Health Sector Support Project	Apr 27, 2000	2010/2039	31.0	41.5
Management of the Petroleum Economy Project	Jan 27, 2000	2010/2039	12.6	17.5
Côte d'Ivoire				
Distance Learning Project	Jun 28, 2000	2010/2040	1.5	2.0
Transport Sector Adjustment Credit—IDA Reflows	Mar 22, 2000	2008/2038	15.8	21.2
Pilot Literacy Project	July 12, 1999	2009/2039	3.7	5.0

TABLE 4.2A OPERATIONS APPROVED DURING FISCAL 2000, AFRICA

			Principal amount (millions)	
Country/project name	Date of approval	Maturities	SDR	US$
Ghana				
Economic Reform Support Credit II–IDA Reflows	Jun 30, 2000	2009/2039	0.9	1.2
Rural Financial Services Project	Jun 8, 2000	2010/2040	3.9	5.1
Urban V Project	Mar 30, 2000	2010/2039	8.1	10.8
Community Water and Sanitation II Project	Aug 31, 1999	2009/2039	18.7	25.0
Guinea				
Capacity Building for Service Delivery Project	Dec 21, 1999	2010/2039	13.8	19.0
Guinea-Bissau				
Economic Rehabilitation and Recovery Credit	May 16, 2000	2010/2040	18.0	25.0
Lesotho				
Health Sector Reform Project	Jun 13, 2000	2010/2039	4.9	6.5
Community Development Support Project	Dec 20, 1999	2010/2039	3.6	4.7
Madagascar				
Transport Sector Reform and Rehabilitation Project	Jun 1, 2000	2010/2040	48.4	65.0
Public-Private Partnership and Information Management for Regional Development Project	Mar 31, 2000	2010/2040	3.4	4.6
Health Sector Support II Project	Dec 2, 1999	2010/2039	29.0	40.0
Malawi				
Privatization and Utility Reform Project	Jun 27, 2000	2010/2040	21.8	28.9
Mali				
Financial Sector Development Project	Jun 27, 2000	2010/2040	15.8	21.0
National Rural Infrastructure Project	Jun 27, 2000	2010/2040	86.7	115.1
Improving Learning in Primary Schools	Jan 21, 2000	2010/2039	2.8	3.8
Mauritania				
Cultural Heritage Project	Jun 30, 2000	2010/2040	3.8	5.0
Energy, Water, and Sanitation Sector Reform Technical Assistance Project	Jun 13, 2000	2010/2040	7.4	9.9
Fiscal Reform Support Operation Credit	May 23, 2000	2010/2039	22.4	30.0
Public Resource Management—IDA Reflow	Nov 18, 1999	2006/2036	0.1	0.1
Integrated Development for Irrigated Agriculture I Project	Jul 8, 1999	2009/2039	28.2	38.1

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TABLE 4.2A OPERATIONS APPROVED DURING FISCAL 2000, AFRICA *(continued)*

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	US$
Mauritius				
Financial Sector Infrastructure Project	Apr 4, 2000	n.a./2014	n.a.	4.8
Mozambique				
Coastal and Marine Biodiversity Management Project	Jun 1, 2000	2010/2040	4.2	5.6
Flood Emergency Recovery Project	Apr 20, 2000	2010/2040	22.4	30.0
Enterprise Development Project	Jan 27, 2000	2010/2039	19.2	26.0
Railways and Ports Restructuring Project	Oct 14, 1999	2010/2039	73.8	100.0
Niger				
Agropastoral Export Promotion Project	Jun 1, 2000	2010/2039	7.7	10.4
Nigeria				
Small Towns Water Supply and Sanitation Program Pilot Project	May 18, 2000	2010/2035	3.6	5.0
Economic Management Capacity Building Project	May 11, 2000	2010/2034	14.4	20.0
Primary Education II Project	May 11, 2000	2010/2035	40.1	55.0
Rwanda				
Human Resource Development Project	Jun 6, 2000	2010/2040	26.1	35.0
Rural Water Supply and Sanitation Project	Jun 6, 2000	2010/2040	15.1	20.0
Agricultural and Rural Market Development Project	Jul 1, 1999	2009/2039	3.8	5.0
Senegal				
Distance Learning Project	Jun 29, 2000	2010/2040	1.6	2.1
Urban Mobility Improvement Project	May 25, 2000	2010/2040	52.2	70.0
Quality Education for All Project	Apr 11, 2000	2010/2039	36.7	50.0
National Rural Infrastructure Project	Jan 27, 2000	2010/2039	20.5	28.5
Year 2000 National Action Plan Support Project	Nov 2, 1999	2010/2039	7.5	10.2
Sierra Leone				
Economic Rehabilitation and Recovery Credit	Feb 17, 2000	2010/2040	21.9	30.0
Community Reintegration and Rehabilitation Project	Dec 21, 1999	2010/2039	18.3	25.0
Tanzania				
Health Sector Development Program Project	Jun 15, 2000	2010/2040	16.2	22.0
Programmatic Structural Adjustment Credit	Jun 15, 2000	2010/2040	141.8	190.0
Structural Adjustment I—IDA Reflow	Dec 28, 1999	2007/2037	0.8	1.1
Privatization and Private Sector Development Project	Dec 14, 1999	2010/2039	33.3	45.9
Public Service Reform Project	Dec 2, 1999	2010/2039	29.9	41.2
Financial Institutions Development II Project	Aug 31, 1999	2009/2039	20.6	27.5
Rural and Microfinancial Services Project	Aug 26, 1999	2009/2039	1.5	2.0

TABLE 4.2A OPERATIONS APPROVED DURING FISCAL 2000, AFRICA

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	US$
Uganda				
Supplemental Credit for Power III Project	Jan 20, 2000	2001/2031	24.0	33.0
Economic and Financial Management II Project	Nov 30, 1999	2010/2039	24.7	34.0
Local Government Development Program	Nov 30, 1999	2010/2039	58.7	80.9
Zambia				
Fiscal Sustainability Credit	Jun 27, 2000	2010/2040	105.5	140.0
Mine Township Services Project	Jun 20, 2000	2010/2040	28.2	37.7
Social Investment Fund Project	May 25, 2000	2010/2040	48.3	64.7
Public Service Capacity Building Program I Project	Mar 28, 2000	2010/2039	20.4	28.0
Zimbabwe				
Land Reform Support Project	Sep 16, 1999	2009/2034	3.7	5.0
Total			**1,526.8**	**2,159.1**

n.a. = not applicable (IBRD loan).

