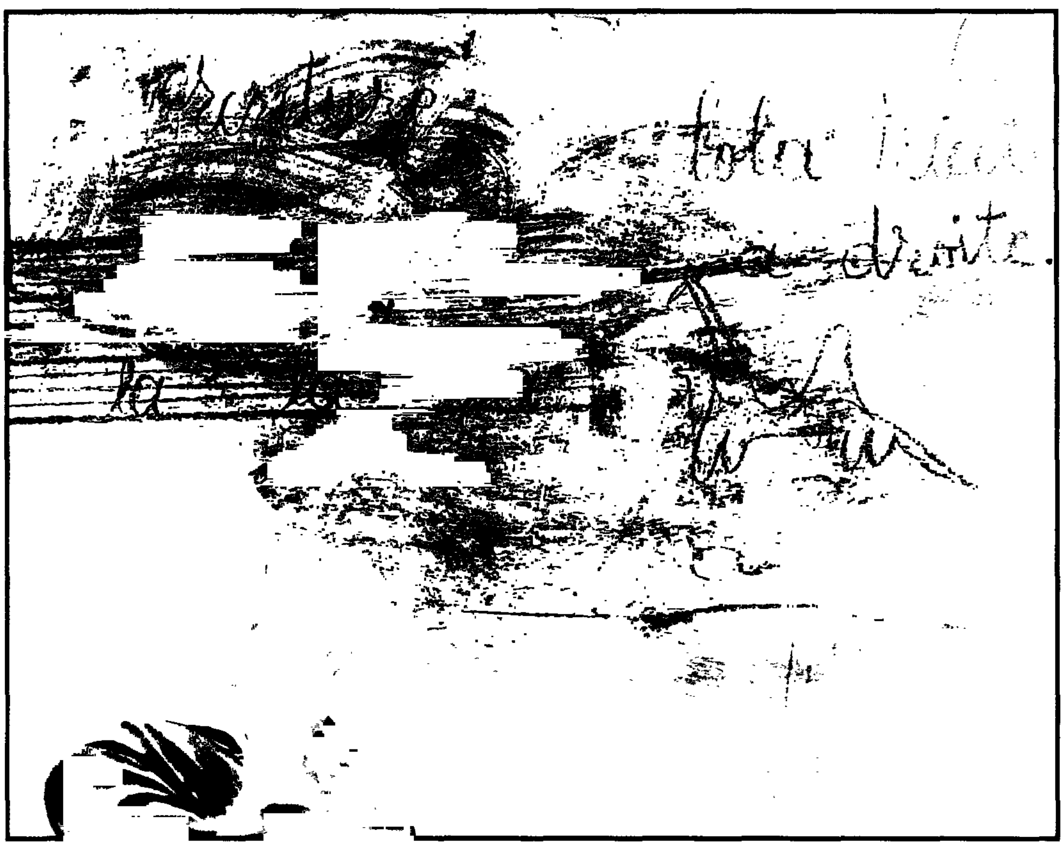
THE WORLD BANK ANNUAL REPORT 1990



THE WORLD BANK ANNUAL REPORT 1990

The World Bank
Washington, D.C. 20433

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Cover:
Learning the alphabet in a primary school in Chad. This child may be considered fortunate: There are more than 100 million school-age children in the developing world who do not go to school. Page 59 details the conclusions of a World Bank study on ways to enrich primary education in developing countries.

Cover design by Joyce C. Petruzzelli

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The World Bank, the IFC, and MIGA

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

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

The IBRD, established in 1945, is owned by the governments of 152 countries. The IBRD, whose capital is subscribed by its member countries, finances its lending operations primarily from its own borrowings in the world capital markets. A substantial contribution to the IBRD's resources also comes from its retained earnings and the flow of repayments on its loans. IBRD loans generally have a grace period of five years and are repayable over fifteen years or fewer. They are directed toward developing countries at more-advanced stages of economic and social growth. The interest rate the IBRD charges on its loans is calculated in accordance with a guideline related to its cost of borrowing.

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

The International Development Association was established in 1960 to provide assistance for the same purposes as the IBRD, but primarily in the poorer developing countries and on terms that would bear less heavily on their balance of payments than would IBRD loans. IDA's assistance, therefore, is concentrated on the very poor countries—those with an annual per capita gross national product of $650 or less (in 1988 dollars). More than forty countries are eligible under this criterion.

Membership in IDA is open to all members of the IBRD, and 138 of them have joined to date. The funds used by IDA, called credits to distinguish them from IBRD loans, come mostly in the form of subscriptions, general replenishments from IDA's more industrialized and developed members, and transfers from the net earnings of the IBRD. The terms of IDA credits, which are made only to governments, are ten-year grace periods, thirty-five- or forty-year maturities, and no interest.

The IFC was established in 1956. Its function is to assist the economic development of less-developed countries by promoting growth in the private sector of their economies and helping to mobilize domestic and foreign capital for this purpose. Membership in the IBRD is a prerequisite for membership in the IFC, which totals 135 countries. Legally and financially, the IFC and the IBRD are separate entities. The IFC has its own operating and legal staff, but draws upon the Bank for administrative and other services.

MIGA, established in 1988, has a specialized mandate: to encourage equity investment and other direct investment flows to developing countries through the mitigation of noncommercial investment barriers. To carry out this mandate, MIGA offers investors guarantees against noncommercial risks; advises developing member governments on the design and implementation of policies, programs, and procedures related to foreign investments; and sponsors a dialogue between the international business community and host governments on investment issues. By June 30, 1990, the convention establishing MIGA had been signed by eighty-five countries, of which fifty-eight had also ratified.

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

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

Contents

Letter of Transmittal

The details of events covering the period July 1, 1989, to June 30, 1990, are found in this *Annual Report*, which has been prepared by the executive directors of both the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) in accordance with the by-laws of the two organizations. Barber B. Conable, president of the IBRD and IDA and chairman of the boards of executive directors, has submitted this *Report*, together with accompanying administrative budgets and audited financial statements, to the boards of governors.

The directors express their appreciation to the staff members of the Bank for their dedication to the institution's ideals. They note that the continued professionalism of the staff made it possible for the Bank to respond to the needs of developing countries with both flexibility and imagination.

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

Executive Directors	**Alternates**
Ibrahim A. Al-Assaf	Abdulaziz Al-Sehail
Fawzi Hamad Al-Sultan	Mohamed W. Hosny
Paul Arlman	Cvitan Dujmović
J. S. Baijal	M. Mustafizur Rahman
Mourad Benachenhou	Salem Mohamed Omeish
Gerhard Boehmer	Bernd Esdar
Cesare Caranza	Fernando S. Carneiro
E. Patrick Coady	Mark T. Cox, IV
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J. S. A. Funna	Jabez A. Langley
Jonas H. Haralz	Jorunn Maehlum
Jean-Pierre Landau	Stéphane Pallez
Chang-Yuel Lim	Robert G. Carling
André Milongo	Jean-Pierre Le Bouder
Raymundo Morales	Félix Alberto Camarasa
David Peretz	Robert Graham-Harrison
Jorge Pinto	Silvia Charpentier
Frank Potter	Clarence Ellis
Masaki Shiratori	Yukio Yoshimura
Vibul Aunsnunta	Le Van Chau
Eduardo Wiesner	Pedro Sampaio Malan
Zhang Junyi	Jin Liqun

August 7, 1990

Overview of World Bank Activities in Fiscal 1990

The first year of the decade of the 1990s was an auspicious one for the World Bank and its affiliates.

Agreement was reached during the fiscal year on a $15.5 billion replenishment of IDA resources for the three-year period fiscal 1991–93. Because that amount represents an increase over eighth replenishment (IDA-8) totals, the real value of IDA-8 donor contributions was maintained. Three program areas will have high priority during the fiscal 1991–93 period: poverty reduction, support for sound macroeconomic and sectoral policies, and the environment.

Agreement in principle was also reached with prospective donors on the outline of a second phase of the special program of assistance (SPA) for low-income, debt-distressed sub-Saharan African countries. That program, launched in December 1987 for a three-year period, provides quick-disbursing aid and concessional debt relief to support adjustment efforts in these countries. Assistance through the SPA framework seeks to bridge projected balance-of-payments gaps in low-income, debt-distressed sub-Saharan countries in 1991–93, thus helping to place them on the path toward accelerated growth.

During fiscal 1990, Bulgaria and Czechoslovakia applied for membership in the IBRD, and fact-finding missions were sent to both countries. Relations were reactivated with Romania; an exploratory mission visited Bucharest, and requests for technical assistance have been received from the Romanian authorities. In addition, the Bank began its lending program to Poland during the year. Five projects, with commitments totaling $781 million, were approved to help support Poland's reform efforts. The Bank's operational work in Hungary continued, as three loans, totaling $366 million in commitments, were approved.

The Bank was active in facilitating debt and debt-service reduction agreements between Mexico, the Philippines, Costa Rica, and Venezuela and their respective commercial creditors. A loan of $1.26 billion was made to Mexico for interest support, and the IBRD set aside $750 million in commitments for the purpose of principal reduction. The IBRD also approved a $200 million loan to the Philippines to help it buy back a portion of its debt. In the case of Costa Rica, the IBRD granted a waiver of its negative pledge for interest collateral. The IBRD has set aside $350 million in commitments from four adjustment operations to help finance Venezuela's debt-reduction program.

A total of $3,969 million in Bank commitments was approved in support of adjustment operations. Eleven adjustment operations in the severely indebted, middle-income countries were approved; twenty operations supported adjustment programs in the low-income, debt-distressed countries of sub-Saharan Africa.

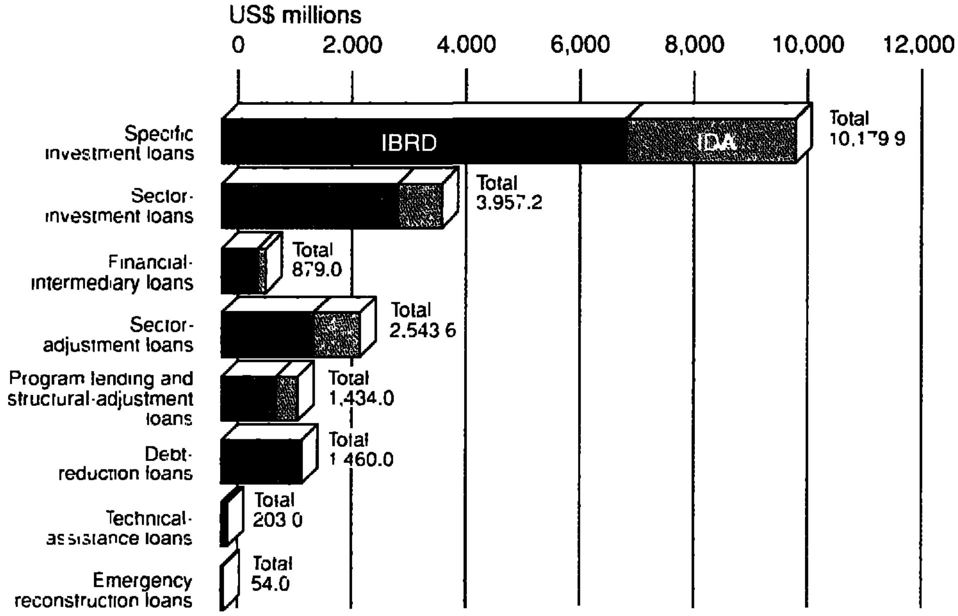
In fiscal 1990, the Bank launched a program to integrate its poverty-reduction activities into its country-assistance strategies. A set of tasks has been identified within each country work program as having as its main objective the direct reduction of poverty among specified groups. Over 200 operations in the Bank's lending program for fiscal 1990–93 are expected to be in the "core poverty program," as it is called. Many of these operations will focus on such standard productive activities as rural credit, small-scale enterprises, rural roads, fisheries, irrigation, and agricultural extension. The social sectors are also heavily represented, especially health and nutrition, education, drinking water, sewerage, and urban housing. Projects and programs to reduce population growth, promote the opportunities of women, protect the environment, and promote food security are also included.

Lending for education topped the $1 billion mark for the first time in fiscal 1990. Twenty-one projects, involving Bank assistance of $1,487 million, were approved. The Bank positioned itself to meet the president's pledge, made in March 1990, to increase education lending over the next three years to an annual figure of more than $1.5 billion.

The Bank met another goal, announced in November 1989—to increase lending for population, health, and nutrition to $800 million annually for the three-year period 1990–92. In fiscal 1990, lending to the sector amounted to $933 million.

Efforts were further intensified during the

IBRD and IDA Lending, by Lending Instrument, Fiscal Year 1990



year to integrate environmental concerns into the Bank's operations, policy, and research work. Systematic environmental screening of all new projects was introduced in fiscal 1990, leading to full environmental impact assessments in every project that could have a substantial effect on the environment. Of the 222 loans and credits approved during the year, 107, or 48 percent, contained environmental elements. Projects focusing solely on environmental issues were approved in Bolivia, Brazil, and Madagascar. Work also proceeded on developing proposals for a pilot mechanism that would permit the Bank to assist developing countries in taking action to protect the ozone layer, reduce emissions of greenhouse gases and emissions that result in transboundary pollution, protect against degradation of international water resources, preserve biological diversity, and otherwise contribute to the reduction of global environmental problems.

The year also saw the Bank and its affiliates further integrate the private-sector development action program into their everyday operations. The number of operations with private-sector development components has increased by more than a third since the action program was begun in January 1988; staff input in analytical work in this area has increased substantially; and IFC approvals have grown by 12 percent. In addition, an expanded cofinancing-operations program was established to help improve financial flows to developing countries by providing guarantees for private commercial loans and bond issues, as well as government obligations in the case of limited recourse financing—all in the context of Bank-supported projects. In this regard, the executive directors authorized the Bank to negotiate a guarantee for a $100 million private placement for India's Housing Development Finance Corporation (related to a $250 million IBRD loan extended in March 1988 to the corporation).

Lending commitments by the Bank during fiscal year 1990 amounted to $20,702 million: $15,180 million from the IBRD and $5,522 million from IDA. The level of IBRD commitments declined by $1,254 million from the previous year's total, while IDA commitments rose by $588 million to register a record high.

This level of lending allowed the Bank to support major policy changes and development efforts in a great number of countries. Conversely, where performance and policy change

Operational and Financial Overview, Fiscal 1986–90

(millions of U.S. dollars unless otherwise noted; fiscal years)

Item	1986	1987	1988	1989	1990
IBRD					
Commitments[a]	13,179	14,188	14,762	16,433	15,180
Disbursements[a]	8,263	11,383	11,636	11,310	13,859
Net disbursements[a]	4,432	5,656	3,428	1,921	5,717
New borrowings	10,609	9,321	10,832	9,286	11,720
Net income	1,243	1,113	1,004	1,094	1,046
Subscribed capital	77,526	85,231	91,436	115,668	125,262
Statutory lending limit	81,692	89,870	100,474	125,429	137,046
Loans outstanding	61,064	75,792	81,791	77,942	89,052
Key ratios					
Loans outstanding as a percentage of lending limit	75	84	81	62	65
Interest coverage ratio	1.24	1.18	1.15	1.17	1.17
Liquidity ratio (percent)	56	50	50	52	47
Reserves-to-loans ratio	8.5	8.7	9.3	10.2	10.8
IDA[b]					
Commitments	3,140	3,486	4,459	4,934	5,522
Disbursements	3,154	3,088	3,397	3,597	3,845
Net disbursements	3,021	2,940	3,241	3,404	3,628

a. Excludes loans to the IFC.

b. IDA excludes the Special Facility for Sub-Saharan Africa; includes Special Fund amounts.

were not adequate in the Bank's judgment, lending was held back. This was the case with respect to a number of large operations in fiscal 1990; as a result, total IBRD lending was not as high as originally envisaged.

Investments by the International Finance Corporation continued to grow. The Corporation approved investments for its own account totaling $1.5 billion for 122 projects, with total costs of $9.4 billion.

The Multilateral Guarantee Agency (MIGA), the Bank's newest affiliate, issued its first guarantees during the year, with a maximum contingent liability totaling $132.3 million. Four projects, representing a total of $1.04 billion in direct foreign investment, were guaranteed.

In fiscal 1990, the IBRD continued to strengthen its financial structure: Subscriptions to the IBRD's recent $74.8 billion general capital increase were on target, the new currency-management policies introduced in fiscal 1989 were successfully implemented, and the reserves-to-loan ratio continued to increase.

Net disbursements from the IBRD to member countries jumped to $5.7 billion from $1.9 billion in fiscal 1989, when net disbursements were severely constrained as a result of large prepayments by some member countries. IDA net disbursements were up $224 million, to $3.6 billion.

The IBRD borrowed the equivalent of $11.7 billion in the world's financial markets. The borrowing program included the introduction of innovative U.S. dollar global bonds. Net income was $1,046 million, of which $750 million was allocated to the general reserve. Guyana and Honduras cleared their arrears to the Bank in June 1990 after payments of $55.3 million and $152.6 million, respectively.

Angola joined the IBRD on September 19, 1989, bringing the total membership of the IBRD to 152. At the end of the fiscal year, action was pending on membership in the IBRD for Bulgaria, Czechoslovakia, Namibia, and Switzerland.

Angola became a member of IDA on September 19, 1989, bringing total membership in the Association to 138. At the end of the fiscal year, action was pending on membership in IDA for Czechoslovakia, Namibia, Portugal, and Switzerland.

The library at a primary-teachers' training college in Togo. The World Bank currently provides 15 percent of all external official assistance for education in the developing world. Since 1963, the Bank has lent more than $10 billion for almost 400 education projects in about 100 countries.

Section One
The Executive Board

Under the Articles of Agreement of the Bank, all the powers of the Bank are vested in a board of governors consisting of one governor from each member country. With the exception of certain powers specifically reserved to them by the Articles of Agreement, the governors of the Bank have delegated their authority to a board of executive directors that performs its duties on a full-time basis at the Bank's headquarters. This board consists of twenty-two executive directors, each of whom selects an alternate. As provided for in the Articles of Agreement, five of the executive directors are appointed by the five members having the largest number of shares of capital stock, while the rest are elected by the governors representing the other member countries.

The president of the Bank is the chairman of the executive directors. Formal votes by the executive directors are rare since, in practice, most decisions of the board are reached by consensus. The executive directors are responsible for the conduct of the general operations of the Bank, including deciding on Bank policy within the framework of the Articles of Agreement and deciding on all loan and credit proposals. The president is the chief of the operating staff of the Bank and conducts, under the direction of the executive directors, the ordinary business of the Bank.

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

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

In fulfilling its oversight of the IBRD and IDA financial and operating programs, the executive board approved in late fiscal year 1990 an allocation of $750 million of fiscal 1990 net income to the general reserve; the remaining $296 million was included in unallocated accumulated net income pending a decision on its disposition. The board completed the mid-year review of the 1990 fiscal-year financial and operating programs and administrative budgets and met as a committee of the whole to discuss the fiscal 1991 budget priorities and policy directions. The board also met as a committee of the whole to discuss the medium-term (fiscal 1991–93) budget-planning framework. Before the end of the fiscal year, the board set indicative IBRD lending for fiscal 1991 at between $16 billion and $18 billion, with an indicative IDA lending program of 4.4 billion in special drawing rights (SDRs).

Financial Policy Actions

The executive directors were briefed throughout the year on the status of negotiations of the IDA deputies with respect to the ninth replenishment of IDA resources (IDA-9), and, in January 1990, they approved for submission to the governors of the Association "Additions to IDA Resources: Ninth Replenishment," which proposed a replenishment of SDR11.68 billion from IDA donors, including SDR184 million in grants from Switzerland.[1] In approving this report for submission to the

[1] For details, see page 39.

Table 1-1. **Budget of the World Bank for the Fiscal Year Ending June 30, 1991**
(millions of US dollars)

	Budget 1991
By organizational unit	
Board of governors	4 0
Executive directors and Development Committee	27 6
Executive offices	1 8
Secretary's	6.0
Operations	541.2
Finance	65.8
Policy, research, and external affairs	134.3
Personnel and administration	96 7
Corporate planning and budgeting	11 7
Legal ICSID, and MIGA	18 8
Operations evaluation staff	11.4
Administrative tribunal, ombudsman, and appeals committee	1.6
Subtotal	920.9
Contingency	9 6
Subtotal	930.5
Less	
Reimbursements	−37.2
IFC and MIGA service-and-support fee	−8.0
Subtotal	885.3
Plus	
Investment operations	11.2
Special grant programs	65.6
Total IBRD and IDA	962.1
By expense category	
Staff costs	612 6
Operational travel	88.8
Representation	2 9
Consultant fees	72 3
Contractual services (includes grants)	89 1
Overhead expenses	
Office occupancy	45.1
Communications	23 4
Depreciation	21.4
Other expenses	42 1
Subtotal	997 7
Contingency	9.6
Subtotal	1,007.3
Less	
Reimbursements	−37 2
IFC and MIGA service-and-support fee	−8 0
Total IBRD and IDA	962.1
Of which	
IBRD	636.1
IDA	326.0

NOTE: The budget for the fiscal year ending June 30 1991, was approved by the executive directors in accordance with the by-laws of the IBRD and IDA The executive directors have also approved a capital budget of $20 3 million for fiscal year 1991 governors, the executive directors agreed to consider, without prejudging the outcome of their deliberations, a number of items on which the report recommended they take action, including tranche release procedures, country-strategy review, review of collaboration between the Bank and the International Monetary Fund (IMF), and debt-for-nature transactions.[2]

The board was also involved in the setting of new policies involving innovations in the IBRD's borrowing program and in currency management. The board gave its approval for a $1.5 billion intermediate-term U.S. bond issue to be distributed simultaneously in both the eurodollar and U.S. domestic markets, and, at the same time, approved a deferred rate-setting arrangement that allows the IBRD to determine the final interest cost on the bond issue in installments rather than solely at the time of launch.[3] Later in the year, the board reviewed the performance of the IBRD's first global U.S. bond issue and provided a standby authority for a second such transaction, also in the amount of $1.5 billion, to be launched. Following up on their approval in fiscal 1989 of revisions to the management of the currency composition of loans and in the Bank's variable lending-rate system, the board monitored the progress of the new system through a review of the implementation of the IBRD's currency-management policies.[4] To provide oversight of the IBRD's other funding operations, the board, based on monthly briefings on the status of the borrowing program and discussions of quarterly reports on funding operations, gave its approval on a quarterly basis for a global borrowing authority in the context of the overall funding plan for fiscal 1990.

In addition to formal board meetings, the executive directors also held briefings and financial-policy seminars on procedures with respect to countries in arrears, cooperative strategy on overdue obligations to the IBRD and the IMF, and the IBRD's use of swaps.

Operations Evaluation; Project Implementation and Supervision

In order to fulfill its responsibility to review project evaluations and proposals for future evaluation activities, the board continued to give particular attention to the operations evaluation department (OED). The OED, under the direction of the director-general, is linked administratively to the Bank's president, but is directly responsible to the executive directors. The board considered the OED's report on its work program and staff budget for fiscal 1990, the current status of the department's work, and the report on operations evaluation. The executive board also discussed the OED's annual review of evaluation results and agreed that the review would be published for distribution outside the Bank. The board also considered the fifteenth annual report on project implementation and supervision that summarized the status of ongoing operations in fiscal 1989. That report, a product of the Bank's operations complex, included an assessment of investment-portfolio performance in adjusting countries.

Operational Policy Actions

In fiscal 1990, the board dealt with several issues fundamental to the Bank's operational priorities and strategies. Of central importance were the in-depth discussions of the Bank's debt strategy and the approval of operational guidelines and procedures for the use of resources of the debt-reduction facility for IDA-only countries.

The board reviewed the Bank's operational guidelines on debt and debt-service reduction, which it had approved in fiscal 1989. While providing further guidance on implementation, the board expressed general satisfaction with the guidelines that govern the Bank's role in debt and debt-service reduction operations, and agreed that the basic policy framework for the program should remain unchanged.[5] This view was later supported by the Development Committee, which called on the Bank and the IMF to continue to provide support to the new debt strategy, with the necessary flexibility under the established guidelines.

The board established the debt-reduction facility for IDA-only countries to help reduce the debt of these countries to commercial banks. Directors recommended to the board of governors a transfer of $100 million from the IBRD's fiscal 1989 net income to the facility and authorized the acceptance of contributions to the facility from other contributors.[6]

The board also kept abreast of debt-reduction activities in individual countries. The board considered the preparation of a debt-reduction operation in Bolivia, the status of discussions between Mozambique and its commercial-bank coordinating committee, as well as the status of debt negotiations in Mexico, the Philippines, Costa Rica, and Venezuela.

During fiscal 1990, the board approved a pilot program of expanded cofinancing operations to support borrowers' access to private capital markets within the context of the

[2] For details, see page 41.
[3] For details, see page 76.
[4] For details, see page 74.
[5] For details, see page 51.
[6] For details, see page 52.

Bank's overall country-assistance strategies and risk-management constraints. The board agreed that the amount of Bank funds committed to the program would not exceed $2 billion prior to the first board review of the program, to take place in fiscal 1991.[7]

The board dealt with several other issues fundamental to the Bank's development strategy. In the area of poverty reduction, the board discussed a progress report on the Bank's poverty-alleviation program[8] and provided input for *World Development Report 1990*, which assesses development issues with a focus on poverty reduction. The board also considered a second progress report on adjustment lending that contained a number of recommendations that are directed at strengthening the effectiveness of adjustment lending to promote and sustain the recovery of growth, while taking into account the social dimensions of adjustment.[9]

The board continued to concentrate on the issue of the long-term development prospects of sub-Saharan Africa. In a seminar, the board discussed a report, subsequently published as *Sub-Saharan Africa: From Crisis to Sustained Growth*. Directors also considered the African capacity-building initiative (ACBI), a program for capacity building in policy analysis and economic management aimed at long-term economic growth and development in sub-Saharan Africa, and approved Bank financial participation in an amount not to exceed 15 percent of the proposed $100 million for the four-year pilot program.[10]

The role of the environment in the Bank's operations remained an important issue for the board. Members discussed and submitted to the Development Committee a report on World Bank support for the environment and, in a seminar, considered the Bank's draft operational directive on environmental assessments. The board was also briefed on the implementation of the environmental-assessment process by which new Bank projects are screened for their environmental effects. On several occasions, the board discussed a proposal for the creation of an international global environmental facility, first suggested at the 1989 annual meetings, that would address protection of the ozone layer, reduction of emissions of greenhouse gases, protection against degradation of international water resources, and protection of biological diversity.[11]

In the area of private-sector development, the board reviewed progress in four priority areas of the recently launched private-sector development action program: the business environment, public-sector restructuring, financial-sector development, and analytical support.[12] The board also held seminars on the role of foreign direct investment in financing developing countries and on ways to strengthen trade-policy reform.

The board also considered in seminars a progress report on the Bank's initiative for women in development,[13] policies for improving the effectiveness of primary education in developing countries,[14] and, meeting as a committee of the whole, the reports of two Bank task forces—one on financial-sector activities[15] and one on Bank field offices.

In addition, the board, in committees of the whole, seminars, and briefings, followed the development strategies of a large number of member countries. The board, in committees of the whole, discussed the policy-framework papers—prepared by the countries concerned with the help of Bank and IMF staff—of twenty-two countries. It also received oral briefings on the Bank's consultative-group and aid-group meetings and monitored the progress of the Bank's lending program through quarterly briefings from the senior vice president, operations, and through informal meetings on the flow of Bank operations to the board for consideration. A two-day colloquium on reforms that are taking place in socialist economies in transition was also arranged for the executive directors.

As it does every year, the board discussed reports on the prospects for developing countries and the short-term outlook for the global economy, reviewed the progress of the Economic Development Institute's current five-year program, and discussed the annual report on the Bank's research program. The board also held biannual discussions of its own work program, as recommended by the executive directors' steering committee, for calendar year 1990.

Administration

Fiscal 1990 was an active year for the board in terms of setting major policies for the Bank's administration. The board convened as a committee of the whole and in a formal board session to approve a revised staff-retirement plan. The plan had been redesigned to reflect current international tax rates in the gross salaries used to calculate staff contributions and benefits; offer staff more flexibility when

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[7] For details, see page 86.
[8] For details, see page 57.
[9] For details, see page 54.
[10] For details, see page 44.
[11] For details of the Bank's activities to protect the environment, see page 63.
[12] For details, see page 68.
[13] For details, see page 61.
[14] For details, see page 59.
[15] For details, see page 71.

they retire; provide better benefits for staff who join the Bank at mid career; provide better benefits for staff who leave the Bank before they are eligible to retire; offer retirees more currency-conversion options; and provide benefit options when family situations change after retirement.

In other personnel-policy issues, the board approved a staff salary adjustment for fiscal 1990 (reflecting the modalities of the revised compensation system it approved in fiscal 1989) and salary-protection arrangements for staff whose positions had been downgraded, and discussed the effect of demographic movements in the Bank on the Bank's revised compensation policy. The board also approved interim measures to protect non-U.S. Bank staff from additional tax obligations arising from a 1988 change in U.S. estate-tax law. The board also discussed the procedures for nominating new members to the Bank's administrative tribunal.

In other administrative matters, the board authorized the writing of a history of the World Bank. The last history of the Bank was published in 1973 and covered the Bank's operations up to 1970. The new history, which will be published by the Brookings Institution, is expected to be out in time for the fiftieth anniversary of the Bretton Woods Conference (July 1994); the book will not only look at changes in the institution since 1970 but also reexamine the origins and early history of the Bank.

After approving in fiscal 1989 a plan for the rehabilitation of the Bank's main complex, the board kept a close watch on the progress of the plan, including the international design competition and the award of the project contract. One executive director was a member of the panel that selected the winner of the design competition.

The board also reviewed the Bank's information-management and technology strategy, as well as the Bank's policies on disclosure of information as contained in the Bank's directive on this topic.

Development Committee

The executive directors continued their active involvement with the Development Committee, assisting committee members in preparing for their meetings, considering the draft provisional agenda, and reviewing the reports by the president of the World Bank and background papers that are used as the basis for the ministers' discussions. In addition, several months prior to each meeting, the board met as a committee of the whole to discuss the preliminary agenda and the outlines for the background papers in order to ensure that the main issues and concerns of the members were well reflected in the documentation.

In preparing for the biannual meetings that were held in fiscal 1990, the board discussed a broad range of background papers, including those on the environment; the financing requirements for growth-oriented structural adjustment; the contribution of the private sector to development and the role of the Bank and the IMF in supporting the private sector; funding to protect the global environment; the debt strategy and its effect on the development prospects of all severely indebted countries; and the long-term prospects for development in sub-Saharan Africa.

The executive directors' steering committee reviewed the communiqués released by the Development Committee following its biannual meetings and made suggestions to ensure that the board's work program was responsive to the directions set out by the committee in its communiqués.

Committees of the Executive Board

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

In pursuing its responsibilities during fiscal 1990, the committee nominated a firm of private, independent, internationally established accountants to conduct the annual audits of the Bank. The committee reviewed the scope of the independent accountants' examination and their annual audited financial statements. In addition, through meetings with the Bank's senior financial officers, the committee helped to provide assurance to the executive board that the financial affairs of the Bank were properly conducted. In this regard, the committee reviewed and endorsed recommendations pertaining to the fiscal 1990 implementation of the IBRD's policy for loan-loss provisioning. The committee also reviewed Bank policies and practices with respect to countries in arrears and considered operational approaches to settle protracted arrears on a cooperative basis.

As part of its oversight function, the committee undertook its annual review of the work programs of the operations evaluation and internal auditing departments. Through two subcommittees, it examined specific audit reports to determine whether the departments had performed their functions adequately and efficiently. In addition, the committee reviewed numerous papers by the operations evaluation department to identify problems or policy issues for consideration by the executive directors.

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

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

During the past year, the committee addressed several important topics, including changes in the staff-retirement plan, issues relating to the Bank's human-resources strategy, and the 1990 annual review of staff compensation.

The changes in the staff-retirement plan result from a review of the plan that was undertaken in response to recommendations made in 1979 by the first Joint Bank/Fund Committee of Executive Directors on Staff Compensation—that Bank and IMF managements should reexamine the pension base and study numerous other aspects of the pension system. In view of the complexity and importance of the subject, the committee prepared a report for the board to help clarify the issues involved.

The Bank's first human-resources strategy paper was prepared in 1988. Because of the complexity of the Bank's 1989 update of the earlier paper, the committee decided that it would review all outstanding issues and topics, taking into account the views expressed by executive directors during a discussion of the 1989 update. The committee began its review in May 1990 and expects to continue its work well into the second half of the year. The review will cover a wide range of topics—from career development and skills mix to recruitment and central control in a decentralized environment—that affect the staff and management of the Bank.

During the past year, the committee also reviewed the 1989 quadrennial staff-benefit survey, which was undertaken in response to recommendations of the second Joint Bank/Fund Committee of Executive Directors on Staff Compensation. The survey, prepared by outside consultants, compared Bank and IMF benefits with those provided by comparator organizations in France, the Federal Republic of Germany, and the United States. The survey results are expected to serve as a point of reference for a forthcoming "structural" review of the Bank's package of benefits.

The committee consists of eight executive directors who are appointed by the executive directors for a term of two years after each regular election of executive directors. Jorge Pinto has served as chairman of the committee since November 1989.

Ad Hoc Committee on the Valuation of Bank Capital. The Ad Hoc Committee on the Valuation of Bank Capital was established by the executive directors in July 1988 to consider possible changes in the valuation of the Bank's capital, as well as other steps, that would help to diminish the Bank's vulnerability to fluctuations in exchange rates.

The committee completed its work in the summer of 1989 and submitted its report to the executive directors in August 1989. That report included the following conclusions and recommendations:

"While the committee members, except one, believe that the SDR would be the appropriate standard of value, the committee also feels that such a change in the standard of value should be the result of consensus among the members of the institution.

"The committee members, except one, recommend that the executive directors:

(a) continue to seek agreement by consensus on the adoption of the SDR as the appropriate common standard of value under the Bank's Articles of Agreement;

(b) review the prospects for agreement in the context of the review pursuant to sec. 2(b) of their decision of October 14, 1986, on valuation of the Bank's capital and related issues;

(c) hold the next review under (b) not later than April 27, 1991, that is, within three years after the adoption by the Bank's board of governors of resolution number 425 entitled '1988 General Capital Increase'; and

(d) bring this report to the attention of the board of governors."

The executive directors approved the committee's recommendations on September 14, 1989.

Eduardo Wiesner served as acting chairman of the committee, which was composed of eight executive directors.

Ad Hoc Committee on Criteria for Allocation of Shares of Bank Capital. The Ad Hoc Committee on Criteria for Allocation of Shares of Bank Capital was established by the executive directors in August 1989. Under its terms of reference, the committee is to review criteria applied in the past for special share allocation, consider options for new criteria, and make recommendations on the criteria that would be applicable to all member countries. In this context, the committee is also to review the issue of the voting power of small member countries on the basis of the final report of the Ad Hoc Committee on Voting Power of Smaller Members. In approaching this mandate, the committee was called upon to take into account the timing of the decision on the ninth general review of quotas by the IMF and, in any case, to report periodically to the executive directors on its work program and progress.

In its meetings, the committee has explored the central question of whether the current share-allocation system, which is based on parallelism with IMF quotas, should be modified and, if so, how. In this connection, the committee reviewed issues and options relating to share-allocation criteria and the adjustment of share allocations, including the issue of adjustments of shares to countries that have forgone share allocations in the past.

The committee, chaired by Masaki Shiratori since August 1989, consists of seventeen executive directors nominated by the executive board.

Ad Hoc Committee on Voting Power of Smaller Members. In the course of discussions of the 1988 general capital increase, it was agreed that an Ad Hoc Committee on Voting Power of Smaller Members would be established to review the issues and consider steps to protect smaller member countries' voting power, which faced dilution whenever there was a general increase in the Bank's capital.

The committee's mandate expired with the completion of its report in September 1989. The report stated that all but one member of the committee expressed a strong preference for the use of membership votes, increased automatically during each capital increase, as the most effective way to protect the voting power of smaller members. Such an action would require an amendment of the Bank's Articles of Agreement, which the committee thought unlikely. Two other options, which involved the issuance of shares to all members on a uniform basis (membership shares) or to the smaller members only (special shares), were considered "second best" alternatives, and it was decided not to recommend either of the two because to do so might preempt the first-mentioned solution. The committee members, except one, recommended that the issue be reexamined at the next appropriate opportunity; this issue is now included in the terms of reference of the recently established Ad Hoc Committee on Criteria for Allocation of Shares of Bank Capital. As recommended by the committee, its report was brought to the attention of the board of governors.

The committee, composed of eight executive directors, was chaired by Gerhard Boehmer.

Committee on Cost Effectiveness and Budget Practices. Since it was established in November 1986, the committee has reviewed a number of subjects relating to its mandate to examine certain aspects of the Bank's business processes, administrative policies, standards, and budget practices that significantly affect the cost-effectiveness of the Bank's operations.

Following a board review and endorsement of its role and activities, the committee undertook a comprehensive examination of the Bank's budget processes and procedures. This examination began in February 1989 and continued throughout fiscal 1990. In April 1989, the president of the Bank set up a budget-process task force to recommend a simpler, more transparent budget process and urged the task force to proceed in parallel with the deliberations of the committee on the general topic of institutional planning and budget processes. The report of the task force was forwarded to the committee in November 1989 with specific references to how certain issues cited by the committee had been addressed, namely flexibility and trade-offs; full-cost nominal budgeting; monitoring and evaluation; incentives for savings; and transparency, simplicity, and cost-effectiveness. The committee is in the process of preparing a response to the recommendations contained in the task-force report, including suggestions on the appropriate role of the board in the Bank's budget processes.

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

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

Its terms of reference involve it in a wide spectrum of administrative matters and charge it with responsibility for assisting executive directors in the formulation of new policies and changes in existing policies, and implementation of such policies. Matters taken up during the year included, for example, review of executive directors' travel-subsistence expenses, directors' travel to member countries outside their constituencies, staffing of executive directors' offices, and compensation for directors' assistants. The committee coordinates many of its recommendations with a similar committee established by the executive directors of the IMF. In its recommendations, the committee tries to maintain a balance between the organizational and administrative objectives of the institution and the unique circumstances faced by the directors in discharging their dual responsibilities.

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

Executive Directors' Steering Committee. The steering committee, an informal advisory body of executive directors composed of the dean and the codean of the board and the chairmen of the other standing board committees, meets monthly to consult on and review with the Bank's vice president and secretary the executive directors' work program. The committee also provides a consultative framework on various issues. In addition, the committee reviews the Development Committee's communiqués to ensure that the implications for the executive directors' work program are fully considered.

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

Section Two
The Economic Scene: A Global Perspective

Summary

The pace of development slowed markedly in 1989 in almost all regions of the world. Growth in the economies of the seven major industrial countries (the G-7) moderated to 3.5 percent, from 4.6 percent in 1988.[1] Still buoyant, this growth in 1989 was accompanied by a fall in unemployment rates and some pickup in inflation. Fears of inflation in the industrial countries resulted in more conservative monetary policies, and world interest rates rose, leading to some concern about the possibility of a significant slowdown. Yet, on balance, the prospects for the industrial countries remain favorable as investment and trade continue to expand. The volume of world trade grew by a robust 7 percent in 1989 (as opposed to about 9 percent in 1988), with above-average export growth achieved by the United States and member countries of the European Community (EC).

The fundamental change that took place in Eastern and Central Europe during the year thrust that region into the spotlight. Major issues for these economies, whose entire structures are being reoriented, include price reform, property rights, the sequencing and pace of enterprise reform, the design of social "safety nets" to protect the more vulnerable segments of the population, the extent of openness of the economy, and the scale and composition of needed external assistance. At present, their economies are small, with a share in world trade of only 3.7 percent. The restructuring and integration of these economies into the world trading system, however, should provide considerable opportunities for growth and investment. A new source of support for this process is expected to be the European Bank for Reconstruction and Development, which will provide financing for investment projects (most of which will be in the private sector) in Eastern and Central Europe.

Growth of the low-income and middle-income countries also slowed in 1989, especially as the fast-growing Asian economies returned to more normal growth rates (still well above the average in other countries) after expanding rapidly in 1988. The basic problem of "two-track development," with Latin America and sub-Saharan Africa falling far short of growth elsewhere—especially in per capita terms—continued. Growth in gross domestic product (GDP) in sub-Saharan Africa rose to 3.5 percent in 1989, but remained below 1 percent in per capita terms. In Latin America, GDP growth amounted to only 1.5 percent, which meant that per capita incomes declined. As in previous years, this regional pattern of growth performance reflected differences in investment rates, as well as varying success in pursuing sound economic policies.

Despite some successes in debt and debt-service reduction operations, the severely indebted, middle-income countries as a whole stagnated in 1989. In the aggregate, these economies were characterized by low growth, high inflation, declining investment, and increasing current-account imbalances. However, there were sharp differences in individual country performance, as significant improvements took place in Mexico, Morocco, and the Philippines.

The agreements signed in fiscal 1990 by Mexico, the Philippines, Costa Rica, and Venezuela with their commercial creditors represent the first debt and debt-service reduction operations under the auspices of the strengthened debt strategy (the Brady Plan). These agreements have demonstrated the viability of an officially supported, voluntary, market-based approach to debt and debt-service reduction. In addition, the experience derived from these agreements has identified important issues for future policy: What can be done to address the needs of countries that are heavily indebted to official creditors, but whose income levels preclude them from being qualified for concessional terms? How can sufficient cash-flow support be provided to countries that have access to commercial debt and debt-

[1] The G-7 countries are Canada, France, the Federal Republic of Germany, Italy, Japan, the United Kingdom, and the United States.

service reduction operations? Another still-unresolved issue centers on the question of where developing countries will be able to find adequate external financing, as commercial bank lending to these countries collapsed in 1989.

The increase in international initiatives to address global environmental concerns continued. Environment ministers from ninety-three countries agreed at a landmark meeting in late June 1990 to phase out the production and use of chlorofluorocarbons and several other chlorine-based and bromine-based chemicals by the end of the century, and a new fund was created to help developing countries change their technology to one based on chlorine-free compounds; international agreement was reached on ways to control the movement of transboundary hazardous wastes; and the World Bank was directed by the Development Committee to develop proposals for a pilot mechanism to fund actions by developing countries that would benefit the global environment. There is a growing awareness that while some of these environmental problems can be resolved at the national level, others will require international cooperation, as for example, the World Bank–European Investment Bank initiative to halt the environmental degradation of the Mediterranean basin.

The watershed political events of 1989 could have far-reaching economic ramifications. Apart from the domestic events in Eastern and Central Europe, 1989 marked the first year in thirty-one years in which no new war was started. Hopes of increased savings in military budgets in the industrial countries have been engendered; moreover, developing countries may also begin to reassess their expenditures on defense. Perhaps most significant for the long term, the abandonment of central planning and increased reliance on markets in Eastern and Central Europe will powerfully affect basic approaches to economic development in coming decades.

Industrial Countries

The growth of real gross national product (GNP) in the G-7 countries slowed from 4.6 percent in 1988 to a still vigorous 3.5 percent in 1989 (Table 2-1). Moderation of growth of private consumption accounted for most of the slowdown; although this was most evident in Japan, it was also an important consideration in Europe and the United States. Slower growth of private nonresidential fixed investment also contributed to the slowdown, especially in the United States. Although some countries experienced inflationary pressures, calendar year 1989, on balance, was a good

Table 2-1. **G-7 Countries: Output, Inflation, Investment, and Unemployment, 1980–89**
(average annual percentage change; unemployment rate, in percent)

G-7 country	1980–89[a]	1988	1989[b]	1980–89[a]	1988	1989[b]
	Real GNP			GNP deflator[c]		
Canada	3.3	5.0	2.9	4.5	4.1	4.8
France	2.0	3.8	3.7	6.5	3.0	3.4
Germany, Federal Republic of	1.9	3.6	4.0	2.7	1.5	2.5
Italy	2.3	4.2	3.2	10.3	6.1	6.3
Japan	4.1	5.7	4.9	1.2	0.6	1.5
United Kingdom	2.6	4.5	2.3	5.7	6.5	6.7
United States	2.9	4.4	3.0	3.9	3.3	4.1
Aggregate weighted average	3.0	4.6	3.5	4.0	2.9	3.7
	Gross fixed investment			Unemployment rate		
Canada	4.9	13.2	7.1	9.3	7.8	7.5
France	1.3	8.6	5.6	9.1	10.0	9.5
Germany, Federal Republic of	1.1	5.9	7.2	5.6	6.1	5.5
Italy	1.8	6.7	5.1	10.3	12.1	12.1
Japan	5.1	12.6	10.9	2.5	2.5	2.3
United Kingdom	4.3	13.7	4.8	9.6	8.2	6.2
United States	3.4	5.8	1.6	7.3	5.5	5.3
Aggregate weighted average	3.4	8.4	5.2	6.8	6.2	5.7

a. Aggregate weighted on the basis of 1987 values of GNP and GDP expressed in 1980 US dollars; period average annual percentage changes are least-square trends.

b. Preliminary.

c. GNP or GDP deflator.

SOURCE: Organisation for Economic Co-operation and Development (OECD).

Table 2-2. **Current-account Balances of the G-7 Countries, 1982–89**

G-7 country	1982	1983	1984	1985	1986	1987	1988	1989[a]
Billions of US dollars								
Canada	2.3	2.5	2.1	−1.5	−7.6	−7.1	−8.4	−16.6
France	−12.1	−4.7	0.8	−0.4	2.3	−4.4	3.4	−3.6
Germany, Federal Republic of	5.1	5.3	9.8	16.4	39.2	45.2	48.6	52.7
Italy	−6.2	1.5	−2.5	−3.7	2.6	−1.5	−6.0	−11.6
Japan	6.9	20.8	35.0	49.2	85.9	87.0	79.6	57.2
United Kingdom	8.0	5.8	2.6	4.1	−0.1	−6.3	−26.6	−34.0
United States[b]	−7.1	−39.6	−98.4	−122.4	−153.0	−159.6	−125.6	−103.7
Total	−3.1	8.4	−52.2	−58.3	−30.7	−46.6	−41.7	−59.7
Other industrial countries[c]	−16.1	−4.2	1.1	0.0	−2.7	−6.5	−7.5	−22.5
All industrial countries	−19.2	−12.6	−51.1	−58.3	−33.4	−53.1	−49.3	−82.2
Percentage of GDP								
Canada	0.8	0.8	0.6	−0.4	−2.1	−1.7	−1.7	−3.0
France	−2.2	−0.9	−0.2	−0.1	0.3	−0.5	−0.4	−0.4
Germany, Federal Republic of	0.8	0.5	1.6	2.6	4.4	4.0	4.0	4.4
Italy	−1.5	0.4	−0.6	−0.9	0.4	−0.2	−0.7	−1.3
Japan	0.6	1.8	2.8	3.7	4.4	3.6	2.8	2.0
United Kingdom	1.7	1.2	0.6	0.9	0.0	−0.9	−3.2	−4.1
United States[b]	−0.2	−1.2	−2.6	−3.0	−3.6	−3.5	−2.6	−2.0
Total	0.0	−0.1	−0.7	−0.8	−0.3	−0.4	−0.3	−0.5
Other industrial countries[c]	−1.6	0.4	0.1	0.0	−0.2	−0.4	−0.4	−1.1
All industrial countries	−0.2	−0.2	−0.7	−0.6	−0.1	−0.3	−0.4	−0.6

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

a. Preliminary.

b. OECD definition; excludes revaluation of foreign direct investment.

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

SOURCE: OECD.

year for the industrial countries. The rate of unemployment fell in 1989 to 5.7 percent from 6.2 percent in 1988, and some progress was made towards adjustment of the imbalance between the current accounts of the United States and Japan (Table 2-2).

However, the appreciation of the effective exchange rate of the U.S. dollar by 4.4 percent in 1989 could slow the rate of contraction of the U.S. current-account deficit. Further expansion of U.S. exports was constrained by the slowdown in growth of world demand for merchandise exports—from 9 percent in 1988 to 7 percent in volume terms.

The growth of trade and GNP extended the global business expansion into its seventh year. This added to existing demands on resources, especially on capacity utilization and skilled labor, which resulted in a general increase in production costs. As a result, the rate of increase in consumer prices in the G-7 countries rose to 4.3 percent from 3.1 percent in 1988. Inflation of the national product price deflator rose more slowly, however, as businesses absorbed part of the increased cost of production by allowing profits to weaken.

This potentially inflationary environment persuaded the central banks of the United States, the Federal Republic of Germany, and Japan to slow the growth of broad money. In the United States, however, monetary policy shifted towards a modest expansion by mid 1989. This coincided with virtually no change in the general U.S. fiscal balance as a share of GNP, which represented a break from the downward trend that characterized the second half of the 1980s. Judging by this ratio, fiscal policy was also cautious in Germany, Japan, and the United Kingdom. However, the Italian fiscal deficit remained high, at 10.5 percent of GNP, while the Canadian ratio deteriorated to about 4 percent of GNP.

As monetary policy tightened, interest rates rose in most industrial countries. The average short-term domestic interest rate in Germany rose by 2.9 percentage points in 1989 from its previous low level. Part of this increase then spread to Germany's partners in the exchange-rate mechanism of the European Monetary System.[2] In the United States, the domestic short-term interest rate rose by 1.4 percent, while in Japan it inched up by 0.8 percent. Figure 2-1 shows the evolution of the six-month London interbank offered rate (LIBOR) on U.S. dollars. While the rate reached a peak in March of 1989, it generally trended downward for the remainder of the year.

Eastern and Central Europe

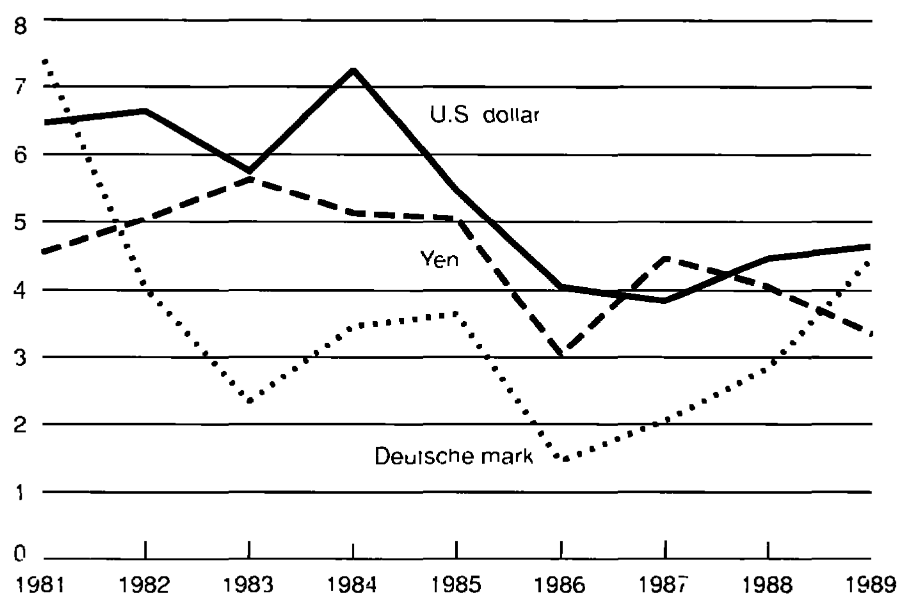
The past year has seen the initiation of fundamental political and economic reforms in almost all the countries of Eastern and Central Europe—reforms aimed at reversing the recent trends of deteriorating economic performance. These economies have been characterized by severe inefficiencies and shortages. It is expected that economic restructuring and greater reliance on market forces will lead to improvements in productivity and incomes, as well as greater sustainability of external and internal balances.

The implications of these transformations for the global economy remain unclear in the short and medium run. These countries, excluding the Soviet Union, constitute a small share of the global economy, with a total GDP that is roughly equivalent to about 6 percent of world GDP. Their share in world trade is approximately 3.7 percent, over half of which is within the framework of the Council for Mutual Economic Assistance (CMEA). This is likely to change in the years to come, as these economies develop greater access to world markets.

The economic-reform packages being adopted include various combinations of price decontrol, trade liberalization, fiscal reform, and institutional changes such as those relating to property rights. The proper sequence and the pacing of reform strategies are critical, given the need for both stabilization and fundamental adjustments in several of these economies. Poland's extensive program is motivated by the view that no structural reforms can be effective in an unstable macroeconomic environment, and the reform process, therefore, began with a major stabilization program,

[2] They are Belgium, Denmark, France, the Netherlands, Ireland, Italy, Luxembourg, and Spain.

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



which also includes a major structural component of trade reform. Rapid reform has been facilitated by the popular support that the government enjoys. In contrast, the reform process in Hungary has been a more gradual one that has evolved over a number of years. Obviously, the central challenge for the governments of Eastern and Central Europe will be to find a way to restructure their economies to achieve sustained economic growth while minimizing the transitional social costs of unemployment, inflation, and uncertainty.

The debate about the pace of adjustment in Eastern and Central Europe has been paralleled by one on the scale and nature of the external assistance that may be required. One source of such assistance is expected to be the newly established European Bank for Reconstruction and Development, which, with an initial total lending authority of about $12 billion, is expected to invest in both private-sector and public-sector projects in the reforming countries of the region.

A central concern of the developing economies has been the degree to which their needs for external financing, investment, and trade will be "crowded out" by Eastern and Central European demand. While the World Bank has emphasized that its assistance to Eastern and Central Europe will not be provided at the expense of other developing countries, it is likely that some private capital flows will be diverted to Eastern and Central Europe. Given the commercial banks' experience with sovereign lending in the recent past, it seems likely that the bulk of private flows to Eastern and Central Europe will be in the form of project and trade financing.

High-income Oil Exporters

Like all other exporters of petroleum, the high-income oil exporters[3] benefited from both higher prices and greater demand in 1989 as the value of oil exports rose by over 35 percent. This was the first time in recent history that a rise in the price of oil was not associated with a reduction in production by member countries of the Organization of Petroleum Exporting Countries (OPEC). Greater demand and higher prices were caused by a small increase in consumption in the developing countries and erratic performance by non-OPEC suppliers, as production in the Soviet Union and the North Sea and refining in the United States were disrupted.

The volume of crude-oil production for the OPEC group rose by 14.5 percent in 1989, and the weighted average oil-export price rebounded from losses suffered in 1988 by rising over 19 percent to $16 per barrel. As a result, the group, as a whole, recorded a balanced position on its aggregate current account for the first time since 1982. The growth rate in real GDP in the high-income oil exporters rose to 6.6 percent, while real incomes, which include adjustments for gains in terms of trade, rose by over 8 percent. This contrasts with 1988, when real GDP grew by only 2.7 percent, reflecting continuing instability in oil earnings.

Low-income and Middle-income Countries

Despite the fact that 1989 was a fairly buoyant year for the industrial economies, growth of GDP slowed considerably for the low-income and middle-income developing countries—from 5.4 percent in 1988 to 3.3 percent (Table 2-3).

There was a sharp decline in Asian GDP growth from 9.7 percent in 1988 to 5.1 percent, accounted for largely by India and China, which returned to more normal growth rates after experiencing exceptionally rapid expansion in 1988. The fast-growing East Asian economies also slowed down, partly the result of reduced demand for their exports and rising domestic cost pressures in some economies. The decline in output growth in the developing countries of the Europe, Middle East, and North Africa region was mainly a reflection of the significant dislocations occurring in Eastern and Central Europe. These dislocations resulted in stagnation of per capita incomes in the region in 1989, despite better performance in countries such as Algeria, Portugal, and Yugoslavia.

Sub-Saharan Africa performed better in terms of GDP growth, greatly reducing the traditional differential against Asian economies. But since population growth in these economies is as rapid as it is, the region continued to experience low growth rates in per capita terms. Growth of per capita GDP was about 0.3 percent in sub-Saharan Africa in 1989. To a large extent, better performance in sub-Saharan Africa reflected rises in certain commodity prices, favorable weather conditions, and improved policies. This was the first positive rate of per capita growth in sub-Saharan Africa in recent years. In Latin America, the rate of GDP growth was 1.5 percent, while output per capita declined by 0.6 percent, despite some recovery in Brazil and Mexico. The combination of inflation, indebtedness, fiscal problems, and political instability continued to plague many Latin American economies.

[3] See footnote f in Table 2-3 for country composition.

Table 2-3. Low- and Middle-income Economies: Growth of GDP and GDP per Capita, 1981–89
(average annual percentage change)

Country group	1987 GDP (US$ billions)	1987 population (millions)	GDP			
			1981–86	1987	1988	1989[a]
Low- and middle-income economies	2,810.4	3,873.8	4.1	4.5	5.4	3.3
By regional group						
Sub-Saharan Africa[b]	150.4	449.5	0.6	−1.1	2.5	3.5
East Asia[c]	739.5	1,516.3	8.5	9.6	10.0	5.1
South Asia	325.1	1,082.1	5.5	3.2	8.7	4.8
Europe, Middle East, and North Africa[d]	796.0	387.6	3.4	1.4	2.5	1.7
Latin America and the Caribbean	738.7	405.1	1.3	3.0	1.2	1.5
By income group						
Low-income countries	819.2	2,827.6	6.7	6.1	8.9	4.2
Middle-income countries	2,006.0	1,046.2	2.7	3.5	3.1	2.7
Severely indebted, middle-income countries[e]	822.5	485.7	1.4	2.6	1.6	1.4
Memo item						
High-income oil exporters[f]	154.6	22.1	−4.5	−2.2	2.7	6.6

a. Preliminary.

b. Excludes South Africa.

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

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

Investment ratios declined in the aggregate for the low-income and middle-income economies as a group in 1989, continuing a decade-long trend. This was true also for most of the countries of Europe, the Middle East, and North Africa, where the ratio of investment to GDP has declined from the high levels of the beginning of the 1980s. The investment ratio fell to even lower levels in sub-Saharan Africa and Latin America, with the exception of Nigeria and Brazil, where there was some recovery in capital formation (Table 2-4). In contrast, the investment ratio in East Asia remained high. This regional pattern of investment performance cannot but help to perpetuate the divergence in the growth rates of Africa and Latin America, on the one hand, and Asia, on the other, well into the 1990s (Figure 2-2).

Compared with previous years, the current-account balances of the low-income and middle-income countries displayed a slightly different pattern in 1989 (Table 2-5). There was a marginal improvement in Africa's, as well as Latin America's, current account as a share of GDP. However, this was also accompanied by an increase in arrears in some countries. In contrast, the balance-of-payments position of the Asian countries deteriorated, reflecting the slowdown in these economies and a decline in exports. In general, the low-income countries and the severely indebted, middle-income economies experienced the largest increases in their current-account deficits.

Severely Indebted, Middle-income Countries

Most of the severely indebted, middle-income countries stagnated in 1989.[4] As a group, these economies again did not achieve real GDP growth rates that were above their population growth rates.[5] Some of these countries, such as Mexico, the Philippines, and Venezuela, have undergone economic adjustment, while the process has been delayed by political transitions in such countries as Argentina, Brazil, Hungary, and Poland. Aggregate growth of 1.4 percent for this group of countries partly

[4] The severely indebted, middle-income countries are Argentina, Bolivia, Brazil, Chile, People's Republic of the Congo, Costa Rica, Côte d'Ivoire, Ecuador, Honduras, Hungary, Mexico, Morocco, Nicaragua, Peru, Philippines, Poland, Senegal, Uruguay, and Venezuela. Egypt was added to the group in 1990.

[5] An extreme case was Peru, where real incomes declined by about 15 percent in 1989 after a drop of 9 percent in 1988.

GDP per capita				
1981–86	1987	1988	1989[a]	Country group
2.0	2.4	3.3	1.1	Low-and middle-income economies
				By regional group
−2.5	−4.2	−0.7	0.3	Sub-Saharan Africa[b]
6.9	7.9	8.5	3.2	East Asia[c]
3.1	0.9	6.2	2.5	South Asia
1.3	−0.7	0.4	−0.1	Europe, Middle East, and North Africa[d]
0.9	0.8	−0.8	−0.6	Latin America and the Caribbean
				By income group
4.6	4.0	6.8	2.0	Low-income countries
0.5	1.4	1.0	0.6	Middle-income countries
−0.7	0.6	−0.4	−0.7	Severely indebted, middle-income countries[e]
				Memo item
−8.5	−10.5	−0.6	3.3	High-income oil exporters[f]

e. Argentina, Bolivia, Brazil, Chile, People's Republic of the Congo, Costa Rica, Côte d'Ivoire, Ecuador, Honduras, Hungary, Mexico, Morocco, Nicaragua, Peru, Philippines, Poland, Senegal, Uruguay, and Venezuela.

f. Bahrain, Brunei, Kuwait, Libya, Qatar, Saudi Arabia, and the United Arab Emirates for 1981–88. Although Bahrain is not a petroleum producer, it is included because about 50 percent of its export revenues are derived from petroleum exports. The figure for 1989 does not include Libya, which has been reclassified as a middle-income country.

reflects the effects of higher world interest rates and the contractional effect of adjustment policies. The performance of the severely indebted countries as a group masks some differences in individual country performance.

The adjustment process for many of these economies was accompanied by price instability and sluggish investment performance. The rate of inflation for the group as a whole was high, especially in Argentina, Brazil, Peru, and Yugoslavia, where there was hyperinflation; there were sizeable inflationary pressures in Ecuador, Uruguay, and Venezuela, as well. In contrast, tight fiscal and monetary policies in Bolivia, Mexico, Morocco, Nigeria, and the Philippines contributed to a slowing of inflation in these countries in 1989.

Investment performance among the severely indebted economies varied considerably, with the poorest response often coming from those economies experiencing financial and political instability. In the aggregate, investment as a share of GDP rose slightly, from 17.4 percent to 17.9 percent in constant 1980 prices. This expansion of investment occurred in Chile, Mexico, Morocco, and the Philippines. However, countries such as Argentina, Brazil, Poland, and Uruguay were unable to restore capital formation and growth.

The current account deteriorated for the severely indebted, middle-income countries, as imports rose without a concomitant increase in exports. The aggregate current-account deficit for these countries worsened, from $12.4 billion in 1988 to $20.0 billion in 1989. Although the oil exporters benefited from the rise in oil prices, this was partially offset by the effect of increases in interest rates on their debt-servicing costs. Aggregate net flows to the severely indebted, middle-income countries declined dramatically in 1989, as a slight increase in official flows was more than offset by a sharp fall in private lending.

Debt and Financial Flows

The developing countries as a group increased their net transfers to the rest of the world in 1989 to $42.9 billion from $37.6 billion in 1988 (see Table 2-6). Disbursements, which have declined $36.5 billion from the unusually high level of 1981, eased by $8.8 billion in comparison with the year before; net flows declined correspondingly, but were still positive at $16.6 billion.

Total developing-country long-term debt outstanding and disbursed was $988.5 billion in 1989, which represents a slight nominal increase from 1988. The factors contributing to this increase were (a) a temporary slowdown in debt-conversion operations, especially debt-equity swaps, partly in anticipation of developments in the Brady initiative; and (b) an increase in lending from official bilateral and

***Table 2-4.* Low- and Middle-income Economies: Gross Domestic Investment and Gross Domestic Savings as a Percentage of GDP, 1980–89**

Region or income group	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
By geographical region										
Sub-Saharan Africa										
Investment	20.5	20.8	17.8	14.2	11.3	12.5	14.6	15.4	15.4	15.2
Savings	21.7	15.1	11.2	10.1	11.4	12.7	11.0	12.3	12.0	14.0
East Asia										
Investment	30.7	29.5	28.7	28.9	28.8	30.5	29.9	29.4	30.8	30.7
Savings	30.9	29.0	28.7	28.8	30.1	30.7	32.3	34.2	34.0	32.3
South Asia										
Investment	22.1	24.2	22.5	21.8	21.7	23.9	22.8	21.3	22.1	21.4
Savings	16.7	19.2	17.6	17.7	17.7	19.1	18.8	17.8	18.1	18.0
Europe, Middle East, and North Africa										
Investment	30.6	30.8	29.6	30.2	29.1	28.3	26.9	25.9	24.1	24.2
Savings	27.9	26.7	28.7	28.6	28.1	28.2	24.7	22.5	25.2	21.8
Latin America and the Caribbean										
Investment	24.2	23.6	21.4	16.8	16.7	17.6	17.4	19.7	21.5	20.6
Savings	22.8	22.0	21.3	20.8	21.8	22.2	19.8	22.2	24.0	24.8
By income group										
Low income										
Investment	25.8	25.8	24.5	23.8	23.8	26.8	27.4	26.7	27.7	27.5
Savings	25.8	23.6	21.9	21.6	22.6	23.6	23.8	24.8	25.4	25.9
Middle income										
Investment	27.5	27.2	25.4	24.0	23.1	22.7	22.7	23.0	24.9	23.4
Savings	25.9	24.5	24.7	25.1	25.5	25.7	25.2	26.0	27.6	25.5
Low and middle income										
Investment	26.9	26.8	25.1	24.0	23.3	24.0	24.1	24.0	25.6	24.6
Savings	25.9	24.2	23.0	24.0	24.6	25.1	24.7	25.7	26.9	25.6

a. Preliminary

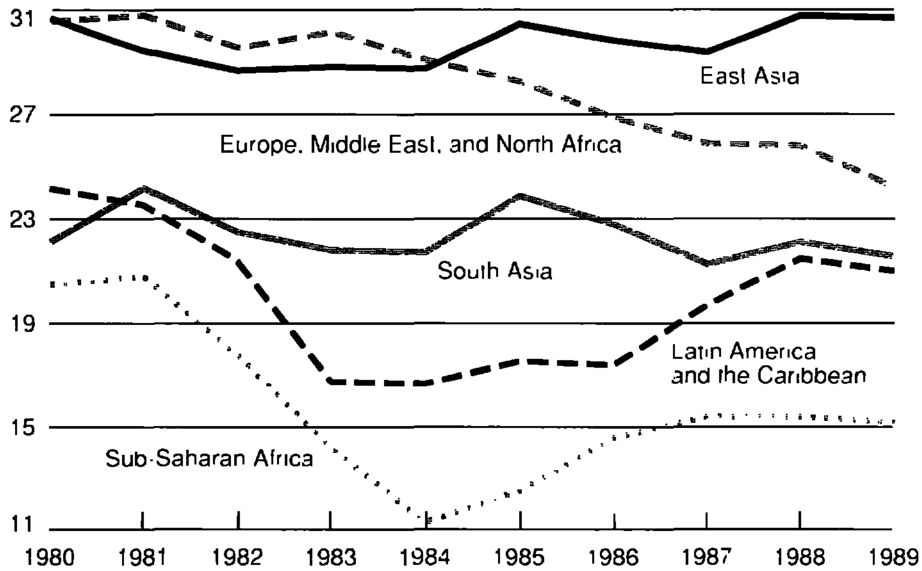
multilateral sources. Debt service fell slightly in 1989 to $129.8 billion. Total disbursements declined to $86.9 billion from $95.7 billion, while those from private sources dropped even more sharply to $44.4 billion from $54.8 billion (Figure 2-3 and Table 2-7).

In a speech to the Bretton Woods Committee in March 1989, U.S. Secretary of the Treasury Nicholas F. Brady underscored the need for official support for a voluntary, market-based, and case-by-case approach to debt and debt-service reduction. The agreements by Mexico, the Philippines, Costa Rica, and Venezuela with their commercial bank creditors, as well as an agreement in principle with Morocco, represented the first debt and debt-service reduction operations under the auspices of the Brady Plan. These cases involved some combination of principal reduction, interest reduction, and/or commitments of new money. Official funds from the Bank, the International Monetary Fund (IMF), and the Japanese government were important ingredients in the debt and debt-service reduction agreements.

The Mexico package involved a comprehensive restructuring of $48.9 billion of medium-term and long-term debt to ease the burden of servicing the stock of debt. Commercial banks were offered three financing options: a thirty-year discount bond at 65 percent of the face value of the claim carrying a market interest rate; a thirty-year bond with a below-market interest rate; or new money, equivalent to 25 percent of base exposure, repayable over fifteen years with a seven-year grace period. In addition to the direct external debt and debt-service relief for Mexico, there have been indications of considerable indirect macroeconomic benefits in the form of reduced domestic interest rates, a substantial rise in capital inflows, and higher levels of private investment.

The agreement on the Philippines' external debt emphasized commitments of new money,

Figure 2-2. Investment-to-GDP Ratios
(percent)



as well as principal reduction. Banks that did not want to make new loans were given the opportunity to tender their outstanding debt for cash in a buyback scheme. In contrast, the Costa Rica package was designed to reduce the stock of existing debt without any attempt to secure commitments of new money. The agreement also included a plan for repaying a portion of past arrears and trading the remainder for credit-enhanced fifteen-year bonds. By buying back approximately 60 percent of its \$1.5 billion of commercial bank debt, Costa Rica will obtain \$1 billion in debt relief.

These agreements, as well as others reached subsequently or being discussed, demonstrate the potential of an officially supported, voluntary, market-based approach to debt and debt-service reduction envisioned under the Brady Plan. Such debt-service reduction operations can facilitate the transition to sustainable growth. Concern has been expressed, however, in the Development Committee and elsewhere, that the development needs of the severely indebted, lower-middle-income countries whose debts are mainly to official creditors should be given special attention. These countries have income levels that preclude them from being qualified for concessional terms as agreed to by creditor governments in Toronto in 1988. The Development Committee has asked that the Bank and the IMF continue to analyze the debt problems of these countries.

A positive development for the low-income countries was the establishment of a debt-reduction facility for IDA-only countries by the Bank. Funds for the venture were derived from the transfer of \$100 million of fiscal 1989 IBRD net income to the facility.[6]

The prospects for any increases in sources of external financing for the developing countries are not promising except for those involved in debt-workout exercises and for countries implementing economic reforms (reforming countries are better able to attract direct foreign investment and repatriated capital). Net flows to developing countries fell to \$16.6 billion in 1989, the lowest level of the decade. This was largely a reflection of the collapse of concerted lending by private commercial banks, partly in

[6] For details, see page 52.

Table 2-5. Low- and Middle-income Economies: Balance of Payments on Goods, Services, and Private Transfers, 1981–89
(billions of US dollars)

								Past three years as % of GDP		
Country group	1981–83[a]	1984	1985	1986	1987	1988	1989[b]	1987	1988	1989[b]
Low- and middle-income economies	−76.9	−14.8	−20.1	−26.6	7.7	−3.1	1.7	0.3	−0.1	0.0
By geographical region										
Sub-Saharan Africa[c]	−16.7	−5.0	−3.4	−9.1	−10.4	−12.3	−11.0	−6.9	−7.6	−7.0
East Asia	−11.7	−2.0	−10.2	8.1	24.5	14.8	−3.3	3.3	1.7	−0.3
South Asia	−7.1	−6.2	−10.2	−9.7	−9.2	−11.5	−13.7	−2.8	−3.3	−3.8
Europe, Middle East, and North Africa[d]	−8.6	−2.9	0.8	−7.5	−4.8	−4.9	−12.3	−0.7	−2.3	−2.5
Latin America and the Caribbean	−31.9	−1.7	−3.7	−17.4	−11.3	−11.0	−11.9	−1.5	−1.3	−1.1
By income group										
Low-income countries	−22.2	−12.7	−29.0	−29.4	−22.2	−29.7	−32.7	−2.7	−3.2	−3.2
Middle-income countries	−54.8	−2.0	9.0	2.8	29.9	26.6	34.4	1.5	1.2	−0.6
Severely indebted, middle-income countries[e]	−35.6	−1.5	−3.0	−19.6	−12.2	−12.4	−20.0	−1.5	−1.3	−1.8
Memo item										
High-income oil exporters[f]	24.5	−11.2	6.6	4.3	4.6	−7.4	0.0	3.0	−4.8	0.0

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

a Annual

b. Preliminary

c Excludes South Africa

d Includes Hungary, Poland and Romania

e Argentina, Bolivia, Brazil Chile, People's Republic of the Congo, Costa Rica, Côte d'Ivoire, Ecuador, Honduras, Hungary, Mexico, Morocco, Nicaragua Peru, Philippines, Poland, Senegal, Uruguay, and Venezuela.

f Bahrain Brunei, Kuwait Libya, Qatar, Saudi Arabia and the United Arab Emirates for 1981-88 Although Bahrain is not a petroleum producer, it is included because about 80 percent of its export revenues are derived from petroleum exports. The figure for 1989 does not include Libya, which has been reclassified as a middle-income country

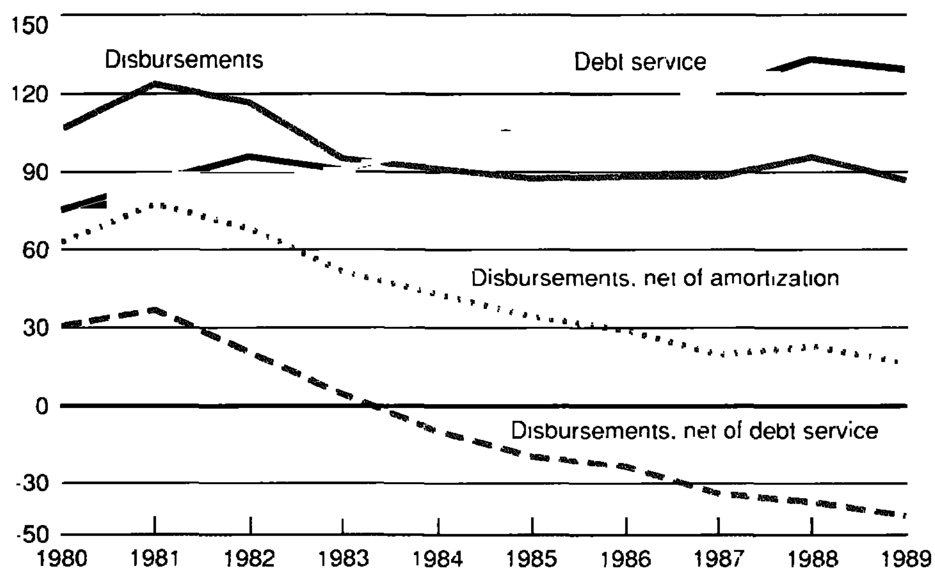
Table 2-6. Public and Private Long-term Debt and Financial Flows, 1980–89
(billions of US dollars)

Item	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989[a]
Debt disbursed and outstanding	427.9	496.1	560.8	643.8	685.6	781.3	884.4	1,001.3	979.6	988.5
Disbursements	106.4	123.4	116.4	95.3	90.8	87.6	88.4	88.3	95.7	86.9
From private creditors	78.7	92.2	83.0	62.7	57.9	55.8	51.8	49.4	54.8	44.4
Debt service	75.8	86.9	96.2	90.8	100.7	107.3	112.1	122.5	133.3	129.8
Principal	43.7	46.2	48.3	44.0	47.8	53.1	59.7	68.9	72.9	70.3
Interest	32.1	40.7	47.9	46.8	52.9	54.2	52.4	53.6	60.4	59.5
Net flows	62.7	77.2	68.1	51.3	43.0	34.5	28.7	19.4	22.8	16.6
Net transfers	30.6	36.5	20.2	4.5	−9.9	−19.7	−23.7	−34.2	−37.6	−42.9

NOTE Table shows data for the 111 countries in the World Bank's Debtor Reporting System (DRS) Data for Poland are included only from 1985 onward Net flows disbursements minus repayment of principal, net transfers disbursements minus total debt service

a Preliminary

Figure 2-3. Disbursements. Debt Service
(net flows and net transfers: all developing countries)



response to the sharp increase in interest arrears from approximately $10 billion in 1988 to about $16.4 billion in 1989. What little new lending there was went to developing economies in Asia and Europe. Although the share of foreign direct investment in total flows to developing countries has doubled since the beginning of the decade, absolute amounts have decreased during the same period; they continued their decline in 1989. Despite a downward trend in export-credit financing, there has been some recovery in recent years in a number of Asian countries.

The decline in private lending has contributed to the "officialization" of the debt problem, whereby the composition of debt holdings has continued to shift from commercial banks to official creditors. By the end of 1989, about 48 percent of total developing-country long-term debt was held by official creditors, in contrast with 38 percent in 1982 at the start of the "debt crisis."

One promising source of potential funding could come from a reduction in military spending. Diminishing political tensions have not yet, however, had an appreciable effect on nominal global military expenditures, which remain at record levels.

While high levels of military expenditure may be considered an unproductive use of resources in general, the opportunity costs of defense spending are sometimes higher in poor countries. Many countries with very low per capita incomes devote a sizeable share of their government budget to defense—despite the fact that there are many pressing needs in other sectors of the economy. Military expenditure has increased more than twice as fast as per capita income in the developing world since 1960.

Ultimately, the appropriate level of military expenditure is an issue for sovereign governments to decide. However, with changes in the global political situation, governments will need to reevaluate their public-expenditure programs to maximize the welfare of their citizens. Important elements of this process will be the transparency of military spending in the budget and analysis of the cost-effectiveness of defense expenditures, especially relative to alternatives such as investments in education and health. In addition, countries that choose to demilitarize will have to con-

***Table 2-7.* Low- and Middle-income Economies: Medium- and Long-term Debt, Debt Service, and Gross Disbursements, 1982–89**
(billions of US dollars)

	All low- and middle-income countries		Severely indebted, middle-income countries[a]		Sub-Saharan Africa	
Item	1982–88	1989[b]	1982–88	1989[b]	1982–88	1989[b]
Debt	790.9	988.5	379.3	427.2	83.7	124.3
Official	313.4	467.8	90.8	140.6	52.5	88.6
Private	477.5	520.7	288.5	286.6	31.2	35.7
Debt as % of GNP	36.3	36.3	49.8	45.9	52.8	92.8
Debt service[c]	108.9	129.7	48.4	49.1	7.1	8.7
Interest	52.5	59.4	29.3	29.1	3.0	3.6
Official	11.9	21.2	3.8	9.0	1.2	2.3
Private	40.6	38.2	25.5	20.1	1.8	1.3
Amortization	56.4	70.3	19.1	20.0	4.1	5.1
Official	14.6	24.8	4.5	7.3	1.2	2.3
Private	41.8	45.5	14.6	12.7	2.9	2.8
Debt service as % of exports of goods and services[c]	23.3	20.4	33.5	27.4	19.6	20.8
Average interest[d]	7.2	6.0	8.4	6.7	4.1	3.0
Gross disbursements	94.6	86.9	32.5	20.3	9.8	9.3
Official	35.3	42.5	10.2	10.4	5.5	7.2
Private	59.3	44.4	22.3	9.9	4.3	2.1

NOTE: Covers public and publicly guaranteed and nonguaranteed private debt for the 111 countries in the DRS.

a. Argentina, Bolivia, Brazil, Chile, People's Republic of the Congo, Costa Rica, Cote d'Ivoire, Ecuador, Honduras, Hungary, Mexico, Morocco, Nicaragua, Peru, Philippines, Poland, Senegal, Uruguay, and Venezuela.

b. Preliminary.

c. Cash basis, that is, actual payments.

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

sider ways to restructure military industries so as to transform them into productive civilian activities. These may be areas in which the Bank can provide technical assistance to member governments.

Commodity Prices

The nominal dollar price index of nonoil primary commodities declined by 1.8 percent in 1989, following a large and broad-based increase in the preceding year (Table 2-8). However, because of the U.S. dollar's appreciation against other major currencies, the nonoil commodity-price index declined only 1.4 percent in real terms (using the Manufactures Unit Value index deflator), and actually increased by 3 percent in terms of special drawing rights (SDRs).

Most primary commodity prices increased in nominal terms in 1989; exceptions were limited to a few commodities. Coffee prices fell by 21 percent after the suspension of the International Coffee Agreement's quota system. Because of coffee's large weight in the nonoil commodity-price index, this decline in coffee prices in 1989 contributed to the fall in the overall index. Cocoa prices continued their declining trend as a result of chronic overproduction. The prospects for a significant improvement over the short term in coffee and cocoa prices are not favorable; their low prices probably will continue to have an adverse effect on those developing countries, mostly in Africa, that are heavily dependent on exports of these commodities. Some fats and oils, as well as rubber and aluminum, also experienced substantial declines in prices.

In general, prices of most industrial raw-material commodities fared relatively better in 1989, benefiting from continued growth in industrial production. Despite declines in aluminum prices, the price index for metals and minerals increased, as disruptions of copper, lead, and zinc supplies further tightened the

Table 2-8. Commodity Prices, 1982–89
(average annual rate of change)

Commodity price	1982–87	1987	1988	1989
In nominal dollars				
Food and beverages	−2.4	−15.8	18.3	−6.5
Nonfood agriculture	−0.2	24.3	3.0	1.1
Metals and minerals	−0.5	14.9	37.5	4.6
Total nonoil	−0.9	0.3	20.4	−1.8
Petroleum	−11.1	27.4	−21.0	19.8
In real terms[a]				
Total nonoil	−5.1	−8.8	12.3	−1.4
Petroleum	−14.9	16.2	−26.4	20.3
In special drawing rights (SDR)				
Total nonoil	−4.0	−9.1	15.8	3.0
Petroleum	−13.9	15.6	−24.0	25.7

NOTE: Commodity-price indices are weighted by commodity exports of all developing countries.
a. Deflated by export prices of manufactures of major industrial countries.

market balance. Prices of most metals and minerals are expected to continue to stay relatively high throughout 1990.

The 20 percent increase in petroleum prices in 1989 reflected strong growth in demand, relatively cohesive production controls by OPEC, and supply disruptions in the North Sea and Alaska. However, petroleum prices began to weaken in real terms early in 1990 because of increases in production capacity and supplies from both OPEC and non-OPEC members, as well as the absence of consensus within OPEC on the distribution of quotas.

Trends in World Trade

The value of world merchandise trade again grew faster than output and rose to a record \$3.1 trillion (\$3,100 billion) in 1989. This total represents a 7.5 percent value increase over 1988 and is associated with a 7 percent growth in volume. Growth rates in the latter half of the decade were generally higher than those in the first half and averaged 3.5 percent a year. As in recent years, manufactures was a key growth sector, accounting for about 80 percent of the total 1988–89 increase in the value of trade. Developed countries generally experienced the highest growth rates, while exports of the socialist countries of Europe were static or declining. Within the former group, above-average real export growth was achieved by the United States and the EC, while Japan's export growth was below the world average.

For the developing countries as a whole, 1989 was the first year since 1985 in which their export volumes did not expand at a higher rate than the world average, as shipments from the leading exporters of manufactures in Asia fell sharply. As a consequence, export growth was moderate and balanced in every region. The expansion in Latin America's exports, which exceeded world export growth in 1988, fell to about 3.5 percent, half the world average. The growth in OPEC exports, approximately 9 percent, constituted the most dynamic element in developing countries' trade and accounted for just under one quarter of these countries' merchandise exports. This implied that developing countries' nonoil export volumes grew more slowly than the total for 1989.

There were a number of important developments at the country level in 1989 (Table 2-9). The United States regained its position as the world's leading exporting country, after three years as number two behind Germany. This change resulted from two factors—a large increase in the volume of U.S. exports and a depreciation of the deutsche mark against the dollar—either one of which would have moved the United States into first place. Among the twenty-three largest exporters, three countries (China, Mexico, and Saudi Arabia) increased their rankings by two places relative to 1988. Two of these twenty-three exporting countries, Mexico and Saudi Arabia, experienced export growth rates that were more than double the 7.5 percent world average. Corresponding import growth rates show that five countries doubled the world average: Australia, Finland, Korea, Mexico, and Spain.

Several actions were taken in 1989 that had, or could have, an important influence on inter-

Table 2-9. **Leading Exporting Countries in World Merchandise Trade, 1989**

Rank 1979	Rank 1989	Country	Share of world exports (percent)	1989 value (US$ billions)	Percentage change 1989/88	Percentage change 1989/79
1	1	United States	11.8	364	13	95
		Germany, Federal				
2	2	Republic of	11.0	341	5	99
3	3	Japan	8.9	275	4	169
4	4	France	5.7	177	5	76
5	5	United Kingdom	4.9	153	5	77
6	6	Italy	4.6	141	9	95
10	7	Canada	3.9	120	2	107
7	8	U.S.S.R.	3.5	108	−2	68
8	9	Netherlands	3.5	107	3	68
11	10	Belgium-Luxembourg	3.2	98	6	72
25	11	Korea, Republic of	2.0	62	2	314
32	12	China	1.7	53	10	286
12	13	Sweden	1.7	52	4	88
13	14	Switzerland	1.7	52	2	94
28	15	Singapore[a]	1.4	45	13	214
19	16	Spain	1.4	43	6	136
16	17	Australia	1.2	37	13	100
33	18	Mexico[a]	1.2	36	17	192
24	19	Brazil	1.1	34	2	126
23	20	Austria	1.0	32	4	108
		German Democratic				
20	21	Republic	0.9	29	3	74
9	22	Saudi Arabia	0.9	28	20	−55
26	23	Denmark	0.9	28	1	91
		Total of above	78.2	2,411	—	—
		Average	—	—	6	102
		World total	100.0	3,090	—	—
		Average	—	—	7	86

NOTE: Details may not add to totals because of rounding. Data from *Taiwan*, China and Hong Kong are excluded.

a. Includes substantial re-exports and estimated exports from free processing zones.

SOURCE: GATT

national trade. Under Section 301 of the Omnibus Trade and Competitiveness Act of 1988, the U.S. trade representative (USTR) can cite countries for unfair trade practices and initiate procedures to negotiate for their removal or to secure compensation. In the event of unsatisfactory results, the USTR is empowered to conduct an investigation into alleged unfair-trade practices that may result in retaliatory action against these countries' imports. Three countries were so cited in 1989; early in 1990, however, as a result of progress in negotiations and changes in economic policy, two of the three were dropped from the list.

Some industrial countries' nontariff measures were renewed during 1989, although other barriers were removed or liberalized. In June 1989, the United States extended voluntary export restraints limiting steel imports until March 1992, while the EC also concluded new agreements limiting iron and steel imports. In contrast, several important nontariff barriers were eliminated. Japan continued to implement various market-opening measures, and Sweden abolished quantitative restrictions on imports of some temperate-zone fruits. In addition, barriers facing certain tropical products were reduced through concessions negotiated in the context of the Uruguay Round. Several EC members eliminated quantitative restrictions on imports from Japan, while the European Community as a whole decided to abolish most of the quantitative restrictions on imports from Hungary and Poland, effective

January 1, 1990. Finally, trade was liberalized on a bilateral basis, with tariffs and some nontariff measures reduced under the terms of the U.S.-Canadian Free Trade Agreement.

Developments in Eastern and Central Europe during 1989 have wide-ranging implications for future trade relations. Czechoslovakia, Hungary, and Poland, in particular, began either to implement or to prepare broad, free-market economic reforms that promise to alter the direction and composition of these nations' trade.

Negotiations in the Uruguay Round, scheduled for completion in December 1990, continued during 1989. Progress was made in some areas, such as the agreement in the mid-term negotiations to establish a mechanism to review the trade policies of individual countries, including Australia, Morocco, and the United States. In other areas, important differences were not resolved. Agriculture was one such area, with the debate revolving on how fast to liberalize trade and eliminate domestic support programs. In spite of intense negotiations, countries remain undecided on the best way to measure agricultural protection and on the mechanics of the liberalization process.

In the negotiations on textiles and clothing, pressure increased during 1989 for the removal of the Multifibre Arrangement, which systematically discriminates against the exports of developing countries. Major unresolved problems clearly remain, since many of the proposals on liberalization are linked to difficult discussions on the selective application of safeguards to counter surges of imports. Intellectual property is another area where divisions persisted in 1989. Developed countries, for example, want reinforced patent protection and new initiatives to combat trademark violations, while developing countries want freer access to new technology and less costly pharmaceuticals.

During 1989, developing countries, individually and in coalitions with other developed and developing countries, for the first time emerged as active players in global trade negotiations, making proposals in many areas of the negotiations. How their concerns are accommodated in the final negotiating process will have a major influence on the evolving nature of the General Agreement on Tariffs and Trade (GATT).[7]

Environment

Awareness of the global nature of environmental issues and international concern about the quality of air, soil, and water and about the consequences of pollution for the quality of life continued to grow during the past year. Some of these issues clearly cannot be addressed by individual countries or even by groups of countries. They must be addressed on a much broader basis. The challenge to global environmental management is made more complex by the need for countries with very different incomes, natural resources, technology, populations, and interests to agree on a common strategy.

The question of who bears the burden of protecting the environment continued to be important in international discussions. For example, in the case of chlorofluorocarbons (CFCs), which have been cited as harmful to the ozone layer, approximately 90 percent of the CFCs in the atmosphere have come from the industrial countries. However, it is anticipated that the share of developing countries will rise dramatically if the issue is not addressed quickly. Because of disparities in world incomes and the possible slowing of economic growth, developing countries have asserted that they would be hard pressed to incur some of the additional costs of addressing environmental problems. In late June 1990, environment ministers from ninety-three countries agreed at a landmark meeting in London to phase out the production and use of chlorofluorocarbons and several other chlorine-based and bromine-based chemicals by the end of the century, thus strengthening greatly the 1987 Montreal Protocol on Substances That Deplete the Ozone Layer. A new fund was also created to help developing countries change their technology to one based on chlorine-free compounds. The fund will total $240 million for the first three years and will be administered by a fourteen-nation committee consisting of seven developing nations and a like number of industrialized countries. An innovative fund, proposed by the French government and further explored by the Bank, would provide concessional funds for technical assistance and investment programs in developing countries to address four key areas of concern: the protection of the ozone layer, reduction of emissions of "greenhouse" gases and of emissions that result in transboundary pollution, protection against

[7] At its May 1990 meeting in Washington, D.C., the Development Committee called on both developed and developing countries to reach an early agreement on these issues and to agree on a strengthened multilateral trading system based on predictable and uniform rules to promote trade liberalization by all countries. The committee stressed that a successful conclusion of the negotiations was essential to prevent the drift toward protectionism. Members also emphasized that improved access to markets and greater participation by developing countries in GATT benefits were essential and in many cases more important than official development assistance flows or debt relief in facilitating the adjustment and growth efforts of developing countries.

degradation of international water resources, and protection of biological diversity. Various proposals for a pilot mechanism to address these issues that would take into account the Bank's existing programs are currently being considered.

The concept of "sustainable development" is also beginning to influence current thinking about the long-run economic viability of alternative development strategies. Agricultural practices, energy policies, and industrial technology all have important implications for the environment. However, considerable progress still needs to be made in quantifying the sustainability of various economic actions and translating that analysis into policy. In particular, the scope for market-based incentives to induce environmental protection, as compared with regulatory approaches, needs to be better understood.

The difficult issue of global warming continues to be debated. Some scientists believe that the burning of fossil fuels, some agricultural practices, deforestation, and other human activities will raise global temperatures through a "greenhouse effect." Others have argued that, despite an increase in greenhouse emissions, there is no evidence that global warming has occurred. Although the research results are ambiguous and sometimes conflicting, there is some consensus on the importance of conservation efforts to reduce dependence on fossil fuels. The success of such efforts will depend on technological developments and policies that provide incentives for such conservation. The nature of these policies will have to await the research results on the magnitude and nature of the greenhouse effect. In the interim, the need for an international institutional authority for addressing global warming was recognized in the Declaration of the Hague, which was signed by twenty-four national leaders on March 11, 1989.

There was also a new international environmental agreement, signed in Basel in March 1989, on the movement of transboundary hazardous wastes. This agreement was in response to fears that hazardous wastes would be exported from industrial economies for disposal in developing countries. The World Bank has expressed its intention not to finance projects involving toxic-waste disposal in other countries and has published guidelines to help poor countries manage hazardous waste. This includes the establishment of guidelines for waste-management programs and support for borrowing countries that set out to strengthen their domestic capacity to recycle, reprocess, and dispose of toxic wastes. These initiatives represent important steps toward implementing actions that were recommended in the Brundtland Commission Report, which will be reviewed at the United Nations Conference on Environment and Development in Brazil in 1992.

Section Three
The World Bank—Fiscal Year 1990

Ninth Replenishment of IDA (IDA-9)

Agreement was reached during the fiscal year on an SDR11.68 billion replenishment of IDA resources for the three-year period fiscal 1991–93. Based on the rate of exchange prevailing at the time of the agreement, SDR11.68 billion is equivalent to $15.5 billion.

Because the amount represents an increase of 12 percent over eighth replenishment (IDA-8) SDR totals, the real value of IDA-8 donor contributions is maintained.

Thirty-one IDA members plus Switzerland (not a member of the Association) are contributing to the IDA-9 replenishment (see Table 3-1). Seven of the contributing IDA members are current borrowers from the IBRD: Brazil, Hungary, the Republic of Korea, Mexico, Poland, Turkey, and Yugoslavia.

The agreement, reached on December 14, 1989, in Washington, D.C., was the culmination of formal negotiations begun in February 1989, also in Washington. Meetings of representatives of donor governments (IDA deputies) were also held in London (May 1989), Copenhagen (July 1989), Washington again (September 1989), and Kyoto (November 1989).

During the negotiations, the deputies reviewed the evolution of IDA's role in the mid 1980s, a period of economic crisis and shrinking availability of resources in many IDA-recipient countries. In response to the economic environment prevailing at that time, IDA supported policy change, institutional development, and investments needed to achieve long-term growth, the reduction of poverty, and the more efficient use of resources. Adjustment lending, especially in sub-Saharan Africa, was sharply expanded. Donors indicated substantial support for the evolution that had taken place in IDA programs during the period.

In their report detailing the provisions of the agreement, the deputies recommended to their governments the commitment of resources, addressed a number of policy matters, and asked that the Association's executive directors examine ways in which IDA could facilitate debt-for-nature transactions; develop appropriate procedures for regular review and approval of tranche releases of adjustment operations; review the policy framework for each IDA borrower annually (or as necessary in the case of small borrowers); and strengthen collaboration between the Bank and the International Monetary Fund.

The report identified three program areas for higher priority during the ninth replenishment period—poverty reduction, support for sound macroeconomic and sectoral policies, and the environment.

Donors stressed that the IDA lending program should retain a focus on the poorest sections of the population. Donors asked for assurances, therefore, that poverty reduction would be central to the Association's policy dialogue with recipient countries; that these countries would be encouraged to adopt measures to protect the poor during the adjustment process; and that, in defining the performance criteria for the allocation of IDA resources, increased weight be given to an effective governmental commitment to the reduction of poverty.

Donors underscored the importance of sound macroeconomic and sectoral policies as a basis for effective use of IDA funds and urged that IDA's regular assessments of country performance specifically include a determination of the adequacy of these policies with a view to identifying where improved performance is necessary to build sustainable and increasing self-supporting development.

Donor representatives also considered it important that IDA continue to play a central role in developing and supporting adjustment programs by providing quick-disbursing adjustment credits, as well as investment lending. Deputies agreed and recommended that the share of quick-disbursing adjustment lending during the IDA-9 period remain—as it was in IDA-8—at around 25 percent and that it not exceed 30 percent of the total.

Deputies welcomed efforts currently under way in borrowing countries to support environ-

Table 3-1. Contributions to the Ninth Replenishment of IDA Resources
(amounts in millions)

Contributing member[a]	Basic contribution: SDR amount	Basic contribution: Share (percent)	Supplementary contribution: SDR amount	Total contribution: SDR amount
Australia	232.41	1.99	—	232.41
Austria	93.43	0.80	—	93.43
Belgium[b]	180.90	1.55	—	180.90
Brazil	10.00	0.09	—	10.00
Canada	554.75	4.75	—	554.75
Denmark	151.83	1.30	—	151.83
Finland	116.95	1.00	23.39	140.34
France	852.60	7.30	35.00	887.60
Germany, Federal Republic of	1,284.00	11.00	58.00	1,342.00
Greece	6.00	0.05	—	6.00
Hungary	10.92	0.09	—	10.92
Iceland	4.00	0.03	—	4.00
Ireland	12.00	0.10	2.00	14.00
Italy[b]	619.00	5.30	6.00	625.00
Japan	2,183.97	18.70	239.80	2,423.77
Korea, Republic of	17.50	0.15	11.50	29.00
Kuwait	7.94	0.07	—	7.94
Luxembourg	5.84	0.05	—	5.84
Mexico	20.00	0.17	—	20.00
Netherlands	350.37	3.00	35.04	385.41
New Zealand	17.05	0.15	—	17.05
Norway	165.84	1.42	—	165.84
Poland	4.00	0.03	—	4.00
Saudi Arabia	230.16	1.97	—	230.16
South Africa	9.03	0.08	—	9.03
Spain	81.75	0.70	3.25	85.00
Sweden[b]	305.99	2.62	—	305.99
Turkey	10.00	0.09	5.00	15.00
United Kingdom	782.49	6.70	—	782.49
United States	2,523.81	21.61	—	2,523.81
Yugoslavia	5.00	0.04	—	5.00
Subtotal	10,849.54	92.89	418.98	11,268.52
Switzerland	184.46	1.58	—	184.46
Other				
Supplementary contributions	418.98	3.59	—	—
Accelerated encashments[b]	56.50	0.48	—	56.50
Reduction, unit of obligation[d]	79.97	0.69	—	79.97
Unallocated	89.54	0.77	—	89.54
Grand total	11,679.00	100.00	418.98	11,679.00

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

a. Argentina is not yet in a position to confirm its contribution to IDA-9.

b. These countries have agreed to make a portion of their contributions in the form of investable resources, which has the effect of enhancing their value to the Association.

c. Switzerland is not a member of IDA, but is associating itself with IDA-9 by providing resources for purposes and on terms to be agreed separately between IDA and Switzerland.

d. Represents the reduction due to changes in the unit of obligation from IDA-8 to IDA-9 for donors with high domestic inflation rate.

mentally sustainable development and urged the Association to accelerate these efforts at three levels—in lending operations, in country programs and dialogue, and in global or regional initiatives. Deputies called for a strengthening of the dialogue between IDA and governments, as well as nongovernmental organizations, on environmental concerns. It was agreed that the preparation of environmental-assessment reports would be part of an ongoing process of consultation with affected groups and relevant local nongovernmental organizations.

Under the terms of IDA-9, the deputies recommended that the existing criteria governing the allocation of the Association's resources—need (relative poverty, country size, and lack of creditworthiness) and ability to make effective use of resources (performance)—be continued. The definition of performance would contain three elements: sound economic management, efforts to achieve growth that fosters equity and a reduction of poverty, and efforts toward sustainable, long-term development. In view of the scarcity of IDA resources, donors stressed that IDA's programs should not be regarded as entitlements.

The focus on the poorest countries was endorsed,[1] as was the practice of the previous replenishment to limit to 30 percent the allocation of IDA funds to the two largest active IDA borrowers (India and China). (See Figure 3-1 for IBRD and IDA lending to the poorest countries.) The deputies also recommended that, assuming performance continues to warrant it, the level of support to sub-Saharan African countries—currently between 45 percent and 50 percent—not be reduced.

Nonetheless, the deputies noted that support for low-income countries elsewhere was needed and that, during IDA-8, some non-African IDA-only countries had received lower per capita allocations of IDA resources than African countries of similar size and performance characteristics. Recognizing that the potential funding requirements of these countries could be significant during the fiscal 1991–93 period, donors agreed that the Association should have increased flexibility in allocating its resources among countries and that, in the event new demands materialize on a significant scale, resources could be reallocated from all regions.

The executive directors of the Association approved the IDA-9 report and resolution for transmission to the board of governors. The resolution was subsequently adopted on May 8, 1990. The directors indicated that although the issues raised in the report of the deputies would be addressed in a timely manner, approval of the report did not prejudge the outcome of their deliberations.

The issues involved in debt-for-nature transactions were reviewed by the executive directors, who encouraged Bank management to make use, where appropriate, of the mechanisms described in a report on the subject as part of the Bank's ongoing work in debt reduction, the environment, or other areas where they may apply. It was agreed that no Bank funds were proposed to be used directly for debt-for-nature transactions and that the materiality criteria would continue to be fully applied for debt-reduction operations.

The directors discussed and subsequently approved a paper on proposed procedures for tranche releases under adjustment loans and credits. Those procedures:

- oblige Bank management to (a) release a tranche after a staff review has concluded that conditions for such release have been satisfactorily met and (b) explain promptly to the directors the basis upon which the conclusion was reached;
- permit Bank management either to suspend the tranche release or submit the matter for board consideration when the staff review has concluded that compliance with loan-agreement conditions has not been fully adequate; and require that the board be informed quarterly of pending tranche releases and that operations with delayed tranche release be identified;
- call on Bank management to (a) recommend possible action (and provide justification for its recommendation) in those cases in which circumstances justify a tranche release despite less than fully adequate compliance and (b) take necessary action in light of board views; and
- call for the scheduling of a general board review of compliance with conditions of adjustment operations and of the status of tranche releases pertaining to them as part of the Bank's periodic reporting on adjustment lending.

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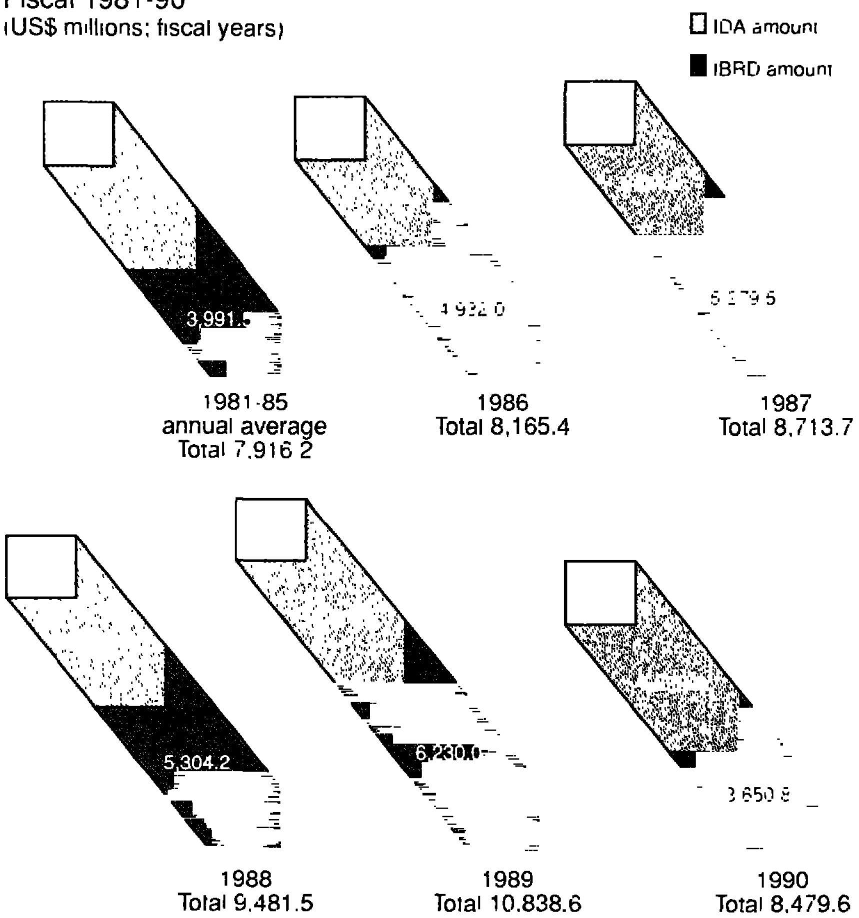
[1] In endorsing IDA's focus on the poorest countries, the IDA deputies supported maintenance of the Association's eligibility criteria. There are two relating to per capita income: an operational cutoff of $580 per capita GNP (1987 dollars) and an "historical" eligibility ceiling of $940, also in 1987 dollars. In general, countries with per capita GNPs of more than $580 would not be eligible for IDA credits. However, IDA would have flexibility in exceptional cases to extend eligibility temporarily to countries above the cutoff that are undertaking major adjustment efforts, and IDA could provide assistance to small island economies, which, because of their limited creditworthiness, have little or no access to IBRD funds. The historical eligibility ceiling is used by the United Nations and other organizations to determine eligibility for concessional assistance.

Figure 3-1. IBRD and IDA Lending to the Poorest Countries, Fiscal 1981-90
(US$ millions; fiscal years)



Note: The poorest countries are defined as those with per capita income of $544 or less in 1988 US dollars.

In considering a report on approaches to country-strategy reviews of IDA countries, the directors approved the recommendation that, to facilitate discussion by the board of country-policy frameworks, Bank management would provide the information required for a discussion of each country's strategy and performance. This would be done on the occasion of the first structural-adjustment or sector-adjustment credit to be presented each fiscal year; in those active IDA countries without adjustment operations, the assessment would be provided in the first relevant investment credit presented to the board in the fiscal year.

IDA-9 will become effective when instruments of notification are received from IDA members whose aggregate shares represent 80 percent of the replenishment total.

Initiatives for Sub-Saharan Africa

Africa's continuing economic crisis presents an extraordinary challenge to Africans and the development community alike. The difficulties facing sub-Saharan Africa are formidable, and the costs of failure to reverse current trends would be devastating in human terms. In some countries, low or declining per capita incomes are already resulting in a deterioration in the quality of human life.

A major World Bank report, published in October 1989, laid out a strategic agenda for African governments and the donor community for the 1990s and beyond—an agenda that, if followed, could reverse the economic and social decline of the 1980s.[2]

The report was based on several years of extensive study and consultation by Bank staff with African officials, researchers, and intellectuals, as well as with the international donor community. The Bank's most comprehensive assessment to date of sub-Saharan Africa, the study calls for a doubling of expenditure for the development of human resources as part of a new effort to strengthen African skills and institutions and reverse the continent's economic decline.

The goals of improved and better-financed programs for developing human resources are food security, primary education, and adequate health care for all Africans within the next generation.

To achieve these objectives, sub-Saharan economies must grow by at least 4 percent to 5 percent annually, a target that the report says is ambitious but achievable. Continued economic reforms and structural adjustment are a necessary condition for growth. Reviewing the experience of the 1980s, the report calls for continuing evolution of adjustment programs, including better phasing and implementation of adjustment measures, more adequately funded adjustment programs, and an adjustment strategy more strongly focused on protecting the poor and vulnerable among Africans.[3]

The report argues that agriculture is the primary source of future growth and that food production will have to expand by 4 percent a year (as compared with the current 2 percent) if sub-Saharan Africa is to feed its rapidly growing population. African countries need to create an enabling environment (allowing prices to move flexibly, increasing the role of the private sector, reforming credit and land-tenure systems, constructing rural roads); harness technology (requiring an emphasis on agricultural research); build capacities (a need that runs through all levels to produce better-trained researchers, extension agents, and farmers and strengthen rural institutions); and safeguard natural resources (by reducing soil erosion, deforestation, and desertification).

The report also targets growth for industry initially at 5 percent a year, rising to 7 or 8 percent—higher than for agriculture, as is consistent with experience elsewhere. To meet the targets for agriculture and industry, an enabling environment of infrastructure services and incentives to foster efficient production and private initiative is required.

In order for population growth rates to be trimmed, families must be persuaded that better spacing and timing of births, as well as fewer births, can reduce infant, child, and maternal mortality and sickness. Most African governments now officially support family planning, but there is an urgent need to match expressions of commitment with adequate technical, financial, and managerial support.

The report also calls for increased regional cooperation and integration—to be pursued through a series of pragmatic, incremental steps to facilitate trade across borders—and faster removal of the many obstacles to the movement of capital, labor, and goods and services within the framework of global trade liberalization.

The study also emphasizes the need to strike a better balance between the roles of the public and private sectors in African economies. Private-sector initiatives and market mechanisms are important, but they must go hand-in-hand with good governance—a public service that is efficient, a reliable legal framework to enforce contracts, and an administration that is accountable to the public (see Box 3-1).

Emphasizing that "Africa's future can only be decided by Africans," the report underscores the need for increased external assistance to support African efforts. Sub-Saharan Africa's external-resource requirements could be met, the report concludes, if the donor community were to increase its official development assistance (ODA) during the 1990s by about 4 percent a year in real terms and put into place concessional debt-relief mechanisms that would limit Africa's debt-service payments to current levels—about $9 billion a year.

These assumptions would lead to a gross ODA requirement of more than $20 billion in 1990 dollars annually by the year 2000, roughly double the level in 1986 (see Table 3-2). If this volume of assistance could be mobilized and used effectively, sub-Saharan Africa would be better able to reverse its economic decline and eventually reduce its need for aid. As an important step in building support for the recommendations in the Bank's report, the government of the Netherlands scheduled for early July 1990 an international conference on Africa for which the report is to be a key document. The conference was expected to bring together senior representatives of African governments, bilateral donors, and multilateral institutions to discuss the main issues identified in the Bank report, as well as the idea of establishing a

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[2] World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth* (Washington, D.C.: 1989).

[3] For details of the multidonor "social-dimensions-of-adjustment" (SDA) program, see page 111.

Box 3-1. Capacity Building in Africa

The Bank's study of long-term development prospects for sub-Saharan Africa emphasizes that sound policies are a necessary, but often not sufficient, condition for economic development. To be effective, policies must be sustainable. Policy sustainability, in turn, requires a strong sense of African ownership. There is no better way to foster this sense of ownership than to produce these policies by building up the capacity to produce first-rate indigenous research and design effective policies.

As the long-term perspective study documents, however, this capacity is in critically short supply in almost every sector of most African countries. Providing the needed policy-research and managerial capacity in the near term and the capacity to produce these skills in the longer term requires a large-scale, concerted, and coordinated effort by both donors and African governments.

To this end an African capacity-building initiative (ACBI) has been proposed. A joint initiative of the African Development Bank, the United Nations Development Programme, and the World Bank, the ACBI will seek to:

• create a consultative forum in which Africans can participate as full partners in the setting of priorities and the development of policies to promote capacity-building goals;

• establish processes for coordinating capacity-building initiatives that would lead to greater efficiency and effectiveness of ongoing donor efforts;

• increase the level of funding and resources available to enhance ongoing capacity-building interventions, as well as to finance promising new actions; and

• establish systematic links between research and training institutions and governments to foster greater understanding and communication between the two groups.

To accomplish these objectives, the ACBI will:

• rehabilitate and upgrade selected existing policy-analysis and economic-management institutions and, where that is not possible, create new ones;

• insulate these institutions from political interference and help them develop coherent research and training programs;

• identify, design, and promote the systematic building of national and regional networks of researchers, managers, and professional associations in Africa; and

• coordinate with complementary development initiatives in higher education, public-sector reform, and other important sectors.

The ACBI would work through three proposed channels—an ACBI fund, cofinancing, and associated programs.

The ACBI fund would use resources provided by donors to finance new capacity-building programs and to supplement and strengthen ongoing programs that have proven effective. The fund's comparative advantage would be in addressing critical gaps or weaknesses in current programs and funding efforts. Contributions to the fund would be held in trust, invested, and disbursed by the World Bank.

Some donors might wish to channel some of their capacity-building resources through cofinancing with the ACBI fund so as, for example, to strengthen their ongoing programs, coordinate with other donors, or reach a target constituency that they did not feel capable of approaching on their own.

It is expected that donors would want to continue to pursue some of their own efforts in the field of capacity building where they feel they have a particular preference or comparative advantage. Through the associated-programs mechanism, donors would inform the ACBI secretariat of the details of their programs.

In a meeting held in Paris in June 1990 to discuss the ACBI, the major donor countries to sub-Saharan Africa emphasized the priority of improving local skills in, and institutions for, policy analysis and economic management in the region.

Many donor representatives said that the ACBI should be developed and implemented as soon as possible. A number of donors—including Austria, Canada, Japan, Sweden, and the United States—made financial pledges to a special ACBI fund that would support programs to improve policy analysis and economic management in Africa. Many other donors indicated their willingness to make pledges in the near future.

The pilot phase of the ACBI would be rigorously monitored and evaluated, and if results and progress were deemed to be unsatisfactory, its operations could be reduced in scale or discontinued.

The World Bank has agreed to contribute an amount not to exceed 15 percent of total funding to the program.

continuing coalition that would support Africa's long-term development.

A primary source of support for Africa's long-term development has been the special program of assistance (SPA), which was launched in December 1987 to help mobilize and coordinate quick-disbursing aid and concessional debt relief to support adjustment in the low-income, debt-distressed sub-Saharan countries in 1988–90. The SPA has also developed an active partnership of donors to coordinate adjustment financing and to facilitate

Table 3-2. ODA Requirements for Sub-Saharan Africa, 1981–2000
(billions of current US dollars, unless otherwise noted)

							Net transfers	
Year	Gross ODA	+	Other flows[a]	−	Debt-service payments	=	Amount	As a percentage of GDP
1981–85[b]	8		6		9		5	3
1986	11		6		9		8	5
Projected (1990 dollars)								
1990	15		6		9		12	8
2000	22		6		9		19	9

a. Gross nonconcessional borrowings, net direct foreign private investment, net private transfers, changes in reserves, and errors and omissions.

b. Annual average.

far-reaching discussions of key issues in implementing and supporting adjustment programs.[4]

The SPA framework has provided for five sources of financing: increased adjustment lending from resources provided under the eighth replenishment of IDA; increased cofinancing and coordinated financing from bilateral and other multilateral donors to support adjustment programs;[5] supplemental IDA adjustment credits from resources provided by a share of the investment income of, and repayments to, IDA; additional resources from the International Monetary Fund's enhanced structural-adjustment facility (ESAF); and greater debt relief, including more forgiveness of concessional loans and more rescheduling of nonconcessional debt on softer terms.

Overall aid flows to sub-Saharan Africa have been steadily increasing both in volume and as a share of worldwide aid. An increasingly large percentage of this aid has taken the form of quick-disbursing assistance to support adjustment programs in African countries. For the twenty-two countries eligible for SPA assistance as of December 1989, gross ODA is expected to grow at about 10 percent a year in current prices, on the average, in calendar 1988–90, faster than the 6.7 percent annual growth for the region as a whole during the preceding seven years. Three fourths of that increase is coming in the form of commitments of quick-disbursing assistance, which is expected to comprise between 35 percent and 40 percent of the aid disbursed to these countries during the three years of the SPA. The SPA framework has been, and is, a primary channel for much of this increased assistance to support adjustment.

IDA has increased both its total aid flows and the share of quick-disbursing assistance in support of adjustment in the SPA-eligible countries. The average annual level of commitments to the twenty-two countries in the eighth replenishment period was $900 million higher than that provided during the years of the seventh replenishment (fiscal 1985–87). Based on current projections, IDA lending will have accounted for almost a fifth of the gross aid flows to the twenty-two countries during 1988–90. About 45 percent of IDA commitments are quickly disbursed in support of adjustment. This level of adjustment lending, which averages approximately $900 million a year, is about double that in the seventh replenishment period, when adjustment commitments made up 37 percent of the total.

At the end of 1989, revised pledges by SPA donors for cofinancing and coordinated financing of adjustment operations in eligible countries amounted to $5.8 billion, of which $4.8

[4] Sixteen countries were considered eligible for the SPA at the initial pledging meeting held in December 1987: Burundi, The Gambia, Ghana, Guinea, Guinea-Bissau, Madagascar, Malawi, Mauritania, Mozambique, Niger, São Tomé and Principe, Senegal, Tanzania, Togo, Uganda, and Zaire. The Central African Republic was included at the first multidonor meeting—in March 1988. Chad, Kenya, and Mali were declared eligible at the second multidonor meeting in October 1988. Benin and Somalia became eligible after the third multidonor meeting, which was held in March 1989. The twenty-third country, Zambia, became eligible in March 1990.

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

[5] Eighteen donors made pledges totaling $6.4 billion in support of the program: Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, the United States, the African Development Bank, and the European Community (including the European Investment Bank).

billion had been officially allocated and $1.0 billion had been unofficially allocated. The projected rate of disbursement from the revised pledges is 75 percent, only slightly lower than that initially programmed; over two thirds of the disbursements are in the form of grants and come on an untied-procurement basis. Disbursements by donors in the first two years of the SPA (January 1988–end December 1989) totaled $2.7 billion.

To reduce the burden of IBRD debt owed by IDA-only countries, the Bank began a program of supplemental adjustment credits in fiscal 1989. As of June 30, 1990, eight eligible African countries, all in the SPA, had received supplemental credits worth $159 million, or about 80 percent of the worldwide allocation in the program's two-year existence (see Table 3-3). Cofinancers have supplemented these funds by about a fifth.

The International Monetary Fund (IMF) established its structural-adjustment facility (SAF) in March 1986 to provide concessional financial assistance to low-income members facing protracted balance-of-payments problems and undertaking programs of structural adjustment. The funds are drawn from reflows of trust-fund loans financed by IMF gold sales in the 1970s. The IMF's enhanced structural-adjustment facility (ESAF), financed by special contributions in the form of both loans and grants, was put into place in 1987. The same sixty-two members eligible for SAF loans are eligible for the ESAF. Together, these two facilities can provide about $12 billion in ten-year credits, with five and one half years of grace, at an interest rate of 0.5 percent.

IMF assistance under the SAF and ESAF has been an important complement to the Bank's SPA effort. Bank-IMF collaboration in this area has been close and systematic. An integral element of the SAF and ESAF is the policy-framework paper, which is developed by country authorities with the assistance of the staffs of the Bank and the IMF and sets out medium-term economic objectives and planned policy measures.

Countries eligible for SPA support have been beneficiaries of the SAF and ESAF. As of the end of 1989, twenty-one SAF arrangements and eleven ESAF arrangements had been approved for twenty-two SPA-eligible countries. IMF gross disbursements under the SAF and ESAF averaged $650 million a year during the period 1987–89 and are expected to be the equivalent of about a tenth of total gross aid flows under the SPA.

The SPA has also spurred advances in the effort to deal with the debt problems of low-income African countries by helping to build a consensus that concessional debt relief, together with aid, should be a part of a coordinated strategy to ensure an adequate flow of resources to the debt-distressed countries of sub-Saharan Africa.

Many major donors have announced their intention to convert most existing or outstanding official development assistance loans to grants for selected low-income countries. In addition, beginning in 1988, official rescheduling agreements became more concessional, and they now generally cover a larger share of obligations. In 1988–89, Paris Club creditors rescheduled over $3 billion owed by fifteen SPA countries, almost all on terms agreed to at the Toronto economic summit in June 1988.[6] On the average, rescheduling provided a grant element of about 20 percent.

Debt owed or guaranteed by African governments to commercial banks poses a significant problem, both now and into the 1990s, for about half of the SPA countries. Debt reduction through direct buybacks, swaps, and other exchanges offers scope for reducing future debt-service payments in a number of them. As a step in facilitating these buybacks, the Bank

Table 3-3. Allocations of IDA Reflows, Fiscal Years 1989–90

(amounts in millions)

Region and country	Fiscal 1990 allocations: US dollars	Fiscal 1990 allocations: SDR[a]	Fiscal 1989 allocations (US dollars)
Africa			
Ghana	5.7	4.6	6.6
Kenya	44.0	35.3	53.7
Madagascar	1.2	0.9	1.4
Malawi	4.7	3.8	5.2
Senegal	4.4	3.5	5.5
Tanzania	10.3	8.3	12.5
Togo	0.2	0.2	0.1
Uganda	1.5	1.2	1.7
Subtotal	72.0	57.8	86.7
Other			
Bangladesh	2.3	1.8	2.5
Bolivia	9.1	7.3	11.3
Guyana	3.4	2.6	—
Sri Lanka	4.4	3.5	—
Subtotal	19.2	15.2	13.8
Total	91.2	73.0	100.5

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

[6] For details, see footnote on page 52.

agreed in fiscal 1990 to establish a worldwide debt-reduction facility for IDA-only countries, funded in part by a grant of $100 million from IBRD income, that could be used by recipient governments to buy back uncollateralized external debt owed to private commercial lenders. Arrangements for Mozambique and Bolivia are currently under preparation.[7]

In May 1990, the Development Committee welcomed the various measures to alleviate the debt burden of the severely indebted, low-income countries. Members noted that even with these arrangements, a number of countries have uncertain prospects for an early return to external viability. The committee requested the Bank and the IMF to undertake an evaluation of the benefits of the debt relief and other measures taken so far. In view of the low debt-service capacity of these countries, members also considered that their new commitments of assistance to the severely indebted, low-income countries should only be provided on highly concessional terms.