TABLE 4.4A OPERATIONS APPROVED DURING FISCAL 2000, EAST ASIA AND PACIFIC

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	US$
Cambodia				
Forest Concession Management and Control Pilot Project	Jun 5, 2000	2010/2040	3.6	4.8
Structural Adjustment Credit	Feb 29, 2000	2010/2039	21.9	30.0
Biodiversity and Protected Areas Management Project	Feb 8, 2000	2010/2039	1.4	1.9
Education Quality Improvement Project	Aug 31, 1999	2009/2039	3.7	5.0
China				
Hebei Urban Environment Project	Jun 27, 2000	2006/2020	n.a.	150.0
Yangtze Dike Strengthening Project	Jun 27, 2000	2006/2020	n.a.	210.0
Beijing Environment II Project	Jun 20, 2000	2006/2020	n.a.	349.0
Chongqing Urban Environment Project	Jun 15, 2000	2006/2020	n.a.	200.0
Henan Provincial Highway III Project	May 16, 2000	2006/2020	n.a.	150.0
Guangxi Highway Project	Mar 28, 2000	2005/2020	n.a.	200.0
Smallholder Cattle Development Project	Dec 22, 1999	2005/2020	n.a.	93.5
Tongbai Pumped Storage Project	Dec 22, 1999	2005/2020	n.a.	320.0

(continued on next page)

TABLE 4.4A OPERATIONS APPROVED DURING FISCAL 2000, EAST ASIA AND PACIFIC *(continued)*

COUNTRY/PROJECT NAME	DATE OF APPROVAL	MATURITIES	PRINCIPAL AMOUNT (MILLIONS) SDR	US$
Indonesia				
Provincial Health I Project	Jun 15, 2000	2010/2035	28.6	38.0
Water and Sanitation for Low Income Communities II Project	Jun 15, 2000	2010/2035	57.8	77.4
Decentralized Agricultural and Forestry Extension Project[a]	Aug 31, 1999	2003/2014	n.a.	13.0
Decentralized Agricultural and Forestry Extension Project[a]	Aug 31, 1999	2009/2034	3.8	5.0
Mongolia				
Financial Sector Adjustment Credit	Apr 20, 2000	2010/2040	24.0	32.0
Papua New Guinea				
Governance Promotion Adjustment Loan	Jun 13, 2000	2005/2020	n.a.	90.0
Gas Development and Utilization Technical Assistance Project	Jun 1, 2000	2005/2020	n.a.	7.0
Mining Sector and Institutional Strengthening Technical Assistance Project	Jun 1, 2000	2005/2020	n.a.	10.0
Gazelle Restoration II Project	Dec 9, 1999	2003/2015	n.a.	25.3
Philippines				
National Roads Improvement and Management I Project	Feb 15, 2000	2008/2020	n.a.	150.0
Social Expenditure Management Project	Feb 15, 2000	2005/2020	n.a.	100.0
Mindanao Rural Development Project	Dec 2, 1999	2005/2019	n.a.	27.5
Solomon Islands				
Health Sector Development Project	Jan 6, 2000	2010/2040	3.0	4.0
Thailand				
Public Sector Reform Loan	Oct 14, 1999	2003/2012	n.a.	400.0
Vietnam				
Rural Energy Project	May 30, 2000	2010/2039	111.7	150.0
Rural Transport II Project	Dec 16, 1999	2010/2039	74.7	103.9
Coastal Wetlands Protection and Development Project	Nov 23, 1999	2010/2039	23.1	31.8
Total			**357.3**	**2,979.1**

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

TABLE 4.6A OPERATIONS APPROVED DURING FISCAL 2000, SOUTH ASIA

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	US$
Bangladesh				
National Nutrition Project	May 25, 2000	2010/2040	68.5	92.0
Financial Institutions Development Project	Sep 16, 1999	2009/2039	34.5	46.9
Agricultural Services Innovation and Reform Project	Sep 14, 1999	2010/2039	3.8	5.0
Fisheries IV Project	Jul 20, 1999	2010/2039	20.6	28.0
Bhutan				
Rural Access Project	Dec 21, 1999	2010/2039	8.5	11.6
Urban Development Project	Dec 21, 1999	2010/2039	7.9	10.8
India				
Renewable Energy II Project[a]	Jun 27, 2000	2005/2020	n.a.	80.0
Renewable Energy II Project[a]	Jun 27, 2000	2010/2035	37.2	50.0
National Highways III Project	Jun 8, 2000	2006/2020	n.a.	516.0
Telecommunications Sector Reform Technical Assistance Project	Jun 6, 2000	2006/2020	n.a.	62.0
Technical Assistance for Economic Reform Project	May 12, 2000	2010/2035	33.6	45.0
Immunization Strengthening Project	Apr 25, 2000	2010/2035	106.5	142.6
Rajasthan District Poverty Initiatives Project	Apr 25, 2000	2010/2035	75.0	100.5
Uttar Pradesh Fiscal Reform and Public Secctor Restructuring Project[a]	Apr 25, 2000	2006/2020	n.a.	126.2
Uttar Pradesh Fiscal Reform and Public Secctor Restructuring Project[a]	Apr 25, 2000	2010/2035	93.3	125.0
Uttar Pradesh Health Systems Development Project	Apr 25, 2000	2010/2034	82.1	110.0
Uttar Pradesh Power Sector Restructuring Project	Apr 25, 2000	2006/2020	n.a.	150.0
Andhra Pradesh District Poverty Initiatives Project	Apr 11, 2000	2010/2034	82.9	111.0
Uttar Pradesh District Primary Education III Project	Dec 16, 1999	2010/2034	132.3	182.4
Maldives				
Education and Training III Project	Mar 16, 2000	2010/2040	12.9	17.6
Nepal				
Road Maintenance and Development Project	Nov 23, 1999	2010/2039	40.1	54.5
Sri Lanka				
Legal and Judicial Reforms Project	Jun 20, 2000	2010/2040	13.6	18.2
North-East Irrigated Argriculture Project	Dec 2, 1999	2010/2039	19.6	27.0
Total			**872.9**	**2,112.3**