The SPA has shown that effective coordination between donors and creditors can help ensure an adequate level of concessional resources to support reforms and that a better exchange of information among donors can improve the quality, timeliness, and effectiveness of the assistance provided. On balance, the experience in the 1980s of the SPA countries tends to confirm that strong policy reforms, coupled with adequate donor support, can lead to better economic performance and help ease some of the social problems caused by economic and financial crisis. The recent economic record of the SPA countries is better than that of other sub-Saharan countries (including some IBRD borrowers with good policies). Gross domestic product, exports, investment, income, and consumption have grown faster in recent years in SPA countries, on the average, than in other African countries. Many factors help explain this superior performance, but reforms have contributed.[8]

The Development Committee, at its spring 1989 meeting, asked that the SPA framework be extended beyond 1990. And, at a meeting held in Paris in October 1989, participating donors agreed on the outline of a second SPA to cover the three-year period 1991–93. Essentially the same eligibility criteria that prevailed during the program's first phase will be carried over into the second phase.[9] The second SPA would continue to help maintain an adequate level of resources to support adjustment in eligible countries; improve the quality of donor and creditor adjustment support; and broaden the exchange of information among donors to help achieve concerted action on a wider array of issues related to adjustment, in line with the themes of *Sub-Saharan Africa: From Crisis to Sustainable Growth.*

In May 1990, the Development Committee welcomed the agreement in principle of donors for an extension of the SPA and urged them to indicate their levels of adjustment assistance for 1991–93 at the SPA donors' meeting scheduled for the fall of 1990. Committee members also suggested that donors take that occasion to continue to consider steps to untie procurement arising from their commitments under the SPA and to further harmonize procurement and disbursement procedures. At a meeting in Paris in June 1990, SPA donors not only confirmed their earlier agreement in principle but also gave their unqualified endorsement to a continuation of the program. They agreed that the estimated requirements for adjustment financing in countries that may be eligible during 1991–93 provided a reasonable, initial basis for a second SPA. They also committed themselves to a closer collaboration through the SPA partnership, including stronger actions to improve the quality of aid and new efforts to broaden discussion of development issues linked to adjustment.

To cover the financing requirements of a second SPA, the Bank has estimated that donors will need to pledge some $8 billion in new commitments of adjustment support. In real terms, $8 billion would represent an increase of 10 percent above original SPA pledges. A formal pledging session by donors is scheduled for November 1990.

Under the agreement reached on the ninth replenishment of IDA resources (IDA-9), com-

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[7] For details, see page 52.

[8] Assessing the economic performance of SPA countries, especially in light of their reform efforts, is a complicated task, subject to many caveats. Aggregating performance across the diverse countries eligible for the SPA masks wide differences in experiences. Economies are often influenced by many factors unrelated to the strength of reform programs, including the severity of initial distortions, weather, commodity prices, and the level and timeliness of donor financing. Reform programs can cover a vast array of policies, and the scope and sequence of measures are tailored for each country. The strength of managerial institutions and personnel and the quality of governance also determine how well reform policies are actually put into practice. Most reforms take time to affect economic performance appreciably. Finally, the question of what would have happened in the absence of reform efforts can never be fully answered.

[9] The level-of-poverty criterion remains the same; the level of debt distress is defined more flexibly than under the original SPA to take into account the varying conditions of countries that can affect the extent to which debt creates a burden; evidence of efforts to adjust is defined as before, but special emphasis may be given to the appropriate composition of public-expenditure programs.

mitments for adjustment support in sub-Saharan Africa are programmed to total about $3 billion, including supplemental credits, for fiscal years 1991–93. Together with earlier commitments, these new commitments could give rise to about $3.2 billion in disbursements from IDA over the period.[10]

Efforts to reduce commercial debt and debt-service burdens will be brought under the SPA umbrella during the 1991–93 phase, as well. It is hoped that, as a result, debt workouts can be made more comprehensive and effective and that, through a resumption of normal relations with commercial creditors, spreads of trade credits can be lowered and impediments to foreign investment reduced. The extinguishing of commercial debt through cash buybacks in the initial twenty-two SPA countries could require between $200 million and $300 million, depending on discounts. Financing for this component would include a portion of the $100 million facility administered by IDA for commercial debt and debt-service reduction, plus associated cofinancing.

Other financing components of the second phase would include, as in the past, supplemental IDA adjustment credits, concessional assistance from the IMF, and official debt relief on concessional terms.

Assistance through the SPA framework can help ensure adequate financing for projected balance-of-payments gaps to low-income, debt-distressed countries during 1991–93, thereby placing them on the path toward accelerated growth. The donor community will also need to ensure that financing for investment projects in these countries continues to increase, especially in areas such as human-resource development.

Initiatives in a Reforming Europe

During the past year, extraordinary changes have swept through Eastern and Central Europe, transforming the political map of Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania. Economic reform accelerated and became more extensive as well, not only in terms of the number of countries in the region embracing reform but also in the depth of changes under way in the countries where reform had already begun.

Other significant events in the Eastern and Central European region during the year included initiatives to develop alternatives to the existing trade regime of countries that belong to the Council for Mutual Economic Assistance (CMEA). The direction of reform under consideration would place trade on a convertible-currency basis and reflect world prices. Both Bulgaria and Czechoslovakia applied for membership in the International Monetary Fund and the World Bank, and Romania became once again an active member of the Bank. Exploratory missions to each of these countries were carried out, and economic missions were dispatched to Bulgaria and Czechoslovakia.

The agenda of economic reform is complex, and the degree of economic distress, especially in the more indebted countries, makes urgent the need for policy and institutional changes on many fronts simultaneously.

In the short term, the most pressing priority in most countries is to restore macroeconomic stability. This requires not only traditional measures of fiscal, monetary, and exchange-rate adjustment but also institutional and structural changes to make enterprises responsive to market-based price signals.

A major issue is how to implement the necessary combination of structural reforms, which can generate a supply response to stabilization, without unleashing intolerable levels of inflation and unemployment. The adjustment policies being pursued include measures to tighten financial discipline of firms, foster private enterprise, introduce competition through import liberalization and action against monopolies, and promote to the greatest extent possible mobility of labor and capital. Such structural changes require adequate measures of social protection to ensure that the declines in real wages and the increased unemployment that inevitably accompany the initial stages of reform do not affect too negatively the standard of living of the population and undermine public confidence in the new leadership.

In addition to macroeconomic management during the difficult transition period, the reform agenda in Eastern and Central Europe includes (a) the herculean task of systemic transformation to establish the essential elements of a market economy; (b) the creation of social safety nets outside the enterprise sector (with its guarantees of full employment) and other social support; (c) improvements in environmental management; and (d) the more

[10] The number of countries that will benefit from the second phase of the SPA is likely to change. Among the twenty-three countries that are currently eligible, adjustment support would be deferred to those unable to maintain an acceptable reform program. Although no SPA country is likely to graduate during the three-year period, the requirements of some may decline (as, for example, Ghana, which expects to see its debt-service obligations fall). Additional countries will become eligible as they strengthen their reform programs.

traditional rehabilitation and improvement of economic and social infrastructure. The achievement of these objectives requires:

- reform of the state-enterprise system through promotion of competition, transformation to corporate forms with clear ownership rights, privatization, and the introduction of modern managerial practices;
- the development of market institutions and mechanisms, ranging from a competitive commercial banking system and an independent central bank to a properly diversified fiscal system, statistical and accounting practices, and an appropriate legal and regulatory framework;
- the revamping of the systems of social policy, including social security, unemployment compensation, health care, housing, and education so as to produce a more satisfactory level of provision of services while reducing the role of the state in the economy and fostering greater participation and self-reliance by individuals and local communities;
- rehabilitation of the environment, which is critical to a restoration of economic efficiency and an enhanced quality of life; and
- substantial rehabilitation and modernization of the physical infrastructure, especially communications facilities, so that adequate support can be provided for economic development and integration into the international economy.

While the reform agenda in these countries will broadly follow this pattern, countries differ significantly in their economic structure and level of development and in the extent of their external indebtedness and dependence on CMEA trade. Important differences are also imbedded in the education and training systems that determine a country's adaptability to the requirements of a market economy.

To help address the problems involved in transforming socialist economies into market-based systems, in addition to increased economic and sector work in the Europe, Middle East, and North Africa region of the Bank, a socialist-economies reform unit has been established in the Bank. The unit seeks to strengthen and encourage research by others—inside and outside the Bank—on socialist reform programs, and it acts as a clearinghouse of information on who is studying what and where. It also carries out analytical work of its own. Through its overview and coordination of the work in progress at the Bank and elsewhere, duplication of effort is reduced and gaps in knowledge can be identified.

The country coverage of the unit is wider than Eastern and Central Europe, and includes China, the Lao People's Democratic Republic, Viet Nam, and a number of African countries. Although their structural features are different in some important respects, the lessons of the Eastern and Central European experience are important for reform in countries outside Europe.

In February 1990, the Polish government received support for its stabilization efforts through an IMF standby arrangement and a rescheduling of debt with Paris Club creditors. These agreements made possible the initiation of World Bank lending and led to commitments totaling $781 million during the year in the areas of agroprocessing, export industries, transport, energy, and the reduction of pollution. In addition, the Bank established a resident mission in Warsaw to serve as a channel for dialogue on the country's development strategy.

In Hungary, agreement was reached in March 1990 with the IMF on a standby arrangement that focuses on exchange-rate, interest-rate, and budgetary measures. The Bank approved a structural-adjustment loan in June that supports government efforts to introduce further significant structural reforms—notably privatization of some state enterprises, liquidation of loss-making activities, and the initiation of some reforms in social policy. This adjustment operation was complemented by a project to modernize financial systems (thereby strengthening the banking system and capital market) and an integrated agricultural-exports project to support private small-scale farmers and the restructuring of agricultural cooperatives.

Yugoslavia stands apart from these countries in terms of both geographic location and duration of its reforms. Bank assistance in financing reform efforts dates back to July 1983, when a first structural-adjustment loan was approved. Fiscal 1990 saw Yugoslavia's reform efforts increase sharply.

The government's stabilization program, launched in March 1990, was supported by an IMF standby arrangement and by a second structural-adjustment loan from the Bank. The reform measures supported by the loan seek to liberalize further the price and trade regime and ensure the continued operation of a competitive foreign-exchange system. More significant, the loan supports the government's bold initiative to restructure the financial and social-enterprise systems and to strengthen their overall discipline in the economy, while also supporting improvements in the country's social safety-net system. A financial-sector adjustment loan, now in an advanced stage of preparation, seeks to assist further the significant deepening of the country's supply-response measures, with a focus on the implementation of financial-sector restructuring and the restructuring or liquidation of some of the largest loss-makers in the social-enterprise sector. Preparatory work has also been launched to support the government's drive to promote the development of small and medium-scale enterprises, especially those in the private sector.

Special Operational Emphases: Debt and Adjustment

Fiscal 1990 was the first full year during which World Bank support of the program of debt and debt-service reduction (known as the Brady Plan) was put to the test. Forged in the spring of 1989, the program seeks to strengthen the debt strategy for severely indebted, middle-income countries by providing official support for voluntary debt and debt-service reduction by commercial banks as a complement to adjustment measures, new lending by them, investment, and the repatriation of flight capital.

Overall, there is good reason to take satisfaction in the results achieved thus far. The new program represents a major innovation in the debt strategy and should be viewed as an important step toward an eventual resolution of the external-financing problems that have plagued the severely indebted, middle-income countries throughout most of the 1980s.

Significant reductions in debt and debt service have taken place in participating countries, and entirely new financial instruments have been created. Most severely indebted, middle-income countries have expressed strong interest in participating in the program, and they have had discussions with the Bank on the level and conditions of support. This is true even for those countries that have yet to begin their negotiations with their commercial creditors. The program has thus strengthened the incentives for member governments to embark on, or sustain, growth-oriented structural-adjustment programs. Consistent with the May 1989 guidelines for Bank involvement in the revised debt-strategy program, transactions under the new program should yield adequate and appropriate financing packages for the countries concerned and reasonable assurance should be forthcoming that the adjustment program and debt-servicing requirements are viable in the medium run.

Four debt-service agreements—with Mexico, the Philippines, Costa Rica, and Venezuela—have been concluded; in all four cases, the Bank has helped facilitate agreement. In addition, Morocco has concluded an agreement in principle with its commercial creditors.

The agreement with Mexico, reached in September 1989, covered about half of that country's total debt and provided relief through new money and debt conversion: Banks were offered the option of providing new money or converting their rescheduled debt into thirty-year bonds with either a reduced face value and market-based interest rates or with principal intact but with a lowered and fixed interest rate. The principal of these instruments was defeased against zero-coupon U.S. Treasury securities (or their equivalent in other currencies), and collateral was provided for eighteen months of interest. Provisions were also made for some interest recapture by the banks (if oil revenues were to rise beyond an agreed level). Buybacks or further debt exchanges by Mexico were also allowed (if it were current in its debt-service obligations), as were secured new-money borrowings. The enhancements were funded by resources drawn from Mexico's own reserves, from the International Monetary Fund and the IBRD, and indirectly from the Export-Import Bank of Japan. The IBRD set aside $750 million of commitments in several operations for the purpose of principal reduction. The IBRD also made a loan of $1.26 billion, which included $300 million set aside from future operations, for interest support.

The debt-reduction agreement reached with the Philippines in October 1989 was less complex. It offered banks the choice of selling their claims to the government of the Philippines at a 50 percent discount or providing new money. In support of this operation, the IBRD approved a $200 million loan to help the Philippines buy back a portion of its debt; the loan was the first to be earmarked exclusively by the IBRD for debt reduction. This agreement offered a way for smaller creditors having little long-term interest in the Philippines to exit with a one-time loss and for the remaining core group of creditors with long-term interests to provide new money and maintain the face value of their assets.

After protracted negotiations, made difficult by the existence of arrears, a comprehensive and concerted agreement between Costa Rica and its commercial creditors was reached in November 1989 and signed in May 1990. Under the agreement, the country's contractual debt service was reduced by almost 75 percent. The debt-reduction package included provisions for banks to sell a large portion of their Costa Rica assets (including arrears) to that country at a deep discount and exchange the rest for long-term, low-coupon bonds with some interest collateral (twelve to eighteen months). No request for new money was made, and the agreement was designed to offer an exit vehicle for commercial banks. For its part, the IBRD consented to grant a waiver of its negative-pledge clause for the interest collateral, as it did for the Mexico enhancements.

Venezuela and its creditor banks reached an agreement in June 1990 on a comprehensive financing agreement. The agreement, which provides the most extensive menu to date, includes a new-money option, cash buybacks, principal-reduction bonds, interest-reduction bonds similar to those in the Mexican package, and temporary interest reduction. It is too early to assess the specific benefits of this package because of the difficulty of predicting bank responses. The Bank has set aside $350 million of commitments from four adjustment operations, two each in fiscal years 1989 and 1990, to help finance the debt-reduction program. The funds will be made available once agreement is reached between the Bank and the government on a debt-reduction program that is satisfactory to the Bank.

On the basis of these four distinctively different agreements, it appears that the case-by-case approach is an indispensable condition in tailoring the debt and debt-service reduction operations to the particular circumstances of the debtor and the commercial banks. In each case, the parties reached agreements that reflected the particular initial conditions, constraints, and objectives of the country in question and its creditor banks.

None of the agreements constituted a preferred model. Each had features that can be adapted elsewhere, as negotiators learn from, and improve on, past experience. In the cases of Mexico and the Philippines, the banking community showed a diversity of interests large enough to include creditors who wanted to exit through a buyback or exchange of assets into lower-yielding bond instruments with enhancements, as well as those who were still willing to provide new money. The agreement with Costa Rica was particularly noteworthy in that it was reached after a prolonged accumulation of arrears, although Costa Rica had continued partial payments throughout the period at a rate that was consistent with its payment capacity. This, along with the government's continued performance on its adjustment program, greatly facilitated reaching an agreement. The results showed that, notwithstanding the difficulties involved, successful debt and debt-service reduction agreements can be reached.

The results also confirmed the expectation that countries would be encouraged to strengthen adjustment policies as a result of debt and debt-service reduction operations and that this, in turn, could substantially affect investor confidence. Mexico and the Philippines, for instance, reinforced their adjustment efforts in conjunction with the debt-reduction operations. Other countries are also strengthening their programs and are looking forward to reaching debt and debt-service reduction agreements. While adjustment in itself is of paramount importance for a return to sustainable prospects of growth, it also increases the confidence of potential investors in the viability of the economy. This reinforced commitment to adjustment appears to have significantly affected the return of flight capital and to have led to an increase in direct foreign investment. This has been particularly true in Mexico and, to a lesser extent, in the Philippines.

The Bank's support for debt and debt-service reduction operations is a logical extension of its efforts to assist its severely indebted member countries sustain medium-term development programs (see Table 3-4). In this context, debt reduction is a means and not an end in itself. Support for debt and debt-service reduction has thus been justified when it has been needed as part of a viable medium-term financing plan that can help the member country restore growth, facilitate the debtor's return to normal access to external credit markets, and reduce the need for further debt restructuring or other exceptional forms of financing.

Because the Bank's support is predicated on a country's having a sound and viable medium-term adjustment program, debt-reduction programs must be tenable over a three-year to five-year horizon, or longer, to contribute to the country's medium-term external financing requirements. The overall objective is to ensure that countries that undertake debt-reduction programs will not have to resort to appeals for supplementary financing from either official or private sources beyond what is planned in the program—so long as the evolution of the external environment remains within a reasonable range of variation.

The agreements reached thus far have been sufficiently strong to justify the Bank's support, and the executive directors of the Bank have expressed their strong backing for the program. In their review of progress made to date, they also expressed general satisfaction with the guidelines that govern the Bank's role in debt and debt-service reduction operations and agreed that the basic policy framework for the program should remain unchanged.

At its meeting in Washington, D.C., in May 1990, the Development Committee commended the Bank, the International Monetary Fund, and the government of Japan for their early and substantial support for debt and debt-service reduction packages negotiated by debtors and their creditor banks. The committee called on the Bank and the IMF to continue

Table 3-4. IBRD Commitments for Debt and Debt-service Reduction, Fiscal 1988–90
(millions of US dollars)

	Principal reduction			
Country	Set-asides from adjustment operations	Free-standing operations	Total	Interest support
Fiscal year 1988				
Mexico	375[a]	—	375	—
Fiscal year 1989				
Mexico	375	—	375	—
Venezuela	187	—	187	—
Fiscal year 1990				
Mexico	—	—	—	1,260
Philippines (phase I)	—	200	200	—
Venezuela	163	—	163	—
Total for fiscal 1988–90	1,100	200	1,300	1,260

a. As determined by amendments approved in FY90 to loan agreements of FY88 operations.

to provide support for debt and debt-service reduction programs, with the necessary flexibility under their established guidelines, which committee members reaffirmed, and to keep the strengthened debt strategy under review. It also called on the Bank and the IMF to emphasize measures to promote investment and capital repatriation in country-reform programs.

The Bank's guidelines state that support will be decided on a case-by-case basis and will hinge upon the strength of a country's medium-term adjustment program, the severity of its debt burden, the scope for voluntary market-based operations, the medium-term financing plan, and the potential benefits from Bank support, particularly for investment and growth.

The guidelines also set the parameters of the Bank's financial support, which comprises both "set-aside" funds (to be used to support operations resulting in principal reduction) and "additional" lending (to be used for interest support in connection with debt or debt-service reduction). In addition, Bank involvement is contingent on there being sufficient financial support available to achieve the objectives of the country's adjustment program.

These recent initiatives to address the debt problems of middle-income countries have focused on private debt. There are, however, several severely indebted, lower-middle-income countries undertaking adjustment programs whose debt is owed largely to official sources and which are neither eligible for concessional debt relief under Toronto terms nor able to obtain significant relief under arrangements for voluntary reduction of private debt that the Bank and the IMF are supporting.[11] Concern in this area has been expressed by the Development Committee, and committee members, noting that a return to external viability and sustained growth remained uncertain for a number of these countries, asked the Bank and the IMF to continue to analyze the debt problems of these countries, as well as those of the severely indebted, middle-income countries with significant official debt.

Debt-reduction facility for IDA-only countries. In fiscal 1990, operational guidelines and procedures for the use of resources of the debt-reduction facility for IDA-only countries were approved, and preparations were begun for operations that would reduce the debt owed to commercial creditors by Bolivia and Mozambique.

Funds for the new venture are derived from the transfer of $100 million of fiscal 1989 IBRD net income to the facility. Facility resources will initially be available for a three-year period; any funds not disbursed within that period will be returned to IDA for use in its general operations.

Commercial debt in IDA-only countries—defined as those countries with gross domestic product per capita under $580 for which no IBRD lending is projected over the next few years—constitutes a relatively small portion of

[11] Toronto terms represented a significant breakthrough in reducing the official debt in low-income, debt-distressed countries. The agreement, reached in September 1988 (following agreement in principle at the economic summit held in Toronto three months earlier), permits a range of options to be drawn up on rescheduling debt-service obligations on nonconcessional debt with reduced interest (but with somewhat shorter maturities), longer grace and repayment periods (at commercial rates), partial write-offs of debt-service obligations during the consolidation period (with the rest rescheduled at commercial rates and shorter maturities), or with a combination of these options.

total external debt. However, due to the nonconcessional nature of the terms of this debt compared with the more concessional official debt, the contractual service burden for commercial debt is often relatively large.

Moreover, few mechanisms exist for easing the burden of this commercial debt, in contrast with Paris Club arrangements for bilateral official debt. In general, the reschedulings obtained by low-income countries from commercial banks have been less favorable than those obtained by middle-income debtors. This is caused partly by the weaker bargaining position of these countries and partly by their greater dependence on commercial banks for trade credits and other financial services. Despite efforts by these countries to service their commercial debt, or to reach agreement with their commercial creditors, not all countries have been able to make contractual payments regularly, and arrears have accumulated.

All IDA-only countries with heavy debt burdens are eligible for support from the facility. Support, however, will be decided on a case-by-case basis and will be contingent upon the following criteria:

- the existence of a medium-term adjustment program acceptable to IDA, as demonstrated, for example, by the existence of an operational policy-framework paper (PFP),[12] a structural-adjustment program, or a country's inclusion in the IMF's enhanced structural-adjustment facility and;
- the existence of a strategy for debt management satisfactory to IDA that (a) includes a program for resolving the commercial debt problem through funds provided by the facility and other sources; (b) provides for substantial debt relief from official bilateral creditors through an agreement with the Paris Club, preferably on Toronto terms, where applicable; and (c) materially enhances the country's prospects for growth and development.

As in the case of IBRD support for debt reduction in the middle-income countries, the extent of support provided by the facility will be determined on a case-by-case basis, with particular weight given to two factors in assessing potential benefits that may follow from a given operation: the effect that commercial debt has on a country's ability to achieve economic growth and the degree of confidence that can be placed in the accuracy and completeness of the data concerning the debt targeted by the proposed operation.

Because funds are limited, facility resources available to any one country will not exceed $10 million unless exceptional circumstances argue otherwise. Countries are therefore expected to make every effort to mobilize resources from other donors for debt-reduction purposes. It is also likely that there would be only one debt-reduction operation in any particular country.

Facility funds are to be made available on a grant basis so as to achieve the maximum effect in reducing debt. It is expected that most operations would consist of cash buybacks of commercial debt at substantial discounts.

As in the case of support for IBRD debt reduction in the severely indebted, middle-income countries, IDA will seek to maintain a carefully balanced approach in negotiations between creditors and the debtor country. In view, however, of the inexperience of many low-income countries in addressing the complex technical issues that arise in debt-reduction operations, it is likely that technical assistance will be required to help countries improve and analyze their debt data and identify options in developing their debt strategies. In all instances, IDA will provide information to the parties to the negotiations about its perception of the status of the country's adjustment program, the country's financing requirements and prospects, and the amount of support that may be available.

The $10 million debt-reduction operation under preparation for Bolivia would support that country's ongoing commercial bank debt-retirement program. At the end of the fiscal year, $272 million of commercial bank debt remained outstanding. Discussions between the government and the commercial banks will determine the precise amount of debt to be retired. Substantial elimination of the commercial bank debt is a condition of release of facility funds.

In the case of Mozambique, discussions with commercial bank creditors are at an advanced stage on a proposed debt-reduction operation in respect of outstanding nonguaranteed commercial claims amounting to about $280 million. Once the proposed terms of the debt-reduction offer by the government to its commercial creditors have been defined and are considered reasonable by the Bank, a formal request will be presented to the executive directors for a specific commitment of the resources needed to undertake the proposed operation.

Adjustment lending. Commitments by the Bank in support of adjustment operations dur-

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

ing the year amounted to $3,969 million (see Table 3-5). Eleven adjustment operations (including supplements) in the severely indebted, middle-income countries were approved;[13] twenty operations (including supplements) supported adjustment programs in the low-income, debt-distressed countries of sub-Saharan Africa. Two freestanding operations, one for $1,260 million to Mexico for interest support and one for $200 million to the Philippines for principal reduction, were approved.

The Bank also supported reform programs in other indebted countries that confront many of the same economic challenges as the severely indebted, middle-income countries: Algeria, Jordan, Trinidad and Tobago, Tunisia, and Yugoslavia, for example.

Adjustment lending totaled 19 percent of the Bank's fiscal 1990 commitments. In fiscal 1989, commitments in support of adjustment comprised 30 percent of the total.

Net disbursements during the year to the group of twenty severely indebted, middle-income countries were $4,037 million, an increase of almost 250 percent over fiscal 1989 disbursements of $1,650 million (see Table 3-6).

Much of the Bank's efforts in support of the debt-distressed countries of sub-Saharan Africa were expended in preparing the framework for an extension of the special program of assistance (SPA) beyond 1990. At two meetings of prospective donors, both held in Paris (October 1989 and June 1990), agreement was reached on the outline of a second SPA to cover the three-year period, 1991–93.[14]

Net disbursements during the year to the twenty-three sub-Saharan countries eligible for assistance under the SPA totaled $1,306 million.

Structural-adjustment and sectoral-adjustment lending were important activities of the Bank during the decade of the 1980s. Notwithstanding the fact that the Bank continues to rely on investment projects for the majority of its development lending, adjustment operations will likely remain important in the near term. For this reason, the Bank actively seeks ways to increase their effectiveness. During the past year, a second evaluation of adjustment operations reached conclusions that were consistent with those of the first evaluation: that adjustment lending has been moderately successful in improving aggregate economic performance and that, on the average, countries receiving adjustment loans performed better than those that did not.[15]

The first report, discussed with the Bank's executive board in September 1988, also focused on ways to make adjustment lending more effective. At that time, it was generally agreed that quick-disbursing adjustment loans should be made only under three basic conditions:

• that the Bank and the government reach an understanding on the diagnosis of the main impediments to restoring growth and on the overall structural-adjustment program; the parties should also agree on the objectives sought from both short-term stabilization and longer-term development and on what macroeconomic and microeconomic policies, as well as institutional changes, were needed to reach those objectives;

• that the government own the adjustment program, understand it, and fully accept it; and

• that the adjustment program be realistic—thus, restrictive enough to be consistent with the financing available, but not so restrictive that it would likely be socially and politically unacceptable and, therefore, unsustainable.

The second evaluation, discussed with the executive directors in May 1990, extended the recommendations of the earlier report. It points to five major ways in which the effectiveness of adjustment programs—and Bank support for them—could be increased: by (1) removing distortions that impede the efficient allocation of resources and limit growth of output; (2) increasing the priority given to public-sector reforms; (3) giving special attention to inducing a recovery of investment; (4) matching the pace of disbursements to the speed with which reforms are introduced; and (5) carefully monitoring the determinants of macroeconomic stability.

There was general agreement among the executive directors that structural-adjustment programs, typically supported by several loans, should focus first on achieving large reductions in the largest distortions. In countries that start with high rates of inflation or a large current-account deficit, structural reforms aimed at restoring macroeconomic imbalances should be emphasized first. The sequence of sectoral reforms should take account of the linkages among sectors. A country should not receive adjustment lending unless it is willing to undertake measures to remove the largest distortions.

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[13] These countries are Argentina, Bolivia, Brazil, Chile, Congo, Costa Rica, Côte d'Ivoire, Ecuador, Egypt, Honduras, Hungary, Mexico, Morocco, Nicaragua, Peru, the Philippines, Poland, Senegal, Uruguay, and Venezuela.

[14] For details, see page 47.

[15] Conclusions in the first report were based on an analysis of thirty countries receiving adjustment loans before fiscal 1985. The more recent study was based on a much expanded sample of loans approved during the period fiscal 1979–88.

***Table* 3-5. World Bank Adjustment Operations, Fiscal Year 1990**
(millions of US dollars)

Country	Project	World Bank financing IBRD	IDA	Total
Sector-adjustment loans				
Bangladesh	Energy sector and adjustment credit supplement	—	2.3	2.3
Bangladesh	Financial sector adjustment	—	175.0	175.0
Bolivia	Financial sector adjustment supplement	—	9.1	9.1
Cote d'Ivoire	Water supply and sewerage sector adjustment	80.0	—	80.0
Cote d'Ivoire	Agriculture sector adjustment	150.0	—	150.0
Cote d'Ivoire	Energy sector loan	100.0	—	100.0
Ghana	Education sector adjustment II	—	50.0	50.0
Guinea	Education sector adjustment	—	20.0	20.0
Jamaica	Agriculture sector adjustment	25.0	—	25.0
Jordan	Trade adjustment	150.0	—	150.0
Kenya	Financial sector adjustment supplement	—	44.0	44.0
Madagascar	Public sector adjustment supplement	—	1.2	1.2
Malawi	Industry and trade adjustment supplement	—	4.7	4.7
Malawi	Agriculture sector adjustment	—	70.0	70.0
Mali	Agriculture sector adjustment	—	53.0	53.0
Mauritania	Agriculture sector adjustment irrigation improvement	—	25.0	25.0
Mauritania	Public enterprise sector adjustment	—	40.0	40.0
Mexico	Road transport telecommunications sector adjustment	380.0	—	380.0
Nigeria	University education development	—	120.0	120.0
Senegal	Banking financial sector adjustment	—	45.0	45.0
Tanzania	Industry and trade adjustment supplement	—	10.3	10.3
Tanzania	Agriculture sector adjustment	—	200.0	200.0
Tunisia	Public enterprise adjustment	120.0	—	120.0
Venezuela	Public enterprise reform	350.0	—	350.0
Venezuela	Financial sector adjustment	300.0	—	300.0
Total		1,665.0	869.6	2,534.6
Structural-adjustment loans				
Algeria	Economic reform loan	300.0	—	300.0
Central African Republic	Structural adjustment III	—	45.0	45.0
Ghana	Structural adjustment II supplement	—	5.7	5.7
Guyana	Structural adjustment II	—	74.6	74.6
Guyana	Structural adjustment II supplement	—	3.4	3.4
Hungary	Structural adjustment	200.0	—	200.0
Papua New Guinea	Structural adjustment	50.0	—	50.0
São Tomé and Principe	Structural adjustment technical assistance	—	9.8	9.8
Senegal	Structural adjustment IV	—	80.0	80.0
Senegal	Structural adjustment IV supplement	—	4.4	4.4
Sri Lanka	Economic restructuring credit	—	90.0	90.0
Sri Lanka	Economic restructuring credit supplement	—	4.4	4.4
Togo	Structural adjustment III supplement	—	0.2	0.2
Trinidad and Tobago	Structural adjustment I	40.0	—	40.0
Uganda	Economic recovery program II	—	125.0	125.0
Uganda	Economic recovery program supplement	—	1.5	1.5
Yugoslavia	Structural adjustment II	400.0	—	400.0
Total		990.0	444.0	1,434.0
Grand total		2,655.0	1,313.6	3,968.6

Directors also generally agreed that more of the reform effort should focus on the management of the public sector itself. Reforms aimed at reducing fiscal deficits in a permanent way and increasing the efficiency of taxation and public expenditures should have high priority in most adjustment programs. This is clear in countries with large macroeconomic imbalances. Public-sector reforms are also important in countries with inefficient regulatory

***Table 3-6.* Net Transfers by the World Bank to the Severely Indebted, Middle-income Countries**
(millions of US dollars; fiscal years)

Item	1987	1988	1989	1990	Total 1987–90
IBRD and IDA commitments	6,101.5	5,995.5	7,096.0	8,863.9	28,056.9
Gross disbursements	5,294.8	5,057.7	4,485.3	7,224.7	22,062.5
Repayments	2,249.3	2,704.2	2,835.3	3,187.6	10,976.4
Net disbursements	3,045.5	2,353.5	1,650.0	4,037.1	11,086.1
Interest and charges	2,197.1	2,534.9	2,561.6	2,657.0	9,950.6
Net transfer	848.4	−181.4	−911.5	1,380.1	1,135.6

NOTE: See footnote 13 on page 54 for country coverage.

frameworks and tax systems and in which the efficiency of public expenditures leaves much room for improvement. Public-sector reforms should also be a part of the structural-adjustment programs in countries that need to spend more on education, health, and basic infrastructure.

Consensus was also reached that some recovery of investment in infrastructure and the social sectors is usually required for efficient growth even though reform programs initially often need to reduce public investment because it is either inefficient or unsustainable. In countries that have already removed significant policy distortions, adjustment programs should give special attention to inducing a recovery of private investment. This should be stimulated not through special subsidies, but rather through improvements in the overall macro and microeconomic climate for business. Hybrid operations—involving a combination of adjustment and investment funds—and sector-adjustment operations that address the main obstacles to private investment can be particularly useful in this regard.

The directors also expressed general agreement with the conclusion that in countries that need structural reforms with a long gestation period (tax reform, public-sector restructuring and privatization, and financial-sector reform, for instance), the Bank should try to match the timing of its disbursements to the speed at which the reforms can be introduced. Adjustment loans should have multiple tranches when the program requires extensive institutional development or when a step-by-step introduction of reforms, such as trade liberalization, would reduce adjustment costs. In these cases, the assurance of a continued flow of financial support would enhance the credibility of the program. The appropriate choice from the menu of currently available options—one large multitranche loan; a sequence of smaller, two-tranche loans; or policy-based sector-investment loans—should depend on the particular circumstances of the country.

As to the report's fifth major point, the need for careful monitoring of the determinants of macroeconomic stability, although there was general agreement on the importance of a supportive macroeconomic framework for the success of adjustment lending, directors voiced varied opinions on how to ensure that this framework is maintained. Most members of the board agreed, however, that the Bank should retain the competence to assess for itself the macroeconomic situation in countries receiving adjustment lending.

In addition, general support was given to other conclusions of the report, including that: (a) adjustment-lending operations should be designed with the poverty consequences of policies firmly in mind; (b) the Bank should support adjustment programs only if there is already a broad measure of macroeconomic stability and assurance that it will continue or if the program itself focuses on measures to promptly restore macroeconomic stability on a sustainable basis; (c) a country should receive quickly disbursing adjustment lending only if it has a balance-of-payments gap or if a gap is expected to emerge as a result of reform measures adopted; (d) adjustment lending primarily in support of prior actions should be regarded as exceptional and normally be confined to countries with good policies and a strong track record of sustaining policy reform; and (e) to ensure financing over a multiyear horizon, adjustment loans should be supported by an appropriate combination of cofinancing, contingency-financing arrangements, and debt-reduction packages.

Current guidelines that limit overall adjustment lending to 25 percent and 30 percent of total IBRD and IDA commitments, respectively, will be maintained. It is expected, however, that in the course of the early 1990s, the total share of adjustment lending will decline and that most current recipients of adjustment lending will phase down their use of it, the exceptions being primarily in sub-Saharan Africa. To smooth the transition to investment lending, it is expected that an increasing number of hybrid loans and sector-investment loans will be prepared.

Special Operational Emphases: Poverty Alleviation; Food Security

The World Bank's basic mission throughout its history has been to reduce poverty and accelerate growth. In recent years, the Bank has sought to sharpen the focus of its efforts to alleviate poverty. These efforts cut across all sectors—from agriculture and rural development to water and sewerage—and across the array of the Bank's lending instruments—from traditional investment lending to quick-disbursing structural-adjustment operations.

Poverty alleviation is what economic development is all about. Practically everything that the Bank does, either in its lending or in its policy work, bears directly or indirectly on poverty reduction.

A distinction is often made between programs and projects that primarily promote economic growth and those that primarily aim at poverty alleviation. In fact, however, because the goal of both is the same, the distinction refers to means, not ends. And as means for achieving the same fundamental objective, the alleviation of poverty, they are essentially complementary. It is by now well recognized that no attempts to eliminate poverty can succeed without robust rates of economic growth brought about by efficient overall policies. This is readily seen from the experience of developing countries during the past two or three decades: Those countries that have been most successful in reducing the incidence of poverty are also those that have grown the fastest; those countries that placed relatively little importance on efficiency and growth are today far worse off and face a much bigger task than otherwise would have been the case. Conversely, the pursuit of growth without provision of an adequate amount of basic social services leaves the poor ill-equipped to take advantage of economic opportunities that come into existence through growth.

Reducing the poverty of the most deprived individuals and households requires increasing their income-earning assets and opportunities. Increasing the prices of the products they produce or increasing their productivity, wages, and employment are of central importance; yet, many development policies—those that have a strong bias against agriculture have been particularly pervasive—have had precisely the opposite effect.

The key to poverty alleviation lies in efficient economywide policies that promote stability and growth; nonetheless, typically there is considerable scope for targeting interventions to assist the poor directly. Included among these interventions are those that provide productive physical assets for the poor (rural roads and irrigation, for example) and improve their human capital endowment (through education and training).

Interventions designed to improve the standard of living and life expectancy of the poor—nutrition, primary health care, water and sewerage, and provision of food to those below a threshold consumption level—are important not only in their own right; they also promote growth in incomes, including the incomes of the poor.

In the wake of an analysis of poverty issues by two recent task forces, each region in the Bank has developed a set of activities that aims at directly reducing poverty, and steps to monitor their effectiveness have been taken. Thus, poverty-reducing efforts have become an integral part of country-assistance strategies.

Those strategies, responding to a country's particular economic and social objectives and situation, are designed to support viable economic and social development, as well as reduce poverty. Country strategies are given concrete shape in the form of specific tasks—economic and sector work (ESW), project lending, technical assistance, and the mobilization and coordination of external assistance. Within each country work program, a set of tasks is identified as having the direct reduction of poverty among specified groups as its main objective. The aggregation of these tasks across countries and regions makes up the World Bank's poverty-alleviation program, or, as it is called, the "core poverty program." By identifying a subgroup of tasks in this way, the Bank can more effectively monitor the implementation of the country work program most directly oriented towards poverty reduction.

Core poverty program. The core poverty program includes projects and ESW whose primary purpose is the reduction of poverty in identifiable groups. It also includes all projects that aim to reduce population growth rates. Activities related to poverty alleviation, which contain significant elements of targeted poverty reduction even though they have other, or more general, objectives, form part of a core poverty program, as well. A recently approved fisheries project in Bangladesh, which aims at increasing the production of fish and shrimp for domestic consumption and export, is an example of an activity that is poverty "related."

Economic and sector work and other analytical output. The entire range of economic and sector studies that the regions of the Bank undertake bears, directly or indirectly, on poverty-reduction issues. At the most general level, country economic memoranda, public-expenditure reviews, and other macroeconomic documents provide the framework for devising strategies for poverty alleviation. Although most of these studies do not focus directly on poverty issues, they are vital for designing sectoral strategies in a consistent manner.

A large part of the economic and sector work programs is devoted to sector studies in areas such as agriculture and rural development, education, population, health, and nutrition. While such studies have somewhat expanded their coverage of poverty-related issues, the main effect of the Bank's increased emphasis on poverty alleviation has been to spawn reports—specialized cross-sectoral studies, for instance—that deal exclusively with poverty. These studies have an advantage over the traditional sector studies because their scope is not confined to a single sector. Moreover, they have been found to be as effective as traditional studies in identifying prospective projects. Other reports generated as a result of the Bank's focus on poverty include "country poverty profiles" (which analyze ways to reallocate public subsidies to poorer groups and to realign the role of the public and private sectors in the provision of social services) and country assessments and action plans (which assist in the formulation of poverty-reduction policies and projects).

Closely related to these special studies is the work that is being carried out by the multidonor social-dimensions-of-adjustment (SDA) program. The SDA initiative, launched in December 1987, helps participating African governments to design country-specific policies and action programs to protect vulnerable groups and strengthen community development.[16]

Widening operational approaches. Most projects in the core poverty program are made up of traditional types of operations in physical infrastructure or in the social sectors. But the focus on poverty reduction has spread to other types of lending, as well.

Efforts are being made to ensure that adjustment programs supported by the Bank reflect the interests of the poor. Poverty-alleviation activities have been included as components of some adjustment operations, and projects that are parallel and complementary to adjustment operations have been designed to deal directly with poverty-reduction objectives. These operations form an important part of the core poverty program in those regions in which most of the Bank's adjustment lending takes place. Thus, a key component in the Bank's structural-adjustment loan to Venezuela is support for the government's action to introduce more effective social-expenditure programs. While reform policies in Venezuela dictated that indirect food subsidies be cut, direct transfer programs were introduced or expanded, and total social expenditures were increased.

Increasingly, special poverty-reducing operations are being designed that utilize multisectoral approaches and innovative project components. These operations typically aim at helping well-identified target groups in various ways. In Uganda, for example, a $28 million stand-alone project includes the rehabilitation of more than 4,000 classrooms in twelve of the country's more disadvantaged districts, the upgrading of community health services, and development of assistance programs for children orphaned and women widowed by war or AIDS.

Food security. A 1989 task force on food-security issues in Africa concluded that food security could be ensured only if two conditions were met: Food must be available, and households must have the ability to acquire it. While much attention had been paid to the first condition, the task force argued that the focus should be on the root cause of food insecurity—the fact that households lack sufficient income to grow or buy food. The task force called on the Bank to build the foundations for long-term food security in Africa through a more vigorous application of ongoing approaches to growth and adjustment. It also urged that a new set of country-specific actions be pursued that would form a more intensive, organized, and systematic approach to the problem of hunger in Africa. A robust start was made in fiscal 1990 in implementing the task force's recommendations.[17]

The great variety of operational activities now under way in the Bank to alleviate poverty reflects the wide differences among countries and among sectors and regions within a country. Priority is now being given to consolidating the progress that has been made. The increased emphasis on poverty-reduction operations has not lessened the Bank's commitment to seek and maintain efficient market-oriented economic policies, for these policies form the predominant part of any viable poverty-reduction strategy. As emphasized in *World Development Report 1990*, ensuring that particular poverty-reduction operations are consistent with economic stability and growth will continue to be an important objective.

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[16] For details on the SDA program, see page 111.

[17] See page 111 for details of food-security initiatives begun in fiscal 1990.

Special Operational Emphases: Human Resources (including Women in Development)

The importance of human capital in stimulating economic progress and improving family welfare is becoming ever more apparent—not just for long-term development but also for short-term adjustment. Education and training, health and nutritional status, and the means to plan pregnancy all promote productive capacity and adaptability. They also improve family welfare and slow population growth. Countries that give such services short shrift not only impair family well-being but also prejudice their longer-term prospects.

Education. The World Bank currently provides 15 percent of all external official assistance for education to the developing world. Since 1963, the Bank has lent more than $10 billion for almost 400 education projects in about 100 countries.

Fiscal 1990 marked the first year in which Bank lending for education topped the $1 billion mark. Some twenty-one projects, involving Bank assistance of $1,487 million, were approved. Commitments in fiscal year 1989 amounted to $964 million.

More than one third of the projects approved were in support of measures designed to increase the quality of higher education or of technical skills. Nine projects were designed to address educational issues at both the primary and secondary levels, while three projects supported national reform efforts in the sector.

Two projects incorporated innovative features designed to increase the participation of girls in schooling. In Bangladesh, measures are being taken, through the vehicle of a general education project, to step up recruitment of women teachers; a pilot program that brings schools closer to underserved rural villages is being launched (girls are less likely to travel far to attend school); and a scholarship program for female secondary schoolchildren is being expanded. A critical impediment to the development of rural primary education in Pakistan is the shortage of female teachers. The lack has discouraged parents from sending their daughters to school. In a primary education project that is being implemented in Sindh province, administrative regulation and practices that work against women's participation in teaching are not only being eliminated, they are being changed to provide positive incentives for the recruitment of women teachers.

Fiscal 1990 also saw the Bank cosponsor—with the United Nations Development Programme, the United Nations Educational, Scientific, and Cultural Organization, and the United Nations Children's Fund—a global initiative to set a new agenda for basic education. The initiative was discussed by international heads of state and government ministers and representatives of nongovernmental organizations and the private sector at a conference held in Jomtien, Thailand, in March 1990.

The World Conference on Education for All focused on improving the quality of primary education and increasing educational opportunities throughout the developing world. It also provided a forum to discuss issues that affect education, formulate follow-up action, and help broaden public awareness of the need to expand children's access to education.

The president of the Bank, speaking to delegates at the conference, pledged to increase education lending by the Bank over the next three years to more than $1.5 billion a year. Support for basic primary education, he added, would be the dominant priority in Bank lending to the sector.

The need for such a focus is clear, particularly in the low-income countries, where the average educational attainment of the 25-year-old to 35-year-old age group is less than three years, where half the children of school age (China and India excepted) are not enrolled in school, and where fewer than 60 percent of the students who enroll in primary school complete the six-year cycle.

Great progress has been made in many middle-income countries, but even among this group, the average adult has less than four years of education, almost 20 percent of the school-age population remains out of school, and differences persist in the educational opportunities for boys and girls.

The basis for a framework for additional support to primary education was provided shortly after the Jomtien conference, when a dialogue began with the Bank's executive directors on the conclusions reached in a study prepared by the Bank to help governments make difficult choices among investment opportunities in order to improve the effectiveness of primary education.

The study concluded that improvements should be made in three areas—enhancement of the learning environment, the preparation and motivation of teachers, and strengthened institutional capacity of the education system. The need to increase equitable access to education and to strengthen the financial base for primary education was also stressed, and increased assistance from bilateral donors and international finance institutions, including the Bank, was called for.

The learning environment can be enhanced, the study declared, through emphasis on providing students with a quality education—defined as one that permits students to acquire the core knowledge and skills as specified in the national curriculum. Thus, learning materials should be provided in sufficient quantity to ensure that every child has access to textbooks and other reading materials, and a minimum of 880 hours of class time a year should be devoted to core subjects.

The ability of children to learn has been shown to be strongly affected by the skills and motivation of their teachers. The next generation of teachers can be improved, the study suggests, through a requirement that prospective teachers be secondary school graduates, thus eliminating the need for expensive academic remediation in teacher-training colleges. Pedagogical skills, today largely neglected, can be acquired through short teacher-training programs following teachers' completion of secondary-level general education. Teachers should be paid more (with salary increases linked to opportunities for career enhancement); they should also be provided with better working conditions.

The third requirement for improving the education system is a more effective administrative and management structure. Strategies to strengthen the institutional capacity of education systems can include a restructuring that gives managers at all levels authority and resources to do their jobs effectively and development of managerial capacity through systematic staff-development programs, increased professional opportunities, and clearly defined career paths.

Equitable access to education, particularly in the low-income countries, must also be improved, the study concluded. Of the more than 100 million school-age children not in school, the vast majority come from one or more of the traditionally disadvantaged groups in society: rural, female, and the poor. One way to provide access to out-of-school children is to increase the supply of school facilities (by, for example, organizing the school day into multiple shifts, building more schools or expanding existing ones, and lifting limits on the provision of private schooling).

The study recognizes that improvements in primary education will not come without financial cost. Yet, it argues that since primary education is the single most powerful accepted tool for economic and social mobility, a genuine concern for the welfare of the poor demands that education be financed in such a way that access is not rationed on the ability to pay. The challenge, therefore, is to find the resources to begin the process and sustain the commitment.

A first source for these needed additional resources is the primary education subsector itself, through reallocation within the sector. Funding for improved primary education will also require efforts from donors. Increases in effectively targeted financial assistance are required, as is support to primary education in the context of broad, subsectoral development programs. And, because priorities will differ among countries, donors will have to be flexible in their support of educational development programs.

Population, health, and nutrition. In February 1987, the president of the World Bank told delegates attending the Safe Motherhood Conference in Nairobi that the Bank would double its lending in the population, health, and nutrition (PHN) sector by fiscal 1990.

Two years later—in fiscal 1989—that target was reached, as Bank lending for PHN projects amounted to $550 million. In November 1989, the president announced that the Bank intended to further increase lending to the sector to $800 million annually for the three-year period 1990–92. In fiscal 1990, lending totaled $933 million. Recent increases in lending to the sector are all the more remarkable if one considers that cumulative lending through fiscal 1989 totaled slightly less than $2.5 billion.

The dramatic increase in the Bank's lending to the sector reflects, in part, its judgment that excessive population growth places a heavy, sometimes intolerable strain on the pressure points of urban and rural environments that are least able to bear it. The consequence is to undermine further the ability of millions of people to escape from poverty.

Although health projects continue to dominate PHN lending (about two thirds of fiscal 1990 totals), the momentum of increase in population and nutrition projects approved and in the pipeline is continuing. This is especially true in Africa, where, without a solution to the problems associated with rapid population growth, success in tackling the continent's other problems would be limited, at best.[18]

Complementing PHN lending are the special grant programs, to which the Bank contributed over $11 million in fiscal 1990 for programs that focus on PHN activities. These special grant programs include the Special Program of Research and Training in Tropical Diseases, the Onchocerciasis Control Program, the Human Reproduction Program, the Safe Motherhood Initiative, the Task Force for Child Survival, the Global Programme on AIDS, and the

[18] See page 109 for details of population activities carried out in the Africa region during fiscal 1990.

United Nations Administrative Committee on Coordination's subcommittee on nutrition. The special grant programs have several advantages: They generally involve more resources and a longer-term commitment than the typical Bank project, and they benefit a number of countries at one time.

Analytical output in the PHN sector has increased, as well. The Bank's policy and research work in the PHN sector focuses essentially on population and health and on some critical areas in nutrition. It attempts to support the overall dialogue on population and to provide a conceptual basis for population-lending operations. It also provides demographic analyses and projections.

Sector work on population has been critical in drawing government attention to important problems and in generating plans and projects to remedy them. Among regions, the largest amount of sector work is being done in Africa, where interest in family planning has grown and where data, once scarce, are becoming increasingly available.

The Bank's policy dialogue on population grows partly out of sector work but also involves contacts with governments in other contexts: through economic missions, at international conferences, and in other such settings. The possibility of injecting discussions of population issues into dialogue at the highest levels of government is an option the World Bank has that other donors to the sector often do not have.

The research agenda on health is varied. It addresses the response to health problems in Africa in the context of a comprehensive health policy paper on Africa (a three-year project that is scheduled to be completed in fiscal 1991) and the setting of PHN priorities in order to promote internal efficiency. Research on tropical diseases, adult health, and AIDS supports emerging areas of importance in the operations complex of the Bank. Health-care costs and financing are critical policy areas for many of the Bank's borrowers. Key issues vary substantially by region and level of development, and much policy and research work is therefore being undertaken as part of sector reviews in the regions. Some underlying issues, which merit increased attention, cut across most of the Bank's lending and sector work (for example, cost recovery, health insurance, and cost containment); in this context, the Bank is now embarking on an expanded work program on the economic management of the sector.

Women in development. A progress report on the Bank's initiative for women in development (WID), now in its third year, shows that it has begun to have an effect. One in five Bank-approved operations in fiscal 1989 included specific WID recommendations as opposed to one in ten during the previous fiscal year and far fewer in earlier years. Fifteen percent of fiscal 1989 operations—as contrasted with 6 percent in fiscal 1988—were judged to have potential to affect women substantially. Preliminary observation indicates that this trend accelerated in fiscal 1990.

The WID initiative focuses on increasing women's productivity and income, because this is considered the best way to help women help themselves and contribute to economic performance, poverty reduction, slower population growth, and environmental sustainability. Progress in Bank lending has been most apparent in the sectors that affect women's productivity the most: education; population, health, and nutrition; and agriculture. In education and agriculture, about two fifths of Bank operations in fiscal 1989 included WID recommendations, as did almost all PHN projects.

The study also attempted to evaluate progress over a longer period in those sectors targeted in the initiative and that are key to WID progress. Seventy-three operations approved in fiscal 1988 and fiscal 1989 were compared with a set of seventy-three similar projects that had been approved in the period fiscal 1980 through fiscal 1987 in the same countries (forty-seven project pairs in agriculture, eighteen in education, and eight in PHN). Within the three subsets of this sample, the share of operations with project-specific WID actions in agriculture increased from 9 percent in 1980–87 to 30 percent, and from 22 percent to 33 percent in education. In PHN, the percentage remained constant at 75.

It is too early, of course, to assess how WID initiatives are faring in those projects approved in fiscal 1989. Details of initiatives, which are found in project-appraisal reports, reflect intentions, and efforts are required to ensure effective implementation. But a review of some projects approved in the early 1980s highlighted the need for more effective planning of WID actions during project preparation and more effective supervision once project implementation had begun. The analysis of earlier projects concluded that a project's ultimate effect and the sustainability of its benefits may depend considerably on how effectively the role of women has been reflected.

The study did point to several earlier projects that had been modified to give greater attention to women's concerns, and it noted that they now offer lessons for current efforts.

Thus, for example, a national agricultural-extension project in Kenya, approved in fiscal

1983, was extended and refocused in ways to deliver extension services to women farmers. Today, more than half of all Kenyan farmers regularly contacted by extension workers are women, and women's groups are proving to be particularly effective as contact points for extension messages.

The study also reported on how WID issues were treated in Bank economic and sector work reports, which provide the analytical base for an informed dialogue with borrowers and for the Bank's future lending and technical assistance.

WID issues were discussed in more ESW reports from the fiscal 1988 and 1989 period than in the preceding eight years, and a number included WID concerns in discussions of poverty and employment. But there remains room for improvement—especially since ESW affects the Bank's ability to confront WID issues through future lending operations. And, as the study underscored, no country can afford to underutilize and underequip more than half its human resources. Poverty alleviation, food security, reduced population growth, the quality of a country's future labor force, and the proper use of the natural-resource base all depend substantially on women.

Integrating WID initiatives fully into the mainstream of Bank activities will take time, but the process is accelerating. Even in sectors where WID concerns are obviously important and knowledge is available for designing appropriate policies and actions, many operations do not yet address the relevant issues adequately. Regional and country variations may, to some extent, reflect political and cultural differences; they also suggest a need for greater attention within the Bank. And, while borrowers seldom took the initiative in the past, this, too, is changing. Several countries—including Nigeria and Pakistan—have recently requested Bank advice on WID activities in several sectors, and others are likely to follow.

A primary component of the Bank's WID initiative has been the preparation of country-specific WID assessment and action plans. For the past fifteen months—since April 1989—each of the Bank's nineteen country departments has been preparing, for one or more of its client countries, an assessment of women's potential role in development, the policy framework affecting their welfare and productivity, and the institutional bottlenecks standing in the way of progress. These assessments also outline specific programs of action to assist women that could be implemented with the assistance of the Bank.

As of June 30, 1990, twenty-three assessments and action plans had been drafted. Most have yet to be discussed with the governments concerned; in those cases in which discussions have occurred, however—notably Bangladesh, India, Kenya, Nigeria, and Pakistan—governments have expressed considerable support.[19] The Bangladesh, India, Kenya, and Pakistan assessments focus on the need to increase women's productivity and income, whether from self-employment or through labor-force participation. They identify ways to improve women's access to education and training, basic health and family-planning services, and programs (such as agricultural extension and credit) that can help women, particularly the poor, produce and earn more. These reports—the first to be completed—have begun to influence ongoing and planned operations and sector work, as well as the Bank's broader thinking on WID issues.

Although the remaining nineteen assessments treat WID issues in less detail (each of the four major reports represented one to two years' work in several sectors), many lay out plans for more intensive analysis over the next year or two. Most of the assessments focus on women's productivity and recommend implementation of a combination of activities—research, as well as economic and sector work, policy dialogue, and integration of WID concerns in ongoing and future lending operations. Most identify particular issues to be addressed in specific lending operations under way or in the pipeline. The majority suggest including women more systematically in regular development programs; a few propose freestanding WID operations.

Almost all the accompanying action plans call for specific steps in education and/or PHN to focus more on the needs of women and girls; about four fifths recommend raising the productivity and incomes of women farmers by improving access to extension and other agricultural support services. Half propose steps to increase access to credit; many recommend involving women (and women's organizations) more in the design, management, and implementation of development programs; and several call for assessing the legal rights of women and suggest legal reform.

This set of country WID assessments and action plans represents a significant advance. Most of the more populous countries have been assessed, at least in preliminary fashion. An information base, although fragmentary in some cases, has been compiled. Operational recommendations have been put forth and are

[19] Two reports have been published by the Bank: *Kenya: The Role of Women in Development* (1989) and *Women in Pakistan: An Economic and Social Strategy* (1989).

being evaluated. In some cases, talks with governments have taken place or are under way, and recommendations have been made. Bank staff have a clearer picture of WID issues in particular countries and are able to make more informed decisions about how to involve women more effectively in development.

Implementation of WID activities requires careful tailoring of projects to local circumstances. The practical difficulties are considerable, and care must be taken to ensure that intentions are followed by effective action. The Bank has some notion of "what will work" based on earlier experience, but specific measures must be tested carefully as they are put in place to provide feedback on what works and what does not.

It is important to work with women—and strengthen women's organizations—to give women greater voice in the design and implementation of programs. Attention must also focus on determining links and synergies among interventions—and on assessing costs and benefits. The research and operational arms of the Bank will continue to collaborate closely so that their activities can support each other in the WID initiative and thus provide a stronger basis for the Bank's expanding WID policy work. Policy work will focus on sector-by-sector WID guidelines and associated research. Staff training will be increased. The policy work and action plans can thus constitute a framework for strengthening the efforts of the Bank, the developing countries, and the broader donor community to help women.

Special Operational Emphases: Environment

Fiscal 1990 was marked by further intensified efforts to integrate environmental concerns into the Bank's operations, policy, and research work and by discussions on possible mechanisms to support efforts to protect the global environment.

Integration of environmental concerns. The objectives of the Bank's environmental work must be viewed within the context of the institution's primary mission—that of supporting improvement in the quality of life for people in its developing member countries. Reducing poverty and protecting the environment are at the core of that mission.

The Bank's key environmental objective is to assist borrowing member countries achieve sustainable development through efficient and effective use of the Bank's human and financial resources—in other words, through Bank operations based on the policy dialogue with borrowing member governments and with the support of donors. The Bank's environmental programs, therefore, are structured so as to plan and implement environmentally sound development in borrowing member countries and integrate environmental concerns fully into the Bank's operational and research work. In implementing its programs, the Bank pays considerable attention to concerns voiced by citizens and groups outside the Bank who want to know what and how the Bank is doing, and why.