n.a. = not applicable (IBRD loan).
a. Blend loan/credit.

TABLE 4.8A OPERATIONS APPROVED DURING FISCAL 2000, EUROPE AND CENTRAL ASIA

COUNTRY/PROJECT NAME	DATE OF APPROVAL	MATURITIES	PRINCIPAL AMOUNT (MILLIONS) SDR	US$
Albania				
Financial Sector Institution Building Technical Assistance Project	Jun 1, 2000	2010/2040	4.9	6.5
Education Reform Project	May 11, 2000	2010/2040	9.0	12.0
Legal and Judicial Reform Project	Mar 21, 2000	2010/2040	6.6	9.0
Public Administration Reform Project	Mar 21, 2000	2010/2040	6.3	8.5
Water Supply Urgent Rehabilitation Project	Feb 24, 2000	2010/2040	7.3	10.0
Emergency Road Repair Project	Dec 7, 1999	2010/2039	9.9	13.6
Armenia				
Transport Project	Jun 8, 2000	2010/2035	29.9	40.0
Social Investment Fund II Project	May 11, 2000	2010/2034	14.9	20.0
Azerbaijan				
Rehabilitation and Completion of Irrigation and Drainage Infrastructure Project	Jun 22, 2000	2010/2035	31.7	42.0
Bosnia and Herzegovina				
Mostar Water Supply and Sanitation Project	Jun 30, 2000	2010/2035	9.1	12.0
Pilot Emergency Labor Deployment Project	Jun 20, 2000	2010/2035	11.4	15.0
Education Development Project	May 18, 2000	2010/2035	8.0	10.6
Bulgaria				
Health Sector Reform Project	Jun 22, 2000	2005/2020	n.a.	63.3
Trade and Transport Facilitation in South East Europe Project	May 25, 2000	2005/2020	n.a.	7.4
Environment and Privatization Support Adjustment Loan	Feb 24, 2000	2005/2019	n.a.	50.0
Financial and Enterprise Sector Adjustment Loan II	Dec 2, 1999	2005/2019	n.a.	100.0
Croatia				
Health System Project	Oct 5, 1999	2005/2014	n.a.	29.0
Estonia				
Transport Project	Mar 16, 2000	2005/2015	n.a.	25.0
Georgia				
Roads Project	May 25, 2000	2010/2035	29.8	40.0
Agriculture Research, Extension, and Training Project	May 11, 2000	2010/2034	5.5	7.6
Hungary				
Municipal Wastewater Project	Sep 16, 1999	2005/2014	n.a.	31.6

TABLE 4.8A OPERATIONS APPROVED DURING FISCAL 2000, EUROPE AND CENTRAL ASIA

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	US$
Kazakhstan				
Electricity Transmission Rehabilitation Project	Dec 21, 1999	2005/2019	n.a.	140.0
Kyrgyz Republic				
Technical Assistance Credit	Jun 22, 2000	2010/2040	3.8	5.0
Land and Real Estate Registration Project	Jun 6, 2000	2010/2034	7.1	9.4
On-Farm Irrigation Project	Jun 6, 2000	2010/2040	14.9	20.0
Latvia				
Programmatic Structural Adjustment Loan	Mar 16, 2000	2005/2017	n.a.	40.4
Lithuania				
Klaipeda Port Project	May 11, 2000	2005/2017	n.a.	35.4
Health Project	Nov 30, 1999	2005/2016	n.a.	21.2
Poland				
Podhale Geothermal District Heating and Environment Project	May 11, 2000	2005/2013	n.a.	38.2
Rural Development Project	Apr 11, 2000	2005/2015	n.a.	120.0
Rural Environmental Protection Project	Nov 30, 1999	2005/2014	n.a.	2.5
Romania				
Health Sector Reform Program	Jun 27, 2000	2006/2020	n.a.	40.0
Trade and Transport Facilitation in Southeast Europe Project	Jun 13, 2000	2005/2020	n.a.	17.1
Agriculture Support Services Project	Jan 27, 2000	2005/2019	n.a.	11.0
Mine Closure and Social Mitigation Project	Aug 31, 1999	2005/2019	n.a.	44.5
Russian Federation				
Sustainable Forestry Pilot Project	May 23, 2000	2005/2017	n.a.	60.0
Regional Fiscal Technical Assistance Project	Dec 22, 1999	2005/2016	n.a.	30.0
Slovenia				
Health Sector Management I Project	Jan 20, 2000	2005/2014	n.a.	9.5
Tajikistan				
Lake Sarez Risk Mitigation Project	Jun 22, 2000	2010/2040	0.4	0.5
Rural Infrastructure Rehabilitation Project	Jun 22, 2000	2010/2040	14.9	20.0
Primary Health Care Project	Mar 7, 2000	2010/2040	3.9	5.4
Supplemental Credit for Emergency Flood Assistance Project	Dec 14, 1999	2009/2038	1.5	2.0