To achieve sustainable development in developing countries requires that the environmental agenda be integrated into customary and familiar Bank operations: policy dialogue and technical assistance, economic and sector work, lending and supervision, and aid coordination. In this way, environment becomes an indistinguishable part of Bank operations and not a separate or separable function. Integration also implies that the environmental agenda is the product of agreement between the Bank and its borrowing member governments on what constitutes a coherent country environmental strategy.

The environmental agenda is being integrated into the Bank's internal structure through a variety of approaches, from general education to targeted staff training, professional review of the discrete elements of country-assistance programs, interactive programs with sector and economic departments, and formal policies and procedures.

With respect to the Bank's external audience, considerable effort has been made in responding to thousands of letters (some of a general nature and some on specific projects) and preparing informational materials, such as the newsletter "Environmental Bulletin" and the booklet "Striking a Balance," as well as through countless speeches, articles, and public appearances by Bank staff before members of the environmental community. A report on the Bank's environmental activities was prepared for the September 1989 meeting of the Development Committee, and work is under way on the production of the first annual report on the Bank's environmental activities.

The integration of environmental concerns into World Bank operations—the most visible of the Bank's efforts—continued throughout fiscal 1990. Reports identifying key environmental problems and their underlying causes have been prepared for most borrowing countries, and work on environmental-action plans—progressively detailed studies, prepared by the Bank in partnership with borrowing countries, that culminate in the implementation of environmental projects and policies—continued. In May 1987, the Bank's president announced that by the end of fiscal 1992, thirty such studies would be completed. In the agreement that provided for a ninth replenishment of IDA resources (IDA-9), donors

Box 3-2. Biological Diversity in Madagascar

An island scarcely bigger than France, whose variety of climates, landscapes, and organisms qualifies it as a continent in its own right, Madagascar lies a short 350 kilometers off the southeast coast of Africa. Geological forces separated Madagascar from the African continent some 165 million years ago, and this isolation has resulted in the evolution of unique biotic forms that occur in greater numbers there than perhaps anywhere else on earth.

Unprecedented levels of endemism—biotic forms unique to the island—can be found in nearly all of Madagascar's faunal and floral groups. Ninety-eight percent of the palm species are found nowhere else, as are 93 percent of Madagascar's primates, approximately 80 percent of all flowering plants, 95 percent of all reptiles, and eight of its nine species of carnivores. It is estimated that, overall, some 150,000 of Madagascar's 200,000 species of living things are found nowhere else, and this remarkable endemism is accompanied by very high diversity in most groups (there are more species of chameleons in Madagascar than in all the other countries where they occur combined and more orchid species than can be found on mainland Africa).

The number of unique and endangered species in Madagascar increases with each new inventory, as well. A recent botanical expedition to the virtually unstudied Masoala peninsula discovered two new genera and seven new species of palm alone, and three new taxa of lemurs have been documented during the past two years.

As is the case throughout the world, biological diversity in Madagascar is greatest in the tropical forests. The country's three major forest ecosystems and their indigenous wildlife face a wide variety of threats: swidden agriculture, the clearing of forest for cultivation, uncontrolled ranging of livestock, timber exploitation, charcoal burning, hunting, and ornamental plant collection.

Estimates of forest destruction indicate that as much as 80 percent of Madagascar's original forest cover has disappeared in the 1,500–2,000 years since the arrival of man, and this continues at a vertiginous pace (possibly exceeding 25,000 acres a year). The extinctions that have occurred during this period include at least two species of giant tortoise, one of aardvark, another of pygmy hippopotamus, the largest birds ever to walk the earth, and an incredible six genera and fourteen species of lemur.

While the continued loss of biological diversity is mainly the result of ill-conceived investment policies, external debt pressures, or misguided agricultural policies, certainly at the root of the destruction are the burgeoning population growth and pressures of the rural poor who depend upon natural-resource extraction and small-scale agriculture and livestock production for their survival.

While the current human population is around 11 million—about half that of California in an area 40 percent larger—Madagascar is already overpopulated in some areas (particularly in the central highlands) with respect to usable and arable land, and the country's population growth rate of 3 percent is among Africa's highest. Thus, to be successful, conservation of biological diversity in Madagascar must integrate rural-development goals by focusing on programs that enhance the ability of the Malagasy people to meet their development needs through sustainable and rational use of available natural resources. Efforts to undertake ecological inventory, species-level research, and environmental education and training and to bolster the nation's network of protected areas must parallel work on agriculture, forestry, utilization of secondary forest products and useful plants, fisheries, health and hygiene, and other rural-development–oriented aspects of resource use and preservation.

urged that before the end of fiscal 1993, environmental-action plans be completed for all IDA recipients. The environmental-action plan for Madagascar led to the approval during the year of a freestanding environmental project there (see Box 3-2).

The project pipeline. Systematic environmental screening of all new projects was introduced in fiscal 1990, leading to full environmental-impact assessments in every project with potential for substantial environmental effects. The screening system and subsequent assessments ensure that development options under consideration are environmentally sound and sustainable and that environmental consequences are recognized at the earliest point in the project cycle and are taken into account in project design, prior to project appraisal.

All assessed projects were assigned to one of four categories:

• Category A—Projects that may have diverse and significant environmental effects;[20]

[20] Projects that typically fall into this category usually encompass or otherwise pertain to large-scale aquaculture/mariculture; dams and reservoirs; large-scale electrical transmission; forestry; large-scale industrial plants and industrial estates; large-scale irrigation and drainage; land clearing and leveling; mineral development (including oil and gas); pipelines (oil, gas, and water); port and harbor development; reclamation and new-land development; resettlement; river-basin development; rural roads; thermal and hydropower development; large-scale tourism; transportation (airports, railways, roads, waterways); large-scale urban development; large-scale urban water supply and sanitation; and the manufacture, transportation, and use of pesticides or other hazardous and toxic materials. Also included are projects that run the risk of causing a serious accident.

• Category B—Those that may have only limited, specific environmental effects;

• Category C—Those for which environmental analysis is normally unnecessary;[21] and

• Category D—Environmental projects, for which assessments are the main focus during project preparation.

The first round of assessments included projects at various stages in the project cycle. Of the 779 projects in the Bank's pipeline on June 30, 1990, 58 (7 percent) were included in Category A, 339 (44 percent) in Category B, 253 (32 percent) in Category C, and 48 (6 percent) in Category D. Categorization of the remaining 81 projects was either not applicable (direct support for debt and debt-service reduction, for instance) or had not yet been determined.

With the establishment of a systematic and obligatory screening mechanism, assessments have become, like economic, financial, institutional, and engineering analyses, a standard part of project preparation. As such, they are the borrower's responsibility. Integration of environmental assessments with other aspects of project preparation ensures that environmental considerations are given due weight in project-selection, siting, and design decisions.

The Bank expects the borrower to take the views of affected groups and nongovernmental organizations (NGOs) fully into account in project design. One way of doing this is to expand meetings called to coordinate the work of government agencies in the assessment process to include representatives of affected groups and relevant NGOs. Similar consultations after the assessment report is completed are also valuable in obtaining feedback on the report and increasing community cooperation in implementing assessment recommendations.

Since environmental assessments usually account for between 2 percent and 3 percent (and up to 10 percent in rare cases) of the cost of project preparation, borrowers can request the Bank's assistance in financing them—either through a project-preparation facility (PPF) advance or with funds from the "technical assistance grant program for the environment."[22]

Integration of environmental concerns into Bank operations means that environmental issues are addressed throughout the various stages of the project cycle.

At the *project identification and preappraisal stage,* the likely nature and extent of environmental effects are considered, and categories are assigned. If needed, environmental assessments are started at this point. The assessments, which are reviewed with governments, influence both project site selection and engineering design.

During appraisal, the Bank reviews the environmental assessment with the borrower, resolves any outstanding issues, evaluates the adequacy of the institution responsible for environmental planning and management in the light of the assessment, and determines if the assessment's recommendations are properly addressed in the project design and economic analysis.

Environmental-assessment recommendations also provide the basis for *supervising* the environmental aspects of project implementation. Compliance with environmental conditionality, the status of mitigating measures, and the findings of monitoring programs are now a part of the borrower's reporting requirements and of project supervision.

In the case of projects whose preparation predated the requirement that an assessment be carried out of potential environmental effects, every effort is made during the supervision stage to identify problems and, as necessary, redesign or retrofit the projects to bring them up to current standards. In Brazil, for example, the Bank has provided funds to restore and improve the living standards of some 8,300 families displaced by a reservoir for the Itaparica hydroelectric project. The Bank did not finance construction of the reservoir.

In *ex-post evaluation,* project-completion reports, submitted to the Bank's operations evaluation department, are now required to evaluate environmental effects, noting whether they were anticipated in the environmental assess-

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[21] Projects in this category usually include those for education (except school construction), family planning, health (except hospital construction), nutrition, institutional development, and technical assistance.

[22] The origins and funding mechanism of this program are a bit complicated. In June 1987, Japan announced the establishment of a $210 million grant facility to pay for project preparation work in IBRD countries only. In July 1989, Japan established a $5 million grant facility for the environment for IDA countries. Some funds from the $210 million facility were later reallocated to the $5 million facility. In any case, by the end of Japan's 1989 fiscal year (March 31, 1990), funds in both facilities had been exhausted. In the meantime, however, at the 1989 annual meetings of the Bank and the IMF, Japan announced the launching of a three-year, $300 million Special Fund for Policy and Human Resources Development to provide "technical assistance for developing countries and to help develop human resources that could take the responsibility of formulating and implementing development policy." Funds from this facility may be used by developing member countries of the Bank to prepare environmental assessments. The Bank is actively seeking funds from other donors to help finance assessment work. As of June 30, 1990, funds totaling about $10 million had been made available for this purpose by Denmark, Finland, France, Norway, and Sweden; a pledge had been obtained from Canada ($5 million).

ment, as well as the effectiveness of mitigating measures taken and of institutional development and training.

It is expected that the effect of the systematic incorporation of environmental assessments into projects in the Bank's pipeline will first become noticeable in fiscal 1991.

In the meantime, the number of projects that had been designed to include environmental elements increased during fiscal 1990. Of the 222 loans and credits that were approved during the year, 107, or 48 percent, contained environmental elements. In fiscal 1989, eighty-five projects, or 38 percent of the total, had such elements. Projects containing environmental components in the agriculture and energy sectors led the way.

Forty-four of the fifty-six projects in the agriculture sector had environmental effects. Some of the recurrent environmental elements in agricultural projects are land and soil management and conservation, integrated pest-management techniques, wildlife management, protection and management of forests, rehabilitation of drainage and irrigation systems, institutional support, and research. Eight projects supported forestry protection and management (in the Central African Republic, China, Côte d'Ivoire, Guinea, Indonesia, Mexico, Morocco, and Zimbabwe). Projects totally focused on environmental issues were approved for Bolivia, Brazil, and Madagascar.

As in fiscal 1989, just about half of the energy loans approved during the year had components or measures to ameliorate adverse environmental effects, and almost all of them included conditions regarding the improvement of price policy, which would increase efficiency in energy consumption.[23] All fifteen projects in the water supply and sewerage sector contained environmental elements.

Policy and research activities. Environmental concerns were also further incorporated into the Bank's policy and research work during the year. Some studies were sector specific; others covered regional or country-specific concerns. Country studies, for example, are being carried out for Brazil, Indonesia, Nepal, and the Philippines. Regional environmental studies include the UNDP-supported metropolitan environmental-improvement program, which aims to arrest and reverse environmental degradation from rapid urbanization, industrial pollution, and general environmental neglect in the principal cities of Asia. They also include the European Investment Bank–supported environmental program for the Mediterranean (EPM), through which a regional action plan will be implemented to deal with critical issues such as prevention and control of marine oil pollution through improvements in established regulatory systems, integrated water-resources management, solid- and toxic-waste management, and coastal-zone management (see Box 6-2 on page 127 for details). Other such studies include the Asia watershed-sector review, the Asia forestry concept paper, the sub-Saharan Africa agroforestry study, and a paper on tribal-people policy and its application to Africa. All these studies help provide a basis from which to derive rational priorities for funding environmental activities.

The Economic Development Institute held seminars devoted to different aspects of the environment in all four developing-country regions during fiscal 1990. For example, seven two-day national workshops on environmental assessment were held in Latin America (Brazil, Bolivia, Chile, Colombia, Ecuador, Mexico, and Venezuela). At the workshops, the Bank's new standards of environmental assessment of projects were explained, and their relationship with national laws and regulations and the ways in which sufficient numbers of national staff could be trained in techniques of environmental assessment were discussed.

International concern and the Bank's involvement. The rapid emergence over the past few years of a succession of new global environmental issues has attracted broad public interest and with it increased public pressure on the Bank. As part of its response, the Bank has participated in several international meetings on environmental issues. For example, at meetings on the Montreal Protocol on Substances That Deplete the Ozone Layer, the Bank is represented on the International Economics Panel on the Ozone Layer. The Bank's position on transboundary shipments of toxic waste was first formally expressed in a statement by the president at a meeting in Oslo in

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[23] During fiscal 1990, a natural gas development unit was created within the Bank's industry and energy department to promote the development and use of natural gas in developing countries. Natural gas releases only one third to one fourth of the carbon-dioxide emissions of coal, and about one half those of oil. The unit will also provide operational support and research work in the gas sector and related environmental areas. The work of the energy-sector management-assistance program (ESMAP) also accelerated during the year. The program, which is supported by the Bank, the United Nations Development Programme (UNDP), other United Nations agencies, and several donor countries, identifies, analyzes, and proposes actions to address the most serious energy problems in developing countries. It also offers a preinvestment facility to assist in the implementation of recommended actions. At its annual meeting in Paris in November 1989, ESMAP was charged with continuing to provide guidance to developing countries in the areas of energy-efficiency improvements, promotion of natural gas development, interfuel substitution and alternate energy sources, and household energy.

July 1988. The Bank has been an observer in subsequent meetings in Luxembourg, Geneva, and Basel that worked out the final text of the Toxic Waste Convention for signature by developing and industrial countries.

Environmental matters have also been a strong focus in the Development Committee. Particular attention has been paid to the progress the Bank is making in integrating environmental issues into its policy and operational work, and discussion by the committee has focused on issues such as environmental assessments, Bank environmental-action plans, energy efficiency and conservation, forestry protection, and debt-for-nature swaps.

At the same time, the committee has emphasized the importance of global climate-change issues and has noted that technological transfers and additional external financial support will be needed to help meet the increased costs and requirements of expanded efforts to integrate environmental considerations into development plans. At its September 1989 meeting, the committee asked the Bank to review associated financial requirements and mechanisms.

At the annual meetings of the Bank in September 1989, the finance minister of France suggested that the Bank explore interest among its members in establishing a facility for funding programs in developing countries that would address global environmental objectives. He noted that France was prepared to support this with F900 million over three years.

In response to the Development Committee's request and the proposal by France's finance minister, a meeting was convened by the Bank in Paris in March 1990 to discuss a paper that proposed the creation of a global environment facility to address four key areas of concern: the protection of the ozone layer, reduction of emissions of greenhouse gases that cause climate change and of emissions that result in transboundary pollution, protection against degradation of international water resources, and protection of biological diversity. The meeting was attended by representatives from seventeen donor countries, the United Nations Environment Programme (UNEP), and the UNDP.[24]

The paper proposed the funding of a pilot program to address these issues through the provision of additional concessional finance for technical assistance and investment programs in developing countries.

At that meeting, donors encouraged the Bank—working in close collaboration with UNEP and the UNDP—to proceed with the detailed work needed to spell out particular modalities for financing actions by developing countries that benefit the global environment and that would not proceed without some additional financial incentive. There was also broad agreement on the need for concessional funding for this purpose—provided that its uses could be limited to actions that were additional. The participants at the meeting urged that the Bank report to the Development Committee on the substantial areas of agreement.

At its May 1990 meeting in Washington, D.C., the Development Committee generally agreed that the Bank should play an important role in funding global environmental protection. Committee members agreed that further work was necessary to develop methods for the Bank to assist developing countries to take actions that contribute to the reduction of global environmental problems. Members also agreed that it was important to continue efforts to develop proposals for a pilot mechanism for this purpose, taking into account the Bank's existing programs. They also urged the Bank to take steps to reinforce and expand its existing environmental programs and thus assist developing countries to contribute to the achievement of the same objective according to their priorities. The Bank was urged to proceed with this work expeditiously in consultation with interested parties and close collaboration with UNEP and the UNDP. Members underlined the need for sufficient flexibility to attract the widest support possible.

At a second meeting of prospective donors, held in Paris on June 11–12, views were solicited on (a) criteria to be used in determining what measures the facility might finance that could not be addressed through existing programs and (b) how best to organize the facility's administration.

Participants endorsed the criteria proposed by the Bank and were of the view that these allowed a clear distinction to be made between existing programs and the work of the proposed facility. They also confirmed their support for a tripartite management that would draw on the comparative advantage of the Bank, the UNDP, and UNEP. This effort, they added, should be seen as a part of a coordinated program of action that is compatible with existing and emerging global conventions on multilateral issues and that takes account of relevant bilateral and multilateral programs and expertise.

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[24] The seventeen donor countries were Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

Special Operational Emphases: Private-sector Development and Public-sector Management

Development strategies have been changing over the past decade, moving toward a greater emphasis on private activity and competitive markets. From the 1940s into the 1970s, economic policy in much of the developing and developed world was characterized by confidence in the capacity of government to spur growth and correct market failures. By the late 1970s, the public sector in many countries had stretched its managerial capacity to the point where serious inefficiencies emerged. As a result, the role of the state began to be increasingly reexamined, and awareness grew of the need to reassess priorities, prune what had become unmanageable, and use all resources more effectively and efficiently.

Since the early 1980s, the focus has shifted toward tapping private-sector skills and resources wherever possible and strengthening those public-sector activities that complement and support private-sector development. Many developing countries are now actively seeking to obtain the advantages of private initiative and market discipline.

The World Bank, too, has begun to respond to these changes: Intensifying its support of competitive markets, it is actively and explicitly pursuing private-sector priorities throughout the group of Bank institutions.[25] It has always been the Bank's policy to help countries adopt a supportive, or "enabling," environment for private-sector development so that they can obtain the advantages of private initiative and market discipline in promoting efficient development. Indeed, one of the principal objectives of the Bank, as set out in its Articles of Agreement, is the promotion of private foreign investment for productive purposes.

In January 1989, the Bank launched its private-sector development action program to expand and enhance support for the private sector. The program was designed to fill in the gaps in the Bank Group's activities in private-sector development, integrate private-sector development into Bank operations, identify areas in which efforts should be intensified, and focus on ways to improve coordination among the Bank, the IFC, and MIGA.

The action program focused on four priority areas: improvement of the business environment; public-sector restructuring and, where appropriate, privatization; financial-sector reform; and research aimed at developing new initiatives and increasing the effectiveness of Bank activities directed at private-sector development.

This long-term effort has yielded encouraging short-term results in its first eighteen months. Although much remains to be done before these elements are fully and systematically integrated into the Bank's country-assistance strategies, several noteworthy achievements have been registered. They include:

- an increase by over one third in the number of operations with private-sector development components;
- a substantial expansion of Bank staff input on analytical work in this area;
- growth in IFC approvals by 12 percent, diversification in the IFC's investments, and expansion in the Corporation's use of such instruments as quasi-equity and agency-equity lines;
- MIGA's first approvals of guarantees and the launching of a program of investment-promotion conferences and provision of advice; and
- an expansion in the activities of the foreign investment advisory service (FIAS), a joint venture between the IFC and MIGA that provides technical assistance to member governments in capital-markets development, as well as advice to governments on mechanisms to encourage foreign direct investment.

Progress has been made in each of the four priority areas of the action program, and the Bank is committed to building on this progress.

In its effort to *foster a supportive business environment,* the Bank continues to expand its assistance to governments that are undertaking specific initiatives to remove barriers to entry and investment; reform labor legislation; and streamline, strengthen, or reform legal and regulatory systems. In the eighteen-month period from January 1989 to the end of June 1990, 100 projects included components designed to improve the business environment; in ten operations in seven countries—Cameroon, Ghana, Hungary, Indonesia, Mexico, Nepal, and Yugoslavia—support for legal and regulatory reform was the principal component of the project.

Reform of the business environment is essential in order to maximize the contribution of the private sector to development. Some reforms in the business environment are only beginning to be tackled (such as those relating to bankruptcy law, the protection of property rights, and the reduction of collusion or monopoly practices). The sharp increase under way or planned by the Bank in its country economic and sector work on

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[25] The Bank Group includes the World Bank, the International Finance Corporation, and the Multilateral Investment Guarantee Agency.

private-sector development is intended to encourage and assist borrowers to come to grips with these key issues.

In its analytical work on improving the business environment, the Bank has focused on practical measures to ensure a rapid and efficient supply response to improvements in the incentive system. One study completed during the past year yielded a conceptual framework for creating a permanent and fair competitive environment. Other studies analyzed the role of law in private-sector development and its operational implications for the Bank; investigated the effects of adjustment measures on private supply response; and gauged the effect of business taxation on private investment. The last-mentioned study noted ways to prevent business tax laws from distorting investment decisions. And a paper on foreign direct investment analyzed how developing countries could attract foreign investors without resorting to costly and distortionary promotional policies.

Public-sector restructuring activities, the action program's second focus, include support for reforms that make public enterprises more autonomous and accountable, that expose them to competition wherever feasible, and that restructure their operations to increase efficiency. This set of activities also includes support to interested countries for developing an appropriate framework and favorable environment for successful privatization of state enterprises and the expansion—where that helps to ease financial constraints and increase efficiency—of the role of the private sector in the provision of social services and infrastructure. It also includes public-sector expenditure reviews, which are intended to help governments assess the effects of public expenditures on private initiative and which explore opportunities for greater private-sector involvement in the provision of social services and infrastructure.

Privatization of state enterprises can enhance efficiency, remove a drain on the economy, and open new areas to competition and private initiative. The Bank has actively supported privatization since 1983; in the eighteen months since the action program became operational, twenty-four projects with privatization components have been approved, bringing the total of such operations since 1983 to eighty-six. Notwithstanding examples of progress (in Guinea, Jamaica, Mexico, and the Philippines, for instance), the overall picture remains mixed. In most cases, the enterprises being divested are relatively small; in other cases, monopoly rights, favorable financing terms, and protection from imports have been offered by governments to attract buyers, or established procedures have been bypassed and the divestiture process has lacked transparency.

Both the Bank and the IFC are advising on the design of divestiture strategies, providing financing to privatized firms, helping develop capital markets, and assisting countries in solving procedural and legal issues. Although recognizing that any adverse short-term effects are outweighed by long-term benefits, the Bank is also dealing, in its operations, with the social effect of divestiture, which, in some cases, can be severe. While the dismissal of redundant workers is usually a necessary part of any program to increase enterprise efficiency, whether under public or private ownership, unemployment is seen in many countries as a serious obstacle to divestiture, especially if alternative jobs are scarce. Training and redeployment funds have been incorporated into certain operations in Africa as a way to ease the burdens of laid-off public-sector workers. A Bank-supported fund in Senegal, for example, refinances loans from participating commercial banks to small-scale projects employing workers laid off from divested public firms. Recent Bank operations in support of privatization have also taken account of the need to avoid creating pressures for hasty transactions. Thus, numerical targets of enterprises to be divested are giving way to progress targets (such as the total value of assets put up for sale). The Bank is also providing more technical assistance to help governments establish and monitor privatization procedures and to scrutinize the economic effects of privatization transactions.

Assistance to help member countries expand the private role in the provision of social services and infrastructure is also increasing. Thirty-eight of the eighty-five projects supporting the private provision of social services and urban infrastructure during the action program's eighteen months contained components designed to improve the regulations and incentives governing private provision of public services, provide finance and training for private contractors, and assist interested governments in contracting private services.

In many countries, especially those in which the private sector is very weak, governments may be reluctant to relinquish direct control of many activities. The Bank is working, therefore, to help overcome governments' concerns about equity and efficiency; recent efforts supported by the Bank have been aimed at demonstrating that the private sector can, for instance, provide services to remote areas or poor communities that the government cannot reach, increase access to health services, or upgrade the quality of education. Expansion in such private provision is a slow process and must take place carefully and with adequate support to build the necessary institutions and safeguards. In addition to continuing to provide essential public services, governments must regulate private providers of social services, loosening some restrictions while also setting quality standards. The Bank is reviewing experience carefully, and the equity, efficiency, and institutional issues raised by the private provision of social services constitute a priority area for research.

Both the Bank and the IFC are active in helping governments mobilize and attract private finance and management to provide basic infrastructure. In cases where governments will continue to carry primary responsibility for providing infrastructure and basic social services, they need to search continuously for ways to discharge these tasks more effectively—for example, by increasing competition and by holding parastatal managers more accountable. Government capacities face limits, and it is encouraging that governments are seeking to harness private-sector energies in areas that many countries previously considered to be the domain of government—to build and operate highways, provide education, or own and run water supplies, for example.

Some seventeen public-sector expenditure reviews were carried out between January 1989 and the end of June 1990. All analyzed the prospects for divestiture and for increased private competition with public enterprises. Since, with some exceptions, the reviews were not able to specifically identify private alternatives to public programs or document possible adverse effects from the displacing or "crowding out" of private expenditures, work is under way to develop a methodology to assist Bank staff and governments in analyzing trade-offs and weighing the effects of crowding out and displacement against the complementary effects of public investment on the private sector.

Analytical work is also under way on two other sets of issues in the area of public-sector restructuring. One concerns the lessons that can be drawn from the effects of privatization on efficiency, employment, and public finance and the extent to which experience is replicable. Recently completed studies include a review of Bank lending for divestiture, an assessment of reforms of ownership and control mechanisms in China and Hungary, and a case study of railway privatization. A second issue concerns the respective roles of the public and private sectors. A number of Bank and IFC studies undertaken during the past year have examined the private delivery of public services in the water supply and sewerage, transport, health, and family-planning sectors and have suggested ways for it to be expanded while ensuring that issues relating to the adequacy of coverage and equity are addressed.

The Bank Group is supporting the *development of well-functioning, market-oriented financial systems* through structural-adjustment loans and, increasingly, through comprehensive financial-sector adjustment loans and credits. From January 1989 through June 1990, nine financial-sector adjustment operations were approved, with commitments totaling $1,695 million. The IFC has been active in providing technical assistance and policy advice on financial-market development, either in collaboration with the Bank or directly at the request of member governments. Also noteworthy are the increase in the IFC's capital-market operations, the Corporation's support to new country funds (Indonesia, Malaysia, and Thailand), and its establishment of a unit (the international securities group) that is responsible for introducing successful companies in developing countries to the capital markets of industrial countries. Eight Bank operations during the eighteen months included components directed at the development of capital markets; in each case, the Bank and the IFC collaborated closely.

The Bank continues to be active, also, in increasing the transfer of resources to the private sector through its financial-intermediation operations. In line with the conclusions of a September 1989 task-force report on financial-sector operations (which recommended, on the one hand, that more rigorous selection and performance criteria be applied for Bank-assisted intermediary institutions and, on the other, that these institutions be allowed greater latitude to onlend Bank resources on a businesslike basis), Bank support is being given to competitive institutions that—in line with new Bank requirements—increasingly mobilize their resources from the domestic market (see Box 3-3).[26]

From January 1989 through June 1990, sixty-seven financial-intermediary operations, totaling $6.6 billion, were approved; of that amount, $4.6 billion was expected to be onlent to private-sector businesses.

The $6.9 billion in commitments by the Bank Group for private-sector financing since the launching of the action program (67 percent from Bank operations and 33 percent from IFC

[26] Institutions that currently fall short of the new criteria are eligible to participate in the intermediation of Bank funds only if they have adopted institutional development plans that are designed to make them fully marketworthy within a reasonable period of time.

Box 3-3. The Bank's Financial-sector Policies under Review

The report of a task force on financial-sector operations has concluded that both policymakers in developing countries and the World Bank have often overlooked the importance of financial-sector development and have used the sector to pursue short-term objectives in the nonfinancial, or "real," sectors.

The underlying theme of the report was that the efficiency and growth of a country's financial sector and the efficiency and growth of its real sectors are mutually dependent. Development of the real sectors, as producers of the goods and services that define material welfare, is a central goal of economic policy. However, without parallel development of financial institutions, instruments, and markets, the real sectors would stagnate.

The report recommended that the Bank work with member governments to design and implement financial-sector operations, whether in support of broad sector reforms or of the development of a single-sector institution, in accordance with a coherent integrated sector strategy to ensure that its operations and advice are mutually consistent and supportive of sector and macroeconomic objectives.

A cornerstone of the Bank's financial-sector development strategy, as laid out in the task-force report, is the promotion of competitive, market-oriented financial systems and institutions. The liberalization of financial markets can provide powerful incentives for mobilizing domestic savings, attracting capital from abroad, and directing these combined resources to productive investments. Thus, the Bank will give particular emphasis to the general level and structure of interest rates in its macroeconomic and sectoral policy dialogues. It will also apply more rigorous selection criteria for intermediary institutions and performance criteria for continued Bank support, at the same time that intermediaries are allowed greater latitude to onlend Bank resources according to sound business criteria.

The task-force report warns, however, that the liberalization of financial markets can be dangerously destabilizing if the preconditions for efficient, competitive market operations are not in place. Special attention will be given, therefore, to establishing supportive legal and regulatory frameworks and to strengthening supervisory institutions. Moreover, because of the financial sector's particular vulnerability to, and role in, macroeconomic imbalances, the decision to proceed with financial-sector operations will be especially sensitive to the adequacy of the macroeconomic environment, and sector reforms will have to be designed and phased in in coordination with broader macroeconomic stabilization efforts. Close consultation and coordination will be maintained between the Bank and the International Monetary Fund in this area.

In discussing the task force's recommendations, the executive directors were broadly supportive of their general thrust and direction. The directors generally agreed with the very high priority that the task force attached to financial-sector development and endorsed its recommendation that the Bank's financial-sector operations reflect a country-specific strategy for the sector's development.

Many directors expressed the view that the Bank must remain sensitive to differences among borrowing countries in their general economic conditions, in their institutions, and in their levels of financial-market development. These differences, they said, should be reflected in the speed and sequencing of policy changes in the sector.

investments) accounts for no more than a small fraction of the credit available in any country, however. The Group's major contribution comes not from its direct provision of credit, but from its role as a catalyst to other resources and as an adviser on policies and institutional improvements that can enhance the overall functioning of financial systems in developing countries.

Through its cofinancing activities and its support of joint ventures, the Bank seeks to bring additional funds to developing countries to finance specific projects. Two new initiatives, the result of the Bank's increased emphasis on staff work devoted to cofinancing, were begun in fiscal 1990.

The expanded cofinancing-operations (ECO) program is intended to help improve financial flows to developing countries by providing guarantees for private commercial loans and bond issues, as well as government obligations in the case of limited recourse financing—all in the context of Bank-supported projects.[27] The export-credit enhanced leverage (EXCEL) program was developed to promote export-credit flows to medium-scale private enterprises for investments receiving Bank financing through financial-intermediation operations.[28]

Much of the analytical work on issues of financial-sector development goes beyond private-sector development in the narrow sense. Nevertheless, several issues of particular concern to the private sector have been addressed or identified.

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[27] For details, see page 86.

[28] For details, see page 86.

World Development Report 1989 examined broad issues of financial policies and their effects on the private sector, and the previously mentioned task force on financial-sector operations examined Bank support for financial-sector reform and development. Subjects identified for future study include the effect of financial policies and capital-market imperfections on private investment decisions, the role of risk capital in private-sector development, and the experience with financial-sector adjustment operations. A review of such experience will, it is hoped, guide Bank staff in the design of future operations.

It is clear that the program's promising beginning is but a prelude to wider and deeper support for private-sector development. For example, analysis of ways in which entrepreneurial skills can be developed, especially in Africa, and technology transfer can be promoted has recently been launched.

As cooperative institutions bringing together developing and developed countries, the institutions that make up the Bank Group are uniquely suited to help enhance private growth and efficiency. Close collaboration among Group members is essential if success is to be realized. Many strides have been taken in the past eighteen months, and collaboration is today excellent at the project level.

Further efforts are under way to systematize collaboration through the development of country strategies. Attention paid in country strategies to private-sector development, in many cases, is still uneven. The extent to which country strategies effectively address issues of private-sector development are closely related to prior country economic and sector work on the constraints to private initiative and the opportunities for redefining the relative roles of the public and private sectors. The Bank's research complex is working with a number of country departments to draw from their experience and to develop a framework that can guide Bank staff in their efforts to ensure that private-sector development is coherently and systematically integrated into country-assistance programs.

* * *

In May 1990, the Development Committee focused much of its discussion on the contribution of the private sector to development and the role that the World Bank Group should play in this regard.

The committee welcomed the growing emphasis given by developing countries to the role of the private sector and underscored the importance of creating an enabling environment favorable to private-sector activities. The committee also noted that the confidence of private investors could be enhanced through the adoption by all countries of open markets and sectoral-adjustment policies and a supportive financial environment.

Members of the committee encouraged the Bank to give a very high priority to private-sector development in its operations, to continue to expand the scope of its activities in this area, including new approaches and instruments as may be needed, and to assist developing countries' efforts to implement long-term institutional, regulatory, and legal reforms, consistent with their socioeconomic situation. They therefore emphasized the importance of close coordination within the Bank Group—while avoiding duplication—so as to ensure that private-sector considerations are better integrated in its operations.

Section Four
World Bank Finances

In fiscal 1990, the IBRD, with the strong support of its member countries, continued to strengthen its financial structure and position itself for its important developmental role in the 1990s.

Subscriptions to the IBRD's recent $74.8 billion general capital increase are on target, and total subscribed capital reached $125.3 billion at the end of fiscal 1990. The new currency-management policies introduced in fiscal 1989 were successfully implemented, and the reserves-to-loan (R/L) ratio continued to increase. The IBRD's net income also has become less subject to interest-rate risk due to the progressive decline of outstanding fixed-rate loans as a proportion of its loan portfolio.

Major financial achievements for the IBRD in fiscal 1990 included:

- An increase in net disbursements to member countries—from $1.9 billion in fiscal 1989 to $5.7 billion in fiscal 1990. The surge was largely explained by disbursements of $2.0 billion to Mexico in support of its debt and debt-service reduction agreements with commercial banks and by a substantial decline in prepayments—from $2.7 billion in fiscal 1989 to $0.6 billion in fiscal 1990.
- Implementation of the currency-management policies it adopted last year, which reduced the IBRD's exposure to currency exchange-rate volatility and made its loan instruments more attractive to borrowers.
- Continued improvement of the IBRD's reserves position, as the R/L ratio increased to 10.8 percent at the end of fiscal 1990, up from 10.2 percent a year earlier (see Figure 4-1). That improvement resulted from an allocation in fiscal 1989 of $994 million of that year's net income to the general reserve effective in fiscal 1990.
- Borrowing the equivalent of $11.7 billion in the world's financial markets, including the introduction of innovative U.S. dollar global bonds.
- Net income for the year of $1,046 million, after a one-time charge of $106 million to fund accrued liabilities for staff postretirement medical and life-insurance benefits. Of this, $750 million was allocated to the general reserve. That allocation is projected to increase the R/L ratio again at the end of fiscal 1991.

Figure 4-1. IBRD Reserves-to-Loan Ratio, Fiscal 1986-90
(percent)

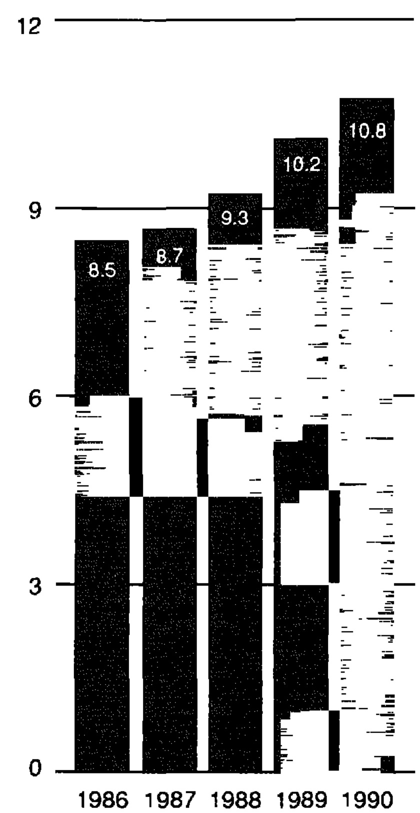
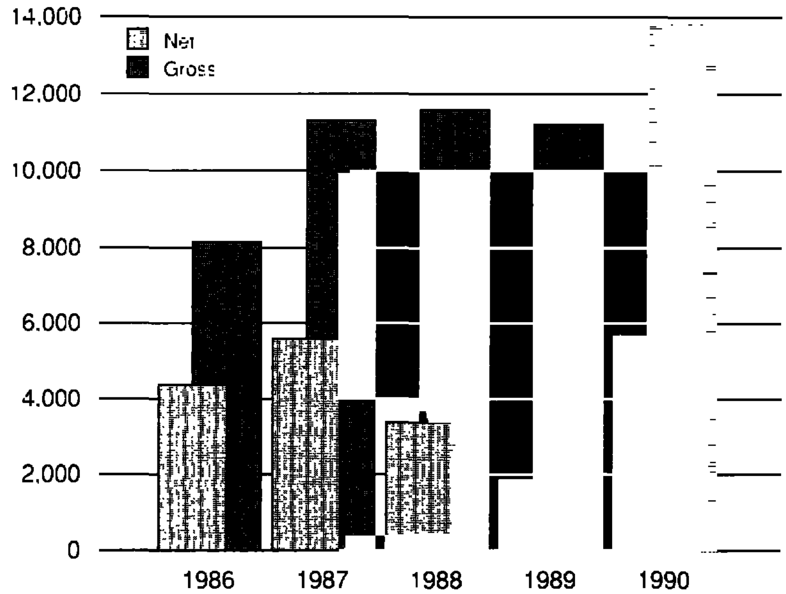


Figure 4-2. IBRD Gross and Net Disbursements to Countries. Fiscal 1986-90
(US$ millions)



• Consistent with the IBRD's objective of setting its loan charges at a level needed to maintain its strong financial position while minimizing the cost of its funds to borrowers, the IBRD reduced the commitment fee in fiscal 1990 on undisbursed loan balances to 0.25 percent from 0.75 percent. This saved borrowers about $150 million in fiscal 1990. The executive directors also have set the commitment-fee level at 0.25 percent for fiscal 1991.

Loans: IBRD

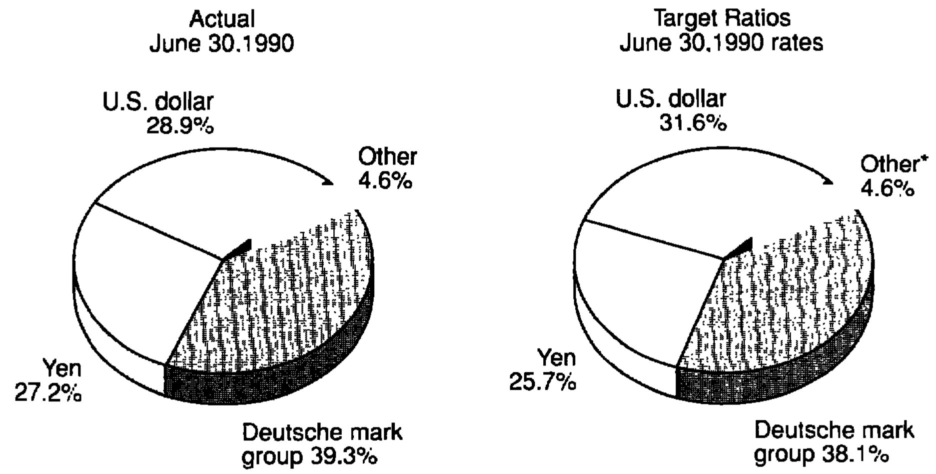
Disbursements on loans. Gross disbursements by the IBRD to countries were $13.9 billion, an increase of 15 percent over fiscal 1989. Net disbursements were $5.7 billion, an increase of $3.8 billion over the prior year (see Figure 4-2).

Currency-pool loans. For loans in the currency pool, in January 1989, the IBRD adopted a policy of targeting the currencies of the loan pool to predetermined balanced proportions. By the end of fiscal 1991, at least 90 percent of the pool is to be in three major currency groups in the following proportions—1 U.S. dollar to 125 Japanese yen and to 2 deutsche mark (or its equivalent in a combination of deutsche mark, Swiss francs, and Netherlands guilders). The changes will improve the predictability of the borrowers' debt-servicing needs, and, therefore, their ability to manage exchange risks associated with IBRD loans. Substantial progress was made toward achieving the target currency ratios for the composition of the loan pool (see Figure 4-3). The targeted composition of the currency pool is expected to be met, as planned, in the next fiscal year.

Pre-pool fixed currency loans. Fixed-rate loans made before 1980 are outside the currency pool. Borrowers are obliged to repay the actual currencies received on these loans in the order requested by the IBRD. During fiscal 1990, the IBRD changed its procedures so that it now recalls currencies for these loans on a pro rata basis. Borrowers now know in advance the currencies required for debt-service payments and can plan accordingly.

Lending rate. Implementing the policy adopted last year, the IBRD introduced a new lending rate on variable-rate loans in fiscal 1990. By excluding the cost of borrowings to fund investments, the new lending-rate calcu-

Figure 4-3. Currency Composition of the IBRD's Loan Pool



Actual currency ratio:
1 U.S. dollar to 145.5 yen to
2.3 deutsche mark

Target currency ratio:
1 U.S. dollar to 125 yen to
2 deutsche mark

*Assumed unchanged from June 30, 1990

lation is based on the cost of funds allocated to the loan pool plus a 50 basis-point (one half of 1 percent) premium.

The new variable lending rate was 7.74 percent and 7.75 percent, respectively, for the first and second semesters of fiscal 1990, compared with the old lending rate of 7.73 percent and 7.75 percent for the same periods. The new lending rate applies to outstanding loans for which invitations to negotiate were sent after May 18, 1989, and any other outstanding variable-rate loans that borrowers wish to convert. On June 30, 1990, 30 percent of such outstanding loans had been converted.

Declining interest-rate risk from the loan portfolio. Another contribution to stable income trends in the future is the decline in interest-rate risk from prefiscal 1983 fixed-rate loans. Since these loans are not prefunded to their final maturities, the IBRD's income is exposed to refinancing cost increases. These loans, however, have been declining as a percentage of total loans outstanding since fiscal 1983, when the IBRD introduced variable-rate loans. At the end of fiscal 1990, outstanding fixed-rate loans, with an average interest rate during the year of 8.22 percent, had declined to \$36.4 billion, less than half of the total of \$89 billion of disbursed and outstanding loans; amounts remaining to be disbursed on fixed-rate loans totaled less than \$1 billion, compared with \$48.5 billion on variable-rate loans.

The policy change adopted in fiscal 1989 limiting the circumstances under which the IBRD's prepayment premium on fixed-rate loans may be waived has also added to the stability of the IBRD's income. Prepayments declined from \$2,670 million in fiscal 1989 to \$599 million in fiscal 1990, the result of both the higher interest rates prevailing in most currencies and the limitations on waivers of prepayment premia.

Loans in nonaccrual status. Seven of the nine borrowers that were in nonaccrual status at the end of fiscal 1989—Liberia, Nicaragua, Panama, Peru, Sierra Leone, Syrian Arab Republic, and Zambia—remained so at the end of fiscal 1990.[1] Guyana cleared its arrears of \$55.3 million in June 1990 with the aid of a group of

[1] A country is placed in nonaccrual status if it is six months overdue on debt service to the IBRD (or IDA).

donor member countries led by Canada. Honduras paid \$152.6 million, clearing its arrears on its IBRD loans and IDA credits, with the support of a group led by the United States. Panama paid about \$23 million during fiscal 1990 so as to stabilize its arrears. Disbursed and outstanding loans to the seven countries totaled \$2.9 billion, or 3.2 percent of the IBRD's total loan portfolio at the end of fiscal 1990. Total arrears for the seven nonaccrual countries were \$1.8 billion at the end of fiscal 1990, split about equally between principal and overdue interest and fees. Net income for fiscal 1990 was \$248 million lower than it otherwise would have been had these seven countries not been in nonaccrual status. The accumulated provision for possible loan losses at the end of fiscal 1990 was raised to \$1.25 billion, equivalent to 43.5 percent of the outstanding principal on nonaccruing loans and to 134 percent of overdue principal. This is apart from the special reserve of \$293 million, which amounts to another 10 percent of nonaccruing loans.

Liquid-assets Investments: IBRD

In fiscal 1990, the IBRD's executive board reviewed and reaffirmed the IBRD's policy of targeting liquid-assets investment holdings to at least 45 percent of the next three years' estimated cash requirements. At the end of fiscal 1990, the IBRD's liquidity totaled \$17.2 billion, equivalent to about 47 percent of anticipated net cash requirements for the next three years, compared with \$19.4 billion at the end of fiscal 1989. The IBRD's primary objective in holding liquidity at this level is to ensure flexibility in its borrowing decisions should borrowings be temporarily affected by adverse conditions in the capital markets. The IBRD's realized return on investments was 8.37 percent in fiscal 1990, compared with 8.20 percent in the prior year. The executive directors also approved a number of technical changes in the investment authorities for IBRD (and IDA), including, among other things, formalizing two existing practices—that eligible agencies and instrumentalities of national governments and multilateral organizations be limited to those having a long-term credit rating equivalent to AAA in the U.S. market and that eligible commercial banks be limited to those having a long-term credit rating equivalent to A or higher in the U.S. market.

Resources: IBRD

Borrowings. A major feature of the fiscal 1990 borrowing program was the introduction of U.S. dollar global bonds in the international capital markets and the government agency market in the United States. The objective of global bonds was to reduce the IBRD's U.S. dollar borrowing costs by developing an instrument and a system of distribution and trading of U.S. dollar-denominated bonds that would prove more attractive to investors and intermediaries than competing products. Global bonds were designed to respond to preferences of institutional investors and to permit the full range of international and domestic demand to be reflected in a world price for the securities by eliminating impediments to liquid, transregional trading. They are simultaneously offered in the world's major financial centers and trade fluidly among those centers thereafter.

The IBRD offered two \$1.5 billion global-bond issues during fiscal 1990. Both of these issues were coupled with a deferred rate-setting mechanism which, while not affecting the terms of the issue to investors, allowed the IBRD to spread its cost-fixing over several months. This approximated the pattern that would have resulted from averaging interest rates through a series of smaller-sized bond issues, while capturing for the IBRD the benefits of the new, global-bond structure. Financial-market participants have cited the introduction of the global bond as a bellwether in an evolving world marketplace and a precursor to similar issues by other high-quality borrowers.

The IBRD completed an \$11.7 billion equivalent program of new borrowings (see Table 4-1). This volume excludes \$1.1 billion equivalent of refinancings of Japanese yen loans that were prepaid and refinanced with the original lenders and \$5.2 billion equivalent of refinancings of short-term borrowings. Outstandings at the end of fiscal 1990 were \$81.2 billion of medium-term and long-term borrowings and \$5.3 billion of short-term borrowings.

The borrowing program was completed at an after-swap cost of 7.99 percent and an average life of 7.7 years, compared with 7.73 percent and an average life of 7.8 years in fiscal 1989 (see Figure 4-4).

The program once again emphasized a substantial proportion of U.S. dollar borrowings after swaps. This enabled the IBRD to increase that currency's share in the loan-currency pool to 29 percent at the end of fiscal 1990, compared with 23 percent a year earlier.

Although about 98 percent of fiscal 1990 borrowings, after swaps, were in deutsche mark, U.S. dollars, and yen (the three major currency groups of the loan pool), the IBRD continued to pursue its policy of diversifying its borrowings in a large number of markets and currencies. The IBRD borrowed fifteen currencies. Ten currencies were used as vehicle currencies. The IBRD used swap-arbitrage opportunities to obtain target currencies—U.S. dollars and deutsche mark—at lower cost than could have been obtained through direct borrowings in those target currencies. Currency swaps totaled $3.1 billion in fiscal 1990.

The currency swaps produced, in certain cases, floating-rate funds in the target currencies. Interest-rate swaps were then used to produce the desired final outcome of fixed-rate funding in these currencies. The combination of currency swaps into floating-rate swaps plus interest-rate swaps from floating to fixed rates enables the IBRD to complete currency swaps whenever arbitrage is attractive and still retain control over the timing of locking in fixed rates on the funding obtained through swaps. Interest-rate swaps completed for this purpose totaled $2.2 billion in fiscal 1990.

Borrowings from official sources (central banks and other government institutions) consisted of $1.2 billion equivalent of medium-term and long-term instruments. The principal amount of short-term borrowings outstanding under the IBRD's central-bank facility was $2.6 billion, unchanged from June 30, 1989.

A total of $10,670 million equivalent of debt, not including short-term borrowings, was retired during fiscal 1990, including $8,290 million of scheduled maturities, $2,239 million by exercises of prepayment rights, and $141 million by means of sinking-fund and purchase-fund operations.

The average cost, after swaps, of the $18.0 billion of gross borrowings in fiscal 1990 was 7.99 percent, broken down as follows: the cost of $11.6 billion of fixed-rate medium-term and long-term borrowings was 7.97 percent; the cost of $0.1 billion of additional short-term discount-note borrowings was 8.37 percent; the cost of refinancing $5.2 billion of short-term borrowings was 8.42 percent; and the cost of refinancings of $1.1 billion of prepaid Japanese yen loans was 6.03 percent.

Capital. On June 30, 1990, total subscribed capital was $125.3 billion, or 73 percent of authorized capital of $171.4 billion. During fiscal 1990, phased subscriptions to the $74.8 billion general capital increase (GCI), approved in April 1988, continued smoothly: Twenty-three countries subscribed an aggregate of $8.8 billion. A total of 250,881 GCI shares ($30.2 billion, or 41 percent of total allocations) have now been subscribed by forty-two members; 364,787 shares ($44.0 billion) remain to be subscribed. As a result, at the end of fiscal 1990 the permissible increase of net disbursements, "headroom," was $48.0 billion, 35 percent of the IBRD's lending limit.

Reserves and net income. Reserves totaled $9.5 billion, and the reserves-to-loan ratio was 10.8 percent at the end of fiscal 1990. Previously, since the currencies of reserves were not aligned with those of loans, exchange-rate movements affected the reserves-to-loan ratio. The realignment of reserve currencies under the new currency-management policies has already progressed so far as nearly to eliminate the vulnerability of the R/L ratio to movements formerly brought about by exchange-rate volatility. This ratio is an important indicator of the adequacy of the IBRD's income and loan charges and of its ability to withstand risks to income and adverse eventualities.[2] The R/L ratio is used by the IBRD in much the same way as capital-adequacy standards are used by commercial financial institutions.

Net income for fiscal 1990 was $1,046 million, after a $106 million one-time charge to fund staff postretirement health and insurance benefits. This enabled the IBRD to boost the expected reserves-to-loan ratio for fiscal 1991 to 11 percent. A total of $750 million of fiscal 1990 net income was allocated to the general reserve; the remaining $296 million is included in unallocated accumulated net income pending a decision on its disposition.

IDA Finances

Use of IDA reflows. In early fiscal 1988, the executive directors authorized the Association to begin making commitments of SDR525 million against future reflows. Such commitments take two forms: advance commitments and annual allocations. During fiscal 1990, the Association made commitments based on reflows of SDR860 million, including a carryover of SDR525 million from fiscal 1989. In addition, the program (the annual allocations) to supplement adjustment credits for countries that are currently borrowers of IDA only and that have outstanding IBRD debt amounted to SDR73 million. (See Table 3-3 on page 46 for country-specific amounts allocated during fiscal 1990.)

Late in fiscal 1990, the executive directors of IDA agreed to increase the annual level of advance commitments against reflows from SDR525 million to SDR575 million for the period fiscal 1991–93. They also agreed to (a) increase annual allocations to supplement adjustment credits to IDA-only countries with outstanding IBRD debt to SDR130 million in fiscal 1991 and (b) set aside for one year SDR70 million to be used to supplement normal IDA allocations for IDA-only countries that are undertaking debt workouts.

IDA's commitment fee. In April 1988 the executive directors decided to make IDA's

[2] The reserves-to-loan ratio is the sum of general and special reserves divided by the sum of total loan principal outstanding and the value of callable guarantees less accumulated loan-loss provisions.

Table 4-1. IBRD Borrowings, Fiscal Year 1990[a]
(amounts in millions)

Type	Issue	Currency of issue		US-dollar equivalent[b]
Medium- and long-term public offerings				
Austria	8.875% ten-year bonds, due 2000	S	1,000.0	84.3
Germany, Federal Republic of	6.75% ten-year bonds, due 1999	DM	600.0	318.8
	9.0% five-year bonds, due 1994	DM	150.0	84.8
	8.75% ten-year bonds, due 2000	DM	500.0	297.4
	8.75% ten-year bonds, due 2000	DM	750.0	453.2
	8.875% ten-year bonds, due 2000	DM	250.0	149.5
	9.0% ten-year bonds, due 2000	DM	200.0	120.2
Hong Kong	8.95% six-year bonds, due 1996	HK$	500.0	64.1
Japan	5.25% ten-year bonds, due 1999	¥	70,000.0	479.0
	7.30% seven-year bonds, due 1996	¥	10,000.0	69.1
	5.875% five-year bonds, due 1994	¥	50,000.0	347.3
Luxembourg	9.75% five-year bonds, due 1995	Lux F	1,000.0	28.5
Spain	11.375% five-year bonds, due 1994	Ptas	10,000.0	84.4
	13.45% five-year bonds, due 1995	Ptas	10,000.0	91.6
	11.375% five-year bonds, due 1994	Ptas	6,000.0	56.1
Switzerland	6.125% fifteen-year bonds, due 2004	Sw F	100.0	62.1
	6.0% ten-year bonds, due 1999	Sw F	100.0	61.1
	7.50% ten-year bonds, due 2000	Sw F	100.0	70.6
	7.50% seven-year bonds, due 1997	Sw F	200.0	140.7
	7.50% seven-year bonds, due 1997	Sw F	100.0	70.3
Eurobond Market	14.25% five-year notes, due 1994	$A	75.0	56.7
	14.5% six-year notes, due 1996	$A	100.0	76.8
	10.125% ten-year bonds, due 1999	Can$	150.0	126.0
	13.25% five-year bonds, due 1995	Can$	150.0	127.1
	10.0% seven-year notes, due 1997	F	1,000.0	179.3
	10.875% five-year bonds, due 1994	£	100.0	159.4
	10.875% five-year bonds, due 1994	£	100.0	158.2
	Eight-year floating rate notes, due 1997	Lit	200,000.0	140.8
	12.25% five-year bonds, due 1995	Lit	200,000.0	157.6
	12.125% five-year bonds, due 1995	Lit	200,000.0	158.7
	12.125% five-year bonds, due 1995	Lit	400,000.0	331.3
	7.65% five-year bonds, due 1994	¥	10,000.0	69.9
	6.75% ten-year bonds, due 2000	¥	50,000.0	328.6
	7.25% five-year bonds, due 1995	¥	45,000.0	283.1
	6.875% seven-year bonds, due 1997	¥	30,000.0	196.7
	8.375% seven-year bonds, due 1997	f	300.0	157.6
	9.0% five-year bonds, due 1994	ECU[c]	100.0	110.9
	9.50% six-year bonds, due 1995	ECU[c]	100.0	119.7
	10.375% five-year bonds, due 1995	ECU[c]	125.0	153.8
Global	8.375% ten-year bonds, due 1999	US$	1,500.0	1,500.0
	8.75% seven-year bonds, due 1997	US$	1,500.0	1,500.0
Total medium- and long-term public offerings				9,225.3
Medium- and long-term placements with central banks and governments				
Germany, Federal Republic of	6.77% note, due 1994	DM	250.0	133.2
	8.08% note, due 1995	DM	250.0	148.9
International[d]	8.64% two-year bonds, due 1991	US$	150.0	150.0
	8.08% two-year bonds, due 1991	US$	122.0	121.5
	8.78% two-year bonds, due 1992	US$	183.0	182.5
	8.59% two-year bonds, due 1992	US$	141.0	140.5
	7.0% two-year notes, due 1991	Sw F	300.0	179.3
	8.4375% two-year notes, due 1992	Sw F	239.0	160.9
Total medium- and long-term placements with central banks and governments				1,216.8

Type	Issue	Currency of issue		US-dollar equivalent[b]
Medium- and long-term other placements				
Japan	6.0% loan, due 2004	¥	10,000.0	69.3[e]
	7.50% loan, due 2011	¥	15,000.0	101.4
	7.50% loan, due 2005	¥	10,000.0	67.6
	7.20% loan, due 1995	¥	5,000.0	31.5
Switzerland	5.75% notes, due 1999	Sw F	100.0	60.1
	7.125% notes, due 1998	Sw F	100.0	66.4
	7.375% notes, due 1998	Sw F	100.0	68.5
United States	Continuously Offered Longer-term Securities (COLTS) Program	US$	452.0	451.6
International	18.0% notes, due 1994	$A	100.0	76.1
	20.0% notes, due 1994	$A	100.0	76.9
	6.625% notes, due 1995	¥	15,000.0	96.8
Total medium- and long-term other placements				1,166.2
Short-term borrowings[f]				
Central bank facility		US$	0.2	0.2[g]
Discount notes		US$	111.5	111.5[g]
Total borrowings, fiscal 1990				11,720.0

a. Excludes ¥150 billion (US$1,051 million equivalent) of yen loans which were prepaid and refinanced.
b. Based on exchange rates at the time of settlement.
c. European currency units.
d. These issues were placed with central banks, government agencies, and international organizations.
e. Represent excess of refinancings over prepaid amounts.
f. Maturing within one year.
g. Increase in amount outstanding at June 30, 1990, over amount outstanding at June 30, 1989.

commitment fee variable within a range of 0.0–0.5 percent. For each fiscal year, the level of the fee is set by the executive directors based on an annual review of IDA's financial position. The commitment fee for fiscal 1990 was set at 0 percent for all IDA credits, including those made under the Special Fund and the Special Facility for Sub-Saharan Africa.

IDA commitment authority. In fiscal 1990, the Association received the third installment payment, in the amount of $960.9 million, from the United States for its contribution to the eighth replenishment of IDA (IDA-8), bringing the cumulative IDA-8 payments to 99.9 percent of the agreed total. The remaining portion of the third tranche from the United States is expected to be made to the Association during fiscal 1991. All other donors have released in full their IDA-8 contributions. As a result, IDA's commitment authority from donor contributions during the fiscal year was increased by SDR3,322 million. Resources from IDA-8 plus the additional commitment capacity based on reflows enabled IDA to approve 101 credits totaling SDR4,255 million.

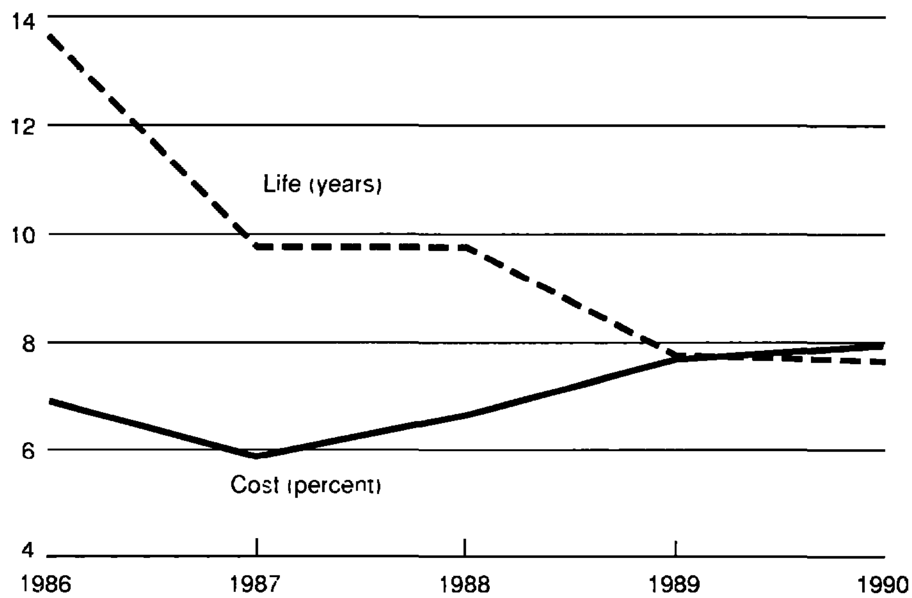
Disbursements by Source of Supply

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

The specific procurement rules and procedures to be followed in the execution of projects depend on the circumstances of the particular case. Three considerations, however, generally guide the Bank's requirements: the need for economy and efficiency in the execution of the project; the Bank's interest, as a cooperative institution, in giving all eligible bidders from developing and developed countries an opportunity to compete in providing goods and works financed by the Bank; and the Bank's interest, as a development institution, in encouraging the development of local contractors and manufacturers in the borrowing country.