TABLE 4.8A OPERATIONS APPROVED DURING FISCAL 2000, EUROPE AND CENTRAL ASIA

			Principal amount (millions)	
Country/project name	Date of approval	Maturities	SDR	US$
Turkey				
Economic Reform Loan	May 18, 2000	2005/2015	n.a.	759.6
Emergency Earthquake Recovery Loan	Nov 16, 1999	2003/2014	n.a.	252.5
Marmara Earthquake Emergency Reconstruction Project	Nov 16, 1999	2003/2014	n.a.	505.0
Export Finance Intermediation Loan	Jul 6, 1999	2003/2006	n.a.	252.5
Ukraine				
Kiev Public Buildings Energy Efficiency Project	Jan 27, 2000	2006/2017	n.a.	18.3
Uzbekistan				
Urban Transport Project	May 11, 2000	2005/2020	n.a.	29.0
Total			**230.8**	**3,042.2**

n.a. = not applicable (IBRD loan).

TABLE 4.10A OPERATIONS APPROVED DURING FISCAL 2000, LATIN AMERICA AND THE CARIBBEAN

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$
Argentina				
Health Insurance for the Poor Project	Nov 24, 1999	2005/2014	n.a.	4.9
Public Health Surveillance and Disease Control Project	Oct 14, 1999	2005/2014	n.a.	52.5
Bolivia				
Hydrocarbon Sector Social and Environmental Management Capacity Building Project	Jun 5, 2000	2010/2039	3.7	4.8
Brazil				
Northeast Microfinance Development Project	May 30, 2000	2006/2015	n.a.	50.0
Administrative and Fiscal Reform Special Sector Adjustment Loan	Mar 30, 2000	2003/2005	n.a.	505.1
Social Security Special Sector Adjustment Loan II	Mar 30, 2000	2003/2005	n.a.	505.1
Social Security Technical Assistance Project	Feb 7, 2000	2005/2015	n.a.	5.1
Ceará Integrated Water Resource Management Project	Jan 6, 2000	2005/2014	n.a.	136.0
Low-Income Sanitation Technical Assistance--PROSANEAR--TAL	Jan 6, 2000	2005/2014	n.a.	30.3
National Environmental II Project	Dec 9, 1999	2005/2014	n.a.	15.0
Energy Efficiency Project	Oct 5, 1999	2005/2014	n.a.	43.4
Colombia				
Community Works and Employment Project	May 11, 2000	2005/2017	n.a.	100.0
Sierra Nevada Sustainable Development Project	May 2, 2000	2005/2017	n.a.	5.0
Rural Education Project	Apr 11, 2000	2005/2017	n.a.	20.0
Earthquake Recovery Project	Mar 21, 2000	2005/2017	n.a.	225.0
Financial Sector Adjustment Program	Nov 18, 1999	2005/2016	n.a.	506.0
Cartagena Water Supply, Sewerage, and Environmental Management Project	Jul 20, 1999	2005/2016	n.a.	85.0
Costa Rica				
Ecomarkets Project	Jun 6, 2000	2006/2017	n.a.	32.6
Dominican Republic				
Wastewater Disposal in Tourism Centers Project	Apr 19, 2000	2004/2017	n.a.	5.0
Telecommunications Regulatory Reform Project	Jul 6, 1999	2003/2015	n.a.	12.3
Ecuador				
Financial Sector Technical Assistance Loan	Jun 22, 2000	2005/2017	n.a.	10.0
Structural Adjustment Program	Jun 22, 2000	2005/2017	n.a.	151.5
Supplemental Loan for Social Development/Health and Nutrition II Project	Oct 7, 1999	2005/2016	n.a.	20.2

(continued on next page)

TABLE 4.10A OPERATIONS APPROVED DURING FISCAL 2000, LATIN AMERICA AND THE CARIBBEAN (*continued*)

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	US$
Guyana				
Financial and Private Sector Institutional Development Project	Nov 16, 1999	2010/2039	3.5	4.8
Honduras				
Emergency Disaster Management Project	May 30, 2000	2010/2040	8.1	10.8
Supplemental Credit for Social Investment Fund IV Project	Dec 22, 1999	2010/2039	16.2	22.5
Mexico				
Gender Equity Project	Jun 16, 2000	2010/2010	n.a.	3.1
Rural Development in Marginal Areas II Project	Dec 15, 1999	n.a./2012	n.a.	55.0
Bank Restructuring Facility Adjustment Loan	Dec 14, 1999	2009/2009	n.a.	505.1
Decentralization Adjustment Loan	Dec 14, 1999	2009/2009	n.a.	606.1
Nicaragua				
Agricultural Technology Project	Jun 6, 2000	2010/2040	17.6	23.6
Pension and Financial Market Reform Technical Assistance Project	May 11, 2000	2010/2039	5.8	8.0
Economic Management Technical Assistance Project	Jan 20, 2000	2010/2040	15.3	20.9
Telecommunications Sector Reform Project	Nov 18, 1999	2010/2039	11.6	15.9
Basic Education II Project	Aug 31, 1999	2010/2039	39.3	52.5
Peru				
Indigenous and Afro-Peruvian Peoples Development Project	Feb 10, 2000	2005/2017	n.a.	5.0
Health Reform Program	Dec 16, 1999	2005/2017	n.a.	80.0
Agricultural Research and Extension Project	Nov 23, 1999	2005/2017	n.a.	9.6
St. Lucia				
Poverty Reduction Fund Project [a]	Jul 22, 1999	2003/2014	n.a.	1.5
Poverty Reduction Fund Project [a]	Jul 22, 1999	2009/2034	1.2	1.5
Uruguay				
OSE Modernization and Systems Rehabilitation Project	Jun 6, 2000	2006/2015	n.a.	27.0
Financial Sector Adjustment Loan	Feb 29, 2000	2005/2014	n.a.	80.9
Venezuela, Bolivariana Republica de				
Millennium Science Initiative Project	Jun 26, 2000	2005/2015	n.a.	5.0
Total			**122.3**	**4,063.5**

n.a.=not applicable (IBRD loan)
a. Blend loan/credit.

TABLE 4.12A OPERATIONS APPROVED DURING FISCAL 2000, MIDDLE EAST AND NORTH AFRICA

Country/project name	Date of approval	Maturities	Principal amount (millions) SDR	Principal amount (millions) US$
Algeria				
Telecommunications and Postal Sector Reform Project	Jun 27, 2000	n.a./2018	n.a.	9.0
Privatization Assistance	Jun 26, 2000	n.a./2018	n.a.	5.0
Ain Temouchent Emergency Earthquake Recovery Project	Jun 22, 2000	n.a./2019	n.a.	83.5
Djibouti				
International Road Corridor Rehabilitation Project	Jun 22, 2000	2010/2040	11.4	15.0
Egypt, Arab Republic of				
National Drainage II Project	Jun 15, 2000	2005/2020	n.a.	50.0
Iran, Islamic Republic of				
Primary Health Care and Nutrition II Project	May 18, 2000	2015/2017	n.a.	87.0
Tehran Sewerage Project	May 18, 2000	2015/2017	n.a.	145.0
Jordan				
Higher Education Development Project	Feb 29, 2000	2004/2017	n.a.	34.7
Lebanon				
Municipal Infrastructure I Project	Jun 22, 2000	2005/2015	n.a.	80.0
General Education Project	Mar 30, 2000	2005/2015	n.a.	56.6
Morocco				
Sustainable Coastal Tourism Development Project	Jun 30, 2000	2006/2020	n.a.	2.2
Legal and Judicial Development Project	Jun 15, 2000	2006/2020	n.a.	5.3
Tunisia				
Education Quality Improvement I Program	Jun 27, 2000	2005/2017	n.a.	99.0
Water Sector Investment Project	Jun 22, 2000	2005/2017	n.a.	103.0
Yemen, Republic of				
Social Fund for Development II Project	May 23, 2000	2010/2040	56.0	75.0
Civil Service Modernization Project	Apr 20, 2000	2010/2040	22.4	30.0
Child Development Project	Mar 21, 2000	2010/2040	21.2	28.9
Privatization Support Project	Nov 30, 1999	2010/2039	8.1	10.9
Total			**119.1**	**920.0**

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

TABLE 5.1A WORLD BANK ADJUSTMENT OPERATIONS, FISCAL 2000

(millions of dollars)

COUNTRY	PROJECT	WORLD BANK FINANCING		
		IBRD	IDA	TOTAL
SE :TOR ADJUSTMENT LOANS				
Brazil	Second Social Security Special Sector Adjustment Loan	505.1	0.0	505.1
Brazil	Administrative and Fiscal Reform Loan	505.1	0.0	505.1
Central African Republic	Fiscal Consolidation Credit	0.0	20.0	20.0
Colombia	Financial Sector Adjustment Loan	506.0	0.0	506.0
Cote d'Ivoire	Transport Sector Adjustment Credit (IDA reflows)	0	21.2	21.2
Mexico	Bank Restructuring Facility Loan	505.1	0.0	505.1
Mongolia	Financial Sector Adjustment Credit	0.0	32.0	32.0
Uruguay	Financial Sector Adjustment Loan	80.9	0.0	80.9
STRUCTURAL ADJUSTMENT LOANS				
Bulgaria	Environment and Privatization Support Adjustment Loan	50.0	0.0	50.0
Bulgaria	Second Financial and Enterprise Sector Adjustment Loan	100.0	0.0	100.0
Burkina Faso	Third Structural Adjustment Credit	0.0	25.0	25.0
Cambodia	Structural Adjustment Credit	0.0	30.0	30.0
Cameroon	Third Structural Adjustment Credit (IDA reflows)	0.0	11.0	11.0
Ecuador	Structural Adjustment Loan	151.5	0.0	151.5
Ghana	Second Economic Reform Support Operation Credit (IDA reflows)	0.0	1.2	1.2
Guinea-Bissau	Economic Rehabilitation and Recovery Credit	0.0	25.0	25.0
India	Uttar Pradesh Fiscal Reform and Public Sector Restructuring Credit	126.3	125.0	251.3
Latvia	Programmatic Structural Adjustment Loan	40.4	0.0	40.4
Mauritania	Fiscal Reform Support Operation Credit	0.0	30.0	30.0
Mauritania	Public Resource Management Credit (IDA reflows)	0.0	0.1	0.1
Mexico	Decentralization Adjustment Loan	606.1	0.0	606.1
Papua New Guinea	Governance Promotion Adjustment Loan	90.0	0.0	90.0
Sierra Leone	Economic Rehabilitation and Recovery Credit	0.0	30.0	30.0
Tanzania	Programmatic Structural Adjustment Credit	0.0	190.0	190.0
Tanzania	Structural Adjustment Credit (IDA reflows)	0.0	1.1	1.1
Thailand	Public Sector Reform Program Loan	400.0	0.0	400.0
Turkey	Economic Reform Loan	759.6	0.0	759.6
Zambia	Fiscal Sustainability Credit	0.0	140.0	140.0
Total		**4,426.1**	**681.6**	**5,107.7**