In most cases, these needs can be best realized through international competitive bidding, properly administered and with suitable allowance for preferences for local or regional

Figure 4-4. After-swap Cost and Average Life of IBRD Borrowing Program, Fiscal 1986-90



manufacturers of goods, and, where appropriate, for local contractors for works under prescribed conditions.

Through the end of fiscal year 1990, 64 percent of IBRD and IDA disbursements covered goods and services provided directly by suppliers located outside the borrowing country. While most foreign procurement comes from suppliers in developed member countries and Switzerland, developing-country suppliers have become increasingly effective in winning contract awards. Through the end of fiscal 1986, disbursements to these suppliers amounted to 12.3 percent. During fiscal year 1990, the amount was 23.6 percent.

Table 4-2 shows consolidated foreign and local disbursements to the end of fiscal 1986, for each of the next four fiscal years, and to the end of fiscal 1990.

Locally produced goods and services usually include a significant foreign-exchange component. Cumulative local disbursements increased from 35.1 percent at the end of fiscal 1986 to about 35.7 percent at the end of fiscal 1990. Table 4-3 shows disbursements made in fiscal 1990 by the IBRD and IDA for local procurement from selected non–Part I countries and disbursements made for goods, works, and services procured from them by World Bank borrowers.

Table 4-4 shows IBRD and IDA foreign disbursements to Part I and selected non-Part I countries, by source of supply.

Table 4-5 is a record of IBRD and IDA foreign disbursements for goods, works, and services from Part I and selected non–Part I countries in fiscal 1990.

Cofinancing

In July 1989, as recommended in the plan for the reorganization of the Bank, the cofinancing and financial-intermediation functions of the Bank were combined into a single vice presidency, which, during fiscal 1990, was expanded to assist in the structuring and financial packaging of operations involving private-sector development and public-enterprise restructuring. The new vice presidency for cofinancing and financial-advisory services (CFS), which reports to the senior vice president, operations, is strengthening the catalytic role that the Bank plays in facilitating the flow of

Table 4-2. **IBRD and IDA Foreign and Local Disbursements, by Source of Supply**
(amounts in US$ millions equivalent)

	Cumulative June 30, 1986		Fiscal 1987		Fiscal 1988		Fiscal 1989		Fiscal 1990		Cumulative June 30, 1990	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
IBRD foreign disbursements												
Part I supplying countries	44,695	89.0	5,676	79.6	5,025	73.9	5,254	77.6	5,536	[illegible]	65,991	82.2
Non-Part I supplying countries	5,550	11.0	1,452	20.4	1,773	26.1	1,514	22.4	1,841	19.7	12,131	15.1
Total	50,245	100.0	7,128	100.0	6,798	100.0	6,772	100.0	9,537[a]	100.0	80,282[a]	100.0
IDA foreign disbursements												
Part I supplying countries	13,368	83.7	1,848	81.2	1,922	77.4	1,922	77.0	1,584	62.3	20,644	80.1
Non-Part I supplying countries	2,612	16.3	429	18.8	561	22.6	575	23.0	958	37.7	5,133	19.9
Total	15,979	100.0	2,277	100.0	2,483	100.0	2,497	100.0	2,542	100.0	25,777	100.0
IBRD and IDA foreign disbursements	66,224	64.9	9,405	63.6	9,281	60.4	9,270	61.5	11,879	66.8	106,059[a]	64.3[a]
IBRD and IDA local disbursements	35,760	35.1	5,372	36.4	6,072	39.6	5,797	38.5	5,910	33.2	58,911	35.7
Grand total	101,984	100.0	14,777	100.0	15,353	100.0	15,067	100.0	17,789[a]	100.0[a]	164,970	100.0

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

a. Includes IBRD disbursements of $2,160 million for debt reduction in fiscal 1990.

technology and management skills, as well as financial resources, by encouraging cofinancing, providing strategic financial planning and advice, and developing and supporting private-sector operations in borrowing member countries.

The volume of cofinancing anticipated in support of World Bank–assisted operations reached record levels, totaling $13.0 billion (see Table 4-6). Once again, more than half of all Bank-assisted projects and programs attracted some form of cofinancing. By region, 33 percent of the cofinancing volume was for operations in Asia, 32 percent in Latin America and the Caribbean, 23 percent in Africa, and 12 percent in the Europe, Middle East, and North Africa region. In terms of number of cofinanced operations, the distribution by region indicates that 50 percent was in Africa, 22 percent in Asia, 14 percent in Latin America and the Caribbean, and 13 percent in the Europe, Middle East, and North Africa region.

The largest sources of cofinancing continued to be official bilateral agencies and multilateral development institutions, which, together, accounted for $9.1 billion. The volume of anticipated export credits increased significantly over that of recent years and reached an estimated $3.2 billion. Commercial bank cofinancing accounted for $657 million, reflecting the continued difficulty experienced by Bank borrowers in attracting medium-to-long-term financing from commercial sources.

In fiscal 1990, the volume of cofinancing with official agencies represented a significant increase in commitments from the whole of the donor community. A growing and valuable collaboration with the donor community was also evidenced in other areas. To date, consultant trust funds have been established with twenty-four donors. Under these agreements, donors have committed about $47.1 million in grant funds to support World Bank operational work. In addition, special arrangements have been established with five donors in support of environment-related activities, and discussions are under way in this area with other prospective donors. The Bank has also received support from a number of donors for work in member countries in Eastern and Central Europe.

Table 4-3. IBRD and IDA Disbursements for Goods, Works, and Services Procured from Selected Non-Part I Countries, Fiscal Year 1990
(amounts in US$ millions equivalent)

Non-Part I countries	Local procurement	Foreign procurement	Total amount	Percentage of total disbursements[a]
India	1,192	80	1,272	7.2
Brazil	809	176	985	5.5
China	442	143	584	3.3
Indonesia	530	42	572	3.2
Mexico	387	36	423	2.4
Korea, Republic of	204	167	372	2.1
Colombia	191	28	219	1.2
Morocco	208	8	216	1.2
Argentina	136	74	210	1.2
Chile	168	21	190	1.1
Malaysia	135	51	186	1.0
Turkey	123	58	181	1.0
Yugoslavia	98	81	179	1.0
Pakistan	147	15	163	0.9
Singapore	2	160	162	0.9
Bangladesh	152	3	155	0.9
Thailand	66	73	139	0.8
Philippines	112	7	119	0.7
Spain	—	100	100	0.6
Tunisia	81	9	90	0.5
Saudi Arabia	—	84	84	0.5
Nigeria	36	45	81	0.5
Cote d'Ivoire	67	12	79	0.4
Iran, Islamic Republic of	—	65	65	0.4
Portugal	39	26	65	0.4
Paraguay	10	43	53	0.3
Hungary	16	31	47	0.3
Kenya	21	26	47	0.3
Cameroon	41	5	45	0.3
Jordan	19	22	41	0.2
Sri Lanka	29	3	32	0.2
Romania	—	31	31	0.2
Algeria	28	1	29	0.2
Niger	27	2	29	0.2
Malawi	27	2	29	0.2
Ecuador	23	6	29	0.2
Nepal	27	—	27	0.2
Senegal	22	5	27	0.2
Qatar	—	26	26	0.1
Papua New Guinea	23	1	23	0.1
Total	5,638	1,768	7,406	41.6

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

a. Refers to developing-country share of total disbursements.

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

(amounts in US$ millions equivalent)

	IBRD cumulative to June 30, 1990		IBRD fiscal 1990		IDA cumulative to June 30, 1990		IDA fiscal 1990	
	Amount	%	Amount	%	Amount	%	Amount	%
Part I supplying countries								
Australia	736	0.9	53	0.6	289	1.1	10	0.4
Austria	783	1.0	69	0.7	150	0.6	21	0.8
Belgium	1,117	1.4	91	1.0	684	2.7	57	2.2
Canada	1,810	2.3	164	1.8	502	1.9	41	1.6
Denmark	391	0.5	34	0.4	193	0.7	31	1.2
Finland	269	0.3	21	0.2	69	0.3	8	0.3
France	5,297	6.6	492	5.3	2,536	9.8	224	8.8
Germany, Federal Republic of	8,902	11.1	605	6.5	2,632	10.2	171	6.7
Iceland	5	*	2	*	1	*	—	—
Ireland	87	0.1	21	0.2	36	0.1	5	0.2
Italy	4,559	5.7	274	2.9	1,173	4.6	100	3.9
Japan	11,853	14.8	730	7.8	3,399	13.2	147	5.8
Kuwait	205	0.3	46	0.5	110	0.4	32	1.3
Luxembourg	57	0.1	5	0.1	27	0.1	1	*
Netherlands	1,357	1.7	119	1.3	607	2.4	65	2.6
New Zealand	124	0.2	10	0.1	43	0.2	5	0.2
Norway	209	0.3	31	0.3	68	0.3	9	0.4
South Africa	289	0.4	6	0.1	266	1.0	48	1.9
Sweden	1,329	1.7	99	1.1	326	1.3	10	0.4
Switzerland	3,250	4.0	323	3.5	698	2.7	36	1.4
United Arab Emirates	430	0.5	66	0.7	308	1.2	67	2.6
United Kingdom	6,181	7.7	514	5.5	3,692	14.3	361	14.2
United States	16,751	20.9	1,561	16.7	2,833	11.0	135	5.3
Total	65,991	82.2	5,336	57.1	20,644	80.1	1,584	62.3
Non-Part I supplying countries								
Argentina	635	0.8	64	0.7	46	0.2	10	0.4
Brazil	1,000	1.2	164	1.8	179	0.7	12	0.5
Chile	289	0.4	19	0.2	20	0.1	2	0.1
China	327	0.4	76	0.8	425	1.6	66	2.6
Colombia	297	0.4	27	0.3	4	*	—	—
India	358	0.4	36	0.4	418	1.6	44	1.7
Indonesia	270	0.3	39	0.4	27	0.1	3	0.1
Iraq	421	0.5	1	*	28	0.1	6	0.2
Korea, Republic of	708	0.9	133	1.4	498	1.9	35	1.4
Malaysia	266	0.3	42	0.4	158	0.6	9	0.4
Mexico	332	0.4	36	0.4	65	0.3	1	*
Nigeria	104	0.1	16	0.2	87	0.3	29	1.1
Pakistan	116	0.1	7	0.1	117	0.5	8	0.3
Poland	42	0.1	13	0.1	12	*	7	0.3
Romania	226	0.3	30	0.3	55	0.2	1	*
Saudi Arabia	332	0.4	60	0.6	138	0.5	24	0.9
Singapore	616	0.8	90	1.0	345	1.3	70	2.8
Spain	828	1.0	90	1.0	167	0.6	10	0.4
Turkey	222	0.3	56	0.6	14	0.1	1	*
Yugoslavia	834	1.0	75	0.8	145	0.6	6	0.2
Others	3,908	4.7	767	10.7	2,189	8.5	614	24.1
Total	12,131	15.1	1,841	19.7	5,133	19.9	958	37.7
Disbursements for debt reduction	2,160	2.7	2,160	23.1	—	—	—	—
Total foreign disbursements	80,282	100.0	9,337	100.0	25,777	100.0	2,542	100.0

NOTE: * = negligible. — = nil. Details may not add to totals because of rounding.

Table 4-5. IBRD and IDA Foreign Disbursements, by Source of Supply and Description of Goods, Fiscal Year 1990

(amounts in U.S. $ millions equivalent)

Source	Equipment		Civil works		Consultants		All other goods		Total disbursements	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Part I suppliers, countries										
Australia	19	0.4	1	0.2	11	1.8	33	0.8	64	0.5
Austria	77	1.8	—	—	4	0.7	10	0.2	90	0.8
Belgium	77	1.8	5	1.0	16	2.7	51	1.2	149	1.3
Canada	71	1.6	5	1.0	54	9.1	74	1.7	205	1.7
Denmark	34	0.8	2	0.4	11	1.8	18	0.4	65	0.5
Finland	16	0.4	4	0.8	2	0.3	7	0.2	28	0.2
France	369	8.6	52	10.0	96	16.1	199	4.6	716	6.0
Germany, Fed. Rep. of	539	12.5	18	3.5	48	8.1	172	4.0	777	6.5
Iceland	—	—	—	—	—	—	2	*	2	*
Ireland	1	*	—	—	4	0.7	21	0.5	26	0.2
Italy	233	5.4	51	9.8	18	3.0	72	1.7	374	3.1
Japan	672	15.6	50	9.6	10	1.7	146	3.4	877	7.4
Kuwait	—	—	—	—	—	—	78	1.8	78	0.7
Luxembourg	—	—	—	—	—	—	5	0.1	5	*
Netherlands	73	1.7	3	0.6	18	3.0	90	2.1	184	1.5
New Zealand	2	*	—	—	3	0.5	9	0.2	15	0.1
Norway	24	0.6	—	—	—	—	13	0.3	40	0.3
South Africa	23	0.5	—	—	1	0.2	30	0.7	54	0.5
Sweden	74	1.7	—	—	2	0.3	32	0.8	110	0.9
Switzerland	182	4.2	36	6.9	17	2.9	125	2.9	359	3.0
United Arab Emirates	8	0.2	1	0.2	1	0.2	124	2.9	133	1.1
United Kingdom	498	11.5	40	7.7	99	16.6	237	5.5	875	7.4
United States	589	13.7	18	3.5	102	17.1	987	23.0	1,696	14.2
Total	3,581	83.0	286	54.9	518	87.1	2,537	59.1	6,920	58.3
Non-Part I supplier countries										
Argentina	28	0.6	23	4.4	—	—	22	0.5	74	0.6
Brazil	82	1.9	—	—	2	0.3	92	2.1	176	1.5
Chile	10	0.2	—	—	—	—	11	0.3	21	0.2
China	51	1.2	47	9.0	1	0.2	44	1.0	143	1.2
Colombia	4	0.1	3	0.6	1	0.2	21	0.5	28	0.2
India	51	1.2	3	0.6	7	1.2	19	0.4	80	0.7
Indonesia	13	0.3	23	4.4	1	0.2	6	0.1	42	0.4
Korea, Republic of	95	2.2	26	5.0	4	0.7	43	1.0	167	1.4
Malaysia	4	0.1	1	0.2	1	0.2	46	1.1	51	0.4
Mexico	11	0.3	—	—	—	—	26	0.6	36	0.3
Nigeria	1	*	2	0.4	—	—	43	1.0	45	0.4
Pakistan	6	0.1	—	—	1	0.2	7	0.2	15	0.1
Poland	9	0.2	4	0.8	—	—	7	0.2	21	0.2
Romania	26	0.6	3	0.6	—	—	2	*	31	0.3
Saudi Arabia	3	0.1	—	—	—	—	81	1.9	84	0.7
Singapore	65	1.5	1	0.2	4	0.7	90	2.1	160	1.3
Spain	38	0.9	5	1.0	5	0.8	52	1.2	100	0.8
Turkey	33	0.8	3	0.6	—	—	21	0.5	58	0.5
Yugoslavia	54	1.3	19	3.6	—	—	8	0.2	81	0.7
Others	148	3.4	72	13.8	50	8.4	1,111	25.9	1,384	11.7
Total	732	17.0	235	45.1	77	12.9	1,753	40.9	2,799	23.5
Disbursements for debt reduction	—	—	—	—	—	—	—	—	2,160	18.2
Total foreign disbursements	4,313	100.0	521	100.0	595	100.0	4,290	100.0	11,879	100.0

NOTE: * = negligible. — = nil. Details may not add to totals because of rounding. Excludes disbursements on B-loans and loans to IFC. Attempts are being made to find a methodology for attributing debt-reduction disbursements to specific countries.

***Table 4-6.* World Bank Cofinancing Operations, by Region, Fiscal Years 1989–90**
(amounts in millions of US dollars)

Region and year	Projects cofinanced		Source of cofinancing: Official[a]		Export credit		Private		World Bank contribution		Total project costs
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	IBRD	IDA	
Africa											
1989	60	2,620.3	60	2,437.4	2	182.9	0	0.0	1,004.1	1,844.0	6,551.0
1990	64	3,035.6	64	2,998.9	2	16.7	1	20.0	843.9	2,274.7	7,994.1
Asia											
1989	34	3,092.1	32	1,115.5	6	1,185.6	2	791.0	3,951.7	405.2	14,432.4
1990	28	4,311.5	27	2,756.9	5	957.6	1	597.0	3,049.2	714.3	16,560.0
Europe, Middle East, and North Africa											
1989	18	2,089.1	17	1,808.4	1	12.0	1	268.7	1,600.8	153.5	6,770.7
1990	17	1,489.4	16	1,267.1	3	182.3	1	40.0	1,875.0	161.0	8,982.4
Latin America and the Caribbean											
1989	19	2,591.4	18	1,958.9	4	632.5	0	0.0	2,690.8	101.7	8,512.4
1990	18	4,142.1	17	2,068.2	3	2,073.9	0	0.0	2,436.0	186.4	14,993.9
Total											
1989	131	10,392.9	127	7,320.2	13	2,013.0	3	1,059.7	9,247.4	2,504.4	36,266.4
1990	127	12,978.5	124	9,091.1	13	3,230.5	3	657.0	8,204.1	3,336.4	48,530.3

NOTE. These numbers are compiled from the financing plans presented at the time of approval of the World Bank loans by its board of executive directors. The amounts of official cofinancing (in most cases) are firm commitments by that stage; export credits and private cofinancing amounts, however, are generally only estimates since such cofinancing is actually arranged as required for project implementation and gets firmed up a year or two after board approval. The number of operations shown under different sources add up to a figure exceeding the total number of cofinanced projects because a number of projects were cofinanced from more than one source. Details may not add to totals because of rounding.

a. These figures include cofinancing with untied loans from the Export-Import Bank of Japan. Please note that in all reports dated before October 1989, such untied loans were included in the export-credit column.

Official cofinancing from Japan, through the Overseas Economic Cooperation Fund and the Export-Import Bank of Japan, continues to account for the largest share of official cofinancing in support of Bank-assisted operations. Both agencies have been increasing their lending activities on a global basis under Japan's expanded capital-recycling program. Cofinancing from the two agencies is expected to total $2 billion equivalent for nineteen projects approved in fiscal 1990. Over the past four fiscal years, the untied-loan facility of the Export-Import Bank of Japan has been particularly important for the Bank's cofinancing program. To date, twenty-six loan agreements have been concluded between the Export-Import Bank of Japan and World Bank borrowers for a total of $6.1 billion equivalent in cofinancing, of which thirteen agreements, for a total of $2.3 billion equivalent, were concluded in fiscal 1990.

In 1987, the government of Japan appointed the Bank as administrator of a ¥30 billion untied-grant facility, intended mainly for technical assistance in project preparation and implementation work in countries that are borrowers of IBRD funds. In March 1990, the last tranche of the three-year facility was allocated. One hundred thirty-four separate grants were made over the three-year period. Almost 50 percent of the grants, by value, went to countries in the Asia region, while 19 percent went to Latin America and the Caribbean, 16 percent to Africa, and 15 percent to countries in the Europe, Middle East, and North Africa region. By value, almost a third of the grants financed environment-related technical assistance.

By the close of fiscal 1990, negotiations were substantially completed between the Ministry of Finance of Japan and the Bank for the establishment of a special fund for policy and human-resource development (the PHRD fund). The PHRD fund will extend several existing programs of support and collaboration between the Ministry of Finance and the Bank. Over the three-year period covering Japan's fiscal years 1990–92, the Ministry of Finance will contribute approximately $300 million equivalent for the purpose of supporting technical-assistance and cofinancing activities for Bank-supported projects and programs, including activities related to the environmental aspects of such projects and programs; training and training-related activities implemented by the Economic Development Institute (EDI), including studies on the experience of Japan's economic growth; the provision of scholarships under the World Bank graduate-scholarship program; activities related to human-resource development implemented by the Bank; and the engagement of consultants.

Calendar year 1990 is the third year of the three-year multidonor special program of assistance (SPA) in support of adjustment programs in sub-Saharan Africa. As of December 30, 1989, cumulative allocations by SPA donors amounted to $5.8 billion, of which $2.7 billon was in cofinancing with IDA adjustment operations and $3.1 billion was in coordinated financing (quick-disbursing financing administered by donors). Nearly half of these funds had been disbursed. In addition, a much stronger partnership has evolved among the participating donors to improve the quality of assistance. In particular, the SPA framework has helped to harmonize donors' procurement and disbursement procedures for adjustment support, and four joint IDA-donor missions were completed in four recipient countries to evaluate procurement and disbursement procedures and to explore ways to expedite disbursements and lessen administrative burdens in recipient countries.

In recent years, through a series of biannual meetings arranged in Washington, D.C., the Bank has intensified its dialogue with export-credit agencies (ECAs). Ways in which cofinancing with export credits could be generally expanded and in which the Bank can help the ECAs to be more supportive of the adjustment efforts being undertaken by many of the severely indebted, middle-income borrowers of the Bank have been explored. At a time when many of these countries are adopting strategies that rely on a greater contribution by the private sector to investment and growth, the facilitating of export credits for the private sector has assumed greater importance in the World Bank–ECA dialogue.

This dialogue led to the announcement in the third quarter of 1989 of a new initiative, the export-credit enhanced-leverage (EXCEL) program, developed in close collaboration with a working group of the International Union of Credit and Investment Insurers (Berne Union). The program was designed to mobilize export-credit support for medium-sized private enterprises in selected developing countries that currently have very limited access to medium-term and long-term export credits. A number of possible operations have been identified for this program, and efforts are under way to develop them in Mexico, Pakistan, the Philippines, and Turkey. The first EXCEL operations are expected to be in place by the end of calendar year 1990. The latest biannual meeting with the ECAs, held in May 1990, covered a range of cofinancing-related topics of mutual interest, including the EXCEL program. Several new ideas were developed for closer collaboration and for future follow-up and implementation.

Since the establishment in 1983 of the "B-Loan" program for cofinancing with commercial banks, the patterns of overall financial flows to developing countries have changed. With the onset of the debt crisis and, more recently, of stringent capital and mandatory reserve requirements by banking regulators, commercial-bank lending to developing countries has declined precipitously. At the same time, however, innovations in capital markets have become widely accepted and have significantly broadened the range of instruments for financing for creditworthy borrowers. In recognition of the need for the Bank to adapt its commercial cofinancing program to changes in the market, and to enable it to provide flexible support for financing transactions undertaken by eligible borrowers in a broad range of markets, the executive directors of the Bank approved the establishment of an expanded cofinancing-operations (ECO) program in July 1989.

The ECO program is intended to support Bank borrowers that wish to tap international capital markets, including private placements and public bond issues, as well as to improve borrowers' access to medium-term credit facilities, syndicated and club loans, and limited-recourse project financing. As a new initiative, ECOs are being implemented on a pilot basis. The program will be reviewed in the light of experience during fiscal 1991. On June 14, 1990, the executive directors of the Bank authorized the Bank to negotiate the first ECO operation, for a private placement of bonds in the U.S. capital market by the Housing Development Finance Corporation Limited (HDFC) of India. The Bank's support is proposed to be in the form of a nonaccelerable guarantee to cover the principal repayment on the bonds at final maturity. A number of other operations are also currently under consideration.

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

Research at the World Bank

Research helps keep the Bank in the forefront of debate on the development process. As such, it plays a critical role both in ensuring the Bank's technical competence and in reinforcing the institution's intellectual leadership in development.

The Bank is actively engaged in the research process in three major ways. First, the Bank identifies topics for research that are most relevant to the development process and makes these topics known to the research community. In this respect, the Bank acts as a catalyst in the wider research community by helping to formulate the research agenda in development. Second, it sponsors research by carrying out research in house and by funding research undertaken by others. Third, it disseminates new knowledge through a variety of publications, conferences, and seminars and by embodying that new knowledge in its economic and sector work, policy dialogues, and project and adjustment lending. By performing these three functions effectively, the Bank is able to strengthen the foundation of its intellectual leadership and further its development role and objectives.

The policy, research, and external affairs (PRE) complex is the principal locus of research work in the Bank, accounting for four fifths of all Bank research and research-related activities. The operations complex accounts for most of the remaining fifth. In all, research absorbs about 3.5 percent of the Bank's annual administrative budget. During fiscal year 1990, resources devoted to research amounted to about $21 million, of which about $15 million represented the cost of approximately 120 staffyears. Expenses for the research support budget amounted to $6.1 million. Staff apply for funds from this budget by submitting research proposals to the Bank's Research Committee. The committee's aim is to influence the direction and quality of Bank research by allocating its central research funds through a competitive process. The Research Committee reports to the Research and Publications-policy Council, which is the top policy-setting body for Bank research. The council establishes the broad agenda and makes recommendations for research and publications activities in the Bank. The executive directors annually review the Bank's research program and the research priorities guiding the program throughout the year under review and in subsequent years.

Since 1987, considerable effort has been made to refocus the Bank's research efforts towards the areas identified by the Bank as its special operational emphases. These areas are poverty reduction and food security; debt, financial intermediation, and adjustment; human-resource development; private-sector development and public-sector management; and the environment and natural-resource management. Resources devoted to research in these areas account for more than 70 percent of the total resources spent on the whole research program. While Bank research continues to focus on these areas of special emphasis, research management has singled out three topics deserving additional research effort during fiscal 1990 and beyond. These are the environment, private-sector development, and the reform of socialist economies.

The environment. Research on environmental issues is now becoming integrated into the activities of all PRE departments. Two major research papers were produced during fiscal 1990, one on agricultural policies in industrial countries and their environmental impacts, and the other on conservation of the world's biological diversity. Other research initiatives under way or planned encompass a wide range of topics: forestry conservation; irrigation and drainage; sanitation and water supply; energy conservation and efficiency; air-quality management; environmental institutions; treatment of environment in cost-benefit analysis; environment and national-income accounting; fiscal policy and environmental management; trade policy and resource degradation; privatization of common resources; and international industrial location and environment. Within this broad range of topics, three themes are emerging as the priority areas for research in the coming years: (a) global climate change, chlorofluorocarbons, and energy conservation; (b) integrated water-resource management; and (c) linkages between economic policies and the environment. One proposed project will analyze the implications for developing countries of the Montreal Protocol on Substances That Deplete the Ozone Layer. Another, still at an exploratory phase, will attempt to investigate the global "greenhouse" effects from gas emissions with a view to assessing the policy options for improving the efficiency of energy use and conservation.

Work related to environment also includes studies dealing with the exploitation and management of natural resources (agriculture, fisheries, livestock, energy, and forestry). A comparative study was completed during the year on the political economy of agricultural-pricing policies. Two studies are to be completed in fiscal 1991—one on land tenure in agriculture and the other on the analysis of risk in agriculture.

Private-sector development. The research agenda on private-sector development is based on the priority areas identified in the private-sector development action program, which was launched by the Bank in January 1989. These priority areas are the business environment, enterprise restructuring, financial intermediation, private provision of public services, and public crowding out of private enterprises. Research is continuing in all these areas and will be reflected in a number of policy papers to be completed in fiscal 1991 on an integrated approach to private-sector development, on strategies for industrial competitiveness, and on the lessons of experience in divestiture. Of particular note are studies analyzing the role and impact of technology and export policies, institutions, and mechanisms; assessing gaps in industrial competitiveness; and translating work on catalytic agents, trading companies, direct foreign investment, and commercial links into Bank-supported policy packages and programs.

Reform in socialist economies. Research on reform in socialist economies is being carried out in several departments of PRE, as well as in the Europe, Middle East, and North Africa region of the Bank. A socialist-economies reform unit was established in PRE during the year to provide an anchor and coordinating mechanism for policy and research work on the problems that are encountered in moving from centrally planned economies towards market-based economies. Work planned or under way is grouped under five headings: macroeconomic management and transitional policies; comparative studies of policies, sequencing, and performance; response of firms to economic reform; labor-market and social issues; and trade and financial-sector reform. A number of research conferences or workshops are being organized on several topics of special concern to socialist economies in transition: options and strategies for agricultural reform, privatization, and housing-policy reform. A new study will attempt to address a number of issues related to the measurement of economic performance of centrally planned economies.

While part of the research resources is being redeployed towards these three priority topics, research in the other areas of special emphasis continues to represent a large and active component of the overall research program.

Poverty reduction and food security. Research on this topic continues to be driven by four central concerns: (a) assessing the consequences of macroeconomic policy for poverty, with particular attention to effective means to protect the poor during adjustment; (b) delivering public services to the poor through better targeting and nontraditional delivery mechanisms; (c) designing sectoral policies and programs to increase access by the poor to productive employment, incomes, and assets; and (d) measuring poverty and living standards. Using the results of some recently completed projects, staff are preparing a number of policy papers dealing with macroagricultural policy links; issues in agricultural extension; causes and consequences of poverty; poverty, hunger, and food security; land rights in sub-Saharan Africa; African food security; and crop diversification. While work on living-standards measurement is beginning to find its way into Bank operations, research has moved from identifying characteristics of the poor to assessing the behavioral response of poor households—as savers, producers, and wage earners—to changes in key prices and the quality of social services. A project recently under way, based on the lessons of experience with subsidies and public-works programs, is addressing the issue of targeting the poor. *World Development Report 1990* is the central channel for the dissemination of findings from recent research on poverty. Based on this report, a poverty agenda for the 1990s will be established that will influence the direction of Bank poverty research in the near future.

Debt, financial intermediation, and adjustment. In the past two years, a great deal of work has been concentrated on issues of structural adjustment and stabilization (studies have been undertaken on strategies to stop high inflation, for example) and on ways to deal with the consequences of temporary trade shocks. A new set of tools for analyzing macro issues has been developed and will be implemented in fiscal 1991. These analytical tools are extensions of the basic macro models used in the Bank. Research is now beginning to shift away from the analysis of stabilization to that of longer-term growth, as evidenced by a series of studies on the determinants of savings, investment, and growth. Greater emphasis is also being given to research that seeks to improve understanding of the links among macroeconomic policy, growth, and sustainable development. With the completion of a trade-policy paper, work will move away from a macro view to a focus on the effect of trade-policy reform in particular sectors, notably agriculture. In the area of domestic financial intermediation, much of the work has dealt with the management, supervision, and regulation of banks and the banking sector. Emphasis is now given to dissemination of the results through operational support in this area. Research to date on debt issues has resulted in a number of papers and a book, *Dealing with the Debt Crisis*.[1] The analysis of these issues and that of international capital flows will continue, but more attention is being paid to the prospects for external finance other than debt, such as foreign direct investment. Finally, the support and analysis that the Bank has given to developing countries in the Uruguay Round of the GATT (General Agreement on Tariffs and Trade) negotiations will be replaced by the analysis of the effect of the agreements reached and of the determinants of international trade growth.

Public-sector management. The principal thrusts of research and policy work on public-sector management have been (a) reform of public-revenue and expenditure policies and practices, (b) public-enterprise reform, and (c) sectoral management and reform. A study on tax-policy reform was recently completed. Work will shift toward the analysis of public-expenditure issues, with particular emphasis on ways to make public expenditures for infrastructure and in the social sectors more efficient and effective. In the area of public-enterprise reform, a study is planned on the lessons of experience with public-sector reforms (to be addressed are such issues as contract plans and Bank lending for state-owned enterprises), and a book is scheduled to be published on the Bank's experience with institutional development. Work on sectoral management will focus on efficient public and private delivery systems. A paper on transport-pricing policy is planned for fiscal 1991.

Human-resource development. This category includes five main topics: health, nutrition, education, population, and women in development. Results from work to date are being incorporated in a strategy paper on human-resource development, which will integrate and provide coherent approaches to these five elements of human resources. A paper on improving primary education in developing countries was completed and will be followed by two other policy papers, one on higher education and one on vocational education and training. Work on higher and vocational education will be narrowed down to the analysis of education in science and technology. In the areas of health and family planning, two research projects were recently launched, one on the economic effects of fatal adult illness from AIDS and other diseases in sub-Saharan Africa and the other on the impediments to contraceptive use and fertility decline in different environments. Work is continuing on social-sector service delivery and includes initiatives in assessing public and private financing of social services and alternative delivery systems. Improving women's economic productivity is the primary focus of research work on women in development. This is a multifaceted effort that includes a study of women's education and labor-market experience, as well as narrower studies focusing on the access of women to credit and to agricultural-extension services.

The second annual Bank conference on development economics took place in April 1990. Sponsored by the Bank's Research Committee, the conference series is a forum for discussion of policies and approaches for promoting economic development. This year's conference focused on four areas: the transition from adjustment to growth, sustainable development and the environment, population change and economic development, and appraisal of public-sector projects.

The Research Committee also sponsors a program of visiting research fellows designed to draw scholars from around the world into the Bank's research activities. During fiscal 1990, the committee has accepted eight fellowship nominations put forward by various Bank departments.

In addition to these programs, research management is giving added emphasis to building the capacity for policy research in developing countries, especially in sub-Saharan Africa. The Bank is currently participating in two donor consortia set up with the objective of building and strengthening research capacity in Africa. One is the "African economic-research consortium," which covers anglophone Africa, and the second is the "network on indus-

[1] Ishrat Husain and Ishac Diwan, eds., *Dealing with the Debt Crisis* (Washington, D.C.: World Bank, 1989).

trial policies and sectoral incentives," which covers francophone Africa.

Economic Development Institute

The activities of the Economic Development Institute (EDI) increased on three fronts during the past year: (a) training those involved in leading and managing development in developing member countries, (b) providing assistance to training and research institutions in developing countries to help countries strengthen their capacities for policy analysis and economic management, and (c) producing and disseminating training materials. EDI undertook all these activities within the framework of its strategic plan for the five-year period 1990–94. The fiscal 1990 program adhered closely to the plan's aim of helping countries improve the quality of their macroeconomic management, the efficiency of their public-sector management, and the effectiveness of their poverty-reduction efforts.

During the fiscal year, EDI organized ninety-nine seminars and courses. Altogether, 3,656 participants attended these training activities, as well as an additional thirty-seven EDI-assisted activities. Fifteen percent of the participants, or 553, were women, compared with 13.8 percent, or 521, in fiscal 1989, an increase that reflects EDI's efforts to encourage greater participation by women in its activities (see Table 5–1).

Sub-Saharan Africa continued to account for half of EDI's activities, which ranged from organizing courses and seminars, mostly in collaboration with African institutions, to providing institutional assistance with an emphasis on building up African institutional capacities to train senior and mid-level staff. EDI assisted about twenty institutions and associations of training institutions in designing and delivering courses and seminars, assembling outside support for training activities, or reinforcing collaboration among African institutions. A new initiative for strengthening training institutions in Portuguese-speaking African countries got under way, initially in the form of institutional-assessment missions to determine training needs and capacities in national economic management and the health sector; subsequently, a course on national economic management was organized in cooperation with Portuguese institutions.

In terms of subject areas, adjustment and growth, women in development, and public-sector and private-sector management were priorities during the year. Several activities for Africa that merit particular mention included: (a) six policy seminars held in different parts of Africa in collaboration with African institutions under the framework of the sub-Saharan Africa transport program—a joint World Bank/Economic Commission for Africa initiative that deals with Africa's seriously deteriorating road network; (b) a policy seminar on financial-sector stabilization and development in eastern and southern Africa; (c) a pilot project, assisted by the government of Italy, on

Table 5-1. **EDI's Teaching and Institutional-assistance Activities, Fiscal 1987–90**

Activity	1987	1988	1989	1990
Seminars and courses				
Senior policy	15	20	20	19
Economic and sector management	41	42	52	54
Project analysis and management	26	9	7	6
Trainer's activities	20	19	23	20
Subtotal	102	90	102	99
Institutional assistance				
Pedagogical	22	50	42	37
Other[a]	43	55	65	66
Subtotal	65	105	107	103
Total	167	195	209	202
Seminar participants				
Total	3,442	3,675	3,760	3,656
Of which				
Women	410	517	521	553
From smaller and poorer countries	1,653	1,591	1,630	2,070

a. Number of institutions assisted.

entrepreneurship training for African women, which reached full operation with the participation of an African training institution; (d) a network of African environmental-education and environmental-training institutions that was initiated with the help of the Swedish International Development Authority; (e) a training-of-trainers course on urban financial management for francophone African countries; (f) public-expenditure programming and public-expenditure management seminars for both anglophone and francophone African countries; and (g) the launching of a women's management-training outreach program.

EDI made substantial progress in realizing the objectives of a project—the UNEDIL project (sponsored jointly by the United Nations Development Programme (UNDP), EDI, and the International Labour Organisation)—to strengthen African management-training institutions and associations. This project, supported by several donors, set in motion the active involvement of key African management-training institutions and associations in mobilizing relevant African expertise and experience through networking and the pooling of skills. The UNEDIL's current efforts emphasize action-oriented research and case-writing skills, the marketing of institutional services, and improvements to the framework of government policies that affect higher-level training institutions. Consultants retained by the UNDP undertook a mid-term evaluation of the project during the year; they concluded that it was beginning to yield important benefits, particularly in terms of strengthened faculty skills and networks among the training institutions.

EDI continued to provide technical support to the agricultural-management training for Africa (AMTA) program, now in its fourth phase. The AMTA program is managed by the African Development Bank's training center under a grant to the Organization of African Unity by the International Fund for Agricultural Development. On a subregional basis, EDI launched an expanded training program for rural and agricultural-sector management through a network of training institutions.

In the Europe, Middle East, and North Africa region (EMENA), EDI sustained its expanded program for Arab countries and began to respond to increased interest in Eastern and Central Europe in collaborating with it. The highlights of EDI's activities in the EMENA region included: (a) a policy seminar on employment and labor-market issues associated with adjustment; (b) several new seminars in the field of human-resource development, such as textbook production and vocational and technical education; (c) a successful start of a network effort in the field of urban finance and management for the Maghreb countries; (d) a seminar on agricultural-price analysis and policy for Arab countries; (e) a policy seminar on managing inflation in socialist economies; (f) a series of short national seminars on environmental assessment of investment projects and programs; and (g) a continuation of several collaborative arrangements with institutions such as the Royal Scientific Society, the Arab Planning Institute, the Arab Monetary Fund, the Arab Organization for Agricultural Development, and the Near East–North Africa Regional Agricultural Credit Association.

For the Latin America and the Caribbean region, topics such as adjustment and growth (including financial-sector reform), public-sector and private-sector management, and human-resource development received priority. A new seminar series was begun on macroeconomic policy analysis for senior and mid-level officials in collaboration with the Instituto Centroamericano de Administración de Empresas in Costa Rica, as was a cofinanced program to assist a newly formed network of Central American and Andean institutions in municipal-finance and municipal-management training. Short national seminars on environmental assessment were organized in several countries. Collaboration with institutions such as the Caribbean Development Bank, Instituto Latinoamericano de Planificación Económica y Social, Instituto Interamericano de Cooperación para la Agricultura, the Brazilian Superintendência do Desenvolvimento da Região Centro-Oeste, and Centro Agronómico Tropical de Investigación y Enseñanza continued despite some difficulties in raising cofinancing to augment EDI's resources.

A number of programs in the institutionally weaker countries of Asia, such as Viet Nam, the Lao People's Democratic Republic, and those in the South Pacific, emphasized development-management and project-related issues. A program to strengthen economic management in Viet Nam was approved by the UNDP; its implementation by EDI is expected to get under way in fiscal 1991. An important thrust of EDI's program in the Asia region, within the subject area of public-sector and private-sector management, was to increase the effectiveness of poverty-reduction efforts. EDI has made progress with seminars involving Asian countries that examine international experience in financial-sector reform and industrial adjustment and restructuring. The training program for officials from the South Pacific islands progressed well with the support of the Australian International Development Assistance Bureau.

Among the most important worldwide seminars held during the year were those on human-resource and social issues: access by the poor to urban services; vocational and technical-education policy; structuring relations between the public and private sectors to promote international competitiveness, especially in industry; experience with structural adjustment; and financial-sector reform.

During the year, EDI made substantial progress in producing and disseminating training materials and in helping selected partner institutions enhance their capacities to prepare their own training materials. EDI added ninety-nine training materials in several languages to its catalog during fiscal 1990. In addition to printed materials, EDI has been developing videos and computer software.

EDI continued to administer the World Bank graduate-scholarship program, funded by the government of Japan, which saw rapid expansion, both in the number of grants and in the number of applications. To date, the program has awarded 222 scholarships, 25 percent of them to women and 80 percent to applicants from developing countries. The program has begun to establish a distinctive character as an international, highly competitive, and coveted program for support of mid-career graduate study related to development. Over sixty institutions in Europe, Asia, and North America are currently hosting program scholars. Although economics as a field of study continues to dominate, a number of new scholarships have been awarded in business administration and management, public-health administration, agricultural production, and law.

The McNamara fellowships program made fifteen awards to researchers from Africa, Asia, Latin America, and North America for research on development issues in a World Bank member country other than their own. For the first time, more women than men received awards. The majority of the year's fellows will work in two areas: gender issues and the environment.

Evaluations of the effects of selected EDI activities continued during the year. A number of studies on specific issues were carried out, and a systematic program, designed to cover all the main areas of EDI activity over a period of years, was started. The purpose is to assess, mainly by means of interviews with a sampling of former seminar participants and staff of partner institutions, how well EDI has succeeded in strengthening country capacities.

EDI continued actively to mobilize resources in support of its activities for fiscal 1990 and beyond. Aside from cofinancing funds for the World Bank graduate-scholarship program, cofinancing amounted to some $7.6 million, up from $6.7 million the year before. While the UNDP remained the largest source of external support, cofinancing from bilateral sources continued to expand more rapidly than other sources, representing slightly more than half of total external resources mobilized. This was, in part, the result of the full effect of cofinancing arrangements entered into in prior years with aid agencies of Australia, Canada, Ireland, Italy, Japan, the United Kingdom, and the Commonwealth Secretariat; and, in part, of new arrangements reached with France, the Netherlands, and the United States. Belgium became a donor for the first time in fiscal 1990.

Among multilateral organizations other than the UNDP, the United Nations Centre for Human Settlements (Habitat), the World Health Organization, and the International Labour Organisation were EDI's most important collaborators. EDI's collaboration with the Asian Development Bank continued to flourish, and recent agreements between the two institutions are expected to intensify the collaboration during the coming year.

Several executive directors have voiced concern over the increased reliance on external resources to fund EDI's activities. To guard against possible loss of flexibility and to ensure that its activities are carried out evenhandedly among regions, EDI has been negotiating with several donors (and with some modest success) to secure multiyear support for its programs instead of having to mobilize support activity by activity.

Interagency Cooperation

Collaboration continued during the past year among the Bank and other agencies of the United Nations system in the search for growth-oriented solutions to many of the serious problems that developing countries face.

The Bank, the United Nations Development Programme (UNDP), the United Nations Educational, Scientific, and Cultural Organization (Unesco), and the United Nations Children's Fund (UNICEF) launched a worldwide initiative that seeks greater priority, more resources, and more urgent action for basic education. The World Conference on Education for All, held in Jomtien, Thailand, in March 1990, focused on ways to improve the quality of primary education and increase educational opportunities in developing countries. The conference also provided a forum to discuss issues that affect education, formulate follow-up action, and help broaden public awareness of the task of expanding children's access to education.

The executive board of the Bank approved participation by the Bank in an interagency training initiative aimed at strengthening indigenous human and institutional capacities in sub-Saharan Africa. The African capacity-building initiative (ACBI) is a joint effort of the African Development Bank, the UNDP, and the World Bank.[2] The International Labour Organisation and the Bank's Economic Development Institute are also working together in Africa to strengthen management-training institutions.

In another capacity-building exercise, designed to help developing countries cope with the effects of increased volatility in the international financial environment, the UNDP and the Bank have joined forces to transfer skills in asset and liability management to the public and private sectors in selected developing countries. The goal of this financial technical-assistance program is to create and train core teams in recipient countries to manage available financial services. An integral part of the program is the provision of guidance to local authorities on the modifications to the regulatory framework that are needed to accommodate and ensure the proper use of risk-management techniques.

In the area of the environment, a number of specialized agencies—the United Nations Environment Programme, the UNDP, and the United Nations Fund for Population Activities (UNFPA)—and the Bank launched a pilot program that provides coordinated technical assistance to four countries (Costa Rica, Malaysia, Mali, and the Seychelles) in planning for environmentally sound development. The program envisages helping these governments establish environmental data bases, analyze the environmental effects of development, and strengthen legislative and regulatory frameworks, as well as public-information and education systems.

The energy-sector management-assistance program (ESMAP) is an ongoing interagency effort that identifies, analyzes, and proposes actions to address the most serious energy problems in developing countries. The program is supported by the UNDP and other U.N. agencies, the Bank, and numerous bilateral aid agencies.

The Bank is also participating in other interagency efforts in the area of new and renewable energy development and rehabilitation, with particular emphasis on energy derived from the sun, the wind, and biomass.

Deforestation, particularly in tropical regions, is an issue of regional and global concern. The tropical-forest action plan, jointly sponsored by the Bank, the UNDP, and the Food and Agriculture Organization of the U.N. (FAO), provides the framework for efforts by the international community to address this problem. Activities under the action plan are geared to raising the productivity and broadening the range of goods and services derived from forests on a sustainable basis, improving the contribution of forestry to food security, and developing suitable approaches and arrangements to enlarge and achieve equitable distribution of the socioeconomic benefits from forestry activities. A review of the program is currently being undertaken by the FAO.

In fiscal 1990, the Bank and UNICEF were active partners in the Bank's nutritional work; population activities, particularly in Africa, were coordinated with UNFPA; and close collaboration was realized with the World Health Organization (WHO) on a number of global health programs, including WHO's program on AIDS and its Special Program of Research and Training in Human Reproduction, which focuses on contraceptive research.

Cooperation with the International Monetary Fund. Collaboration between the Bank and the International Monetary Fund (IMF) in assisting member countries spans many areas and takes place at the level of both staff and management.

Interaction in country matters takes the form of (a) exchange of views and information between the staffs of the two institutions, (b) the sharing of analyses and country expertise in specific areas, (c) knowledge of each other's plans, and, in many instances, (d) joint assistance to member countries in the preparation of policy-reform programs. This is formalized in the case of countries eligible for assistance under the IMF's structural-adjustment facility (SAF) and enhanced structural-adjustment facility (ESAF) through the preparation of policy-framework papers (PFPs). A PFP, which sets out the medium-term objectives of country policies and priorities, is a tripartite effort involving the IMF, the Bank, and country authorities. During fiscal 1990, twenty-two PFPs were prepared, usually by joint or parallel missions of Bank and IMF staff. Cross-participation of staff in missions also takes place outside the context of PFP preparation.

Collaboration between the Bank and the IMF continues to be close in the evolution of a strategy to deal with the problems of developing-country debt. A joint task force was established to promote further cooperation in the analysis of debt-strategy issues and to exchange views and information on techniques of financing. Interaction between the staffs of the two institutions is continuous in those countries that require Bank and IMF assistance for debt and debt-service reduction operations.

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[2] For details, see page 44.

Table 5-2. Aid Coordination Group Meetings Chaired by the World Bank in Fiscal Year 1990
(consortia and consultative and aid groups)

Date	Country	Location
1989		
July 3–5	Philippines consultative group	Tokyo, Japan
July 26–27	Mauritania consultative group	Paris, France
October 17	Sri Lanka aid group	Paris, France
October 26–27	Bolivia consultative group	Paris, France
November 7–8	Nigeria consultative group	Paris, France
November 15–17	Mozambique consultative group	Paris, France
November 30–December 1	Uganda consultative group	Paris, France
December 18–20	Tanzania consultative group	Paris, France
1990		
April 9–11	Zambia consultative group	Paris, France
April 17–18	Pakistan consortium	Paris, France
April 19–20	Bangladesh aid group	Paris, France
April 23–27	Caribbean Group for Cooperation and Economic Development	Washington, D.C.
May 14–16	Malawi consultative group	Paris, France
May 17–18	Papua New Guinea consultative group	Singapore
May 29	Somalia consultative group	Paris, France
June 15	Cameroon consultative group	Paris, France
June 18	India consortium	Paris, France
June 20	Guinea consultative group	Paris, France

NOTE: In addition, a meeting of the Inter-governmental Group on Indonesia, chaired by the government of the Netherlands, was held in The Hague on June 12–13, 1990.

Collaboration has also been close in the area of overdue obligations to the two institutions. Both staffs continue to engage in dialogue with the authorities of countries in arrears and to assist them in the preparation and implementation of programs that could result in the resumption of growth, improvement in country creditworthiness, and clearance of overdue obligations to multilateral creditors. The staffs have also worked closely in the preparation of country-specific financial workouts for members in arrears, such as Guyana and Honduras, that are necessary for the mobilization of donor support through consultative or support groups.

Cooperation with the Organisation for Economic Co-operation and Development (OECD). The Bank seeks an active exchange of views and data with the OECD on economic developments of relevance to developing countries by working with the OECD secretariat and attending key meetings—of the OECD's Development Assistance Committee (DAC), in particular—as an observer.

The Bank participates regularly in OECD meetings and seminars on a broad range of issues. It contributes to DAC's work each year on the core concerns of aid coordination, aid evaluation, aid practices, financial aspects of aid, and the statistical problems arising from reporting on aid flows. In fiscal 1990, the Bank and the IMF began to work with the OECD on ways to reconcile and standardize data on capital flows to developing countries.

The Bank is contributing to a DAC effort to develop principles of program assistance; a Bank delegation attended a meeting on population, which focused on the need for resources; the Bank is serving on a new DAC working group on development assistance and the environment, which is tackling such issues as how donors can develop effective environmental-impact assessments; and it participates regularly in women-in-development meetings.

Participation in other OECD fora allows the Bank to add its development perspective to the discussion of issues of concern to the industrial countries, such as trade, inflation, and savings and investment. From the meetings that it attends on banking, debt, economic forecasting, trade, and agriculture, the Bank is able to gain a perspective that enhances its advisory and analytical work with developing countries. The ministerial-level annual OECD meeting at the end of May and meetings of the OECD's Economic Policy Committee (which focus on such concerns as inflation, public expenditure, subsidies, competition, and the integration of environmental and economic policies) are important fora for the Bank. The 1990 ministerial meeting highlighted the issues of the Uruguay Round, agricultural trade and support policies, noninflationary growth, OECD relations with nonmember countries, and the global environment.

Relations with nongovernmental organizations. The Bank's relationship with nongovernmental organizations (NGOs) continued to deepen in fiscal 1990. NGOs, such as community or religious organizations, private voluntary organizations, women's groups, and cooperatives, can be an important resource in helping bring about improvements in the quality of life of poor people.

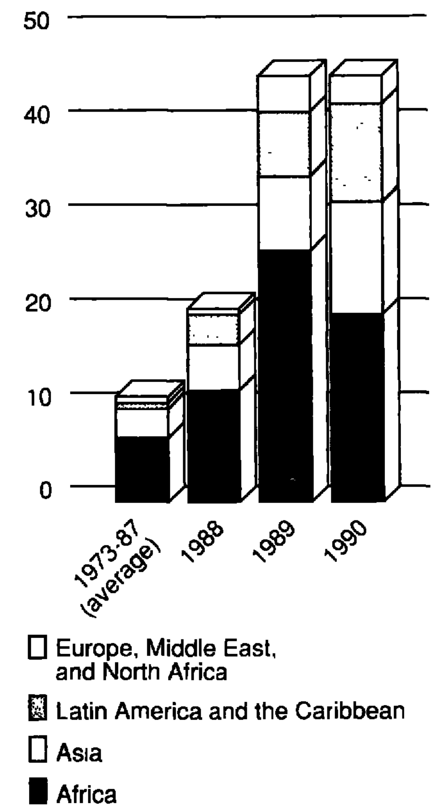
Opportunities have increased for NGOs to become involved in Bank-assisted projects, as governments in developing countries become more aware that NGOs can contribute to national development. The Bank is working with its borrowing member governments, in the context of their policies toward NGOs, to expand the involvement of NGOs in Bank-supported activities.

The number of instances of operational collaboration has increased substantially in the past few years. In both fiscal 1989 and 1990, forty-six projects had NGO involvement, up from an average of thirteen projects annually during the period fiscal 1973 through fiscal 1988 (see Figure 5–1). Eighty percent of the NGOs involved in Bank-supported projects are grassroots groups or national NGOs, rather than international ones (see Figure 5–2).

The involvement of NGOs, especially beneficiary groups, in the planning of Bank-supported projects has been encouraged by the executive directors and the Bank's senior management. To facilitate this interaction early in the project cycle, the Bank periodically makes available to NGOs a list of prospective Bank-supported activities in which Bank staff see potential for NGO involvement. The fruits of these efforts are reflected in the greater number of projects during the past two years in which NGOs were engaged in the design stage.

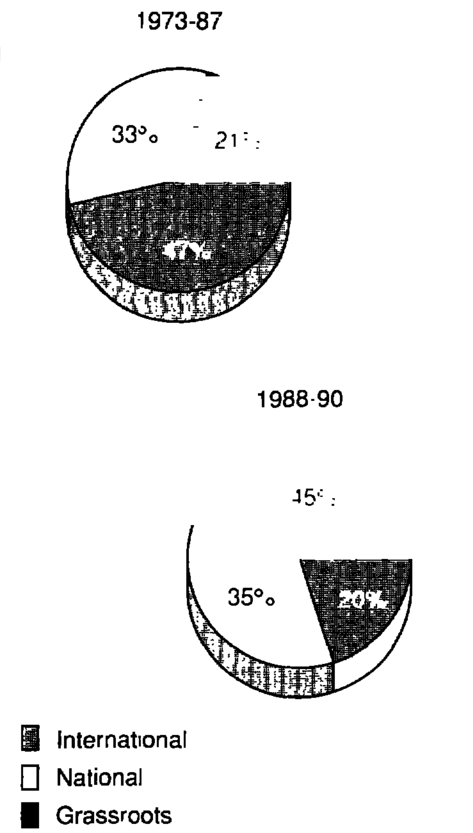
Historically, about half the cases of NGO involvement in Bank-supported projects have been in sub-Saharan Africa, but the share in other regions has been growing during the past two years. NGO involvement continues to be most frequent in the agriculture and the population, health, and nutrition sectors. Social programs related to adjustment emerged in fiscal 1990 as the next most common area of NGO involvement in Bank-supported operations. NGOs are engaged in social-dimensions-of-adjustment–related operations approved during the year for Bolivia, Cameroon, Chad, and Jamaica.

Figure 5-1. Bank-NGO Operational Collaboration, by Region, Fiscal 1973-90
(number of projects)



The program to alleviate poverty and mitigate the adverse social costs of adjustment in Uganda—approved in fiscal 1990—illustrates the contribution that NGOs can make toward drawing the most vulnerable groups into a country's economic-recovery process. The program seeks to help the most disadvantaged rural and urban poor and includes special efforts to help women widowed and children orphaned by war or AIDS. Several international and national NGOs—including the Cooperative for American Relief Everywhere (CARE), Save the Children Fund, the Lutheran

Figure 5-2. Bank-NGO Operational Collaboration, by Type of NGO, Fiscal 1973-90



World Federation, Action Aid, Experiment in International Living, Accord, World Vision, and the Ugandan War Widows and Orphans Foundation—are working with the Ugandan government in implementing the program.

Under a small-scale infrastructure-rehabilitation component of the program, for example, Action Aid of the United Kingdom and World Vision of the United States are helping local political organizations prepare subproject proposals for consideration by local district development committees for approval and funding. Under a health component, the Ugandan War Widows and Orphans Foundation is assisting the growing number of orphans whose parents were victims of civil war or AIDS.

A number of governments have become increasingly interested in how NGOs can contribute to national development. For example, the government of Indonesia has been gradually widening the scope for community initiative throughout the 1980s. The Bank cosponsored a meeting on government-NGO cooperation in 1985 and helped finance the national expansion of a successful child-health program that relies heavily on a voluntary women's organization. For the 1990 meeting of the Inter-governmental Group on Indonesia, the Bank prepared a report on Indonesia's impressive progress against poverty; the report included a chapter on government-NGO cooperation and community initiative.

The Bank continues to expand its dialogue with NGOs on important development-policy issues of common concern. Many NGOs, in both developed and developing countries, want to contribute to the Bank's thinking on a variety of issues, particularly those related to the social and environmental aspects of development. The NGO-Bank Committee provides a formal, international forum for such discussion. The majority of the twenty-six NGO leaders who serve on the committee come from developing countries. The main topics discussed at the committee's ninth annual meeting (held in Bangkok on October 31 and November 1, 1989) were grassroots participation in development planning and NGO views on Bank policies in the areas of structural adjustment, international debt, and trade.

The Bank's dialogue with NGOs is not limited to the Bank-NGO Committee, however. Other fora present opportunities for the Bank and NGOs to explore the range of development issues of mutual concern: NGO representatives were among the speakers at two well-attended training courses held for Bank staff during the past year on collaboration with NGOs; and, of the some 250 NGO representatives who came to Washington, D.C., to attend conferences organized to coincide with the annual meetings of the Bank and the International Monetary Fund in September 1989, 150 received observer status from their governments and were thereby permitted to attend the Bank-IMF meetings.

Cooperation on agricultural research. The Consultative Group on International Agricultural Research (CGIAR) is an informal association of forty public and private-sector donors that funds research programs and related activities, including training, carried out by a network of thirteen international agricultural-research centers. The Bank is a cosponsor of the CGIAR, together with the FAO and the UNDP. CGIAR-funded programs cover most of the world's major food crops and include research on animal-production systems, as well as food policy.

Successor to the "green revolution." In 1989, CGIAR scientists in the Philippines began work on one of the most ambitious agricultural-research projects of the past thirty years. With the go-ahead from donors, plant breeders at the International Rice Research Institute (IRRI) made initial crosses for a series of new rice varieties to replace the green-revolution rices of the 1960s and 1970s.

According to IRRI, the first of the new lines should be available by the end of the decade. The new materials will cover five distinct growing environments and will include a successor to IR-36, the world's most widely grown rice cultivar. IR-36 combines insect and disease resistance with high yield. It is grown on an estimated 11 million hectares worldwide.

IR-36's successors will be designed to raise rice-yield potential from the current ten-to-eleven tons per hectare to a sustainable fifteen tons a hectare by 2010. To achieve this, breeding teams will redesign the rice plant by reducing the number of nonproductive tillers and improving the plant parts responsible for grain production. The new varieties will produce an estimated 200 seeds per panicle, as compared with 150 produced by IR-36. They should also reduce the need to produce rice in ecologically unfavorable areas by increasing yields on lands most suitable for production.

Diversifying agricultural production. As work on new rices proceeds, CGIAR scientists will also be looking for ways to diversify agricultural production in Asia. Experts believe that diversification will play a role in developing more sustainable production systems in the region and will help to increase farm incomes.

Recent surveys show that productivity on 32 million hectares of rice-wheat rotation land in Bangladesh and the Philippines is declining. The CGIAR and national-program scientists hope to reverse this trend by 1993 by introducing improved management techniques.