TABLE 5.2A PROGRAM OF TARGETED INTERVENTIONS (PTI), FISCAL 1993–00

(millions of dollars)

	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00
Total Bank lending	23,695.9	20,836.0	22,521.8	21,352.2	19,146.7	28,594.0	28,994.1	15,276.3
Investment lending*	17,603.1	17,581.4	16,957.5	16,732.8	13,890.4	16,788.8	12,549.2	9,022.0
PTI lending (IBRD and IDA)	4,673.8	4,440.5	5,436.7	5,408.1	4,090.0	6,733.3	6,165.2	3,050.2
as % of total Bank lending	20	21	24	25	21	24	21	20
as % of investment lending	27	25	32	32	29	40	49	34
Number of investment projects	214	197	208	223	203	240	216	193
PTIs	72	63	75	79	77	101	111	63
Total IDA lending	6,751.4	6,592.1	5,669.2	6,864.1	4,621.8	7,507.8	6,811.8	4,357.5
IDA investment lending	5,186.7	4,335.5	4,509.9	5,174.7	3,503.5	6,052.6	4,853.3	3,595.3
IDA PTI lending	2,136.7	1,853.0	2,423.2	3,246.0	1,873.5	3,266.8	3,032.6	1,828.0
as % of total IDA lending	32	28	43	47	41	44	45	42
as % of IDA investment lending	41	43	54	63	53	54	62	51
Number of IDA PTIs	44	35	46	50	36	55	69	40

* *Investment lending is defined as all lending except for adjustment and debt and debt-service reduction operations, and emergency reconstruction operations.*

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SELECTED WORLD BANK PUBLICATIONS: RECENT TITLES

ENVIRONMENT

Economic Development and Environmental Sustainability: Policies and Principles for a Durable Equilibrium
Global Climate Change and Biodiversity: Challenges for the Future
Greening Industry: New Roles for Communities, Markets and Governments
Pollution Prevention and Abatement Handbook 1998
Trade, Global Policy, and the Environment

FINANCE AND INVESTMENT

Analyzing Banking Risk: A Framework for Assessing Corporate *Governance and Financial Risk Management*
Annual World Bank Conference on Development in LAC 1998: Banks and Capital Markets: Sound Financial Systems for the 21st Century
Microfinance Handbook: An Institutional and Financial Perspective
Primary Securities Markets: Cross-Country Findings
Trends in Private Investment in Developing Countries

GENERAL INTEREST

Address to the Board of Governors 2000; James D. Wolfensohn, President, World Bank
African Development Indicators 2000
Assessing Aid: What Works, What Doesn't, and Why
Global Development Finance 2000
Global Economic Prospects 2000
Little Data Book 2000, The
World Bank Atlas 2000
World Bank Africa database 2000
World Bank Inspection Panel, The (2nd Edition)
World Bank, IFC, MIGA Annual Reports
World Development Indicators 2000
World Development Report:
1999/2000: Entering the 21st Century
2000/2001: Attacking Poverty

GOVERNANCE, CIVIL SOCIETY, AND PARTICIPATION

Beyond the Center: Decentralizing the State
Combating Corruption: A Comparative Review of Selected Legal Aspects
Court Performance around the World: A Comparative Perspective
Curbing Corruption: Toward a Model for Building National Integrity
Judicial Challenges in the New Millennium
Nongovernmental Organizations in World Bank–Supported Projects
Violence in Colombia: Building Sustainable Peace and Social Capital

INFRASTRUCTURE

Attracting Foreign Direct Investment into Infrastructure
Cities in Transition: A Strategic View of Urban and Local Government Issues
Managing Disaster Risk in Mexico: Market Incentives for Mitigation Investment
Natural Gas: Private Sector Participation and Market Development
Political Economy of Water Pricing Reform, The

POVERTY AND DEVELOPMENT ECONOMICS

Bangladesh: From Counting the Poor to Making the Poor Count
Can the Poor Influence Policy?: Participatory Poverty Assessments in the Developing World
Evaluating the Impact of Development Projects on Poverty: A Handbook for Practitioners
Frontiers of Development Economics: The Future in Perspective
Geographical Targeting for Poverty Alleviation
Our Dream: A World Free of Poverty
Quality of Growth, The
Voices of the Poor: Can Anyone Hear Us?
Voices of the Poor: Crying Out for Change
Voices of the Poor: From Many Lands

REGIONAL INTEREST

Agricultural Incentives in Sub-Saharan Africa: Policy Challenges
Can Africa Claim the 21st Century?
China 2020: Development Challenges
Do Investment Regulations Compromise Pension Fund Performance? (LAC)
East Asia: Road to Recovery
East Asia: Recovery and Beyond
Health Expenditures, Services, and Outcomes in Africa: Basic Data and Cross-National Comparisons, 1990–1996
Health Sector Strategy for the ECA Region, A
Labor Market Reform and Job Creation (LAC)
Making Transition Work for Everyone: Poverty and Inequality in ECA
Partners for Development: New Roles for Government and Private Sector in MNA
Rethinking the East Asian Miracle
Strategic Reforms for Agricultural Growth in Pakistan
Trade Policy Developments in MNA
Wasting Away: The Crisis of Malnutrition in India

SOCIAL SECTORS

Confronting AIDS: Public Priorities in a Global Epidemic
Early Childhood Counts: A Programming Guide
Engendering Development: Enhancing Development Through Attention to Gender
Intensifying Action against HIV/AIDS in Africa
Measuring Country Performance on Health: Selected Indicators for 115 countries
Principles of Health Economics for Developing Countries
Population and the World Bank: Adapting to Change
Risks and Reconstruction: Experiences of Resettlers and Refugees
Vocational Education and Training Reform
Violent Conflict and the Transformation of Social Capital: Lessons from Rwanda, Somalia, Cambodia, and Guatemala

Some titles above abbreviated.

LIST OF PART I AND PART II IDA MEMBER COUNTRIES

PART I IDA MEMBER COUNTRIES

Australia
Austria
Belgium
Canada
Denmark
Finland
France
Germany
Iceland
Ireland
Italy
Japan
Kuwait
Luxembourg
Netherlands
New Zealand
Norway
Portugal
Russian Federation
South Africa
Spain
Sweden
Switzerland
United Arab Emirates
United Kingdom
United States

Note: The Part I and Part II classification is based primarily on economic standing. Part I countries are almost all donors to the International Development Association and pay their contributions in freely convertible currency. Part II countries may be donors, and are entitled to pay most of their contributions in local currency. For more information, and for Statement of Voting Power, and Subscriptions and Contributions of IDA Members, see The World Bank Annual Report 2000: Financial Statements and Appendixes to the Annual Report.

PART II IDA MEMBER COUNTRIES

Afghanistan
Albania
Algeria
Angola
Argentina
Armenia
Azerbaijan
Bangladesh
Barbados
Belize
Benin
Bhutan
Bolivia
Bosnia and Herzegovina
Botswana
Brazil
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African Republic
Chad
Chile
China
Colombia
Comoros
Congo, Democratic Republic of
Congo, Republic of
Costa Rica
Côte d'Ivoire
Croatia
Cyprus
Czech Republic
Djibouti
Dominica
Dominican Republic
Ecuador
Egypt, Arab Republic of
El Salvador
Equatorial Guinea
Eritrea
Ethiopia
Fiji
Gabon
Gambia, The
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Ghana
Greece
Grenada
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Lao People's Democratic Republic
Latvia
Lebanon
Lesotho
Liberia
Libya
Macedonia, former Yugoslav Republic of
Madagascar
Malawi
Malaysia
Maldives
Mali
Marshall Islands
Mauritania
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Mexico
Micronesia, Federated States of
Moldova
Mongolia
Morocco
Mozambique
Myanmar
Nepal
Nicaragua
Niger
Nigeria
Oman
Pakistan
Palau
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Poland
Rwanda
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Samoa
São Tomé and Principe
Saudi Arabia
Senegal
Sierra Leone
Slovak Republic
Slovenia
Solomon Islands
Somalia
Sri Lanka
Sudan
Swaziland
Syrian Arab Republic
Tajikistan
Tanzania
Thailand
Togo
Tonga
Trinidad and Tobago
Tunisia
Turkey
Uganda
Uzbekistan
Vanuatu
Vietnam
Yemen, Republic of
Zambia
Zimbabwe

WORLD BANK WEB SITES

A Better World for All	www.paris21.org/betterworld
Africa	www.worldbank.org/afr
Agriculture	www.worldbank.org/agriculture
Annual Meetings 2000	www.imf.org/external/am/2000
Anticorruption	www.worldbank.org/anticorruption
Calendar of Development Events	www.worldbank.org/events
Comprehensive Development Framework	www.worldbank.org/cdf
Contacting the World Bank	www.worldbank.org/html/extdr/gen.htm
Country Assistance Strategies	www.worldbank.org/html/pic/cas
Country Offices	www.worldbank.org/html/extdr/localoffices.htm
Data and Statistics	www.worldbank.org/data
Debt Securities	www.worldbank.org/debtsecurities
Development Forum	www.worldbank.org/devforum
Development News	www.worldbank.org/html/today
Disclosure of Information	www.worldbank.org/html/pic/Dp_root.htm
Early Childhood Development	www.worldbank.org/children
East Asia and Pacific	www.worldbank.org/eap
Economics	www.worldbank.org/economics
EdInvest	www.worldbank.org/edinvest
Education	www.worldbank.org/education
Emerging Markets Database	www.ifc.org/emdb
Energy	www.worldbank.org/html/fpd/energy
Environment	www.worldbank.org/environment
Europe and Central Asia	www.worldbank.org /eca
Evaluation Monitoring and Quality Enhancement	www.worldbank.org/html/oed/evaluation
Foreign Investment Advisory Service	www.fias.net
Finance	www.worldbank.org/finance
Frequently Asked Questions	www.worldbank.org/faq
Gender	www.worldbank.org/gender
Global Development Finance	www.worldbank.org/prospects/gdf99
Global Development Gateway	www.worldbank.org/gateway
Global Development Network	www.gdnet.org
Global Distance EducationNet	www.worldbank.org/disted
Health, Nutrition, and Population	www.worldbank.org/hnp
Heavily Indebted Poor Countries Initiative	www.worldbank.org/hipc
HIV/AIDS and the World Bank	www.worldbank.org/aids
International Bank for Reconstruction and Development	www.worldbank.org /ibrd
International Centre for Settlement of Investment Disputes	www.worldbank.org/icsid
International Development Association	www.worldbank.org/ida
International Development Goals	www.worldbank.org/data/dev/devgoals.html
International Finance Corporation	www.ifc.org
International Financial Architecture	www.worldbank.org/html/extdr/ifa-reports
International Monetary Fund	www.imf.org
InfoDev (Information for Development)	www.worldbank.org/infodev
InfoShop (Public Information Center)	www.worldbank.org/html/pic/PIC.html
Inspection Panel	www.worldbank.org/html/ins-panel
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Knowledge Sharing	www.worldbank.org/ks
Latin America and the Caribbean	www.worldbank.org /lac
Microfinance—Sustainable Banking for the Poor	www-esd.worldbank.org/html/esd/agr/sbp
Middle East and North Africa	www.worldbank.org /mena
Millennium	www.worldbank.org/2000
Multilateral Investment Guarantee Agency	www.miga.org
Mining	www.worldbank.org/html/fpd/mining
Nongovernmental Organizations/Civil Society	www.worldbank.org/ngos
Organizational Chart —World Bank	www.worldbank.org/html/extdr/orgchart.htm
Participation	www.worldbank.org/participation
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Spring Meetings 2000	www.imf.org/external/spring/2000/home.htm
Strategic Compact	www.worldbank.org/html/extdr/backgrd/ibrd/comsum.htm
Telecommunications and Informatics	www.worldbank.org/html/fpd/telecoms
Transport	www.worldbank.org/html/fpd/transport
U.N. System of Organizations	www.unsystem.org
Urban Development	www.worldbank.org/urban
Voices of the Poor	www.worldbank.org/poverty/voices
Water Supply and Sanitation	www.worldbank.org/html/fpd/water
World Bank Annual Reports	www.worldbank.org/html/extpb/annrep/
World Bank Institute	www.worldbank.org/wbi
World Development Indicators	www.worldbank.org/data/wdi
World Development Reports	www.worldbank.org/wdr
World Development Sources	www-wds.worldbank.org
World Links for Development	www.worldbank.org/worldlinks
Y2K (Year 2000 Initiative)	www.worldbank.org/y2k