Diversification will also play a role in efforts to meet food-production requirements in Southeast Asia. As recently as two years ago, Viet Nam suffered from food shortages and depended almost exclusively on rice to feed itself. Today, farmers are growing maize and potatoes, crops that were largely unknown in the 1970s.

Potato production had been limited mainly by the lack of heat-tolerant varieties and the difficulty of maintaining seed of good quality. Since the early 1980s, Vietnamese researchers have been working with scientists from the International Potato Center (CIP) to develop cultivars adapted to both the highlands and the delta regions of their country. Viet Nam hopes eventually to produce 1 million tons of potatoes annually and to expand seed-potato production by planting 50,000 hectares with seed of improved quality.

Similar efforts are being made to quadruple annual maize output. Viet Nam currently plants over 200,000 hectares to winter maize, nearly all of it early maturing, short-statured varieties supplied by CIMMYT, the International Maize and Wheat Improvement Center.

The impetus for increased maize production is largely homegrown. Drawing on their knowledge of rice production, Vietnamese farmers developed a technique for sprouting maize seedlings two to three weeks before the rice harvest and transplanting them as soon as the rice was harvested. Prior sprouting and transplanting ensure that a complete cycle of maize can be grown within the relatively short interval between the harvest of summer-grown rice and the arrival of winter temperatures. CIMMYT-supplied germplasm, selected by Vietnamese scientists, currently outperforms local cultivars by about 50 percent, mainly because of its ability to stand in waterlogged soils.

Institutional development. The CGIAR sought to redeploy its resources and efforts in 1989 in response to challenges arising from global concerns about the sustainability of national resources and the dangers of environmental degradation. These concerns led the CGIAR in the direction of broadening international efforts to tackle such problems as soil erosion; desertification; increasing salinity of irrigated lands; deforestation; environmental pollution resulting from excessive use of chemicals, fertilizers, and pesticides; and the loss of biological diversity as unique plant ecosystems are destroyed.

A systemwide committee explored the means by which the emphasis on sustainability at CGIAR centers could be deepened and strengthened. Opportunities were identified for collaboration among centers, and between centers and national systems of agricultural research. A special role for universities in developing countries was defined as part of the collaborative process. The CGIAR also decided that it should expand its mandate to include research on the utilization of renewable resources related to agriculture, and especially to forestry.

A timetable and process by which a number of international centers that are not within the CGIAR at present could be scientifically assessed for possible inclusion within the system were approved. Research at most of these centers is resource-oriented, and their inclusion within the CGIAR would reinforce the system's efforts at sustainability.

In keeping with its founding commitment to increase food production, the CGIAR formulated a proposal for establishing a network in Africa for research on vegetables. The proposal responds both to the continuing interest expressed by donors and to the formulation of development priorities by African governments, as well as regional organizations.

CGIAR finances. Contributions to the CGIAR continued to rise in 1989 despite a general slowdown in foreign aid by most major donors. A total of thirty-six donors pledged $225 million, a 6 percent increase over the previous year. In 1975, the CGIAR received 0.35 percent of development-assistance outlays by donor countries; in 1989, it received 0.44 percent of the $48.1 billion total. The World Bank's contribution to the CGIAR amounted to $33.3 million in 1989, up from $30.0 million in 1988.

Technical Assistance

Technical-assistance components in loans and credits, which continue to be the principal source of technical assistance in Bank lending, increased from $1,095.1 million in 1988 to $1,185.8 million in 1989. Such components are used primarily in support of investment projects, in contrast with freestanding technical-assistance loans, which are increasingly becoming the vehicle for institutional support of the adjustment process. As a percentage of investment lending, these components decreased from 7.9 percent in calendar year 1988 to 7.3 percent in calendar year 1989.

In addition, in calendar year 1989, twelve freestanding technical-assistance loans were approved for a total of $126.3 million. Of these, nine, for an amount of $90.3 million, were in the Africa region; the remaining projects were in the Latin America and the Caribbean and the Europe, Middle East, and North Africa regions. Although small as compared with other Bank lending instruments, freestanding technical-assistance loans are a crucial complement to structural-adjustment loans and sector-adjustment loans. Of the total freestanding technical-assistance loans approved in calendar year 1989, nine (for $96.3 million, or 76 percent) were in support of adjustment operations.

In 1989, sixty project-preparation facility (PPF) advances were approved, for a total of $48.8 million. PPF advances are made prior to loan approval, and they typically finance such activities as activation or strengthening of the entity responsible for project preparation and/or implementation by building up the staff of the entity and providing it with the means to develop the plans, programs, and designs required for preparation or implementation; completion of the preparatory work and detailed designs necessary to ensure that project preparation is sufficiently advanced so that implementation can start shortly after loan approval; certain essential start-up activities without which project implementation would be seriously delayed; and design of training programs and training of local staff.

One of the few technical-assistance grant instruments in the Bank is the special project-preparation facility (SPPF). The SPPF was established in 1985 to help IDA-eligible, sub-Saharan African countries finance preparation activities (including the preparation of proposals for financing by other donors) that could not be financed from other sources. Experience indicates that compared with PPFs, which are either repaid by the borrower or subsequently refinanced under Bank loans and credits, most SPPFs are converted into grants. In calendar year 1989, thirty-one advances were made for $3.9 million.

The Bank's portfolio of United Nations Development Programme (UNDP) projects under Bank execution consists of 162 projects in progress, for a total of $260.9 million. An innovative UNDP project in the critical area of financial risk management was launched in August 1989. The Financial Technical Assistance on Asset and Liability Management Project is designed to provide technical assistance to developing countries that lack the knowledge and expertise in the use of modern techniques of financial risk management. Through this interregional UNDP project, the Bank, as executing agency, draws on its own experience and is able to transfer asset-management and liability-management skills to selected groups in the public and private sectors.

As part of the new initiatives being carried out under the Bank's special grant programs, the Bank, together with the UNDP and the African Development Bank, established the African capacity-building initiative (ACBI), which aims at providing a framework for building capacity in policy analysis and economic management in sub-Saharan Africa. Specifically, the key objectives of the initiative are to build a critical mass of professional African policy analysts, strengthen national institutions to provide wider local training in policy analysis and management, increase the use of indigenous policy analysis and economic-management resources that already exist in Africa, facilitate the return of trained Africans to Africa, enhance donor harmonization in the fields of policy analysis and economic-management support, ensure strong African leadership and participation in such capacity-building programs, and provide for continued and consistent financial support for long-term capacity building in policy analysis and economic management in sub-Saharan Africa.

The Bank, in consultation with its two other partners, convened a donors' conference in Paris on June 5 to raise $100 million to fund the initiative for an initial four-year period. Initial results have been most encouraging. If the initiative proves successful, a permanent source of funding will be sought. The Bank's executive directors endorsed the initiative and approved a Bank contribution in an amount not to exceed 15 percent of the total.[3]

The number of trust-fund projects has grown rapidly in recent years. Trust-fund donors include countries, multinational agencies, nongovernmental organizations, foundations, and other private organizations. Some trust funds involve several donors. At the end of 1989, the Bank was administering 720 trust-fund operations (including the UNDP) for a total of $2,858 million equivalent in donor commitments. Total disbursements reached $461 million in 1989, 61 percent of which were for cofinancing of Bank projects. The remaining 39 percent were for global projects such as the Consultative Group on International Agricultural Research, the Special Program of Research and Training in Tropical Diseases, the Onchocerciasis Control Program, and pre-investment studies, as well as environmental and special-studies projects.

Operations Evaluation

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

The director-general, operations evaluation (DGO) has overall responsibility for the evaluation function. He reports directly to the Bank's executive board and is supported by the operations evaluation department (OED). The Joint Audit Committee (JAC) of the board oversees the work of the OED.

As in the past, the findings and recommendations of the JAC were reviewed during the year by the full board, as was the fiscal 1989 annual report of the DGO and the department's annual review of evaluation results for 1988. In his annual report to the board, the DGO noted that the OED had stepped up its interaction with other units in the Bank to ensure the continued relevance of its products, to support their dissemination, and to report on their impact.

Most of the OED's work falls into two categories: audits of completed Bank-supported operations and studies that address broader development issues at the country and sectoral levels. All adjustment-lending operations and 40 percent of the Bank's other operations are audited.

The operations evaluation department received 295 project-completion reports (PCRs) in fiscal 1990 and audited 134 of them, including 30 on adjustment operations. The cumulative total of Bank operations subjected to *ex post* evaluation reached 2,260 at the end of the fiscal year.

For those operations not audited, the OED reviews the PCRs that are prepared by the Bank's operational staff to ensure their quality and facilitate the transfer of experience to new operations and then forwards them to the board.

The flow of PCRs increasingly reflects the full scope and diversity of Bank lending. Those on adjustment operations now cover not only structural-adjustment loans but a growing number of trade-adjustment, export, and sector-adjustment loans, as well. In fiscal 1990, the number of PCRs that were released in previously underrepresented sectors—such as oil and gas, urban operations, and forestry—also increased.

The department's fiscal 1990 program also included a broad array of studies. Like all of the OED's work, these studies serve the twin functions of accountability and lesson learning. They seek to provide timely answers to issues of current concern to the Bank's board and management, drawing out recommendations for operational work programs while keeping a balance across sectors, countries, and regions. Ten studies were sent to the board during the fiscal year.

Evaluation Results for 1988: Issues in World Bank Lending over Two Decades, discussed by the executive board in November 1989 and published in April 1990, reviews the results of operations that were evaluated in fiscal 1988 and makes use of improvements in the OED's data base to analyze the Bank's lending experience since the late 1960s. It finds that four fifths of the Bank's operations were performing satisfactorily at the time the Bank completed its disbursements—a good overall record considering the range and scale of the Bank's initiatives in the period. The Bank's

[3] For details, see page 44.

performance has tended to be strong in most of the sectors in which it has a large portfolio—power, highways, and water supply. The review emphasizes the need for continued efforts to improve performance in Africa, especially in agriculture. Analytical chapters of the review address the requirements for sustaining the performance of development projects after the investment phase is completed and for achieving sustainable development in the economy at large. The review prompted the Bank to reassess the criteria it uses to appraise investment projects so as to ensure that financing decisions are based on adequate understanding of how projects are likely to develop over the very long term.

Studies published during the fiscal year were *Agricultural Marketing: The World Bank's Experience, 1974–85; Project Performance Results for 1987; Evaluation Results for 1988: Issues in World Bank Lending over Two Decades*; and *Renewable Resource Management in Agriculture*.

After the dissemination and use of the OED's findings were reviewed by a task force, at the beginning of fiscal 1990, the Bank reintroduced the system by which management responds to important issues raised in OED evaluations. Bank staff are required to seek out the OED's findings, cite them in project documentation that is reviewed by the management and the board, and apply them in future operations. During the year, the OED actively supported initiatives by country departments to step up the collection and sifting of experience from operations in their countries and elsewhere, so as to share it with country authorities and reflect it in new operations. Such initiatives, which were supported by the OED and other parts of the Bank, were welcomed by the board because they hold out promise that the Bank's evaluation system will be strengthened further.

The OED's evaluation-capability development program (ECDP), now in its third year, helps the Bank's developing member countries to improve their own capabilities for evaluating development efforts. Activities are arranged in response to the interests of individual countries as part of a general effort to strengthen public-sector management, of which evaluation is a tool, in the face of severe budget and external-financing constraints. During the year, the OED helped the Brazilian planning secretariat to define the steps needed to reinstitute an evaluation system; in Morocco, it held workshops on evaluation concepts for the training arm of the planning ministry; and it helped the West African Development Bank to establish an *ex post* evaluation unit.

In fiscal 1990, a special program was launched to produce training materials from OED documents for participants in Economic Development Institute courses. OED staff continued to participate as resource persons in EDI seminars on monitoring and evaluation of development projects and in seminars on project sustainability.

Internal Auditing

The internal auditing department (IAD), headed by the auditor-general, reports functionally to the president of the Bank and, since January 1990, administratively to the vice president, corporate planning and budgeting.

Internal auditing is an independent appraisal function within the Bank that reviews and evaluates Bank operations and activities as a service to management.

The overall objective of the IAD is to assist vice presidents, department directors, and other managers in the effective discharge of their responsibilities by providing them with periodic reports and appraisals carried out on activities within their respective areas of responsibility.

In the period since the Bank's reorganization, various steps have been taken by senior management to strengthen the internal-auditing function. These include the establishment of a direct functional reporting relationship to the president and the introduction of a system of periodic meetings with members of the president's council to discuss the IAD's work program and the implementation status of audit recommendations.

These measures have been accompanied by a substantial expansion in the IAD's work in the operations complex. This trend continued in fiscal 1990. Moreover, a number of audits completed during the year addressed issues of significance to senior management in all four Bank complexes. Client managers responded positively to the large majority of audit recommendations, and progress in implementing them has been satisfactory.

Principal audit assignments completed during the year concerned trust funds, loan-processing arrangements, borrowers' accountability for the use of Bank funds, and various field offices in Europe, Africa, and Asia. Information resource-management activities, such as end-user support, systems under development, and facilities management, also received attention.

The Bank's external auditors consider the work program of the IAD to be an important element in the Bank's internal-control arrangements in planning and executing their annual audit. Audit reports issued by the IAD are normally provided to the external auditors.

The IAD and the external auditors have also traditionally allowed each other access to their audit working papers to facilitate audit planning and minimize duplication of work. Periodic consultations are also held on the scope and content of the internal and external audit work programs. These consultations have been beneficial to both parties.

International Finance Corporation

The International Finance Corporation (IFC), a member of the World Bank Group, fosters private enterprise in its developing member countries. It does this by financing private-sector projects, mobilizing additional project finance from other investors and lenders, and providing technical assistance and advisory services to both governments and private companies.

Fiscal year 1990 was one of continued growth for the IFC. The Corporation approved investments for its own account of $1.5 billion for 122 projects (including Africa Enterprise Fund projects), with total costs of $9.4 billion. Disbursements reached $1.0 billion. The IFC's financial position was strengthened. Net income for the year was $157 million. The IFC tapped the eurobond market for its largest single borrowing to date, a $300 million, five-year issue; the success of this issue furthered the Corporation's objective of becoming a regular, high-quality borrower in the public bond markets, supported by the triple-A rating (or its equivalent) conferred by the two major U.S. credit-rating agencies in June 1989.

Advisory services to both public-sector and private-sector clients grew in both volume and variety during the year. The IFC's corporate finance services group, established in fiscal 1989, was given departmental status in response to rapidly growing demand for advice on privatizations and corporate restructurings. The IFC's capital-markets department continued to provide advice to member countries on the development of their financial sectors.

During fiscal 1990, Eastern and Central Europe emerged as an important area requiring increasing emphasis by the IFC in support of the reforms being undertaken there. The IFC is well equipped to give advice on the practical problems that occur when centrally planned economies begin to make the transition to market-based economic systems. In Hungary and Poland, the IFC is providing advice on a variety of subjects to government agencies involved in the process of economic and financial reform, and is engaged in a program of investments, mainly joint ventures, in these countries.

The IFC has also assured the governments of Bulgaria, Czechoslovakia, and Romania of its readiness to assist them. Within the Corporation, a new department of investments (Europe) was created to concentrate on Eastern, Central, and Southern Europe.

A new department was also created to focus greater attention on the Middle East and North Africa, an area where IFC investment activity has not grown strongly in recent years.

Net investment approvals in Africa rose 50 percent in fiscal 1990 to a record level. Several sizeable investments were approved, particularly in countries where the investment climate has benefited from private-sector–oriented economic reforms. The Corporation continued its efforts to assist small and medium-sized businesses in sub-Saharan Africa. Thirteen investments in such businesses were made through the Africa Enterprise Fund. With staff in place, this program is expected to expand considerably. Demand for the services of the Africa project development facility (APDF), which was given a five-year renewal, continued to be strong; during the year, the board approved an IFC contribution to the APDF.

Investment approvals in Asia were also up, buoyed by a continued positive environment for private investment. The Corporation's fiscal 1990 program included major industrial investments in East Asia and in the energy sector in South Asia. Following on the success of the Africa and Caribbean project development facilities, the IFC is establishing a similar facility for the Pacific island countries.

The share of new investments going to Latin America and the Caribbean, which had been over 50 percent for some years, was lower in fiscal 1990, but the IFC's role in this region remained significant. Investments were approved in a number of large projects in Brazil, Chile, Mexico, and Venezuela, and the Corporation was able to mobilize finance for some of them from international sources, partly through the sale of participations in IFC's loans, thus bringing commercial banks back into the business of financing development in the region.

Approvals of capital-markets projects worldwide tripled in value over the previous year. The IFC participated in the structuring and launching of eleven country funds and approved investments in several merchant banks and equipment-leasing companies. Thirteen projects, representing 12 percent of total approved volume, involved loans and equity investments made through financial intermediaries and facilities. The IFC has found that such investments enable it to enhance its developmental impact as it can reach more small enterprises than it could reach as a direct investor.

The IFC developed a new instrument—the multicountry loan facility (MLF)—for mobilizing medium-term foreign-exchange lending from international commercial banks for small and medium-sized projects in selected developing countries. Three MLF operations were approved in fiscal 1990. The IFC is currently having discussions with other commercial banks about MLF lending to other areas, including countries of sub-Saharan Africa.

During the fiscal year, the IFC established a formal environmental review for all projects. It is undertaking a study of the possibility of promoting and financing private-sector production of environmental goods and services in developing countries.

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

Multilateral Investment Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA) has as its principal responsibility the promotion of investment for economic development in member countries through:

- guarantees to foreign investors against losses caused by noncommercial risks; and
- advisory and consultative services to member countries to assist them in creating a responsive investment climate and information base to guide and encourage the flow of capital.

MIGA also works in cooperation with national insurance agencies, not only to provide additional capacity but also to insure investors who may not be eligible for their own national insurance plans. Many times, citizenship or other eligibility criteria may prevent a national agency from offering coverage. In such cases, MIGA becomes the only alternative for long-term investment insurance. In addition, MIGA is unique in its structure as an international organization whose membership of developed and developing countries also includes the host country for each insured project.

MIGA's board of directors reviewed the new agency's activities and plans, and its meetings were noteworthy in establishing procedures for MIGA, strengthening member awareness of many of the technical aspects of MIGA's work, and reviewing a three-year program of action. Board discussions on proposed contracts have underscored the priority that the board and management place on ensuring that MIGA's actions make a distinct contribution to development and that investments obtaining MIGA's noncommercial risk guarantees meet World Bank environmental and economic-development standards. Attention was also given to the importance of MIGA's advisory roles.

Policy and advisory services. MIGA's policy and advisory services (PAS) office provides advisory, consultative, and investment-promotion services to developing member countries. Its work ranges from research, to technical assistance, to the cosponsorship with governments of investment-promotion conferences.

PAS's advisory services are carried out by the foreign-investment advisory services (FIAS), a joint IFC-MIGA initiative, which provides advice and technical assistance to developing countries on the content and administration of investment laws, policies, and programs that promote and regulate foreign direct investment. The advice and technical assistance are designed to promote, regulate, and otherwise influence the amount and character of foreign direct investment that member countries receive.

Policy and advisory services were provided to twenty-two countries in fiscal 1990. These services ranged from investor identification to strengthening awareness of MIGA and its operations. In this context PAS, together with the government of Ghana, sponsored its first investment-promotion conference. The success of this event in February 1990 stimulated strong member-country interest in MIGA assistance on this front. The event in Ghana brought leaders of that country's public and private sectors together with officials from an array of multilateral institutions, including the World Bank, the IFC, and the IMF, and, most important, more than forty senior executives from international business corporations. PAS preselected the foreign corporations on the basis of their likely investment interest in Ghana, and several of the companies subsequently entered into joint ventures in the country.

Guarantees program. MIGA's guarantees program protects investors against losses arising from the noncommercial (political) risks of currency inconvertibility, expropriation, war and civil disturbance, and breach of contract by the host government. MIGA can insure investments in new projects or the expansion of existing projects (including privatizations and financial restructurings), provided the project is registered with MIGA before the investment is made or irrevocably committed. MIGA's standard policy covers investments for fifteen years, although coverage for a project may be extended to twenty years. MIGA also works in cooperation with national insurance agencies to coinsure or reinsure eligible investments.

In fiscal 1990, MIGA issued its first guarantees, with a maximum contingent liability totaling $132.3 million, for four projects representing a total of $1.04 billion in direct foreign investment. According to information provided by the investors, these projects will generate approximately 2,700 new jobs in the host countries by the fifth year of operations. The insured investors are Freeport McMoran Copper Company of the United States, which expanded its copper, gold, and silver mining project in Indonesia; International Mariculture Partners of the United States, which is establishing a scallop-breeding facility in Chile; Placer Dome, Inc. of Canada, which entered into a joint mining venture in Chile; and the General Electric Company of the United States, which acquired an interest in the Tungsram Company of Hungary to manufacture lighting products. In the last two projects mentioned, MIGA reinsured the national investment insurance agencies of Canada (Export Development Corporation) and the United States (Overseas Private Investment Corporation).

Extensive efforts were made during the year to broaden awareness of MIGA's programs and services. These efforts helped generate 223 preliminary applications for political-risk investment insurance by the end of fiscal 1990, of which 116 were registered and eligible for coverage at that time. These registrations covered a broad range of economic sectors, including mining, agriculture and agribusiness, manufacturing, energy, and services. Aside from the investments insured in fiscal year 1990, work continued on a number of other definitive applications for coverage that can be expected to result in insurance contracts in fiscal 1991.

Member relations. Eighty-five countries have signed the MIGA convention, representing an increase of twelve over fiscal 1989 totals. Membership in MIGA rose from fifty-one countries to fifty-eight. MIGA membership is open to all member countries of the World Bank. Switzerland is also a member of MIGA.

Details of MIGA's activities in fiscal year 1990 appear in its annual report, which is published separately.

International Centre for Settlement of Investment Disputes

The International Center for Settlement of Investment Disputes (ICSID) was established in 1966 by the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the convention). ICSID seeks to encourage greater flows of international investment by providing facilities for the conciliation and arbitration of disputes between governments and foreign investors. To further its investment-promotion objectives, ICSID also carries out a range of research and publications activities in the field of foreign-investment law.

In February 1990, China became the ninety-ninth country to sign the convention. The number of signatory countries that completed the process of joining ICSID by ratifying the convention also continued to grow, with Tonga's ratification bringing to ninety-two the number of ICSID members.

During the fiscal year, awards were rendered in two cases and decisions were issued in two proceedings for the annulment of awards. By the end of the fiscal year, there were six cases pending before ICSID, including two arbitration proceedings that were initiated during the course of the year.

ICSID's foreign-investment law publications include a semiannual law journal, *ICSID Review—Foreign Investment Law Journal*, and multivolume collections of *Investment Laws of the World* and of *Investment Treaties*. Two issues of the law journal and three releases of the investment laws and treaties collections were published in fiscal 1990.

Details of ICSID's activities in fiscal 1990 appear in its annual report, which is published separately.

A training school for agricultural-extension agents in China. Four out of five country-specific women-in-development action plans recommend raising the productivity and incomes of women farmers by improving access to extension and other agricultural-support services.

Section Six
1990 Regional Perspectives

Africa

Sub-Saharan Africa continues, by and large, to experience a modest economic recovery. Gross domestic product (GDP) rose by 3.5 percent in 1989, as against 2.5 percent in 1988. Countries that are dependent on official development (concessional) assistance (ODA) did even better, with GDP rising by 4.2 percent as contrasted with 3.4 percent the year before. This more rapid growth follows an increase in nonoil commodity prices in 1988 and an oil-price rise in 1989, and is associated with a significant recovery in the volume of African exports. Better weather and supply response to adjustment efforts may also have contributed.

About two thirds of the countries in sub-Saharan Africa have begun to implement policies to effect structural adjustment of their economies, and still more are likely to embark on reform programs over the next few years. However, with continued high rates of population growth, current GDP growth rates still produce little or no per capita income growth in most countries. Even the current recovery is fragile in the vulnerable economies of sub-

***Table 6-1*. Africa: 1988 Population and Per Capita GNP of Countries That Borrowed during Fiscal Years 1988–90**

Country	Population (thousands)[a]	Per capita GNP[b] (US$)	Country	Population (thousands)[a]	Per capita GNP[b] (US$)
Benin	4,449	390	Madagascar	10,859	190
Burkina Faso	8,539	210	Malawi	7,960	170
Burundi	5,140	240	Mali	7,983	230
Cameroon	11,184	1,010	Mauritania	1,906	480
Cape Verde	360	680	Mauritius	1,051	1,800
Central African Republic	2,869	380	Mozambique	14,945	100
Chad	5,398	160	Niger	7,256	300
Congo, People's Republic			Nigeria	110,068	290
of the	2,139	910	Rwanda	6,656	320
Côte d'Ivoire	11,225	770	São Tomé and Principe	119	490
Djibouti	n.a.	n.a.	Senegal	6,996	650
Ethiopia	47,356	120	Somalia	5,902	170
Gabon	1,077	2,970	Sudan	23,777	480
Gambia, The	822	200	Tanzania	24,728	160[d]
Ghana	13,977	400	Togo	3,381	370
Guinea	5,401	430	Uganda	16,211	280
Guinea-Bissau	940	190	Zaire	33,366	170
Kenya	22,446	370	Zimbabwe	9,303	650
Lesotho	1,676	420			

NOTE: The 1988 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1990*.

n.a. Not available.

a. Mid 1988.

b. *World Bank Atlas* methodology, 1986–88 base period.

c. GNP per capita estimated to be in the lower-middle income range.

d. GNP per capita refers to mainland Tanzania only.

Saharan Africa. Long-term development prospects are overshadowed by severe structural constraints requiring institutional strengthening and deepened policy reform to overcome. Increased resources will also be needed to finance the levels of investment and imports required for faster growth.

Subregional Trends

West Africa. In the oil-exporting countries of West Africa, growth accelerated to an estimated 3.7 percent in 1989, primarily the result of a significant recovery in oil-sector activity. In Nigeria, overall GDP growth increased from 3.9 percent in 1988 to 4.9 percent in 1989, led by large increases in the production of hydrocarbons. Nonoil GDP is estimated to have grown by 3 percent. Agriculture grew by 4 percent, reflecting a continuation of the recovery from the poor harvest in 1987. However, recovery of the manufacturing sector stalled, as the country struggled to bring a deteriorating macroeconomic situation under control. The first part of the year was characterized by a high rate of inflation, which eroded purchasing power and put severe pressure on the financial and foreign-exchange markets. The manufacturing sector, caught in the squeeze, experienced a decline in output. Later in the year, the adoption of a more restrictive fiscal and monetary stance slowed inflation, improved the business climate, and, together with rising oil-export earnings, led to an increase in the availability of foreign exchange for use by the private sector. Taking the year as a whole, manufacturing output was unchanged from 1988.

Among the other West African oil exporters, Gabon experienced a strong recovery, while the situation of Cameroon and the People's Republic of the Congo remained difficult. In Gabon, with prospects for increased oil output from recently discovered fields, investment in the oil sector has resumed on a substantial scale since 1988. In 1989, GDP is estimated to have grown by 5 percent, for the most part reflecting expansion of the oil sector. In Cameroon, by contrast, the progressive exhaustion of known oil reserves has added to the severity of the economic decline triggered by the oil-price fall of the mid 1980s, which was followed by the drop in coffee and cocoa prices. The recent recovery in oil prices has

***Table 6-2.* Lending to Borrowers in Africa, by Sector, Fiscal Years 1981–90**
(millions of US dollars)

Sector	Annual average 1981–85	1986	1987	1988	1989	1990
Agriculture and Rural						
Development	514.2	434.7	519.2	562.3	754.8	997.4
Development Finance Companies	90.8	85.3	518.0	232.5	311.6	127.6
Education	109.1	114.7	104.9	178.2	88.2	350.7
Energy						
Oil, gas, and coal	71.8	3.1	35.0	—	31.2	—
Power	129.8	217.0	69.3	88.0	138.4	230.0
Industry	37.2	193.9	—	150.5	81.1	105.1
Nonproject	265.5	416.0	232.0	525.0	1,019.0	271.6
Population, Health, and Nutrition	27.9	81.1	30.8	121.4	81.3	232.7
Public-sector Management	3.3	—	75.0	165.0	—	45.6
Small-scale Enterprises	21.0	30.0	16.0	—	270.0	130.0
Technical Assistance	70.3	58.4	50.7	95.7	144.6	56.0
Telecommunications	43.9	46.5	27.8	—	103.3	225.0
Transportation	347.1	193.3	226.7	618.6	248.7	543.6
Urban Development	54.2	153.0	130.5	146.5	414.0	360.4
Water Supply and Sewerage	88.6	19.5	61.8	45.0	238.2	257.2
Total	1,874.7	2,046.5	2,097.7	2,928.7	3,924.7	3,932.9
Of which IBRD	806.5	901.2	865.8	725.1	1,560.6	1,147.0
IDA	1,068.2	1,145.3	1,231.9	2,203.6	2,364.1	2,785.9
Number of operations	78	79	78	80	81	86

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

A fish-processing plant in Senegal. Cumulative lending in support of small-scale enterprises topped the $5 billion mark in fiscal 1990.

not markedly improved the situation. In 1989, GDP declined for the third year in a row, by an estimated 6.5 percent. Cameroon has now started to implement a structural-adjustment program with suppport from the International Monetary Fund (IMF) and the World Bank. In the Congo, the level of economic activity remained depressed, as the country continued to struggle with large financial gaps and a sizeable debt overhang.

For the Sahelian countries, the past eighteen months have been marked by continuing efforts to implement economic reforms and to establish a stronger basis for improved growth performance. Six of eight Sahelian countries—Chad, The Gambia, Mali, Mauritania, Niger, and Senegal—are actively implementing Bank-supported adjustment programs, and in a seventh country—Burkina Faso—the dialogue on economic reform has advanced significantly during the past year. Overall, growth was modest in the Sahelian countries in 1989; GDP is estimated to have increased, on the average, by about 1 percent. Growth rates varied considerably by country, however, ranging from 10 percent in Mali to a negative 3 percent in Niger, reflecting, in part, the effect of variable levels of rainfall on agricultural output. Although export volumes have remained roughly constant, on the average, the current-account deficit in the balance of payments of the eight countries increased, from 12.2 percent of GDP in 1988 to an estimated 12.9 percent in 1989. Adjustment programs, emphasizing fiscal discipline, continued to be implemented in the subregion, and measures were adopted to improve international competitiveness through cost reductions and greater efficiency. In The Gambia and Mauritania, modest depreciations of the exchange rate also contributed to the adjustment process. Banking-sector reform, which is high on the agenda of several Sahelian countries, received a substantial boost in 1989 from a decision by the West African Monetary Union (UMOA) to adopt a set of reforms designed to improve the operation of monetary and credit systems in the seven member states (Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo).

Trends in the rest of West Africa varied widely. In Ghana, the recent momentum of growth continued, with GDP rising by 6 percent in 1989. Cocoa output reached its highest level since 1976, although record low international cocoa prices reduced export earnings and fiscal revenues. The donor community has maintained its support for Ghana's structural-adjustment program, and net capital flows from official donor sources increased substantially. The foreign-exchange auction functioned smoothly and was widened further to include the transfer of profits and dividends. Similarly, growth of GDP in Guinea continued at an estimated 4.5 percent in 1989, inflation decelerated, and the exchange rate was allowed to depreciate at the weekly auction to maintain competitiveness. Progress was made in the reform of public-sector management and the civil service, as well. In Togo, real growth in 1989 was estimated at between 3 percent and 4 percent, and the inflation rate declined further. During the course of the year, Togo introduced a new investment code, rationalized its tariff and fiscal systems, and continued efforts to reduce costs of the export-crop marketing agency.

In contrast, Côte d'Ivoire continued in 1989 to face a serious economic crisis with large financial imbalances. For the third year in a row, GDP fell (by an estimated 1 percent in 1989), and investment dropped to new lows in both the public and the private sectors. The decline in the world market price of the country's principal exports (particularly cocoa) further heightened the already severe pressures on the budget and the balance of payments. Prices paid to producers of coffee and cocoa were sharply reduced in 1989. Major structural adjustments will be required to restore international competitiveness and growth. In Benin, where GDP decreased by 1.4 percent in 1989 and fiscal imbalances worsened, a new government is taking steps to raise revenue and restore the conditions for growth.

Eastern and central Africa. Several countries in East Africa turned in a favorable economic performance in 1989. In Uganda, the continued dismantling of trade and other controls improved the availability of basic commodities and imported inputs on the domestic market. A cumulative nominal devaluation of the shilling by 59 percent during 1989 also contributed to the adjustment of the economy. Impressive gains were made in the productive sectors; agricultural and industrial production grew by an estimated 5 percent and 12 percent, respectively. Overall, GDP increased by about 5 percent, implying growth in per capita GDP of about 2 percent. Considerable progess has also been made in the rehabilitation of the country's social and economic infrastructure. However, inflation remains high, and the collapse in world coffee prices has greatly complicated the task of financial stabilization. Kenya continued its favorable economic performance into 1989. Although GDP growth slowed to about 5 percent (from 6.1 percent in 1988), sector policy reforms continued, and per capita income grew for the sixth year in a row. The recent decline in fertility rates has contributed to this good performance.

The rate of growth in Mauritius declined from an average of about 8 percent in the previous five years to an estimated 4.6 percent in 1989, with the export-processing zones growing by only 6 percent, as compared with well over 20 percent in previous years. Inflationary pressures are also rising, as the economy is beginning to overheat. The economy of Madagascar is picking up, as it starts to respond to an increasingly vigorous liberalization program. In 1989, the economy entered its second year of positive per capita growth after almost a generation of decline. In 1989, GDP rose by about 4 percent, reflecting a 3.9 percent increase in agricultural production, good performance in livestock and fisheries, and strong growth in trade and tourism. Rice production increased by 7.6 percent. After eight consecutive years of decline, the volume of imports increased (by about 5 percent in 1989), and export volumes rose sharply (by 29 percent).

Internal wars and continuing insecurity continued to plague other East African countries. The Sudanese economy is in a state of crisis as a result of the continuing civil war. Production is much below capacity in both agriculture and manufacturing, and exports have stagnated. Preliminary estimates for 1990 indicate a further decline in GDP, of 2.3 percent, and a 22 percent drop in export earnings, while financial imbalances deepen and inflation rises above 100 percent. In Ethiopia, a better harvest, combined with the effect of earlier liberalization measures, caused the economy to recover somewhat in 1989. In 1990, however, the economy took a turn for the worse, as world prices for coffee declined and harvests failed in the country's northern and eastern regions. A drought emergency has been proclaimed, and it is estimated that 3 million to 4 million people may require relief assistance. In Somalia, weak stabilization efforts and the private sector's lack of confidence, prompted by political unrest and the continued fighting in the north and elsewhere, continued to undermine economic performance. Domestic inflation reached 150 percent by the end of 1989.

The central African states of Burundi, Rwanda, and Zaire also performed poorly in 1989. Burundi was hit hard by the decline in coffee prices, and food-crop production fell because of uneven rainfall. Real GDP is estimated to have increased by only about 0.4 percent in 1989. A number of institutional and policy improvements are being implemented in the coffee sector, and the Burundi franc has been devalued by 16 percent in nominal terms since November 1989 to improve external competitiveness. In Rwanda, the fall in the price of coffee (which accounts for 90 percent of exports) further deepened the country's economic and financial difficulties. In 1989, GDP declined by about 6 percent, and budget and external imbalances widened. Far-reaching domestic policy adjustments will be required to put the economy back on the path toward sustainable growth. In Zaire, inflation slowed somewhat, and an increase in copper revenues eased fiscal and foreign-exchange constraints. But growth continued to be sluggish (less than 1 percent), as private investment slowed and personal incomes fell. The poor composition and quality of public expenditure remained a primary cause of lagging supply response.

Southern Africa. Performance in the Southern Africa subregion continued the strong recovery begun in 1988 in response to adjustment efforts in a number of countries. Aggregate growth in the countries that are members of the Southern African Development Coordinating Conference (Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, and Zimbabwe) averaged 4 percent in 1989, yielding the second consecutive year of per capita income increases. Agriculture continued to lead the recovery process, confirming the deepening effect of appropriate policies during a year in which weather conditions deteriorated in some countries (drought in Zimbabwe and floods in Malawi and Zambia, for example). Lesotho and Malawi, which continued to implement policy reforms, particularly in the agricultural sector, have been staging encouraging recoveries over the past few years, with GDP growth at 7.7 percent and 5.0 percent, respectively, in 1989. Zimbabwe experienced a GDP rise of about 5 percent, caused mainly by buoyant manufacturing and mining activity. The real effective exchange rate was allowed to depreciate, and there was a strong surge in export earnings.

Tanzania and Mozambique continued to implement their adjustment programs. In Tanzania, GDP increased by an estimated 4.4 percent in 1989, as the performance of the agricultural sector (and others, as well) continued to strengthen, reflecting an improving policy environment. However, infrastructural bottlenecks and public-sector management problems led to worsening financial performance and continuing high inflation. In Mozambique, GDP growth slowed to 3.2 percent in 1989. Progress was made in foreign trade and exchange management and the rationalization of public expenditures. The recovery of income and output, however, remains fragile, and insecurity continues to be a serious problem in rural areas. In Zambia, where there was essentially no growth in 1989 (GDP grew by only 0.1 percent), significant changes were made in its policy framework, leading to the adoption of a reform program monitored by the Bank and the International Monetary Fund that included major monetary and exchange adjustments. In Angola, which joined the World Bank in September 1989, large macroeconomic imbalances and policy distortions will need to be addressed. The economy continued to be battered by warfare.

Long-term Development Issues

Structural obstacles to development are particularly profound in Africa, and long-term efforts to overcome them are necessary on a broad front, ranging from human-resource development and poverty alleviation to environmental protection, slowing the growth of population, and quickening the pace of agricultural development. While the main focus of the Bank's effort has always been on issues of long-term development, this emphasis has been reinforced in recent years with the adoption of a number of special African initiatives to tackle some of the more critical problems.

Population. No single issue is more important for Africa today than population growth. Currently, of the forty-five countries in sub-Saharan Africa, seven have adopted a population policy and twenty more are in the process of developing such a policy (see Box 6-1 for details of family-planning programs in Zimbabwe and Botswana). A principal objective of the Bank's efforts, therefore, continues to be to generate a consensus in the region on the need for a robust family-planning program. As a part of this effort, a joint initiative of the World Bank, the United Nations Fund for Population Activities (UNFPA), and the International Planned Parenthood Federation is leading to the preparation of an agenda for action for the 1990s. Task forces have been formed to carry out studies in Ghana, Kenya, and Nigeria. Each task force is obtaining the views of family-planning program beneficiaries, policymakers, and implementers to determine how family-planning programs can be strengthened. Country experience will be shared, and the final agenda will be pulled together under the guidance of an African Population Advisory Committee. African institutions and researchers are playing the leading roles in preparing the country studies.

At the same time, a task force on population, set up in the Africa region of the Bank in fiscal 1989, has made recommendations to strengthen the Bank's population work in Africa. These

Box 6-1. Family Planning in Zimbabwe and Botswana

Zimbabwe and Botswana are the leaders in family planning in sub-Saharan Africa. Their programs are available to most of their citizens, and knowledge of modern methods of contraception is widespread among their populations. In fact, levels of modern contraceptive use in the two countries—in 1988, 36 percent in Zimbabwe and 32 percent in Botswana—are the best in Africa, and fertility levels seem to be declining significantly.

Yet the two countries have followed different approaches, illustrating that there is no blueprint for success in this field and that all strategies must start from the unique situation in each country. Both countries, however, share a favorable mix of background factors, including good-to-excellent economic growth and per capita incomes, excellent infrastructure and administrative systems, high levels of education and modernization among their populations, the lowest levels of mortality in sub-Saharan Africa, and strong government commitment to family planning (although officially as a health intervention).

Zimbabwe has an impressive family-planning program. Much of the responsibility for delivering and promoting family-planning services resides with the Zimbabwe National Family Planning Council (ZNFPC). Now a parastatal body, the ZNFPC grew out of a nongovernmental family-planning association with such a history of success that the newly independent government (1980) elected to work with it.

The ZNFPC runs a network of family-planning clinics and, more important, a community-based distribution program that employs about 600 local educators and distributors and accounts for about half of all the council's family-planning services. Program workers concentrate solely on family planning and are well paid.

Recently, the government, with the help of a Bank-assisted health project, decided to offer family-planning services through its own network of health facilities, which are expected to become the main providers. Nonetheless, the ZNFPC outreach system remains the backbone of the country's family-planning program in rural areas.

Botswana's low-key program differs in almost every respect. It has never had an independent family-planning association, and the government is virtually the sole provider of family-planning services. These services are based in clinics and delivered through a maternal and child health (MCH) family-planning program that operates in every health facility. Clinic nurses do most of the family-planning work. There is also a rudimentary outreach network of community-selected workers who are supposed to carry out preventive health activities in their villages and provide some family-planning promotion, referral, and supply services.

Botswana's health-service network is so far-reaching that access to family planning is not a problem for most people. The main constraints are the inadequate coverage and quality of information, education, and communication (IEC) activities on both health and family planning and the lack of services geared to men and teenagers, neither of whom frequent MCH clinics. Nevertheless, the country's program has been successful in its efforts to promote knowledge and acceptance of the benefits of family planning.

recommendations, which are currently being implemented, include building up staff commitment and skills for population activities; increasing the emphasis placed on population issues in economic analysis and country dialogue; increasing the population focus of lending operations for population, health, and nutrition (PHN), as well as expanding other forms of lending for population activities; and involving African institutions and experts, as well as nongovernmental organizations, more systematically in the Bank's work on population.

Environment. It is now accepted that environmental degradation in Africa is a major constraint against future economic growth. The principal problems are related to natural resources: soil erosion and degradation, deforestation, and declining productivity of rangelands, wetlands, and coastal areas. Work continues on the preparation and implementation of country environmental-action plans. The plans, which are the product of the Bank's dialogue with governments, are a vehicle through which environmental consciousness is being heightened in the region. Madagascar's environmental-action plan has already led to concrete action, including an investment program, supported by a recent IDA credit (see Box 3-2). Implementation has also started on the plans for Lesotho and Mauritius. Those for Burkina Faso, Ghana, Guinea, and Rwanda are nearing completion, and work has begun or is expected to start in the near future on plans for Burundi, The Gambia, Kenya, Malawi, Niger, Nigeria, Somalia, and Zaire.

In addition, the Bank has started a program of regional studies that examines operational issues related to environmental work in African countries. Four studies have been completed—on agroforestry, remote sensing for renewable-resource management, wildlife-resource management, and integrated pest management. Lending is also increasing for environmental investments. The number of projects with an important environmental focus has grown considerably over the past two years, and about twenty such projects are currently under preparation. In west-central Africa, in particular, the Bank has recently approved several projects for forestry and natural-resource management (in the Central African Republic, Côte d'Ivoire, and Guinea), and several more are under preparation.

Agriculture. Agriculture is the primary source of growth in sub-Saharan Africa. Even when full account is taken of environmental constraints, the scope for expanding agricultural production is considerable. To overcome the nexus of weak agricultural production and environmental degradation, agricultural research and extension services must be strengthened. Some twenty-two countries are now included in the Bank's agricultural-services initiative, which is aimed primarily at strengthening extension services through more efficient organization, regular training of extension staff, frequent visits to farmers, and strong links with research. The goal is to increase production and yields by conveying simple, low-cost, low-risk technical messages to farmers. Planting of trees and simple soil-conservation techniques are also emphasized. In Burkina Faso, for instance, considerable success has been achieved with the use of simple contour lines made of stones to conserve soil and water. Many of the extension messages are directed at women farmers. In Nigeria, where special women-in-development initiatives have been launched, horticultural techniques are being brought to women's groups for them to apply in their vegetable gardens. The Bank is also working closely with African governments and the donor community to improve donor coordination in the financing of agricultural research through the special program for African agricultural research (SPAAR), which has assisted several countries already, including Tanzania and Nigeria. SPAAR has also been helping with the networking of African researchers.

The social-dimensions-of-adjustment (SDA) program. This program, launched in 1987 as a joint undertaking of the World Bank, the African Development Bank, and the United Nations Development Programme, has the objective of helping African governments incorporate social concerns into their economic-reform programs and long-term development plans. The SDA program is providing assistance at both regional and country levels in four areas: improving management of macro and sectoral policy, formulating social-action programs for poor and vulnerable groups, helping to strengthen national statistical services for better policy and program design, and building up institutional capacity. Thirty African countries are now taking part in the program. Apart from the three sponsoring agencies, funding and/or secondment of staff for SDA regional activities or country projects have come from the International Fund for Agricultural Development, UNFPA, and the European Community, as well as from the governments of Canada, France, the Federal Republic of Germany, Japan, Norway, Sweden, Switzerland, the United Kingdom, and the United States. By June 1990, a total of twenty SDA country projects had been appraised, of which ten are being implemented.

Food security. It is estimated that about one quarter of sub-Saharan Africa's population—over 100 million people—is undernourished, and periodic famine continues to afflict several countries. Under a food-security initiative launched in 1989, the Bank is preparing action programs designed to improve food security in individual sub-Saharan countries. Food-security action plans have been completed for Benin, Kenya, Malawi, Mozambique, and Sudan, and are currently under preparation for a number of other countries. A food-security project has already been appraised in Cameroon. The content of each action plan varies by country. Some emphasize inadequate production, while others highlight people's inability to buy food that is available. In Madagascar, aggregate food production is sufficient for the country's needs, but despite recent improvement, malnutrition is widespread; investments in rural infrastructure are seen as being critical to link surplus areas to markets, as are income-generating investments to enable the poor to buy food. Progress is currently being made in targeting food-supplement programs to the needy and vulnerable. In Mozambique, which currently depends on food aid for 90 percent of its marketed foods, the focus is on better targeting of consumer subsidies. In addition, an increasing number of projects with a focus on nutrition are being prepared: Six are freestanding nutrition projects, while ten projects have significant nutrition components.

Given the importance of food aid in Africa as a resource ($1 billion a year) and as a way of addressing poverty issues, the Bank is preparing, jointly with the World Food Programme, a study of food aid. The draft paper, which has been completed and circulated for comment, recommends greater monetization of food aid, evaluation of food-aid projects by the same criteria used for those supported by financial assistance, and better integration of food aid into country development strategies.

Table 6-3. **Net Transfers to Africa**
(millions of US dollars, fiscal years)

	Nigeria		Ethiopia		Zaire		Total region	
Item	1990	1986–90	1990	1986–90	1990	1986–90	1990	1986–90
IBRD and IDA commitments	653.1	3,122.4	75.2	493.7	5.9	517.6	3,932.9	14,930.5
Gross disbursements	488.8	2,018.7	77.4	342.2	104.0	492.5	2,703.5	11,006.6
Repayments	220.1	742.7	10.3	58.2	27.5	83.6	723.4	2,731.6
Net disbursements	268.7	1,276.0	67.1	283.9	76.5	408.9	1,980.1	8,275.1
Interest and charges	233.6	964.2	7.0	42.0	8.6	45.0	716.2	3,340.9
Net transfer	35.1	311.8	60.0	242.0	67.9	363.9	1,263.9	4,934.2

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest population. Details may not add to totals because of rounding.

Education. Although school enrollments have been vastly expanded over the past three decades, too often this expansion has come at the expense of educational quality. Improving quality is now the top priority for the sector. As a follow-up to the Bank's sub-Saharan Africa education-policy paper, published in 1988, a task force composed of donors to African education was organized, and eleven working groups were established to focus on key issues of education policy and government-donor collaboration. In parallel, a conference of sub-Saharan education ministers was held in July 1989 in Abuja at the initiative of the Nigerian government to discuss these issues. Its objective was the formulation of coherent national education strategies that could be implemented with appropriate coordinated donor assistance.

In this context, Bank lending has focused on rehabilitation of basic education systems in Somalia and Tanzania, improvement in the quality of primary and secondary education in Malawi, and deepening education-sector reform in Ghana. In Nigeria, the Bank is helping to finance an innovative federal university-reform project that supports the policy-reform program of the National Universities Commission. The program aims at improving quality, expanding access to higher education, and increasing the efficiency of allocation and resource use in the subsector.

Women in development (WID). Expanding opportunities for women will not only help women but also contribute to economic performance, poverty reduction, improved household food security, slower population growth, and other development objectives. The WID initiative, launched by the Bank in 1987, is beginning to have an effect in sub-Saharan Africa: more than a third of the operations approved in the past two years had specific components or were oriented to address this issue, while more than a third of the Bank's analytical economic and sector work has contained significant discussion of gender issues. In agriculture, provision of extension services that meet the needs of women is critical. In Tanzania, a Bank-supported project includes support for research on women's cashew production; it will provide extension services and recruit female extension staff, use marketing advisers to train women traders, and identify constraints on women's access to trade credit. In eight states of Nigeria, Bank-supported projects are completing a reorganization of the extension system to take account of the fact that 40 percent of contact farmers are female. In Ghana, recent analysis has established that by the year 2000, female farmers will dominate farming, a fact that will have profound implications for the extension service. In The Gambia, the region's first freestanding WID project was approved during the year; it supports a wide range of activities designed to provide opportunities for women to improve their economic status through expanded access to productive resources and basic social services.

Asia

The year 1989 completed a decade of experience with the Asian "economic miracle" that saw the East Asian growth rate rise from 6.6 percent in the 1970s to 8.5 percent in the late 1980s. This achievement is a product of relative macrostability, the rare occurrence of economic or financial crisis, and an underlying consistency and prudence in economic management. This record and its lessons are now well known.

Table 6-4. Asia: 1988 Population and Per Capita GNP of Countries That Borrowed during Fiscal Years 1988–90

Country	Population[a] (thousands)	Per capita GNP[b] (US$)
Bangladesh	108,860	170
Bhutan	1,373	180
China	1,088,408	330
Fiji	732	1,520
India	815,590	340
Indonesia	174,832	440
Korea, Republic of	41,975	3,600
Lao People's Democratic Republic	3,931	180
Malaysia	16,921	1,940
Maldives	202	410
Myanmar	39,983	n.a.
Nepal	17,976	180
Papua New Guinea	3,722	810
Philippines	59,851	630
Sri Lanka	16,587	420
Thailand	54,469	1,000
Tonga	97	830
Vanuatu	147	840
Western Samoa	159	640

NOTE. The 1988 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1990*.

n.a. Not available.

a. Mid 1988.

b. *World Bank Atlas* methodology, 1986–88 base period.

c. GNP per capita estimated to be in the low-income range.

For the future, the development process in Asia must address the sustainability of this growth performance. It will require a three-track strategy of even more sophisticated approaches to economic management, the extension of East Asia's growth performance to the other Asian countries, where half of the world's poor reside, and an enhanced capacity to nurture and renew Asia's physical and human-resource base, the quality of which has generally not kept pace with economic growth. There is a growing consensus, shaped by the experience of the most successful economies in the region, on the framework within which to address these sustainability issues.

That consensus is already beginning to have an effect on the policies and performance of the slower-growing economies. Although many poor Asian countries must first concentrate on raising agricultural productivity to sustain growth, they, too, are attempting to stimulate manufacturing sectors, and, in some areas, have done so successfully. Other lessons from the Asian experience—such as the complexity of centrally managing modern-day economies and the demonstrated limits to fiscal expansion—have also had an effect. The appeal of a more pragmatic economic framework is growing in South Asia, where public intervention has had a long tradition in economic policy. Elsewhere (such as in Viet Nam and the Lao People's Democratic Republic) this approach is already creating new and strengthened capacities for growth. In all these economies, one key result has been the beginning of a change in emphasis of the economic role of government, from direct to indirect support for growth. Greater attention is being given to policies that enlarge the role of market forces, reform a machinery of government that, in many cases, has been inefficient, and promote decentralized decision making to produce greater efficiency.

Policies for Medium-term Growth

The Republic of Korea, Malaysia, and Thailand continued to set the standard for the rest of Asia with impressive performance, although, in Korea's case, growth dipped somewhat from the peaks achieved in 1987–88. These achievements were registered even as new pressures on macrobalances and the infrastructure emerged. In response, a new—and strikingly similar—structural policy agenda is being developed to sustain the momentum of growth.

In 1989, Thailand and Malaysia reaffirmed the priority of prudent macroeconomic management and took steps to concentrate public investment on infrastructure support—especially in transportation—and enlarge the private sector's role in the economy. In particular, they have accelerated the process of privatization by further liberalizing regulations on domestic and foreign investments.

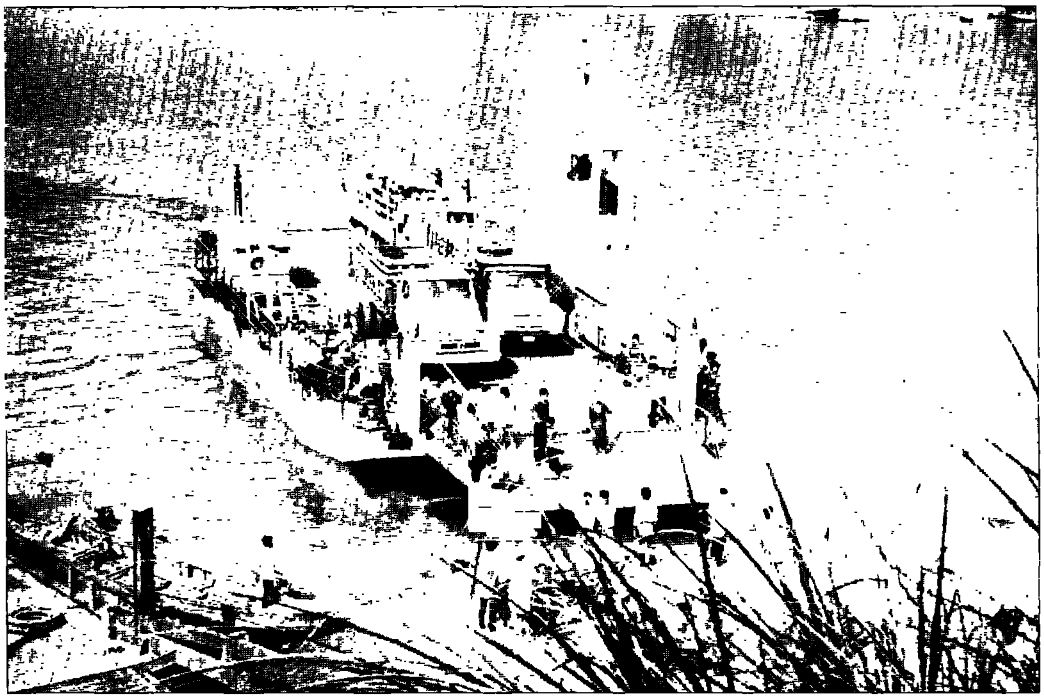
One of Asia's largest debtors—Indonesia—has tackled fundamental structural problems and successfully boosted growth. In addition to a major stabilization effort aimed at restoring macroeconomic stability, policies have emphasized economic deregulation, the promotion of private investment, and external competitiveness. As a result, economic performance has been impressive. From 1986 to 1989, Indonesia doubled nonoil exports and substantially increased domestic and foreign investments, leading to a rapid recovery in growth. Throughout this process, Indonesia maintained access to voluntary market finance. Building on these successes, Indonesia continued, during 1989, the reform process in the banking sector and the capital market and in investment policy, shipping, and public enterprises.

Through a similar orientation of economic policy, the Philippines has emerged from a period of stabilization and adjustment with three years of strong growth, a new and important agreement with its commercial creditors, and an orderly approach to its debt problem. At the heart of the recent Philippine strategy have been steps toward structural reforms in trade, the financial sector, public institutions, and taxes. These reforms have begun to curtail the public sector's claims on resources while, at the same time, raising private investment. Notably, the government has actively pursued reform of the large corporate sector, including steps toward privatization and dissolution or restructuring of publicly owned enterprises and assets. Difficult issues still lie ahead for the Philippines. Foremost, macroeconomic stability must be maintained. The priorities are to reverse the recent deterioration of the current

***Table 6-5.* Lending to Borrowers in Asia, by Sector, Fiscal Years 1981–90**
(millions of U.S. dollars)

Sector	Annual average 1981–85	1986	1987	1988	1989	1990
Agriculture and Rural						
Development	1,513.1	1,621.5	817.7	1,966.5	1,162.0	1,203.7
Development Finance Companies	319.0	376.5	302.0	—	1,102.8	243.0
Education	354.9	491.4	—	355.7	484.5	902.7
Energy						
Oil, gas, and coal	587.4	97.0	527.0	358.0	340.0	86.0
Power	1,055.2	1,155.5	1,926.8	1,095.9	1,993.5	1,503.3
Industry	300.2	502.2	197.4	632.1	656.0	500.0
Nonproject	374.2	200.0	840.0	500.0	452.5	344.4
Population, Health, and Nutrition	53.4	242.4	—	74.5	290.2	192.5
Small-scale Enterprises	155.9	74.5	166.5	185.0	160.0	—
Technical Assistance	12.0	20.0	30.7	—	—	—
Telecommunications	105.1	3.9	359.5	—	12.7	391.7
Transportation	723.3	970.8	449.1	1,486.3	1,136.8	504.7
Urban Development	182.9	500.0	837.0	1,015.8	41.5	86.2
Water Supply and Sewerage	120.8	290.3	284.0	—	—	438.9
Total	5,857.5	6,546.0	6,737.7	7,669.6	7,832.5	6,397.1
Of which: IBRD	4,048.1	4,845.0	4,890.4	5,751.6	5,657.1	4,174.8
IDA	1,809.4	1,701.0	1,847.3	1,918.0	2,175.4	2,222.3
Number of operations	69	69	57	65	62	55

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



A ferryboat disgorging the load it has brought across the Mekong river at Pakse (Lao PDR). The ferry was financed under the third agricultural-rehabilitation and development project.

account, the fiscal deficit, and inflation. Over the medium term, the Philippines must address the problems of a weak public and social infrastructure, widespread income inequalities, and poverty. These issues can be addressed by a strengthening of public-investment capacity and improved targeting of infrastructure investments, both key elements in the government's strategy. To sustain the recent recovery of private investment, the government is further reviewing the environment for private-sector activity—domestic and foreign—and is planning to dismantle remaining regulatory controls that still shackle private-investor interest.

In India and in the other countries of low-income South Asia, the development agenda is more complex, and there is a much greater need to address longer-term development issues. In all these countries, however, external reserves came under strong pressure in 1989, and macrostability needs to be quickly ensured. There was a common basis to these demand pressures—continued large or increasing fiscal deficits that ranged from 8 percent of gross domestic product (GDP) in India to 15 percent of GDP in Sri Lanka.

India's domestic expenditure in relation to income resulted in heavy recourse to central-bank finance and increasing debt-service liabilities. On the external account, while export earnings grew, payments increased at a faster rate, resulting in a depletion of reserves. Thus, after losses of $1.4 billion and an estimated $0.8 billion during the past two fiscal years, respectively, India's gross reserves stood at two months' equivalent of imports in early 1990. Elsewhere, other factors were at work: Security concerns distracted policy agendas and frustrated the revival of private investment in Sri Lanka, and Nepal's trade and supply systems came under great pressure.

In March 1989, the trade-and-transit treaties between Nepal and India expired following a breakdown in renewal negotiations. Nepal's imports of petroleum were restricted temporarily, creating serious shortages in the economy, and its exports to India fell dramatically. Consequently, Nepal's GDP grew by only 1.5 percent in fiscal year 1989,[1] well below the 4.5 percent target. The government implemented a tight fiscal policy to cope with the impact of the trade-and-transit impasse, which ended in June 1990 when the two countries agreed to restore full arrangements by July.

[1] Nepal's fiscal year runs from July 16 to July 15.

Although the economy of Bangladesh grew by about 5 percent in fiscal 1989, largely the result of a sharp rebound in foodgrain production, fiscal and other macroeconomic reforms are important issues for the government.[2] Recent problems requiring urgent attention include the continuing decline in development expenditures, an acceleration in the inflation rate, and a marked depletion of foreign-exchange reserves. A large shortfall in budgeted revenues, combined with continued rapid growth of current expenditures and a large deficit in food operations, has sharply reduced resources available for development spending, resulting in a cutback, in real terms, for the third year in a row. On the external side, the stagnation of exports and the rapid build-up of import demand set the stage for an unexpected and rapid deterioration of foreign-exchange reserves, which stood at the equivalent of one and one half months of imports by the end of December 1989, down from the equivalent of four months of imports in February 1989. The government has taken several important steps to address these pressing domestic and external issues, such as a recent devaluation, a liberalization of the rules regulating the import and distribution of agricultural inputs, the introduction of a value-added tax (scheduled to begin implementation on January 1, 1991), and measures to restrain public expenditures. But further efforts will clearly be necessary to improve the macroeconomic situation, improve external competitiveness, and ensure the more effective utilization of aid resources.

Fiscal consolidation and reform thus remain at the forefront of the macroeconomic policy challenge in all of South Asia—reform that reduces public-sector demand and deficits but does so without displacing essential public investment in the physical and social infrastructure. In confronting these issues, South Asia, too, is developing a stronger consensus on the framework for combining the needed macroadjustment with structural reforms that deregulate economic activity and enlarge the role of the private sector.

For Papua New Guinea, the past year was one of adjustment following the suspension of a large mining operation and the consequent loss of export earnings and fiscal revenues. The government responded promptly to this development and adopted an adjustment program aimed at maintaining financial stability and promoting the growth of the nonmining economy.

Among the other Pacific island countries, Fiji registered exceptionally good performance, as the effect of significant trade and exchange-rate reform, as well as fiscal and financial-sector reforms, all undertaken in 1987, supported growth in agriculture, export manufacturing, and tourism. In the Solomon Islands and Vanuatu, efforts were directed more towards the correction of fiscal imbalances but, as in Tonga, Western Samoa, and Kiribati, significant progress has been made towards deregulation, public-sector reform, and the stimulation of private-sector development. Growth in the other small island economy in the wider region, the Maldives, continued to be impressive. Overall, the growth prospects of the island economies have improved, although Western Samoa now faces a period of reconstruction following a disastrous cyclone in February 1990.

The past year has borne witness to vast changes in Asia's centrally controlled economies. Developments in China have signaled that the Chinese economy has entered a new—and more difficult—phase.

Two features of the recent Chinese experience stand out: First, there are clear limits to the pursuit of rapid growth; pass these limits and intolerable pressures are placed on prices, infrastructure, and supplies. Second, unfinished elements in the reform agenda can no longer be ignored if the economy is to resume a path of accelerated growth with relative macroeconomic stability. Thus, an austerity effort has been required in China—and implemented with considerable success in reducing the inflation rate. For enduring macrostability, however, China will need to tackle the difficult core of decisions that ultimately has to be faced by all centrally controlled economies moving to a more market-oriented system. The government has begun to prepare an agenda of short-term and medium-term actions that will establish a sound basis for strengthening macroeconomic policies and institutions, for further liberalizing prices and markets, and for enterprise and ownership reforms.

At the same time, forceful changes in economic policies are under way in Viet Nam and the Lao People's Democratic Republic (Lao PDR). Long-standing and centrally directed systems of economic management are being reversed, and the economies of these countries are being reoriented towards the productive sectors, with increased attention being paid to rural, export, and private initiatives. Viet Nam has telescoped into a relatively short period wide-ranging structural reforms in its public finances, in agriculture, in industry, and in trade. Lao PDR has lifted almost all price controls and has taken other concrete steps to

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[2] Bangladesh's fiscal year runs from July 1 to June 30.

develop the private sector with the aim of stimulating exports and reducing the fiscal burden of public enterprises. Although these reform processes will be complex undertakings—as in other centrally directed economies—Viet Nam and Lao PDR may well possess certain advantages over other countries. Their public sectors have never embraced the entire economy; private markets in goods, financial resources, and foreign exchange have always existed; and initial responsiveness to changes in relative prices and incentives has been demonstrably quick. These gains must now be consolidated and supported.

Issues of Public and Social Policy

The region's impressive growth in the 1980s was no guarantee of equity, nor of social and environmental safeguards. Especially in parts of India, Bangladesh, and Nepal—but also elsewhere in Asia—growing landlessness and disproportionately little access to irrigation, electricity, and social services have perpetuated concentrations of deepest poverty and accentuated income and regional disparities. In China, growth in the 1980s has doubled the incomes of 800 million people, but changes in income shares between workers with fixed wages and industrial workers receiving bonuses have increased disparities in the urban sector, while regional pockets of poverty remain an important concern.

The face of poverty has changed in India in recent years, posing new challenges for public policy. First, the poor are increasingly concentrated in regions that face serious developmental constraints. Second, the share of landless wage-dependent households among the poor is growing, nearing half the rural poor in some states. Third, many of the factors that contributed to the reduction of poverty in past years, such as the spread of irrigated agriculture, provision of credit to poor beneficiaries, and subdivision of landholdings, appear less likely to be effective in the next ten to fifteen years, as further expansion of irrigated land becomes more expensive and capital intensive, and as common lands available for privatization become more scarce. An encouraging development is India's recent success in raising annual average growth rates. If the rate of growth achieved during the seventh plan period (1986–90) of 5.6 percent can be sustained at these levels and gains accrue to the poor, poverty would be substantially reduced by the year 2000.

Against this background, Indonesia's progress in alleviating its high incidence of poverty is notable. A recent Bank report on poverty in Indonesia has pointed to a reduction in the incidence of poverty from about 29 percent in 1980 to 22 percent in 1984 and, further, to 17 percent in 1987. What factors accounted for this remarkable progress during such a short period when the economy was also faced with the need to adjust to a series of major external shocks?

In a number of ways, the adjustment effort was undertaken within a framework for preserving the progress of poverty reduction. First, a build-up of economic and social infrastructure had taken place during the early 1970s and 1980s as oil revenues grew. Second, during the ensuing period of fiscal pressures and declining oil revenues, the government took steps to protect recurrent expenditures and consumption by absorbing the necessary expenditure cuts in lower priority public-investment projects, while, at the same time, reallocating available development expenditures towards poverty-related sectors. And finally, the government's adjustment effort maintained positive growth rates throughout the period. The associated pattern of growth protected farmers' incomes and led to an increase in employment and incomes in the manufacturing sector.

Poverty-reduction strategies by the Bank's Asian borrowers must also confront the significant links among poverty concentrations, population densities, and environmental degradation. In general, Asian countries are aware of, and are actively seeking to address, environmental issues, but there are differences among countries in their ability to do so and in the severity of the problems they face.

In the newly industrializing countries of East and Southeast Asia, increased attention is being given to the management of the natural-resource base, particularly land and forest resources, and to industrial pollution. Fortunately, economic growth in these countries has increased awareness about environmental problems and has led to the emergence of a political commitment to address them. In many cases, growth has also brought the financial ability to begin to tackle key environmental problems. The centrally planned economies are struggling with the same environmental concerns as their industrializing neighbors, and, like their Eastern European counterparts, they also face problems related to the wasteful use of natural resources caused by subsidized pricing and other economic distortions such as import barriers.

The South Asian countries, in general, face the most difficult problems in reconciling rapid population growth, poverty, and a declining resource base. Given the extent of irreversible land degradation, there are serious questions about the capacity of countries such as Nepal

***Table 6-6.* Net Transfers to Asia**
(millions of US dollars, fiscal years)

Item	China 1990	China 1986–90	India 1990	India 1986–90	Indonesia 1990	Indonesia 1986–90	Total region 1990	Total region 1986–90
IBRD and IDA commitments	590.0	6,192.6	1,940.4	13,123.1	1,632.8	6,838.3	6,397.1	35,182.9
Gross disbursements	1,125.2	4,343.7	1,991.7	9,461.7	1,270.1	6,108.2	6,268.1	27,847.3
Repayments	85.4	241.4	474.7	1,769.6	528.3	1,867.5	2,546.1	11,059.5
Net disbursements	1,039.8	4,102.3	1,516.9	7,692.1	741.8	4,240.6	3,721.9	16,787.8
Interest and charges	194.4	635.2	642.3	2,412.3	692.7	2,744.2	2,412.6	10,720.3
Net transfer	845.3	3,467.0	874.6	5,279.8	49.1	1,496.5	1,309.3	6,067.5

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest population. Details may not add to totals because of rounding.

and Sri Lanka to support further population growth in the rural areas. Population pressures on marginal and common lands in India are intense. Add to this growing urbanization, industrialization and water pollution from human, agricultural, and industrial waste, and the list of environmental concerns becomes long. Considerable commitment, resources, and technical expertise will be required to address these issues.

Bank Operations and Strategy

Commitments by the IBRD and IDA to the region in fiscal 1990 totaled $6,397 million, some $1,435 million less than the year before. The drop resulted mainly from declines in commitments to India and China of $1,096 million and $758 million, respectively. Commitments to the Philippines, of $942 million, increased by 90 percent over the previous year's total.

Bank operations in Asia—lending, analysis, and policy dialogue—aim at the two principal prerequisites for self-sustaining growth and its extension to slower-growing economies: structural reforms to enhance and diversify the growth momentum and well-targeted programs to strengthen the human, physical, and natural-resource base of development.

Structural reforms are aimed at economic deregulation (especially in industry), the promotion of competitive forces, and increasing the role of the private sector. Thus, the Bank is supporting initiatives in Asia aimed at public-enterprise restructuring and privatization, financial-sector reform, trade liberalization and tariff reform, and other activities related to industrial-sector reforms and private investments.

In Indonesia, for example, the Bank's analytical support has involved a range of completed studies, including those on enterprise deregulation, trade reform, exports, and institutional strengthening of the power sector. Lending operations during the year included a gas-utilization project and a telecommunications project, both of which were designed to improve management and operational efficiency in two important state enterprises. A cement-industry restructuring loan to India will expand capacity and support continuing policy reform in the sector. For Bangladesh, a financial-sector credit will strengthen credit discipline, improve debt recovery of nationalized commercial banks, and reform policies on interest rates, monetary instruments, and treatment of subsidies.

The Bank's catalytic role has been evident in the small Pacific island countries, where unit costs of operation are higher and where a new strategy aims at an expanded analytical effort that comprises a series of regional reports on economic and sectoral issues, rather than infrequent country reports. This strategy will provide the basis for enhanced policy dialogue; it will serve also to strengthen project identification and the Bank's cofinancing relationships with bilateral donors and the Asian Development Bank. Lending programs for these countries, as well as for the Maldives, are concentrating on support for education and training programs; housing development; and key areas of the economic infrastructure, especially telecommunications and transport, including, for Western Samoa in the wake of the February cyclone, a road-reconstruction project.

The Bank is pursuing its objectives in poverty alleviation by the development of "core" programs that will allow a sharper focus on strategic issues and poverty-targeted lending operations. Initial core efforts have been developed for Bangladesh, India, Indonesia, and the Philippines (where country or sector reports on poverty have been undertaken), as well as for China, Nepal, and Sri Lanka. The lending program emphasizes projects in education—especially primary education—population and health services, as well as watershed development and improvements in water supply and sanitation.

Lending for education in China focused on increasing the number of women completing primary school and improving the quality of instruction in secondary schools. An agriculture project will finance the diversification of production in Jiangxi, one of China's poorest provinces.

A significant component of the region's core poverty work is directed at improving the economic and social status of women. During the year, two detailed cross-sectoral studies were completed on the developmental role of women in Bangladesh and India. These two studies, plus other women-in-development country assessments, have helped define operational interventions and approaches that can address the economic and social constraints faced by women living in poverty.

In order to develop a core environmental strategy, regional and country-related studies have focused exclusively on environmental issues. Thus, environmental studies have been undertaken in the past two years for China, India, Indonesia, Korea, Papua New Guinea, and the Philippines so as to strengthen project development. In these tasks, priority has been given to issues of forestry, land management, and urban pollution. In the course of these studies and projects, the Bank is investigating new and low-cost approaches to environmental control: One of these, vetiver grass, already holds promise in arresting soil erosion and is a prominent component of two watershed-development projects approved for India. A forestry project in Indonesia will strengthen natural-resource conservation and management capacities for conservation areas and watersheds. In the future, the Bank's lending will focus more on building the economic incentives necessary for the sustainable use of commercial forest resources and of agricultural land in forested areas.

Another initiative, which focuses on flood control in Bangladesh, has elicited broad international interest following large-scale flooding in 1987 and 1988. At the request of the government of Bangladesh and in response to a resolution of the economic summit meeting in July 1989 of the major industrial governments, IDA agreed to take a lead role in coordinating international action on flood control, and IDA's "action plan for flood control" was endorsed at a conference of donors in London in December 1989. The action plan charts a course for flood-control and preparedness initiatives over the next five years and beyond and proposes a staged approach that will focus, in the early years, on measures to control flooding and improve drainage in areas bordering the main rivers. Close attention will also be paid to the social and environmental effects of the embankments and other physical works proposed in the plan. These would be complemented by measures such as flood forecasting and preparedness.

Europe, Middle East, and North Africa

The Europe, Middle East, and North Africa region of the World Bank consists essentially of the countries of the Mediterranean, Eastern and Central Europe, and the Middle East, with the important addition of Pakistan. This region is characterized by great cultural, political, and economic diversity. The activation of relations with Romania, the reopening of the economic dialogue with Iran, and the applications for membership in the Bank by Czechoslovakia and Bulgaria continue the tradition of a region rich in diversity.

The countries of the region have much in common with each other, however, and with other developing countries. They all face the challenge to improve their human, physical, and institutional infrastructure in order to raise the living standards of their peoples and promote longer-term development. These tasks are made more complex by the need to introduce and implement systemic reforms; and harder for many of them by the need to deal with a heavy burden of debt.

Compared with 1988, the aggregate gross domestic product (GDP) of the region grew at a slower pace in 1989 (2.5 percent in 1988 as against 1.7 percent in 1989). Growth was marked by broadly differing country experiences. Algeria, Yugoslavia, and the Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) had increases in GDP growth that surpassed those of 1988. So, too, did Portugal, as GDP growth was estimated at 5.4 percent and increases in foreign demand more than offset a slowdown in domestic demand. Egypt, Morocco, Poland, Tunisia, Turkey, and the Yemen Arab Republic had rates of GDP growth lower than in 1988. In Tunisia and Turkey, the continuation of a severe drought caused a sharp decline in agricultural output, which, in turn, was the main factor behind the fall in economic growth. In the Yemen Arab Republic, the high growth rate of GDP in 1988, which was caused mainly by the country's emergence as an oil exporter, could not be matched.

In Pakistan, the economic-adjustment program agreed to by the government, the International Monetary Fund (IMF), and the Bank in late 1988 fared reasonably well in its first year. Policy reforms were broadly on track, and economic performance was encouraging: GDP grew at 5.6 percent, inflation fell to below 10 percent, and private-sector investment increased. The fiscal deficit was also reduced from 8.6 percent of GDP to 7.3 percent of GDP. This reduction fell somewhat short of the target, as world prices for edible oils increased and substantial wheat imports raised the cost of subsidies over planned levels. At the same time, Pakistan was adversely affected by, among other things, political uncertainties and changes in government, floods, and a sharp

***Table 6-7.* Europe, Middle East, and North Africa: 1988 Population and Per Capita GNP of Countries That Borrowed during Fiscal Years 1988–90**

Country	Population[a] (thousands)	Per capita GNP[b] (US$)
Algeria	23,753	2,360
Cyprus	687	6,260
Egypt, Arab Republic of	50,161	660
Hungary	10,604	2,460
Jordan[c]	3,903	1,500
Morocco	23,960	830
Pakistan	106,261	350
Poland	37,862	1,860
Portugal	10,291	3,650
Tunisia	7,804	1,230
Turkey	53,772	1,280
Yemen Arab Republic	8,474	640
Yemen, People's Democratic Republic of	2,356	430
Yugoslavia	23,559	2,520

NOTE: The 1988 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1990*.

a. Mid-1988.

b. *World Bank Atlas* methodology, 1986–88 base period.

c. East Bank only.

Inoculation at a maternal and child-health services clinic in Heliopolis (Egypt). The president of the World Bank announced in November 1989 that the Bank intended to increase lending to the population, health, and nutrition sector to $800 million annually for the three-year period 1990–92.

deterioration in the terms of trade. The unexpected 8 percent deterioration in the terms of trade resulted in a higher-than-targeted external current-account deficit of about 4.7 percent of GDP.

In Turkey, economic performance continued to be mixed. Three successive quarters of recession, caused by stagnation in industrial output and a sharp decline in agricultural production (which fell by 11 percent because of a severe drought), were the main factors in the decline in economic growth. The government's effort to curb inflation met with only limited success, as the inflation rate dropped by ten percentage points to around 60 percent. The government's fiscal retrenchment, initiated in 1988 after the expansion of 1986–87, produced an estimated 1989 public-sector borrowing requirement of 5.6 percent of gross national product (GNP), down from 6.4 percent in 1988, but still short of expectations.

Despite difficulties with the domestic economy and a significant real appreciation of the Turkish lira for the first time in the decade, Turkey's external sector continued to perform well. Exports to industrial countries (mainly in Europe) were fairly robust, while exports to the Middle East declined. Workers' remittances rose by over 70 percent, aided by the improved performance of the external sector. Because of the considerable reduction in taxes and quasi-tax payments in the various categories of imported items, stimulated demand due to the increase in wages and salaries, real appreciation of the Turkish lira against foreign currencies, and an upswing in economic activity from the third quarter on, imports increased by 17 percent during 1989. Nevertheless, the favorable developments in the invisibles account allowed Turkey to run a current-account surplus of around $966 million (about 1 percent of GNP). The external-debt picture showed a modest improvement: Turkey's debt-to-GDP ratio fell from 58 percent in 1988 to about 52 percent in 1989 (down from a high of 59 percent in 1987), and its debt-service ratio reversed its trend, as it fell from 36 percent to 33 percent.

Continued good performance in Cyprus is attributable to positive and flexible private-sector performance, as well as to appropriate and timely government policies. The country faces formidable development challenges, however: The impending internal unification of the European Community (EC) has made more urgent the need to raise competitiveness in the agricultural and industrial sectors and to seek new avenues to take advantage of the opportunities offered. The net effect of the customs union with the EC—which envisages the phasing out of tariffs between Cyprus and the EC in many agricultural products and most industrial products over a ten-year period—may well be positive during the early years of the transition period through the stimulation of exports. The government is well aware of these challenges and has taken action on several fronts, including the introduction of changes to the basic income tax laws to make them more equitable and less burdensome. The government has also announced that it intends to seek nonbank domestic financing for budget deficits, thus deepening domestic financial markets.

Developments in the Maghreb Countries

In Algeria, a continued program of adjustment and reform, combined with relatively favorable terms of trade and climatic conditions, resulted in improved economic performance. For the first time in three years, GDP growth for the year was positive—at an estimated 2.8 percent. Overall growth in GDP was supported by value-added growth of 12.5 percent in agriculture that was caused by productivity increases following agricultural reforms and the end to the two-year drought. Nevertheless, growth was held down by the manufacturing sector, which experienced a decline in output of about 2.3 percent. On a more positive note, the composition of expenditures showed a growth of 5 percent in private consumption over the year, reversing a three-year decline.

The government implemented a series of wide-ranging structural reforms during the year, including the introduction of autonomy for most of the public-enterprise sector and the entire banking sector, the introduction of a more liberal system of foreign-exchange allocation, and the passage of a law that introduced a more flexible mechanism for determining domestic prices. The government's adjustment program oversaw a substantial drop in the budget deficit (from 8.5 percent of GDP in 1988 to 1.7 percent of GDP in 1989). Similarly, overall public-sector borrowing for the year declined from 14.5 per-

***Table 6-8.* Lending to Borrowers in Europe, Middle East, and North Africa, by Sector, Fiscal Years 1981–90**
(millions of U.S. dollars)

Sector	Annual average 1981–85	1986	1987	1988	1989	1990
Agriculture and Rural Development	735.7	766.2	398.4	560.5	1,411.4	599.3
Development Finance Companies	327.5	735.0	362.9	580.0	300.0	430.0
Education	118.6	213.1	250.0	241.8	251.0	233.2
Energy						
Oil, gas, and coal	220.4	—	21.0	30.1	115.5	—
Power	268.1	595.2	597.0	400.0	415.0	587.5
Industry	208.0	125.0	166.0	377.0	385.1	190.5
Nonproject	364.3	—	240.0	150.0	200.0	1,050.0
Population, Health, and Nutrition	18.1	—	13.3	—	79.5	119.0
Public-sector Management	—	—	—	—	—	130.0
Small-scale Enterprises	46.0	100.0	54.0	328.0	—	—
Technical Assistance	6.0	12.0	7.0	—	23.0	26.0
Telecommunications	51.0	—	295.0	36.0	—	—
Transportation	277.3	193.5	545.8	327.0	296.0	708.0
Urban Development	68.8	95.0	176.6	90.0	58.0	105.5
Water Supply and Sewerage	231.5	120.0	559.6	238.0	233.0	228.0
Total	2,941.1	2,955.0	3,686.6	3,358.4	3,767.5	4,407.0
Of which: IBRD	2,634.6	2,731.4	3,437.4	3,133.3	3,511.8	4,131.2
IDA	306.5	223.6	249.2	225.1	255.7	275.8
Number of operations	50	37	42	35	39	40

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

cent of GDP in 1988 to 4.2 percent. These results can be traced to a substantial increase in petroleum tax revenues, a limit on the increase in current expenditures, and much lower capital transfers to the public-enterprise sector.

Economic developments in Morocco in 1989 were also mixed. Preliminary estimates suggest that moderate real GDP growth for the year of about 3 percent resulted from the balance of a good harvest, moderate growth of manufacturing production, and a slowdown in the phosphate sector. As a result of a large drop in exports of phosphate acid and an increase in oil imports, the current account deteriorated to about 3.5 percent of GDP, as opposed to a surplus of about 1 percent in the previous year. On the fiscal side, the budget deficit increased from 4.5 percent of GDP in 1988 to 5.9 percent—primarily because of increases in civil-service salaries and higher-than-expected international prices for those commodities still subsidized by the government (cooking oil and sugar, for instance). Moreover, increases in international interest rates inflated the heavy burden of interest payments on the government's external debt.

The Tunisian economy grew at a rate of 3 percent: Agriculture remained depressed because of a continuing drought, and service receipts declined as tourism from neighboring countries, which had increased sharply in 1988, fell steeply. Exports of manufactures continued to grow strongly, but this growth was outstripped by increases in imports; the result was a current-account deficit equivalent to 3.8 percent of GDP, as compared with a small surplus in 1988. Total investment picked up for the first time since 1984, although this appears to have been mainly in the public sector. On the fiscal side, an increase in food imports and a rise in world cereal prices prevented a reduction in consumer subsidies; continued subsidies, together with increased transfers to public enterprises, kept the budget deficit at 4.2 percent of GDP, as compared with 3.9 percent in 1988.

The government's reform program, now in its fifth year and greatly amplified since its beginning, aims at creating conditions for the rapid growth of an efficient private sector and a continuing increase in the outward orientation of the economy. The reforms include the decontrol of domestic prices and the removal in stages of import restrictions. As a necessary accompaniment, the direct and indirect tax systems have been undergoing reform, as well. The government is also reducing the role of the public sector, attempting to restructure or privatize public enterprises, and is taking a broad array of actions to address sector problems.

Developments in Four Middle East Countries

In Egypt, the economy slowed in fiscal 1989 after the slight acceleration in fiscal 1988 that was caused by a sharp increase in manufactured exports following the May 1987 devaluation of the pound. The decline in GDP growth from 3.2 percent to 1.0 percent in fiscal 1989 reflected not only a poor cotton crop (caused by bad weather) but declining exports of oil and textile products, as well. Tourism was the only sector that experienced growth. As a result of adverse exogenous factors, including bad weather and lower oil prices, the country's balance-of-payments position remained precarious, the resource gap widened to $5.4 billion (13 percent of GDP), and the current-account deficit increased to $3 billion (7 percent of GDP). On the fiscal side, the budget deficit continued its considerable decline—from 20 percent in fiscal 1987 to about 16 percent in 1989; however, it still remains unusually high and represents a potential source of inflation.

In response to this worsening situation, the government initiated a series of policy changes. Not only was the budget deficit cut substantially, largely through a reduction in consumer subsidies and a tightening of other expenditures, but interest rates were increased, as well (albeit they are still negative in real terms). The government has also increased taxes on many goods and services and has made strides in improving tax administration. Prices of major fuels were raised in May 1990 by 30 percent, bringing the total increase in energy prices and electricity tariffs since fiscal 1986 to over 300 percent and 250 percent, respectively. These measures point in the right direction, but the economy is not yet on a balanced growth path. Since mid 1989, the government has carried out an intensive dialogue with the Bank and the IMF with a view to developing a strengthened reform program.

Jordan's economy is closely linked to that of its oil-producing neighbors. Stimulated in part by large remittances from Jordanians working abroad and rising demand for Jordanian exports in neighboring countries, the economy operated at full employment and grew at about 10 percent a year from 1978 to 1982. The rapid decline in the price of oil and the subsequent slowdown in regional economies that began in 1982 adversely affected the Jordanian economy. The regional recession dampened not only the external demand for Jordanian goods, but domestic demand, as well. During 1984–88, real growth of output declined to an annual rate of about 2.5 percent. Because of its high annual population growth rate of 3.8 percent, Jordan has experienced a decline in per capita income, as well as a fall in its standard of living.

In response to the slow growth in output, increasing unemployment, the strain on its budget, and a deteriorating balance of payments, the government initiated a series of reforms in 1988 and accelerated the process in 1989. The reform process culminated in the adoption of a comprehensive medium-term adjustment program supported by an IMF standby arrangement. This was followed by agreements with the Paris and London Clubs on the rescheduling of debt and with the Bank on a $150 million industry and trade-adjustment loan. Main elements of the reform program that have been implemented to date include measures to reduce the budget deficit, a freeze on new external borrowing, devaluation of the Jordanian dinar, deregulation of the financial sector, and measures to stimulate industry and trade. The government's program also includes the creation of a social-development fund to alleviate the impact of adjustment measures on the economically disadvantaged.

In the Yemen Arab Republic, following the stabilization program of 1983–86, the government began to relax its tight economic policy when oil production began in 1987.[3] As a result, both the budget deficit and the current-account deficit in the balance of payments rose dramatically.

Although the government took steps to reduce both domestic and external imbalances by restricting growth in expenditures and by restricting imports, the preliminary outcome for 1989 indicates that the current-account deficit was still high at over $500 million. The government's budget deficit has declined during the course of the year, but the drop was not enough to have an immediate effect on the inflation rate, which is estimated at about 20 percent.

In the People's Democratic Republic of Yemen, the floods of March and April 1989 caused considerable damage to the country's infrastructure and destroyed a large part of the nation's crops. The floods hit at a time when the country was facing large internal and external imbalances: The budget deficit and the current-account deficit were both quite high. Following the recent discovery of modest oil reserves, the government has intensified oil exploration, and expectations of substantial discoveries are high.

Economic Developments in High-income, Oil-exporting Countries

Significant economic growth in the member countries of the Gulf Cooperation Council in 1989 resulted primarily from higher international oil prices and the business community's renewed confidence in the wake of the August 1988 ceasefire between Iran and Iraq. Preliminary estimates point to continuous growth in the nonoil sectors in Saudi Arabia and Qatar as these economies become less dependent on oil; a remarkable recovery in Oman (3.5 percent GDP growth in 1989 as opposed to −4.5 percent in 1988) and in the United Arab Emirates (2 percent growth in 1989, up from −1.2 percent in 1988); and an acceleration of growth in Kuwait (7.5 percent in 1989 as contrasted with 2.0 percent in 1988) and—to a smaller extent—in Bahrain (2.5 percent in 1989, up from 2.0 percent in 1988).

A parallel improvement took place in the macrofinancial position of several of these countries. Thus, the external current-account deficits of Saudi Arabia and Qatar were considerably reduced. Reduction was achieved through higher exports (notably oil) and lower imports (reflecting progress in import substitution). The external current-account deficit of Oman turned into a surplus, while the surpluses of Kuwait and the United Arab Emirates increased by 17 percent and 20 percent, respectively. The current-account deficit of Bahrain, however, further widened, by 33 percent, to about $200 million. Stable exchange rates and sustained imports helped keep inflation below 4 percent in these countries, except for the United Arab Emirates, where it was estimated at 7 percent. This relatively low inflation rate was paid for, however, by the continuous drawdown of foreign-exchange reserves, except in Kuwait, where gross reserves increased by almost 60 percent, and the United Arab Emirates, where reserves remained unchanged.

Economic Transformation in Eastern and Central Europe

The historic transformation that is sweeping across the countries of Eastern and Central Europe poses unprecedented and unique challenges to their governments, the international community, and the World Bank.[4] Following the collapse of these uncompetitive economic systems, these countries are embarking on massive reforms to dismantle, often with great speed, the old systems and establish new institutions that can support competitive markets. These reforms are being undertaken in the context of substantial macroeconomic imbal-

[3] On May 22, 1990, the Yemen Arab Republic and the People's Democratic Republic of Yemen merged to form the Republic of Yemen. Because the events described here occurred before the merger, the two constituent parts of the new republic are treated as separate countries in this report.

[4] For details, see page 48.

Table 6-9. **Net Transfers to Europe, Middle East, and North Africa**
(millions of US dollars; fiscal years)

	Pakistan		Turkey		Egypt		Total region	
Item	1990	1986–90	1990	1986–90	1990	1986–90	1990	1986–90
IBRD and IDA commitments	825.8	3,483.4	326.2	4,225.8	61.5	372.5	4,407.0	18,174.5
Gross disbursements	535.3	1,932.6	471.5	3,231.0	105.8	794.3	2,573.6	12,962.0
Repayments	80.4	350.2	527.4	1,902.1	175.4	653.2	2,183.0	10,630.1
Net disbursements	454.9	1,582.4	−55.9	1,328.9	−69.6	141.1	390.6	2,331.8
Interest and charges	125.0	450.6	494.8	2,244.6	137.5	655.8	1,567.9	7,642.4
Net transfer	329.9	1,131.8	−550.7	−915.7	−207.0	−514.7	−1,177.3	−5,310.6

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest population. Details may not add to totals because of rounding.

ances and, in some cases, heavy debt burdens. The dislocation and unemployment that are certain to follow systemic reform and stabilization will strain the capacity of existing social-support systems, which themselves need revamping.

Economic performance in the past year in these countries was mixed. In Hungary, while exports to the convertible-currency area grew strongly (an estimated 6.6 percent growth in volume in 1989), the current-account deficit with this area sharply increased. Real GDP growth remained weak (less than 0.5 percent in 1988 and 1989), inflation accelerated (from 9 percent in 1987 to 15 percent in 1988, and to 18 percent in 1989), and the external balance was fragile, reflecting a heavy external debt burden and a continuing inability to eliminate the underlying factors that cause excess demand. The significant slippage in fiscal policy in 1989 contributed to a much faster-than-planned growth in nominal wages and a large increase in foreign-travel expenditure; as a consequence, the convertible-currency current-account deficit deteriorated, necessitating additional external borrowing and adding to Hungary's already substantial external debt, now equivalent to 73 percent of GDP.

Towards the end of 1989, the government implemented measures to halt the deterioration in its fiscal and external balances: In early November, foreign-exchange allowances for Hungarians traveling abroad were sharply reduced; a month later, the forint was devalued by about 10 percent against a basket of convertible currencies, and a value-added tax on private imports was imposed. The government also announced its intention to implement tight fiscal and monetary policies in 1990, the details of which were negotiated with the IMF in the context of a one-year standby arrangement. To complement these measures, the government has resolved to initiate and accelerate structural reforms, such as privatization of state enterprises, liquidation of loss-making activities, and price and trade liberalization. The government also has proposed implementing fundamental reforms of its social policy and distribution framework to protect the poor and those most adversely affected by the economic restructuring. In the first half of 1990, in the wake of a significant improvement in the current account, a new government was formed. The government has announced its determination to take whatever steps are necessary to keep the country solvent.

In Poland, the economy severely deteriorated in 1989, as production decreased by 1.2 percent and reversed the expansion that had taken place since 1982. Faced with the challenges of hyperinflation (700 percent during the year), a large budget deficit (7–8 percent of GDP), and a more-than-tripled current-account deficit of over $2 billion, the government initiated a bold stabilization program in January 1990 and, at the same time, moved rapidly to initiate an adjustment program designed to achieve a market-based competitive economy. The stabilization program comprises two nominal anchors, reforms in the exchange rate and wages, and includes a virtually balanced budget, credit restraint and appropriate interest rates, and price liberalization, as well. Plans are under way to reduce the budget deficit of the central government to less than 1 percent of GDP (to be achieved, in large part, by a drastic cut in subsidies and an increase in revenues), increase interest rates (with the objective of achieving positive real rates in the near future), and restrain wage increases, which had recently far exceeded increases in output and consumption. An important aspect of the program is price liberalization: At the beginning of 1989, prices of 80 percent of GDP had been controlled; by the end of that year, 50 percent of GDP was controlled, and starting January 1990, the share was slashed to less than 10 percent.

The IMF supported Poland's stabilization efforts through a standby arrangement in February 1990, agreement was reached with Paris Club creditors for the rescheduling of maturities during 1990 and the first quarter of 1991, and the Bank initiated its lending program by committing a total of $781 million for projects in the areas of agroprocessing, export industries, transport, energy, and pollution reduction. In addition, the Bank established an office in Warsaw to serve as a channel for dialogue on the country's development strategy. While foreign-trade performance in Poland is likely to improve over the medium term, the country's external-debt problem will continue to circumscribe severely any opportunities for a return to creditworthiness. Both official creditors and commercial banks are currently discussing new approaches to the debt problem with the government.

In response to a request from the government of Romania, a Bank exploratory mission visited Bucharest in March 1990 to make a preliminary review of the current economic situation and discuss possibilities for cooperation, particularly in the agriculture, energy, and financial sectors. The Bank subsequently received requests from the Romanian authorities for technical assistance in restructuring the banking and financial systems, designing a social-assistance program to mitigate the effects of adjustment-induced unemployment, and reconstituting workers' training and retraining programs, which would become an integral part of a coherent social safety net.

Yugoslavia Embarks on Reform

In Yugoslavia, following a 2 percent drop in 1988, GDP grew by about 1 percent. The increase in GDP was mainly attributed to a rise in industrial output of about 2 percent. Exports continued to grow, and, despite the acceleration of imports, the current-account surplus reached nearly $1.6 billion (as compared with $2.2 billion in 1988). Despite the moderate increase in output and the acceleration of imports, the economy continued to suffer from alarmingly high rates of inflation. The monthly rate of inflation increased from 17 percent in the beginning of the year to over 30 percent in June, and to more than 45 percent in the last quarter of 1989. Increases of this magnitude were caused primarily by hikes in real wages and the continued financing of enterprise losses through the banking system.

Faced with severe macroeconomic imbalances and mounting political problems, the government pledged to implement economic reforms and create a market-based competitive economy. The objectives of the new economic agenda are to stimulate supply response, strengthen financial discipline, allow the National Bank of Yugoslavia to pursue an independent monetary policy, and increase federal authority in fiscal relations between the federal and republic governments. In addition, the government is pursuing a tight monetary policy to fight inflation and stabilize the economy.

The new reform program, which has the support of the IMF and the Bank, has already dramatically reduced the rate of inflation and is expected to stimulate supply. At the heart of the new policy package and addressing the root causes of persistent economic instability is a systematic program for restructuring financial-sector and nonfinancial-sector enterprises; such restructuring is to be complemented by fiscal financing of enterprise deficits. The economic program supported by the Bank (through a second structural-adjustment loan) and the IMF (through a standby arrangement) includes measures in the areas of incomes policy, monetary and fiscal policies, trade and foreign-exchange policies, bank and enterprise restructuring, and the social safety net.

World Bank Operations, Fiscal Year 1990

The World Bank continued its active policy dialogue with, and lending to, the countries in the region in fiscal year 1990. Commitments for forty operations totaled $4,407 million, of which $276 million was from IDA resources for projects in Pakistan, the Yemen Arab Republic, and the People's Democratic Republic of Yemen. The $4.4 billion figure represented a 17 percent increase over fiscal 1989 amounts. During the course of the year, the Bank approved its first loans to Poland, supported macroeconomic adjustment and sectoral reforms in Algeria with a $300 million adjustment operation, helped Jordan and Tunisia protect their development objectives through sectoral-adjustment loans, and supported the economic-adjustment programs of Yugoslavia and Hungary.

Project lending to the countries in the region was extensively varied, with almost all sectors represented. The Bank approved projects in agriculture (Algeria, Egypt, Hungary, Morocco, Pakistan, Poland, Tunisia, and Turkey), education (Egypt, Pakistan, and Turkey), energy and industry (Algeria, Hungary, Jordan, Pakistan, Poland, and the People's Democratic

Box 6-2. The Environmental Program for the Mediterranean

Environmental degradation of the Mediterranean basin, already severe, is worsening by the day in many areas. To bring a halt to this situation, the World Bank and the European Investment Bank (EIB) launched the environmental program for the Mediterranean (EPM) in 1988 to assess the environmental policy, institutional, and investment needs of the countries bordering on the Mediterranean sea. The EPM reflects the strategies that the two banks have developed to protect the Mediterranean environment.

The EPM builds on the activities initiated in 1976 by the contracting parties (seventeen countries and the European Community) to the Barcelona Convention for the Mediterranean Sea in the context of the Mediterranean Action Plan, which was coordinated by the United Nations Environment Programme (UNEP). To assist in this, the two banks are contributing their expertise in policy analysis, project preparation, and the mobilization of financial resources to the implementation of existing international accords.

The first phase of the EPM, which concluded at the end of 1989, analyzed the nature, extent, and causes of environmental degradation in the Mediterranean basin and defined the appropriate instruments and priority areas for intervention. The findings and recommendations of this study phase were included in the report, *Environmental Programme for the Mediterranean: Preserving a Shared Heritage and Managing a Common Resource*, that was published in March 1990. The findings and recommendations were presented and discussed with representatives from fourteen Mediterranean countries, the European Community, the United Nations Development Programme (UNDP), and UNEP at a workshop that took place in Paris in December 1989.

The report finds that the fundamental causes of environmental degradation in many parts of the region include high population growth rates (particularly in coastal areas), inadequate economic policies, weak regulatory and administrative systems, and insufficient public awareness and political resolve. As a result, environmental degradation threatens the prospects for economic development of, and the quality of life in, several countries over the next few decades.

Based on an examination of the current situation and probable trends, the report identifies four priority areas for action—integrated water-resource management, solid-waste and hazardous-waste management, prevention and control of marine pollution from oil and chemicals (through improvements in established regulatory systems), and coastal-zone management. Noting that most countries have already developed curative pollution-abatement programs (albeit at differing levels of intensity), the report underscores the need to place more emphasis on longer-term resource-conservation issues and to develop balanced programs that would have an appropriate mix of policy and institutional reforms, as well as investment opportunities.

The second phase of the EPM was launched in January 1990. It focuses on the definition of specific policy measures, the identification and preparation of investment projects, and institutional-strengthening activities at both regional and country levels. These actions will be based on the priority areas identified during the first phase. The centerpiece of the second phase of the EPM, the Mediterranean environmental technical-assistance program (METAP), was launched in January 1990. Through METAP grants, studies with broad regional implications, innovative project-preparation activities, and institutional-development measures will be undertaken. The costs of the start-up phase of the METAP are equally divided among the World Bank, the EIB, the UNDP, and the European Community.

The third phase of the EPM—it is running concurrently with the second phase because of the need for early and concrete results—consists of the implementation of a broad array of policy measures and projects. The World Bank and the EIB are poised to play important roles in policy and project implementation, not only through an increased number of environmental investments within their own lending programs but also through the mobilization and coordination of additional resources.

Republic of Yemen), and infrastructure (Morocco, Pakistan, Poland, and Yugoslavia). In addition, lending for projects providing basic health services in Morocco and the Yemen Arab Republic was approved.

The provision of reimbursable technical assistance by the Bank to Saudi Arabia continued under the active technical-cooperation program. The Bank also provided reimbursable technical assistance to member countries of the Gulf Cooperation Council in cooperation with the United Nations Development Programme, including the commencement of assistance to the finance department of Abu Dhabi for the acquisition of advanced financial-management systems.

Fiscal 1990 also brought an end to the first phase of the environmental program for the Mediterranean, launched in 1988 by the Bank and the European Investment Bank. Work commenced on the program's second and third phases (see Box 6-2).

Latin America and the Caribbean

The 1980s marked a major change in the economic history of the Latin America and the Caribbean region. A long period of economic growth came to an end at the outset of the decade, and the region has been struggling since to restore per capita output, income, and consumption to the average levels of 1979–81. These efforts have largely failed: At the beginning of the 1990s, average per capita output is 8 percent lower than in 1979–81, and the fall of per capita income and consumption is even greater. Furthermore, because economic growth has been outpaced by population growth over the past thirty months, per capita gross domestic product (GDP) has declined. As new stabilization programs introduced in 1990 have deepened or precipitated a contraction of production in a few countries, the decline in the per capita income of the region will continue through the calendar year.

The region's disappointing overall growth in the 1980s conceals a variety of individual country experiences, including good performance by some and serious efforts in many to undertake the reforms needed to set the foundations for economic recovery and sustained growth. In a few countries—Chile, Colombia, Paraguay, and some Caribbean islands—per capita product is today higher than it was at the beginning of the 1980s. In twelve countries, however, it is more than 10 percent lower. Argentina's GDP per capita is now more than 25 percent lower than it was in 1980, and over the past thirty months it has been declining at an accelerated rate. The GDP per capita of Venezuela has dropped by almost 25 percent during the same period. In Mexico, GDP per capita is 7.1 percent lower than it was at the beginning of the decade, although a gradual recovery has been under way for the past eighteen months. Per capita GDP in Brazil has dropped only slightly from its 1980 level, but the decade has been characterized by large rises and falls in economic indicators—a pattern that was repeated in early 1990, when the country experienced a deep decline in output that was associated with its stabilization efforts.

The region's economic crisis manifested itself initially in large external and internal imbalances. Indeed, the correction of these imbalances has dominated the region's economic performance since the early 1980s. Initial stabilization programs sought to facilitate the correction of external imbalances through a combination of policies to reduce and reallocate expenditures. Although the mix of instruments

Table 6-10. Latin America and the Caribbean: 1988 Population and Per Capita GNP of Countries That Borrowed during Fiscal Years 1988–90

Country	Population[a] (thousands)	Per capita GNP[b] (US$)
Argentina	31,506	2,520
Bahamas, The	244	10,700
Belize	180	1,500
Bolivia	6,917	570
Brazil	144,369	2,160
Chile	12,760	1,510
Colombia	31,707	1,180
Costa Rica	2,670	1,690
Dominican Republic	6,859	720
Ecuador	10,073	1,120
El Salvador	5,032	940
Guatemala	8,686	900
Guyana	799	420
Haiti	6,254	380
Honduras	4,837	860
Jamaica	2,397	1,070
Mexico	83,656	1,760
St. Lucia	145	1,540
St. Vincent and the Grenadines	112	1,200
Trinidad and Tobago	1,241	3,350
Uruguay	3,060	2,470
Venezuela	18,751	3,250

NOTE: The 1988 estimates of GNP per capita presented above are from the "World Development Indicators" section of *World Development Report 1990*.

a. Mid-1988.

b. *World Bank Atlas* methodology, 1986–88 base period.

Fifty-six projects in the agriculture and rural-development sector were approved in fiscal 1990, for a total of $3,656 million in commitments. The photograph shows a field being plowed in Ecuador.

varied widely across countries, the programs were successful in bringing about a steady increase in the region's volume of exported goods. This trend has continued in the past fiscal year: In 1989, export volumes were almost 60 percent higher than in 1980. Export earnings, however, have grown at a much lower rate, especially in the oil-exporting countries. The sharp decline in the price of oil—at constant dollar prices, it was 41 percent lower in 1989 than the record level of 1979–80—explains most of the decline in export earnings, although in Mexico the increase in nonoil exports, particularly manufactured products, has more than compensated for the income lost as a result of lower oil prices.

The increased earnings from exports of goods and services—they reached a record nominal value of $110 billion in 1989—facilitated the recovery of imports, even though the volume of imported goods and services is still below the 1979–81 level of $110 billion. The region's trade surplus has also continued to grow, but its path has reflected the deceleration in the growth of export earnings. In 1989, the increased trade surplus of the region was complemented by flows of investments into a few countries, particularly Mexico; these flows have helped governments to finance the net transfer of foreign exchange to foreign creditors and accumulate international reserves. Nevertheless, the net transfer to foreign creditors was lower in 1989 than in the previous six years because of the increased reliance by some countries on arrears as a financing vehicle. Indeed, the accumulated arrears are now of considerable size in some countries. Although the nominal value of the region's total external debt (inclusive of arrears) declined slightly in 1988, it has grown since then. As of the end of 1989, the value of that debt is estimated at $434 billion, as compared with $427 billion in 1988.

In several countries, achievements on the external side have not been paralleled by the correction of fiscal imbalances. Significant differences can be seen in the abilities of countries to control fiscal deficits and inflation. During the past fiscal year, differences among countries in economic performance, particularly in restoring fiscal balance and controlling inflation, have become more marked.

The high and accelerating rates of inflation observed in several countries—a 20,266 percent annual rate in Argentina over the twelve months ending in March 1990 compared with an annual rate of 343 percent for the twelve months ending in March 1989; 1,113 percent and 1,287 percent, respectively, over the same time period in Brazil, and 3,414 percent and 3,399 percent, respectively, in Peru—are indicative of the failure to restore fiscal balance, notwithstanding the presence of other factors that may have affected the dynamics of inflation.

It has also become clear that the reduction of macroeconomic disequilibria and inflation is a necessary condition for the recovery of investment and growth. All countries that have been recovering or growing steadily over the past thirty months have had an average inflation rate of under 30 percent a year over the past five years. Bolivia, Costa Rica, and Mexico have been able both to restore fiscal balance and to control inflation, and they are in the process of restoring growth in output, as well.

In some countries, the persistence of large fiscal deficits, financed in part by domestic borrowing, has affected the performance of national banking systems. Real interest rates have increased sharply, causing financial distress throughout the economy. The associated increase in domestic debt has prompted policymakers to shift their attention toward the public sector's total debt. It is now realized that the state—rather than the country—is confronted with the problem of servicing large domestic, as well as foreign, debts and that the resources required to service these debts must be obtained from taxes and user charges, rather than the country's export earnings or domestic savings. Thus, in the most recent stabilization programs of Argentina and Brazil, the reduction of the burden imposed by large domestic debts is seen as an essential component of the program—in spite of the adverse effect that these measures have on the banking system.

While the region's economic performance remains disappointing, there has been significant progress in the implementation of important policy reforms during the past fiscal year.

Several countries (Ecuador, Jamaica, Mexico, and Venezuela, for example) have embarked on further reforms aimed at achieving or consolidating macroeconomic stability, as well as enhancing allocative efficiency in both the public and private sectors. These reforms include restructuring their public sectors, deregulating their financial systems, reducing the protectionism of trade regimes, and reducing the barriers that prevent national and foreign

***Table 6-11.* Lending to Borrowers in Latin America and the Caribbean, by Sector, Fiscal Years 1981–90**
(millions of U.S. dollars)

Sector	Annual average 1981–85	1986	1987	1988	1989	1990
Agriculture and Rural						
Development	789.3	1,955.0	1,195.0	1,404.8	161.8	855.7
Development Finance Companies	248.4	252.4	1,115.0	970.0	1,164.3	471.1
Education	103.7	10.0	84.9	88.3	140.0	—
Energy						
Oil, gas, and coal	145.1	131.0	104.4	—	94.0	—
Power	571.3	819.2	425.8	423.0	736.0	897.5
Industry	114.6	—	55.0	1,065.0	860.0	—
Nonproject	131.7	705.0	1,040.1	250.0	692.0	1,378.0
Population, Health, and Nutrition	20.8	96.0	10.0	109.6	99.0	389.2
Public-sector Management	—	—	—	—	500.0	350.0
Small-scale Enterprises	232.8	70.0	185.0	—	155.0	77.5
Technical Assistance	11.9	47.5	15.5	—	50.7	59.0
Telecommunications	14.0	—	—	—	45.0	—
Transportation	523.4	140.6	524.3	210.6	149.3	1,029.0
Urban Development	157.0	369.5	335.0	491.0	675.0	450.0
Water Supply and Sewerage	200.7	175.0	64.0	252.3	320.0	7.7
Total	3,264.9	4,771.2	5,152.0	5,264.0	5,842.1	5,964.7
Of which IBRD	3,226.5	4,701.2	4,994.6	5,152.0	5,703.7	5,726.7
IDA	38.4	70.0	157.4	112.0	138.4	238.0
Number of operations	44	43	58	37	43	41

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

investors from entering into a number of productive activities.

Policy Reform: Restoring Fiscal Discipline

The value of fiscal discipline is now widely recognized in Latin America. One of the region's most profound changes has been in attitudes toward the role of the state in the economy and, in particular, toward fiscal discipline. It is now accepted that large public-sector deficits have imposed heavy costs and, to be sustainable, their size must reflect a combination of consistent fiscal, monetary, and debt policies; that the quality of the fiscal adjustment matters, and efficiency and equity should be important concerns when public funds are allocated and resources are raised from the private sector; and that the institutional relationship between the central government and central bank and the rest of the public sector—public enterprises, state banks, regional governments, for example—must be reevaluated and reformed. In each of these three dimensions of fiscal reform—financial, economic, and institutional—there has been some progress during the past year, although the experience of each country has been rather different.

Large and sustained public-sector deficits are still a source of macroeconomic dislocation in Argentina, Brazil, Nicaragua, and Peru, and, to a lesser extent, in Uruguay. The new governments of Argentina, Brazil, and Uruguay are trying to implement comprehensive stabilization programs to reduce sharply their fiscal deficits. These programs are likely to impose a short-term cost in the form of recessions of varying degrees of severity, but the alternative—not correcting the fiscal imbalance—has imposed its own long-term costs, which have become much larger than those of stabilization. The recognition of the dangers inherent in large and sustained public-sector deficits also has been shown in the prudent fiscal policies of new governments not confronted with such imbalances. Chile's new government, for instance, is considering some increases in expenditures in the social sector—but only if they can be matched, first, by increases in current revenues. In countries just beginning to recover growth—after painful periods of fiscal adjustment and inflation control—governments have become very careful in their fiscal policies to avoid any reversals.

Unlike stabilization programs of earlier years, the new ones are paying special attention to identifying efficient ways to reduce expenditures and increase revenues. These programs are avoiding across-the-board cuts in expenditures and reliance on ad hoc sources of revenue, as these are appropriate only if the imbalances are the consequence of temporary losses in revenue or temporary increases in expenditures. Because governments wish to restore fiscal balance on a sustainable basis, their stabilization programs are paying attention to efficiency and equity considerations in determining which expenditures should be cut and revenues increased.

For example, reform of the tax system, including reform of its administration, is a major element in Argentina's stabilization program. The composition of public expenditures and determination of alternative sources of current revenue are crucial features of the recent adjustment programs of Mexico, Uruguay, and Venezuela. Mexico has recently eliminated remaining income-tax loopholes; the Uruguayan legislature has approved an important tax-reduction and expenditure-reduction package and is considering initiatives to strengthen the finances of the social-security system; and Venezuela is considering the introduction of a sweeping tax reform, aimed at achieving the basic objectives of stabilization and maximization of tax revenues through effective but uncomplicated instruments. Reform in this area has also been designed to prevent disincentives or distortions to the efficient allocation of resources.

The consolidation of fiscal discipline depends ultimately on the institutional framework and the relationships between different components of the public sector. The transformation of the region's public finances will be determined by political forces that may favor decentralization of government powers (that is, the redistribution of authority to provincial and local governments, as well as to autonomous national organizations—the central bank and state enterprises, for example) and increased control of public expenditure and revenue by the legislature. Examples of institutional reforms in public finances include the new scheme for sharing tax revenues among different levels of government in Argentina, Brazil, and Ecuador; the delegation of specific economic powers to local governments in Colombia and Chile; and the establishment of an independent central bank in Chile.

Activities of the Bank, Fiscal 1990

Given the context of continuing economic crises, the Bank has focused its analytical and lending efforts on helping countries develop the strategies and policies needed to restore sustainable growth. Adjustment programs and adjustment lending have played a large role in this effort. The Bank has also played a major role in debt-reduction efforts, notably in the Mexico

Box 6-3. Mexico Renegotiates Its Debt

Mexico's inability to service its debts in August 1982 triggered what has since become known as the "debt crisis." Since then Mexico has implemented a far-reaching and fundamental adjustment program whose cornerstone has been a resolute switch towards integration in the world economy.

Quantitative restrictions on international trade, which covered all traded-goods production in 1985, have almost been eliminated, and tariffs have been reduced to a narrow band of between 0 percent and 20 percent. Commercial banks, which teetered at the brink of bankruptcy in 1982, were nationalized and restructured and are about to be privatized again. Extensive industrial deregulation has taken place to complement reforms in the trade regime.

In the past few years, the pace of reform, supported by an imaginative stabilization program, has accelerated. The stabilization program capped a massive fiscal adjustment that transformed a noninterest deficit of 8 percent of gross domestic product (GDP) in 1981 into a surplus of 8.4 percent in 1989, in spite of a drop in oil revenues equal to 6 percent of GDP. Inflation has stayed near 20 percent for two consecutive years, down from around 160 percent towards the end of 1987.

In normal circumstances, international capital markets would have allowed Mexico breathing space to cover the period between the current costs and future benefits of this ambitious program. Instead, Mexico was forced to transfer almost 6 percent of GDP, on the average, to its foreign creditors over the period. The economic effects of these transfers were substantially exacerbated by continuing uncertainty about Mexico's future access to external capital markets. Every two years or so, Mexico had to engage in tortuous negotiations to get short-term reprieve from even larger transfer obligations. The uncertainty that was generated was the main factor behind the decline in private savings and the increase in capital flight that added to the country's external problems.

In these circumstances, economic growth came to a halt; per capita growth over the period, in fact, was negative. With a new administration taking office in December 1988, it became clear that to preserve the domestic consensus behind the reform program, recovery of growth had to take place. In his acceptance speech, Mexico's President Salinas announced his continued commitment to the reform program, but stated that for it to succeed, restoration of growth and a medium-term solution to the country's debt problems were essential.

The international organizations underwrote Mexico's recovery program and prepared to commit substantial resources to it. At the same time, negotiations started with Mexico's commercial creditors, covering $48.9 billion, or about half of the country's external debt. The talks received a major boost from the March 1989 speech by U.S. Secretary of the Treasury Brady, in which, for the first time, debt relief (rather than rescheduling) was proposed for debtor countries with good adjustment programs. And, in the first half of 1989, Mexico's external situation was bolstered further by a comprehensive package of adjustment loans from the World Bank, totaling $1.5 billion and covering financial-sector reform, trade and industry restructuring, and public-enterprise reform. A three-year extended Fund facility (EFF) program was also concluded with the International Monetary Fund (IMF).

On July 23, 1989, a tentative agreement was reached with an advisory committee representing commercial banks, under which commercial creditors were offered a menu of options. Claims covered by the agreement could be exchanged for one of three new instruments: (a) a discount bond carrying market rates but at a 35 percent discount on principal, (b) a par bond, exchanged at par as the name suggests, but carrying a fixed interest rate of 6.25 percent, and (c) new money instruments involving no discount on either interest or principal, but with the commitment to increase exposure by 25 percent over the 1989–92 period. The two debt-relief options were enhanced with guarantees: full coverage of principal and a rolling guarantee for eighteen months of interest. The enhancements were funded through a $3.8 billion support package provided by the Bank and the IMF, $2 billion lent by the government of Japan, and Mexico's own reserves. The menu approach was taken because different creditor banks faced very different tax and regulatory environments. In addition, a small debt-equity program was instituted as part of the government's privatization program. A recapture clause was included through which commercial creditors could retrieve some

package put together in early 1990, in which, the Bank, through a combination of instruments, provided a total of about $2 billion to support the reduction of about $50 billion of commercial debt (for details, see Box 6-3). The Bank is also supporting the continuing debt reduction of Bolivia by preparing an operation that would provide funds under the IDA debt-reduction facility when Bolivia and its commercial creditors agree on the precise amount of debt to be retired. In addition, the Bank is paying more attention to the environment—as reflected in increased lending to the sector, notably in Brazil and Bolivia—and to poverty and human-resource issues related to adjustment.

Lending to the region increased somewhat in fiscal 1990 over fiscal 1989. Commitments for forty-one operations were $6.0 billion, an in-of the debt relief granted—but only from 1996 onwards—in case of favorable developments in revenues from oil.

Box Table 6-3 shows the way the choices by different creditors came out and the resulting debt relief.

Almost half of the debt ($22.8 billion) was exchanged for the par bond, and close to that amount ($18.7 billion) exchanged old debt for the discount bond. This led to a combined debt-relief percentage (not counting the recapture clause) of 26 percent, or over $12 billion. The combination of debt relief, rescheduling of amortization, and new money commitments is expected to lead to a major decline in the net transfer that Mexico must make to its commercial creditors—almost $4 billion a year for the period 1990–94, or close to 2 percent of its GDP. In addition, the low-interest option chosen by half of the non-Mexican commercial creditors provides Mexico with insurance against interest fluctuations on the part of the old debt brought under this option. Thus, in addition to the debt relief embedded in the package, Mexico reduced its vulnerability to fluctuations in international interest rates.

The reduction in required external transfers will have a direct beneficial effect on Mexico's fiscal situation and its likely growth of output. However, at least as important are the indirect effects that have come about through renewed confidence. A reduced net external transfer means reduced pressure on the exchange rate. Also, because this is a medium-term deal, uncertainty about the future has been reduced considerably. As a consequence, nominal interest rates fell from 56 percent to around 36 percent on an uncompounded basis immediately after the details of the package had become known.

Box Table 6-3. **Creditor Choices and Resulting Debt Relief**

Instrument	Non-Mexican creditors (% of total)	Debt relief (% of face value)
Par bond	46.7	28
Discount bond	38.2	35
New money and others	15.2	0
Package	100.0	26[a]

NOTE: Details may not add to total because of rounding.
a. Weighted average.

Both the direct transfer effect and the secondary effect through restoration of confidence and reduction of uncertainty are likely to affect growth in a major way. Without the debt deal, growth of output would have been lower by one percentage point initially; as time went by, the difference in growth would have deepened to more than 2 percent by 1994, as both private and public investment would have declined. Over the next six years, average growth would have been almost two percentage points lower, to reach only 2.6 percent of GDP by 1994. About half of the slowdown in growth would have been due to the effect a failure to implement a debt deal would have had on domestic real interest rates and an associated decline in private investment.[1]

To conclude, Mexico's debt package is likely to have a major beneficial effect on economic growth in the country. This is not so much because of the direct effects of the reduced external transfers it has led to, substantial though they may be. It is due more to the fact that the deal provided the one missing link in an otherwise well-designed, consistently executed, and widely supported program of domestic reforms. It removed the threat of failure resulting from external crises. This domestic effect was able to come into play because the deal had three characteristics essential for domestic spillovers to take place: It was a comprehensive package, covering all of Mexico's renegotiable commercial debt; it was a medium-term solution, forestalling any need to renegotiate in the foreseeable future; and it capped several years of coherent, far-reaching domestic reforms aimed at integrating the country into the world economy.