ACRONYMS

ACTAfrica	AIDS Campaign Team for Africa
ADB	Asian Development Bank
AFR	Africa Region
APEC	Asia-Pacific Economic Cooperation
APL	Adaptable Program Loan
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting (Trust Fund)
CAP	Community Action Program(s)
CAS	Country Assistance Strategy
CDD	Community Driven Development
CDF	Comprehensive Development Framework
CGIAR	Consultative Group on International Agricultural Research
CIS	Commonwealth of Independent States
CODE	Committee on Development Effectiveness
EAP	East Asia and Pacific Region
EC	European Commission
ECA	Europe and Central Asia Region
EFA	Education for All
EU	European Union
FDI	Foreign Direct Investment
FSAP	Financial Sector Assessment Program
GAVI	Global Alliance for Vaccines and Immunization
GEF	Global Environmental Facility
HIAL	Higher Impact Adjustment Lending
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome
IADB	Inter-American Development Bank
IAD	International Auditing Department
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IF	Integrated Framework
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
LAC	Latin America and the Caribbean Region
LIL	Learning and Innovation Loan
MDB	Multilateral Development Bank
MFMP	Multilateral Fund of the Montreal Protocol
MIGA	Multilateral Investment Guarantee Agency
MNA	Middle East and North Africa Region
NGO	Nongovernmental Organization
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department
OEG	Operations Evaluation Group
PACT	Partnership for Capacity Building in Africa
PCF	Prototype Carbon Fund
PHRD	Policy and Human Resources Development
PPIAF	Public-Private Infrastructure Advisory Facility
PRSP	Poverty Reduction Strategy Paper
PSAS	Private Sector Advisory Service
PSI	Private Sector Development and Infrastructure
PTI	Program of Targeted Interventions
QAG	Quality Assurance Group
ROSC	Report on the Observance of Standards and Codes
SADC	Southern Africa Development Community
SAR	South Asia Region
SAL	Structural Adjustment Loan
SDR	Special Drawing Rights
SME	Small and Medium Enterprise
SPA	Strategic Partnership with Africa (formerly Special Program of Assistance for Africa)
TCIP	Turkey Catastrophe Insurance Pool
UEMOA	Economic and Monetary Union of West Africa
U.N.	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCHS	United Nations Centre for Human Settlement (Habitat)
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children's Fund
WBI	World Bank Institute
WDR	World Development Report
WTO	World Trade Organization
WUA	Water User Association
WWF	World Wide Fund for Nature

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Dear Reader,

Please help us better serve your information needs by taking just a few minutes to answer the following questions. Kindly send the completed survey at your earliest convenience by fax or mail. Or, if you have Internet access, feel free to fill out the survey online (please see information at foot of page).

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- ❑ International organization
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- ❑ Government
- ❑ Library
- ❑ Student
- ❑ NGO/relief organization
- ❑ Financial institution
- ❑ News/media
- ❑ Private corporation
- ❑ Foundation/association
- ❑ Other ________________

1b. Which best describes your function within the organization you work for?

- ❑ Policymaker (government)
- ❑ Researcher/analyst (economic/business)
- ❑ Journalism/reporting
- ❑ General management (government)
- ❑ Researcher/analyst (Technical specialization)
- ❑ General management (corporate)
- ❑ Financial management
- ❑ Other ________________

2a. Which parts of the Annual Report do you refer to the most? (Check top three)

- ❑ Overview and Highlights
- ❑ Financial Statements
- ❑ Regional Perspectives
- ❑ Project Summaries
- ❑ Thematic Perspectives
- ❑ Tables
- ❑ Evaluation of Operations
- ❑ Appendixes

2b. Which of the following would make the Annual Report more readable? (Check top two)

- ❑ Use of more graphics
- ❑ Presentation of year's results by region only
- ❑ Presentation of year's results by theme only (e.g. Public Sector Management, Social Sectors)
- ❑ None of the above

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- ❑ I do not like the web version.
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❑ Yes ❑ No ❑ Not applicable

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Double exposure. Lucía Chiriboga Vega (Ecuador).

Lucía Chiriboga Vega was born in Quito, Ecuador, in 1954. Chiriboga is a sociologist, a photographer, and a researcher on the history of photography. She has exhibited her photographic work and collections of historical images in several Latin American countries, China, and Denmark. Her publications include *Retrato de la Amazonía, Ecuador* and *Identidades Desnudas: La Temprana Fotografía del Indio de los Andes.* Chiriboga's work is included in the collection of the World Bank Art Program, which makes particular efforts to identify artists from developing nations and to make their work available to a wider audience.

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