Without the debt deal, the reform program would have been in serious jeopardy; without the reform program, the debt deal would have had negligible effects.

[1] The model underlying these projections is presented in S. van Wijnbergen, *Growth, External Debt and the Real Exchange Rate in Mexico*, Policy, Research, and External Affairs Working Paper no. 257 (Washington, D.C.: World Bank, 1989).

crease of $123 million over fiscal 1989 totals. Gross disbursements to countries in the region were $6.2 billion, compared with $3.4 billion in fiscal 1989—an increase of 79 percent. This sharp increase was, in large part, due to the fast disbursements of the debt-reduction operation in Mexico. Gross disbursements for the five-year period 1986–90 totaled more than $21 billion, for an annual average of $4.3 billion. Although interest paid to the Bank increased along with the region's outstanding debt to the Bank, net transfers from the region to the Bank decreased during the year, mainly as a result of a large increase in gross disbursements.

About 41 percent of Bank commitments came in the form of nonproject and adjustment lending to support economic policy reforms aimed at consolidating macroeconomic stability, to

***Table 6-12.* Net Transfers to Latin America and the Caribbean**
(millions of U.S. dollars; fiscal years)

	Brazil		Mexico		Argentina		Total region	
Item	1990	1986–90	1990	1986–90	1990	1986–90	1990	1986–90
IBRD and IDA commitments	1,569.0	6,517.0	2,607.8	9,449.5	—	3,022.5	5,964.7	26,994.0
Gross disbursements	967.8	5,163.9	3,631.7	7,763.6	226.6	2,232.8	6,158.9	21,716.8
Repayments	1,044.6	4,200.6	724.0	2,899.5	234.3	827.1	2,904.7	11,557.9
Net disbursements	−76.7	963.3	2,907.7	4,864.1	−7.6	1,405.7	3,254.2	10,158.9
Interest and charges	647.4	3,176.9	600.6	2,504.5	188.4	642.2	2,256.6	9,947.5
Net transfer	−724.1	−2,213.6	2,307.1	2,359.6	−196.1	763.5	997.5	211.3

NOTE: Disbursements from the IDA Special Fund are included. The countries shown in the table are those with the largest population. Details may not add to totals because of rounding.

assist in debt-reduction programs called for under the Brady Plan, and to support privatization efforts. Nonproject and adjustment operations in Mexico, the largest recipient of this type of lending, supported debt-reduction efforts, policy reforms in trade and export institutions, road transport, and telecommunications. Lending to Venezuela, the second largest recipient of nonproject and adjustment lending, is supporting the continuing financial-sector liberalization, begun in fiscal 1989 and supported by a structural-adjustment loan, as well as reforms in public enterprises and privatization.

The Bank continued to provide substantial traditional loans, as well. Brazil and Mexico received the most commitments of IBRD investment funds. In Brazil, project lending included support for health, irrigation, highway management, electric transmission and power conservation, and the environment. In Mexico, Bank projects supported the housing, electric power, agriculture, and forestry sectors. In other countries, project lending supported the expansion of infrastructure and agriculture, as well as improvements in the social sectors.

Economic and sector work focused on key areas of reform and served as the basis for policy dialogue with many of the new administrations that took office during fiscal year 1990. A large part of the work consisted of assessments of macroeconomic conditions and debt negotiations, fiscal reforms (on both the revenue and expenditure sides), and country economic memoranda and policy-options papers that were used to brief incoming administrations. Studies of fiscal reforms at different levels of government—state banks, public enterprises, and regional and municipal governments, for example—played an important role in this effort, as well. Environmental-issues papers were completed for almost every country in the region. Analytical work on human-resource issues focused on ways to redirect subsidized services toward the poorer groups and to recover more costs from higher-income groups.

Cooperation and Cofinancing

To help ensure the timely availability of external funding, as well as to improve donor coordination on macroeconomic and structural-adjustment policy issues, the Bank sharply increased its aid-coordination activities in Central America. Consultative groups for three Central American countries—Costa Rica, Guatemala, and Honduras—were established, with strong support from bilateral and multilateral agencies. Depending on the pace of economic reform and adjustment, these aid-coordination activities could be extended to other countries in the region. Aid-coordination activities carried out in Washington, D.C., included special donor meetings to support the structural-adjustment efforts of the Honduran government that took office early in 1990. With the assistance of the support group, Honduras cleared its arrears, totaling $152.6 million, to the IBRD and IDA in late June 1990. With its payment, the suspension of disbursements on existing loans to Honduras was lifted.

Following the Guyanese government's adoption of an economic-reform program in mid 1988, the Bank, in its capacity as chairman of the Caribbean Group for Cooperation in Economic Development (CGCED), supported a major drive by Guyana in its efforts to mobilize the external assistance needed to finance the government's reform program. These efforts were intensified within the framework of the Guyana Support Group, which was established in November 1988 in the context of the "intensified collaborative approach" endorsed by the Interim Committee of the International Monetary Fund (IMF) in 1988 and which involved the provision of exceptional financial assistance by creditors and donors in support of strong programs of adjustment and structural reforms, such as those being implemented by Guyana.

The Guyana Support Group comprised Canada (Chair), France, the Federal Republic of Germany, Italy, Japan, Sweden, Trinidad and Tobago, the United Kingdom, the United States, and Venezuela. Since the support group's inception, Bank and International Monetary Fund staff have contributed substantially to its efforts to develop a satisfactory financing plan for facilitating implementation of the government's economic-recovery program. These efforts were fruitful, and Guyana was able to clear its arrears to the IBRD, totaling $55.3 million in June 1990, with the assistance of a bridge loan from the Bank of International Settlements and bilateral contributions from members of the support group. Simultaneously, the arrears to the IMF and the Caribbean Development Bank were also cleared.

The CGCED forum was also instrumental in focusing the attention of the donor community on assistance needed by Jamaica for a medium-term economic-adjustment program.

At the tenth meeting of the CGCED, held in late April 1990, the recent activities of the group were reviewed, and the requirements of the Caribbean countries for external assistance over the next two years were considered. Subgroup meetings for individual countries were held to analyze their economic policies and determine needs for assistance. In addition, a working group meeting was held on environmental issues, and the group agreed to adopt two new initiatives: a review of the problems and priorities for human-resource development in the Caribbean region and a program to stimulate private investment in the region, with special emphasis on foreign direct investment. A seminar on the agreements reached among the European Community (EC), its member states, and the group of sixty-four African, Caribbean, and Pacific countries (Lomé IV) and on the implications of the full integration of the EC by 1992 on the Caribbean countries was also held.

The volume of cofinancing to countries of the region was $4.1 billion for eighteen projects, representing an increase of almost 60 percent over the previous year's total. The increase was largely the result of two factors: (a) three IBRD loans to Mexico totaling $875.5 million, for which $1.7 billion is to be provided by export-credit agencies; and (b) the association of Inter-American Development Bank (IDB) and Export-Import Bank of Japan funds with IBRD lending to several countries.

Through the Overseas Economic Cooperation Fund, Japan remained the largest source of bilateral official cofinancing for the region. The Export-Import Bank of Japan was the largest source of export-credit financing. The introduction of sector lending into the lending program of the IDB was also an important factor in the substantial increase in the availability of resources for cofinancing. In fiscal 1990, seven Bank projects drew cofinancing from the IDB in the amount of $1.3 billion.

Planting trees for future pulp-and-paper production in Costa Rica. Eight projects supporting forestry protection and management were approved in fiscal 1990.

Section Seven
Summaries of Projects Approved for IBRD, IDA, and African Facility Assistance in Fiscal 1990

Acronyms and Abbreviations Used in This Section

ADF—African Development Fund
AfDB—African Development Bank
AFESD—Arab Fund for Economic and Social Development
AGCD—Administration générale de la coopération au développement
AIDAB—Australian International Development Assistance Bureau
AsDB—Asian Development Bank
BADEA—Arab Bank for Economic Development in Africa
CCCE—Caisse centrale de coopération économique
CDB—Caribbean Development Bank
CDC—Commonwealth Development Corporation
CERF—Council of Europe Resettlement Fund
CIAT—Centro Internacional de Agricultura Tropical
CIDA—Canadian International Development Agency
CIRAD—Centre de coopération internationale pour la recherche agricole et le développement
DANIDA—Danish International Development Agency
DGIS—Directoraat Generaal voor Internationale Samenwerking
EDF—European Development Fund
EEC—European Economic Community
EIB—European Investment Bank
FAC—Fonds d'aide et de coopération
FINNIDA—Finnish International Development Agency
GTZ—German Technical Assistance Corporation
IDB—Inter-American Development Bank
IFAD—International Fund for Agricultural Development
IFC—International Finance Corporation
IMF—International Monetary Fund
IsDB—Islamic Development Bank
ITTO—International Tropical Timber Organization
JICA—Japan International Cooperation Agency
KFAED—Kuwait Fund for Arab Economic Development
KfW—Kreditanstalt für Wiederaufbau
NORAD—Norwegian Agency for International Development
ODA—Overseas Development Administration
OECD—Organisation for Economic Co-operation and Development
OECF—Overseas Economic Cooperation Fund
OPEC—Organization of Petroleum Exporting Countries
SDC—Swiss Development Corporation
SFD—Saudi Fund for Development
SIDA—Swedish International Development Authority
UNCDF—United Nations Capital Development Fund
UNDP—United Nations Development Programme
Unesco—United Nations Educational, Scientific, and Cultural Organization
UNFPA—United Nations Fund for Population Activities
UNICEF—United Nations Children's Fund
UNIFEM—United Nations Fund for Women
USAID—United States Agency for International Development
WFP—World Food Programme
WWF—World Wildlife Fund

Agriculture and Rural Development

ALGERIA: IBRD—$32 million. The development of strong and responsive research and extension services in order to increase agricultural production and reduce dependence on imported foodstuffs will be supported. Total cost: $74.9 million.

BANGLADESH: IDA—$53.9 million. About 700,000 families are to benefit from a project that will protect and increase farm production and incomes through rehabilitation and improved operations and maintenance of existing irrigation, flood-control, and drainage projects. Institution-building assistance to the Bangladesh Water Development Board is included. Cofinancing is anticipated from the

Data used in this section have been compiled from documentation provided at the time of project approval.

EEC ($14.9 million) and the Netherlands ($12.6 million). Total cost: $111 million.

BANGLADESH: IDA—$44.6 million. The incomes of about 130,000 families of fishermen and pond owners will increase through a sectorwide fisheries project in the western part of the country that focuses on stocking flood plains with fingerlings, improving shrimp culture, and developing institutions. Cofinancing is expected from the ODA ($4.3 million) and the UNDP ($4.2 million). Total cost: $62.7 million.

BENIN: IDA—$2.5 million. This first attempt to reform the rural-credit sector seeks to help transform the country's savings and loan cooperatives into a better managed, more efficient, and financially viable rural savings-mobilization and credit-delivery network. Cofinancing is expected from the CCCE ($3.4 million), Switzerland ($1.2 million), the EEC ($1 million), the FAC ($700,000), and the Federal Republic of Germany ($500,000). Total cost: $12.8 million.

BOLIVIA: IDA—$35 million. A cornerstone of IDA's environmental strategy for Bolivia, this project seeks to ensure that the development of the eastern lowlands will be based on a comprehensive, long-term regional perspective, within which agricultural production and export expansion can take place at the same time the natural-resource base is protected. Technical assistance, agricultural and marketing credit, improvements to roads, research, and extension are included. Cofinancing is anticipated from the Federal Republic of Germany ($5.6 million) and CIAT ($600,000). Total cost: $54.6 million.

BRAZIL: IBRD—$210 million. Agricultural production in the drought-prone northeast region will be increased through irrigation development of some 51,000 hectares. In addition, institutional arrangements for irrigation development will be strengthened through the creation of private irrigation districts and by improving public-agency performance. Total cost: $465 million.

BRAZIL: IBRD—$117 million. Support for the first three-year phase of the country's national environmental program will strengthen the protection of the most important conservation areas and endangered ecosystems, as well as reduce economic and environmental losses, in the Pantanal, Amazonia, Atlantic Forest, and Coastal zones. In addition, IBAMA (the national environmental agency), state-level environmental agencies, and the regulatory framework will be strengthened. Total cost: $166.4 million.

BRAZIL: IBRD—$100 million. Supplemental funds will be provided for the ongoing Itaparica resettlement and irrigation project, approved in fiscal 1988 in the amount of $132 million, to help finance the completion of five irrigation schemes and provide agricultural-production services for about 5,170 farm families resettled under the project.

BRAZIL: IBRD—$47 million. The execution of agreed priority research programs and the dissemination of the results of those programs, designed to contribute to the formation of sustainable agricultural production systems in two distinct agroecological areas (the northeast and Amazon regions), will be supported. Institution-building assistance to the Brazilian Agricultural Research Corporation is included. Total cost: $97.8 million.

BRAZIL: IBRD—$33 million. Productivity will be increased, the incomes of some 81,000 farmers—more than 90 percent smallholders—in Santa Catarina state will be improved, and natural resources there safeguarded through increased adoption of sustainable modern forms of land management and soil and water conservation. Total cost: $71.6 million.

BURUNDI: IDA—$28 million. A package of policy and institutional reforms to improve the efficiency of the coffee industry will be implemented, and investments in coffee-washing stations, coffee research, and training will be financed. Cofinancing is expected from the CCCE ($6.1 million), the FAC ($1.5 million), Belgium ($1 million), and CIRAD ($400,000). Total cost: $46.3 million.

CAMEROON: IBRD—$21 million. The government will be assisted in implementing a national agricultural-extension strategy, whose priority objective is to increase farmer productivity by establishing operational systems for managing the extension services and by providing training to facilitate improved delivery of the services. Cofinancing ($3 million) is being negotiated with Belgium and the Netherlands. Total cost: $31.1 million.

CENTRAL AFRICAN REPUBLIC: IDA—$19 million. Governmental reforms in the forestry and wildlife sectors will be supported, and technical assistance, facilities, and equipment will be provided to the Ministry of Waters, Forests, Wildlife, Fisheries, and Tourism. Cofinancing, totaling $400,000, is expected from the WWF and USAID. Total cost: $26.3 million.

CHINA: IDA—$300 million. A national afforestation project seeks to increase timber production by expanding intensively managed forest plantations in fifteen provinces and by improving their quality and productivity. It will introduce methods of sound environmental management in forest plantations, strengthen research and extension programs that support plantation forestry, and sharpen the programs' focus on species performance. Total cost: $499.6 million.

CHINA: IDA—$150 million. Per capita incomes are expected to more than double for 540,000 farm families in Heibei province as a result of a project that seeks to increase production, productivity, and marketability of agricultural, livestock, and aquatic products. Total cost: $309.6 million.

CHINA: IDA—$60 million. The incomes of almost 20,000 farm families will be increased through a project designed to accelerate and diversify agricultural development in Jiangxi province. Training and technical assistance are included. Total cost: $121.7 million.

COLOMBIA: IBRD—$78.2 million. A small-scale irrigation project seeks to increase agricultural productivity and cropping intensity in the La Mojana area, thereby raising the incomes of about 43,000 small-scale farmers, and to develop the technological base for future sound development of the environmentally fragile area. Total cost: $196 million.

COTE D'IVOIRE: IBRD—$150 million. The government's agricultural-sector reform program, whose medium-term objective is to achieve a sustained annual growth rate of about 4 percent while reducing urban-rural and regional income disparities, will be supported.

COTE D'IVOIRE: IBRD—$80 million. An ecosystem essential for the long-term sustainability of agriculture will be preserved, wildlife and biodiversity protected in remaining rain forests, and a sustainable production of hardwood logs for export or local processing maintained through rational forest management. Cofinancing is expected from the CDC ($10 million). Total cost: $147.8 million.

EGYPT, ARAB REPUBLIC OF: IBRD—$31 million. To avoid future declines in yields and agricultural production, aging irrigation pumping stations will be rehabilitated or, in a few cases, replaced with new ones. Technical assistance and training are included. Cofinancing is anticipated from USAID ($1.1 million) and other bilateral sources ($300,000). Total cost: $49.1 million.

GUINEA: IDA—$40 million. Through a national rural-infrastructure project, feeder roads will be rehabilitated; small bottomlands developed; boreholes drilled; and two small, community, piped water-supply systems (with sanitation components) established. Institutional support and training are included, as are the preparation of studies and the launching of pilot actions, including one to develop labor-based methods for road works, thus promoting the emergence of small and medium-scale contractors. Cofinancing is anticipated from USAID ($27 million), the KfW ($6.8 million), and the FAC ($500,000). Total cost: $88.8 million.

GUINEA: IDA—$8 million. A forestry- and fisheries-management project seeks to reverse the overexploitation of the country's natural-resource base by strengthening the National Forestry Department and several regional forest departments, as well as the State Secretariat for Fisheries. Cofinancing is anticipated from the KfW ($5.5 million), the CCCE ($2 million), and CIDA ($1.5 million). Total cost: $23 million.

HUNGARY: IBRD—$100 million. A line of credit will be provided to enable agricultural enterprises, both public and private and large and small, to improve their operations, reduce their production costs, and increase their export orientation. Technical assistance and training, to be financed by OECD donor agencies ($14 million), are included. Total cost: $274 million.

INDIA: IBRD—$15 million; IDA—$150 million. Support will be provided to the state of Punjab's irrigation-investment program, which is designed to improve the productivity of the existing irrigation system, raise living standards in the most undeveloped areas of the state through the development of irrigation facilities, and begin drainage works and studies to address short- and long-term drainage problems threatening environmental and productive resources. Technical assistance is included. Total cost: $246.5 million.

INDIA: IBRD—$13 million; IDA—$75 million. Designed to help alleviate one of the country's worst environmental problems, watershed degradation, this project will protect sub-tropical and temperate contiguous areas in four northern states from further degradation, thus increasing the production of food crops, fuelwood, fodder, and fiber, as well as creating substantial employment opportunities for the rural poor. Total cost: $125.6 million.

INDIA: IBRD—$7 million; IDA—$55 million. Some 95,000 poor rural families are to benefit from the provision of watershed-development works, totaling 265,000 hectares, in selected watersheds in three plains states—Gujarat, Orissa, and Rajasthan. Training and technical assistance are included. Total cost: $91.8 million.

INDONESIA: IBRD—$20 million. A second forestry-institutions and conservation project seeks to reduce the pace of deforestation and maximize the long-term benefits from Indonesian forest resources by addressing critical needs in the areas of concession management, resource mobilization for the forestry sector, nature conservation, reforestation of degraded lands, and technology development to support sectoral programs. Cofinancing is anticipated from the ITTO

($800,000) and the Japan Grant Facility ($500,000). Total cost: $33.1 million.

JAMAICA: IBRD—$25 million. The agriculture sector's prospects for efficient growth will be enhanced through a project that seeks to improve the sector's incentives framework, continue the process of divestiture of public assets, and establish an institutional basis for dealing with improper use of pesticides. Cofinancing is anticipated from the OECF ($25 million) and the KfW ($5 million).

KENYA: IDA—$46.8 million. The incomes of nearly 250,000 coffee growers will be augmented through a second project aimed at increasing productivity and improving product quality. Cofinancing ($18 million) is anticipated from the CDC. Total cost: $106.8 million.

LAO PEOPLE'S DEMOCRATIC REPUBLIC: IDA—$20.2 million. As many as 29,000 smallholder farmers are to benefit from a project, covering areas in the Bolovens plateau and Vientiane province, that will support upland crop production (coffee, in particular) and valley-floor irrigated production of rice and other crops. Irrigation rehabilitation is included, as are technical assistance and training. Cofinancing is expected from the AIDAB ($6.9 million) and France ($3.1 million). Total cost: $34 million.

MADAGASCAR: IDA—$26 million. This project, the first coherent effort in all Africa to tackle environmental problems, seeks to conserve threatened sites of world-renowned biodiversity, while providing support to surrounding communities to make them partners in conservation, and stop—or at least slow down—soil losses and sedimentation in priority areas where erosion has been most destructive. Measures to increase institutional capacity are included. Cofinancing ($42.3 million) is being provided by NORAD, the KfW, USAID, the SDC, the UNDP, Unesco, the Federal Republic of Germany, the WWF, France, and Conservation International. Total cost: $85.5 million.

MADAGASCAR: IDA—$3.7 million. Some 125,000 farm families may benefit directly from a pilot phase of an extension strategy that emphasizes adaptation to the Malagasy context, sustainability in light of public-finance constraints, and possible nationwide replicability. Total cost: $5.4 million.

MALAWI: IDA—$70 million. Measures to continue and deepen ongoing macroeconomic and sectoral reforms will be supported, and new policy changes, aimed at reducing poverty through agricultural growth, will be initiated. Cofinancing is anticipated from USAID ($25 million), the United Kingdom ($16.5 million), the Netherlands ($5 million), the Federal Republic of Germany, the EEC, and Japan.

MALAYSIA: IBRD—$71 million. More than 100,000 rubber smallholders may see their incomes and productivity increase through a project that will support the reorganization and institutional strengthening of the Rubber Industry Smallholders Development Authority (RISDA), and help finance a three-year slice of RISDA's agricultural program that centers on replanting of smallholder rubber. Total cost: $206.7 million.

MALI: IDA—$53 million. Sectoral-reform measures, concentrated on the cotton and cereals subsectors and on selected institutional reforms and natural-resource management measures, will be supported. In addition, investments will be made in the Mali Sud region, in the well-developed cotton zone, and in the Bougouni region, which was recently freed from onchocerciasis. Cofinancing is expected from the FAC and the CCCE ($50.8 million), the SDC ($6.9 million), the Netherlands ($5.2 million), and the Federal Republic of Germany ($2.9 million). Total cost: $71.3 million.

MAURITANIA: IDA—$25 million. The government's medium-term sector-adjustment program, designed to improve incentives to farmers and to private investors, increase the effectiveness of the public sector, and identify development techniques and institutional arrangements conducive to more sustainable desertification control and to a livestock sector less vulnerable to drought will be supported. In addition, new approaches to smallholder irrigation in the Senegal river valley will be tested through an irrigation-improvement operation in the Gorgol area. Cofinancing is anticipated from the CCCE ($8 million), the Federal Republic of Germany ($2 million), and the WFP ($1 million). Total cost: $37 million.

MEXICO: IBRD—$100 million. Progress achieved under a first agricultural-marketing project will be consolidated by providing credit to continue modernization of the food-marketing system throughout the marketing chain, from agroprocessors to consumers, and increase private-sector participation in food distribution. Institution-building assistance to the Trust Fund for Commercial Development (FIDEC) is included. Total cost: $177.6 million.

MEXICO: IBRD—$45.5 million. A forestry-development project in Durango and Chihuahua states seeks to improve environmental protection, stimulate increased production and efficiency in the forestry sector, ameliorate the balance-of-trade deficit in forest products, and increase employment and wages for the rural poor, especially in the traditionally impoverished Amerindian communities. Total cost: $91.1 million.

MOROCCO: IBRD—$49 million. Environmentally sound management and development of the country's forest and other natural resources will be supported, and components for a national watershed-management program, aimed at addressing soil erosion in water-catchment areas, will be prepared and tested. Institutional support for the Department of Forestry and Soil Conservation is included. Total cost: $100 million.

NEPAL: IDA—$47.2 million. Agricultural production and farm incomes will be raised through the expansion of irrigation in the south-central part of the country, and privatization and farmer participation in irrigation development will be promoted. Institution-building assistance to the Department of Irrigation is included. Total cost: $52.7 million.

NIGER: IDA—$19.9 million. The first five-year phase of a longer-term development plan for agricultural research, whose basic objective is to strengthen the national capacity for agricultural-research planning and implementation, will be supported. Cofinancing, totaling $4.6 million, is anticipated from USAID and the FAC. Total cost: $28 million.

NIGERIA: IBRD—$106 million. The government's objectives of increasing the scale and efficiency of production of palm oil and rubber will be supported through a project that will help finance public-sector and private-sector investments, as well as provide institutional support. Total cost: $160 million.

NIGERIA: IBRD—$14 million. The availability of quality seed will be increased through policy reform and rationalization of the roles of public-sector institutions so as to create an enabling environment for private-sector participation in the seed industry. Institution-building assistance to the Plant Quarantine Service is included. Total cost: $20.6 million.

PAKISTAN: IBRD—$148.5 million; IDA—$1.5 million. The development of a viable agricultural-credit system that can meet the expanding needs of the agricultural sector and increase its productivity, as well as increase lending to small farmers and women, will be supported by a project that furthers the financial liberalization and progress already made in increasing competition among banks. Cofinancing is anticipated from the AsDB ($150 million) and IFAD ($25 million).

PAKISTAN: IDA—$57.3 million. Provincial agricultural-research efforts will be strengthened and upgraded, the efficiency and effectiveness of resources allocated to research will be improved, and sustainable research systems, sensitive to national and provincial priorities and the critical production problems farmers face, will be built. Total cost: $81.9 million.

PHILIPPINES: IBRD—$121.8 million. Support will be given to the first phase of a coconut-farms development program which, over the next twenty years, aims to rehabilitate the smallholder coconut sector and alleviate rural poverty. Cofinancing ($1.3 million) is expected from the ODA. Total cost: $176.6 million.

POLAND: IBRD—$100 million. Constraints on Poland's exports of processed agricultural products to convertible-currency countries will be remedied through the rehabilitation, modernization, and expansion of agroprocessing industries. In addition, the import of about 100,000 tons of protein feed for livestock will be financed. Total cost: $154 million.

SENEGAL: IDA—$18.5 million. Priority programs in the five-year research program of the Senegalese Agricultural Research Institute (ISRA) will be financed. Institution-building assistance is included. Total cost: $38.9 million.

SENEGAL: IDA—$17.1 million. As many as 60 percent of the country's rural population (some 360,000 families) stand to benefit from a project, based on lessons learned during pilot operations undertaken for two years, that seeks to improve crop- and livestock-extension services. Total cost: $20.2 million.

SOMALIA: IDA—$28.5 million. Food and cash-crop production on about 5,000 small farms is to be increased through improvements of the irrigation system and in water-use efficiency, in combination with adaptive research, extension, and input supply. Total cost: $32.1 million.

TANZANIA: IDA—$200 million. Support will be provided for efforts to reduce dramatically the government's involvement in crop and input marketing and encourage other channels, as well as to substitute government-administered prices with a market-based pricing mechanism. Cofinancing is anticipated from the Netherlands ($40 million) and the United Kingdom ($20 million).

TUNISIA: IBRD—$17 million. The implementation of the first phase of a program of institutional reform and strengthening of the country's agricultural-research and -extension systems will be supported. In addition, a pilot program to provide adequate extension services to rural women will be launched. Total cost: $34 million.

TURKEY: IBRD—$63 million. Agricultural-extension services in nineteen provinces will be strengthened, and research institutes that backstop the extension effort will be supported. In addition, pilot programs are included that will provide improved extension services for women farmers and test the effectiveness of mobile veterinary clinics. Total cost: $145.4 million.

URUGUAY: IBRD—$65 million. A second agricultural-development project will broaden the scope of Bank lending to cover the whole agricultural sector. Institutional support and technical assistance will be extended to the traditional crop and livestock subsectors, forestry, and nontraditional agricultural exports. Cofinancing ($1.8 million) will be provided by Japan. Total cost: $132.4 million.

ZAIRE: IDA—$5.9 million. As many as 500,000 farm families may benefit from the effect of improved extension on farmer incomes and production. Cofinancing ($3 million) is anticipated from the UNDP. Total cost: $10.5 million.

ZIMBABWE: IBRD—$14.5 million. Forests will be conserved in densely populated "communal areas," and production of wood for fuel and construction purposes increased by promoting tree planting and woodland management. In addition, a pilot program will test new techniques for wildlife and forest-grazing management, and the productivity and quality of the wood-processing industry will be improved. Cofinancing is expected from BADEA and DANIDA ($9.4 million each), as well as from CIDA ($1 million). Total cost: $64.1 million.

Development Finance Companies

BANGLADESH: IDA—$175 million. The government's reform program for strengthening financial-sector policies and institutions will be supported. Cofinancing ($18.2 million) is expected from USAID.

BOLIVIA: IDA—$9.1 million. Supplemental funds from IDA reflows will be provided to help finance the financial-sector adjustment credit approved in fiscal 1988 in the amount of $70 million.

CARIBBEAN DEVELOPMENT BANK: IBRD—$20 million; IDA—$12 million. Funds will be relent by the CDB for public-sector and private-sector projects, of the type normally financed by the Bank, in common Bank/CDB member states eligible to receive IBRD loans and IDA credits. Cofinancing ($18 million) will be arranged by the CDB. Total cost: $102 million.

CHILE: IBRD—$130 million. The further deepening of the country's financial markets, through adoption of measures to strengthen securities markets and the banking system, will be supported. Additional funding for the financially constrained leasing sector will also be provided.

GUINEA-BISSAU: IDA—$23.6 million. The government's infrastructure-rehabilitation program, which aims at carrying out road rehabilitation and maintenance, as well as improvements to feeder roads located in priority agricultural areas; developing rational programs for servicing plots for low-cost housing; improving municipal services in Bissau; and helping public transport companies to become financially viable concerns, will be assisted. Cofinancing ($14.9 million) is being sought. Total cost: $43.3 million.

KENYA: IDA—$44 million. Supplemental funds from IDA reflows will be provided to help finance the financial-sector adjustment credit approved in fiscal 1989 in the amount of $120 million.

MALAWI: IDA—$4.7 million. Supplemental funds from IDA reflows will be provided to help finance the industry and trade-adjustment credit approved in fiscal 1988 in the amount of $70 million.

MOROCCO: IBRD—$170 million. The expansion and modernization of industry, with particular emphasis on export-oriented, private-sector firms, will be supported through provision of lines of credit to seven commercial banks and the National Bank for Economic Development (BNDE).

PHILIPPINES: IBRD—$65 million. The Development Bank of the Philippines will be provided a line of credit for relending to financial institutions for financing equipment and working capital, leases, and equity and quasi-equity investments. Technical assistance is to be financed by the Japan Grant Facility ($3.5 million). Total cost: $114.5 million.

POLAND: IBRD—$260 million. Direct foreign-exchange costs of needed physical improvements will be made available to enterprises undertaking high-priority and high-return investments to expand exports to convertible-currency markets. In addition, technical assistance will be provided to assist in enterprise restructuring and the development of small and medium-scale enterprises, and for financial institutions that are beginning the process of adjustment to the new economic environment. Total cost: $455 million.

SENEGAL: IDA—$45 million. The government's efforts to restructure its banking system and lay the foundation for the development of well-functioning financial and capital markets will be supported. Cofinancing is expected from France ($34 million) and USAID ($33 million).

TANZANIA: IDA—$10.3 million. Supplemental funds from IDA reflows will be provided to help finance the industrial and trade-adjustment credit approved in fiscal 1989 in the amount of $135 million.

TONGA: IDA—$3 million. A line of credit will be provided to the Tonga Development Bank so that it might further assist agricultural, industrial, services, and tourism development, primarily in the private sector, and generate additional investment, production, employment, and exports. Cofinancing ($5.3 million) is being provided by the AsDB. Total cost: $15.3 million.

VENEZUELA: IBRD—$300 million. The government's financial-sector reform program, which aims at liberalizing the financial-policy environment, reducing the government's direct role in financial intermediation, and strengthening the competitiveness and financial condition of intermediaries, will be supported.

Education

BANGLADESH: IDA—$159.3 million. Equitable access to primary and secondary schooling will be expanded through the construction and renovation of classrooms, and the quality of general education will be raised through greatly expanded in-service teacher training and improved curriculum, textbooks, and examinations. Institutional development is included. Cofinancing is expected from the AsDB ($57.5 million), the DGIS ($14 million), SIDA ($14 million), UNICEF ($10 million), the ODA ($5.7 million), the UNDP ($5 million), and UNFPA ($2.4 million). Total cost: $310.2 million.

CHINA: IDA—$50 million. Improvements in selected existing vocational and technical-education (VTE) schools and teacher-training institutions will be supported, VTE research and development centers will be created, and the management capability of the VTE system will be strengthened. Cofinancing is anticipated from the Federal Republic of Germany ($7 million). Total cost: $91 million.

DJIBOUTI: IDA—$5.8 million. Coordination of vocational training with labor-market demands will be improved, access to primary education increased, and the quality of primary and lower-secondary education improved. Institution-building assistance to the Ministry of Education in the areas of planning and management is included. Cofinancing is anticipated from the UNDP ($420,000) and the EDF ($400,000). Total cost: $7.5 million.

EGYPT, ARAB REPUBLIC OF: IBRD—$30.5 million. The quality and relevance of existing faculties of engineering will be improved, and the development of a new, more appropriate type of technical teacher education will be supported, thus contributing to efforts aimed at increasing economic productivity and expanding export-oriented industries. Total cost: $38.6 million.

GAMBIA, THE: IDA—$14.6 million. An education-sector project will finance investments aimed at expanding and improving the quality of primary education, restructuring and improving secondary education, and strengthening technical education. Capacity-building assistance to the Ministry of Education is included. Cofinancing ($3 million) is expected from the EEC. Total cost: $21.2 million.

GHANA: IDA—$50 million. A second education-sector adjustment credit has been designed to continue support for the country's ongoing reform program by extending reforms to the senior secondary level, consolidating reforms initiated at the basic education level, and ensuring the financial sustainability of the new system now being put into place. Cofinancing, in the amount of $10 million, is being sought.

GUINEA: IDA—$20 million. Educational policy reforms, aimed at preventing a major deterioration of the educational system and creating a basis for the sector to contribute to medium-term socioeconomic development, will be supported.

INDIA: IBRD—$25 million; IDA—$235 million. The government's new national policy on education, which recognizes the need for technical education to become more responsive to the expansion of science and technology, as well as the needs of the rural sector, will be supported by a project that will help finance the country's ten-year technician education-investment program. Institution-building assistance is included. Total cost: $382.7 million.

INDONESIA: IBRD—$154.2 million. The quality and equity of secondary education will be improved through better teacher-training programs, the supply of instructional materials and science equipment, improved examinations, and institution-strengthening assistance to the Ministry of Education and Culture. Total cost: $223.4 million.

INDONESIA: IBRD—$117.5 million. The quality of higher-level professional and technical personnel—critical to continued successful implementation of the country's development policies—will be enhanced through improvements in human-resource development, including postgraduate training, and increased efficiency of professional, technical, and managerial training and employment. Total cost: $168.8 million.

INDONESIA: IBRD—$36.1 million. In the wake of the government's decision to transfer an increasing share of responsibilities in public-works planning and administration to provincial and local governments, finance will be provided to help improve the coordination of planning and the implementation of public-works activities through staff development and the development of more efficient management systems and procedures. Total cost: $54 million.

KOREA, REPUBLIC OF: IBRD—$45 million. Selected universities will be assisted in broadening and deepening their basic research programs in priority fields in science and technology in order to strengthen their capacity to support technological innovation. Total cost: $60 million.

KOREA, REPUBLIC OF: IBRD—$31.6 million. A second technology-advancement project seeks to reinforce the priority the government has placed on technology-intensive industrial development by strengthening basic research and development and enhancing the application of industrial standards to raise the quality of products. Total cost: $45.8 million.

MADAGASCAR: IDA—$39 million. The first part of the government's long-term strategy to improve efficiency and the quality of education will be supported. Cofinancing is anticipated from the OPEC Fund for International Development ($5 million), the GTZ ($1.1 million), and the UNDP ($1 million). Total cost: $55 million.

MALAWI: IDA—$36.9 million. A second education-sector credit will support reforms that include improving the quality of education at all levels; expanding access, particularly at the primary and secondary levels; strengthening sector management, budgeting, and planning; and improving resource-mobilization and resource-allocation policies. Total cost: $41 million.

NIGERIA: IDA—$120 million. The major, ongoing reform and rationalization of the federal university system, designed to improve the effectiveness of teaching and research, expand access, increase nongovernmental income of universities, and make university activities more cost effective, will be supported.

PAKISTAN: IDA—$112.5 million. The primary-education development program for Sindh province—designed to increase school enrollment in rural and urban slum areas, improve the quality of primary education, and increase student learning and achievement—will be supported. Cofinancing is expected from NORAD ($6.6 million) and the ODA ($2.2 million). Total cost: $196.4 million.

SOMALIA: IDA—$26.1 million. The country's educational system, particularly at the primary level, will be revitalized through implementation of sustainable measures designed to restore teaching quality and reverse the decline in enrollments. Cofinancing will be provided by the UNCDF ($3.2 million). Total cost: $32.5 million.

SRI LANKA: IDA—$49 million. A general-education project seeks to improve teaching conditions and reduce disparities between schools, as well as support an institutional-development process aimed at improving school-management systems, facilitating the transition to decentralized administration, and strengthening the Ministry of Education, Cultural Affairs, and Administration. Total cost: $75 million.

TANZANIA: IDA—$38.3 million. The education sector's capacity to plan and implement appropriate and effective education policies and programs will be strengthened, the quality of instruction at primary and secondary levels will be improved, and ways to mobilize and effectively use nongovernmental resources for the upgrading of educational facilities will be promoted. Cofinancing is anticipated from SIDA ($12 million) and NORAD ($4.9 million). Total cost: $63.6 million.

TURKEY: IBRD—$90.2 million. The government's education-development program, designed to raise the level of student learning and achievement, will be supported through a project that seeks to improve the quality of primary and secondary education, the quality and relevance of teacher education, and the effectiveness of management and administration skills and practices in the Ministry of Education. Total cost: $177.2 million.

Energy

BANGLADESH: IDA—$105 million. The timely and effective implementation of the government's rural-electrification program, based on the development of autonomous, member-owned distribution cooperatives, will be supported. Institutional support to those cooperatives, as well as to the Rural Electrification Board, is included. Cofinancing ($17.7 million) is anticipated from USAID. Total cost: $163.5 million.

BANGLADESH: IDA—$2.3 million. Supplemental funds from IDA reflows will be provided to help finance the energy-sector adjustment credit approved in fiscal 1989 in the amount of $175 million.

BRAZIL: IBRD—$385 million. A time-slice of the transmission-investment program of selected power utilities for the period 1990–93 will be financed. In addition, energy-conservation and energy-demand management programs will be expanded through the implementation of the National Program for Electric Energy Conservation. Total cost: $3,851.9 million.

COTE D'IVOIRE: IBRD—$100 million. Comprehensive reforms in the energy sector, focusing on accelerating development of local sources of energy, improving investment planning, increasing operational efficiency and strengthening financial management of energy enterprises, improving resource allocation, and streamlining energy institutions, will be supported.

GHANA: IDA—$40 million. A fifth power project seeks to continue ongoing sector-policy reforms so as to help establish the Electricity Corporation of Ghana as a commercially oriented entity, capable of delivering a reliable and economic supply of electricity to its customers. Cofinancing is expected from the governments of the United Kingdom and Austria ($19 million and $10.5 million, respectively), the CDC ($15 million), and the CCCE ($10 million). Total cost: $124.8 million.

GHANA: IDA—$20 million. A sixth power project in support of the investment program of the Volta River Authority (VRA) for the period 1990–95 will enable the VRA to meet projected domestic and export demand, maintain the high standard of reliability of the country's electricity supply, and implement its ongoing program of institutional development. Cofinancing is expected from the EIB ($28.2 million), the CCCE ($600,000), and CIDA ($300,000). Total cost: $156 million.

INDIA: IBRD—$485 million. The reliability, operating efficiency, and quality of service in the northern region's power system will be improved through a combination of investments, technical assistance, and training. Cofinancing is anticipated from the Japan Grant Facility ($1.1 million). Total cost: $1,179.8 million.

INDIA: IBRD—$98 million. Additional peak generation capacity to meet more of the increasing demand in the Bombay area and reduce Tata Electric Companies' dependence on the state grid will be provided, the utilization of existing thermal generating units at Trombay will be increased, and a gas-based, combined-cycle plant will be added. Cofinancing will be provided by the IFC ($30 million and ¥4,600 million). Total cost: $273.7 million.

INDONESIA: IBRD—$329 million. Through support for the development and implementation of an efficient rural-electrification program, as many as 1.3 million consumers in some 4,500 villages will be supplied with electricity. Institution-building assistance, including the promotion of village cooperatives' involvement in rural electrification, is included. Cofinancing ($1.3 million) is anticipated from Japan. Total cost: $524.7 million.

INDONESIA: IBRD—$86 million. The government's policy of substituting petroleum-product fuels with natural gas will be supported through a project that provides for the detailed design, construction, testing, and commissioning of systems to supply natural gas to manufacturing and other commercial entities in Surabaya and two power stations in Medan. Technical assistance is included. Cofinancing ($5 million) is anticipated from the ODA. Total cost: $118.8 million.

MEXICO: IBRD—$450 million. A two-year slice of the investment program of the government-owned national electric utility will be financed. The government's goal of improving efficiency and financial self-sufficiency in the power sector will also be met. Cofinancing has been secured from the IDB ($300 million); other financing includes that from bilateral sources ($150 million), turn-key contracts ($560 million), and suppliers' credits ($1,213 million). Total cost: $7,127 million.

NIGERIA: IBRD—$70 million. The National Electric Power Authority will be assisted in carrying out much-needed maintenance and rehabilitation of selected generation, transmission, and distribution facilities. Institution-building assistance is included. Cofinancing is anticipated from the Federal Republic of Germany ($24.5 million, including $9.1 million from the KfW), the ODA ($5 million), and suppliers' credits ($8.6 million). Total cost: $154.6 million.

PAKISTAN: IBRD—$162 million. The Water and Power Development Authority's transmission system will be expanded and reinforced at least cost to promote the effective evacuation of power from the power plants to be commissioned during the seventh-plan period (fiscal 1989–93) by both the private and public sectors. Technical assistance is included. Total cost: $463.1 million.

PAKISTAN: IBRD—$123 million; IDA—$37 million. Funds will be made available to help cover the cost of the government's seven-year investment program in rural electrification, which will supply electricity to about 1.2 million domestic and commercial consumers, about 27,000 tubewells, and 12,000 small industrial consumers. Technical assistance is included. Cofinancing is expected from the OECF ($162 million), USAID ($56 million), and the AsDB ($10 million). Total cost: $715 million.

PHILIPPINES: IBRD—$390 million. The first phase of a reoriented development strategy for the country's energy sector, aimed at minimizing the cost of energy supply, will be supported. Cofinancing from various foreign sources ($1,170 million), as well as from the Eximbank of Japan ($150 million), is expected. Total cost: $3,509 million.

POLAND: IBRD—$250 million. The government's program of energy conservation and environmental improvement through energy-pricing reform and fuel-switching from coal to gas will be supported through investments in equipment and materials to increase the production and distribution of natural gas. The preparation of studies on sector restructuring, gas development, the encouragement of private-sector participation in the development of the oil and gas sector, and technical assistance are included. Cofinancing ($60 million) is anticipated from the EIB. Total cost: $616 million.

THAILAND: IBRD—$94 million. A two-year slice of the Electricity Generating Authority of Thailand's investment program will be financed, thus helping to sustain the country's growth. Technical assistance is included. Bilateral financing and suppliers' credits, aggregating about $1,800 million, will finance a portion of the program's costs. Total cost: $2,780 million.

URUGUAY: IBRD—$62.5 million. Through a program of investments and provision of technical assistance, suitable electricity service at least cost will be ensured, and the management of the national power company will be modernized to improve efficiency. Cofinancing is anticipated from the Eximbank of the United States. Total cost: $239.8 million.

YEMEN, PEOPLE'S DEMOCRATIC REPUBLIC OF: IDA—$15.5 million. Through a combination of investments and institution-building assistance, incremental demand for electricity in the Aden region will be met, and the technical and managerial skills of the Public Corporation for Electric Power will be improved. Total cost: $20.9 million.

Industry

ALGERIA: IBRD—$99.5 million. To accelerate successful industrial-restructuring efforts and to demonstrate to the entire industrial sector the process and its costs and benefits, technical and financial resources will be provided to four representative enterprises that are expected to remain viable in a competitive environment and whose management and shareholders are committed to the restructuring. Export credits, in the amount of $47.6 million, have been mobilized. Total cost: $193.9 million.

BANQUE OUEST AFRICAINE DE DEVELOPPEMENT (BOAD): IBRD—$15 million; IDA—$40 million. BOAD will be provided a line of credit for onlending to investment projects, in both the private and public sectors, in its member countries—Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo.

HUNGARY: IBRD—$66 million. The modernization and strengthening of the country's financial system will be supported (with emphasis on the banking system, securities markets, and accounting and auditing reform), thus improving its ability to mobilize and allocate financial resources efficiently. Total cost: $143.4 million.

INDIA: IBRD—$300 million. Through provision of funds for the modernization and restructuring of the cement industry, the government's policy to eliminate controls on cement prices and distribution and assist the industry to adjust to an increasingly competitive environment will be supported. Funds for establishing a pilot bulk cement-transport system, for training, and for technical assistance are included. Cofinancing ($5.8 million) is anticipated from DANIDA. Total cost: $736.2 million.

INDIA: IBRD—$145 million; IDA—$55 million. Easier access by firms to foreign technology and more efficient and effective domestic technology development will be supported. In addition, research and standards institutions will undertake research and development and other technological activities needed by industry, while small innovative firms will be stimulated through support from, and development of, four venture-capital schemes. Total cost: $410 million.

JORDAN: IBRD—$25 million. Support for the country's phosphate sector will be provided through the development of a beneficiation plant at Shidiya to increase rock production and raise rock exports and the rehabilitation of the fertilizer plant at Aqaba to enable its original design capacity to be reached and maintained. Cofinancing is anticipated from the AFESD and the KFAED ($70.7 million), as well as the IsDB ($9 million). Total cost: $161.7 million.

MOZAMBIQUE: IDA—$50.1 million. Funds will be channeled through the Bank of Mozambique for the rehabilitation, financial restructuring, and operational support of about fifteen existing priority enterprises that are potentially viable. Technical assistance is included. Cofinancing ($22.5 million) is anticipated from Italy. Total cost: $106.7 million.

Nonproject

ALGERIA: IBRD—$300 million. The country's ongoing reform program, designed to transform the economy from a centrally planned system to one that is more decentralized and market-oriented, will be supported. Constraints will be addressed in macroeconomic management, the incentive structure, the financial and productive sectors, and the environmental, population, and social sectors.

CENTRAL AFRICAN REPUBLIC: IDA—$45 million. The third phase of the government's adjustment program for addressing key macroeconomic and sectoral issues over the medium term will be supported.

GHANA: IDA—$5.7 million. Supplemental funds from IDA reflows will be provided to help finance the second structural-adjustment credit approved in fiscal 1989 in the amount of $120 million.

GUYANA: IDA—$74.6 million. The government's economic-recovery program, designed to create viable and stable economic conditions conducive to restoring a higher and sustained rate of economic growth, will be supported. Cofinancing is expected from the CDB ($42 million) and the Federal Republic of Germany ($6 million).

GUYANA: IDA—$3.4 million. Supplementary funds from IDA reflows will be provided to help finance the country's economic-recovery program.

HUNGARY: IBRD—$200 million. Support will be provided to the country's structural-adjustment program, which aims at establishing a competitive market economy, restoring a reasonable and sustainable rate of growth, improving the country's external creditworthiness, and reducing the rate of inflation.

JORDAN: IBRD—$150 million. The government's ongoing structural-adjustment program will be supported through an industry and trade-policy adjustment loan that encourages implementation of policy reforms designed to create a more uniform, nondistortionary set of incentives across different economic sectors.

MEXICO: IBRD—$1,260 million. Funds will be made available to support the reduction of Mexico's public debt with commercial banks.

PAPUA NEW GUINEA: IBRD—$50 million. The government's stabilization and structural-adjustment program, designed to preserve external and internal financial stability in the face of large shortfalls in export income and promote faster growth in the nonmining economy, will be supported.

PHILIPPINES: IBRD—$200 million. Provision of funds from the Bank, together with those from the IMF and certain bilateral sources, will finance the debt-buyback portion of the government's 1989–90 commercial-bank financing and debt-reduction package.

SAO TOME AND PRINCIPE: IDA—$9.8 million. Phase two of the government's structural-adjustment program for the period 1990–92—its broad thrust continues to be on improved incentives for increasing the production of traded goods within a stable macroeconomic environment—will be supported. Cofinancing is expected from the ADF ($12 million) and the IMF ($2.6 million).

SENEGAL: IDA—$80 million. A fourth structural-adjustment credit will support the government's strategy to promote private investment and exports, improve the efficiency of public-sector resource mobilization and allocation, and alleviate poverty. Cofinancing, in the amount of about $100 million, is anticipated from the AfDB and several other donors.

SENEGAL: IDA—$4.4 million. Supplemental funds from IDA reflows will be provided to help finance the fourth structural-adjustment credit approved in fiscal 1990 in the amount of $80 million.

SRI LANKA: IDA—$90 million. Policy reforms in four major areas—macroeconomic stabilization, public-sector rationalization, private-sector development, and poverty alleviation—will be supported. Bilateral cofinancing is being sought.

SRI LANKA: IDA—$4.4 million. Supplemental funds from IDA reflows will be provided to help finance the economic-restructuring credit approved in fiscal 1990 in the amount of $90 million (see above).

TOGO: IDA—$200,000. Supplemental funds from IDA reflows will be provided to help finance the third structural-adjustment credit approved in fiscal 1988 in the amount of $45 million.

TRINIDAD AND TOBAGO: IBRD—$40 million. The government's structural-adjustment program will be supported by addressing selected policy areas—public-sector resource mobilization and allocation, the incentive framework, and the social sectors—that are key to growth. Cofinancing ($40 million) is anticipated from the Eximbank of Japan.

UGANDA: IDA—$125 million. The third phase of the government's economic-recovery program, involving measures to reinforce demand management, further liberalize trade, revitalize the private sector, and bring about a fundamental rationalization of public-sector management, will be supported.

UGANDA: African Facility—$12.8 million. African Facility funds, generated by the currency conversion following the termination, in July 1989, of the Special Facility for Sub-Saharan Africa, will be used to supplement IDA and African Facility funds approved in September 1989 in support of the government's economic-recovery program.

UGANDA: IDA—$1.5 million. Supplemental funds from IDA reflows will be provided to help finance the economic-recovery credit approved in fiscal 1988 in the amount of $65 million.

YUGOSLAVIA: IBRD—$400 million. Reforms to a socialist economy in transition, designed to correct price distortions, increase the importance of competitive markets, and address the problems of failing enterprises, will be supported through a second structural-adjustment operation.

ZAIRE: African Facility—$14 million. African Facility funds, generated by the currency conversion following the termination, in July 1989, of the Special Facility for Sub-Saharan

Africa, will be used to supplement IDA and African Facility funds approved in June 1987 in support of the government's structural-adjustment program.

Population, Health, and Nutrition

BOLIVIA: IDA—$20 million. About 790,000 women and children, currently without access to basic health services in the low-income neighborhoods of the country's four largest cities, will benefit from a project that will help reorient public-health expenditures in favor of basic health care and improve sector efficiency through the integration of nongovernmental organizations and municipalities with negotiated shares of responsibilities. Cofinancing ($6.2 million) is expected from the Netherlands. Total cost: $38.6 million.

BOLIVIA: IDA—$20 million. The initial phase of the country's social-investment fund program, designed to help alleviate the worst aspects of poverty through improvements in the coverage and effectiveness of health and education services, will be supported. Cofinancing, in the amount of $43.6 million, is being sought. Total cost: $95.6 million.

BRAZIL: IBRD—$267 million. Some 12 million rural residents, particularly women and children, living in seven states in the northeast are to benefit from a second project designed to strengthen such basic health services as women's reproductive health and immunizations, support investment in health facilities in previously underserved areas, and strengthen federal and state management of the health sector. Total cost: $610.6 million.

CAMEROON: IBRD—$21.5 million. By strengthening the country's socioeconomic reform process through interventions in population, health, education, employment creation, women in development, and community development, as well as by strengthening the country's socioeconomic data base, a social-dimensions-of-adjustment (SDA) project will contribute to the restoration of sustainable growth over the medium and long term. Cofinancing is expected from the AfDB ($16 million), the EEC ($10 million), the Federal Republic of Germany ($7.7 million), CIDA ($7.3 million), France ($3.9 million), USAID ($3.5 million), UNFPA ($3.2 million), Japan ($1 million), and the UNDP ($800,000). Total cost: $85.7 million.

CHAD: IDA—$13.4 million. To address the immediate needs of groups still at risk as a consequence of prolonged socioeconomic disruptions and of those expected to be adversely affected by the transitional effects of the adjustment process, employment generation will be stimulated by increasing access to training facilities and productive activities, and improvements will be made in primary health care and social services, as well as in N'Djamena's sanitation infrastructure. The government's ability to design and monitor programs targeted at disadvantaged groups will also be supported. Cofinancing has been obtained from the SDC ($6.7 million), the UNCDF ($3.2 million), and USAID ($2.3 million). Total cost: $26.9 million.

COLOMBIA: IBRD—$24 million. By strengthening an ongoing program of day care, feeding, and health monitoring for poor urban children, aged two to six, support will be provided to the government's efforts to raise incomes among the poor and improve their well-being through cost-effective, targeted interventions. Total cost: $40.2 million.

GAMBIA, THE: IDA—$7 million. Some 50,000 rural women are expected to benefit directly from a project that aims to improve women's productivity and income-earning potential, improve their welfare and status, strengthen government institutions that deal with women's issues, and contribute to bringing about a change in society's perception of the role of women. Cofinancing is expected from the AfDB ($3.5 million), Norway ($1.6 million), the UNDP ($1.4 million), UNIFEM ($700,000), and UNFPA ($150,000). Total cost: $15.1 million.

HAITI: IDA—$28.2 million. Policy reforms will be supported through program investments to expand service delivery for 2.1 million people living in one of the country's four regions and to control two major epidemics (AIDS and tuberculosis) nationwide. Cofinancing ($2.4 million) is anticipated from CIDA. Total cost: $33.7 million.

INDIA: IBRD—$10 million; IDA—$86.7 million. This second phase of the Bank's effort to support shifts in the approach, emphasis, and orientation of the family-welfare program at the national and state levels aims to increase the supply and quality of, as well as demand for, family-welfare services. Institution-building assistance is included. Total cost: $141.5 million.

INDIA: IDA—$95.8 million. More than 5 million relatively disadvantaged preschool children and an estimated 2 million pregnant and lactating women are expected to benefit directly from a second nutrition project in the state of Tamil Nadu that seeks to accelerate substantially the pace of improvement in nutrition and in the health of young children, while contributing to a faster reduction in infant and child mortality. Total cost: $139.1 million.

JAMAICA: IBRD—$30 million. The government's five-year human-resource development program (HRDP)—designed to rehabilitate and develop the social sectors—will be supported through a project that will finance priority investments, including primary health care, preprimary and primary education, and HRDP administration and monitoring. Total cost: $67 million.

KENYA: IDA—$35 million. A fourth population project has been designed to further increase the availability, accessibility, and quality of family-planning services, strengthen the demand for family planning, and increase the institutional capacity of the National Council for Population and Development. Cofinancing is expected from USAID ($2.2 million). Total cost: $41.3 million.

LESOTHO: IDA—$12.1 million. Necessary financial and institutional-policy reforms will be introduced to help slow the pace of population growth, continue the strengthening of the national health system, reduce the spread of tuberculosis and sexually transmitted diseases, lower the rate of malnutrition in children and mothers, and increase sector-management capacity. Cofinancing has been obtained from the EEC ($3.2 million), Ireland ($2.6 million), and the ODA ($1.3 million). Total cost: $21.5 million.

MOROCCO: IBRD—$104 million. The initial phase of a long-term effort to rehabilitate basic public-health services and selected diagnostic and emergency services will be supported. In addition, support will be provided for a program of sector and policy reforms. Total cost: $171.3 million.

NIGERIA: IBRD—$68.1 million. The government's national essential-drugs program, which has been designed to reform and strengthen drug supply and quality assurance at all levels, introduce equitable cost recovery to help ensure sustainability, and, at a later stage, promote local drug production, will be supported. Total cost: $85.1 million.

TANZANIA: IDA—$47.6 million. Efforts to raise the quality, coverage, and effectiveness of family planning, nutrition, and basic health services in urban and rural areas will be reinforced. Institutional capacity building, training, and support for policy reform in the pharmaceuticals subsector and in health financing are included. Cofinancing is expected from the SDC ($12.2 million), DANIDA ($1.3 million), UNFPA and Belgium ($700,000 each), and the ODA ($100,000). Total cost: $70 million.

UGANDA: IDA—$28 million. The productivity of some of the most vulnerable groups in the country—war victims, AIDS orphans, and children and other residents of disadvantaged districts, including those living in dangerously unhealthy urban slum areas—will be enhanced and their income-earning capacity increased through a project that will improve access to some basic social services. Cofinancing ($2.2 million) is anticipated from a variety of international nongovernmental organizations. Total cost: $37 million.

YEMEN ARAB REPUBLIC: IDA—$15 million. A health-sector development project seeks to improve health services and to facilitate their extension to underserved communities by strengthening the administrative, human-resources, and support-services base at the regional level. Total cost: $19.1 million.

Public-sector Management

MADAGASCAR: IDA—$1.2 million. Supplemental funds from IDA reflows will be provided to help finance the public-sector adjustment credit approved in fiscal 1988 in the amount of $125 million.

MAURITANIA: IDA—$40 million. The extension of the government's structural-adjustment program, aimed at deepening the reforms in the public-enterprise sector, will be supported. Cofinancing is anticipated from Japan ($50 million), the SFD ($19.8 million), the KFAED ($13.7 million), the AFESD ($10.3 million), the Abu Dhabi Fund ($6.1 million), Spain ($5 million), and the Federal Republic of Germany ($4 million).

RWANDA: IDA—$4.4 million. Technical assistance will be provided to help the government carry out its public-enterprise reforms in three areas: a policy-reform package covering the whole sector, restructuring of specific enterprises, and development of the institutional capacity to design, implement, and monitor public-enterprise reforms. Total cost: $4.9 million.

TUNISIA: IBRD—$130 million. The implementation of the government's public-enterprise reform program, which centers on legal and institutional reforms and privatization and restructuring to reduce the role of the government in competitive productive activities, will be supported.

VENEZUELA: IBRD—$350 million. The government's public-enterprise reform program, aimed at fundamentally diminishing the role of the public sector in the economy and expanding that of the private sector, will be supported.

Small-scale Enterprises

BOLIVIA: IDA—$16.1 million. Credit will be made available to finance the needs of private manufacturing and tourism firms for fixed assets, working capital, and technical assistance. Technical assistance will also be made available to support activities in the manufacturing sector (emphasizing small enterprises and women), and to help strengthen the institutional capacity of the central bank. Total cost: $24.9 million.

ECUADOR: IBRD—$50 million. Some 4,500 investment subprojects may be financed and about 14,500 new jobs generated through a fourth small-scale enterprise (SSE) project that will provide credit to finance SSE fixed assets, permanent working capital, and subproject-related technical and managerial expenditures. Total cost: $83 million.

GUINEA: IDA—$50 million. A private-sector promotion program seeks to establish a more favorable local business environment—through removal of existing regulatory, administrative, and institutional constraints—that will encourage both local and foreign promoters to invest in new productive activities.

HAITI: IDA—$11.4 million. Technical and financial assistance will be provided to private industrial enterprises that need to restructure to adjust to new trade-reform policies and to enterprises (mostly small and medium-sized) that need financial assistance only. Total cost: $24.6 million.

MADAGASCAR: IDA—$48 million. To help maintain the momentum of the reform process in the financial sector, funds will be provided to finance investments in rehabilitation and new projects, including joint ventures, needed to foster growth in all productive sectors of the economy. Technical assistance and training are included. Total cost: $66.3 million.

MOZAMBIQUE: IDA—$32 million. The rehabilitation and development of the small- and medium-scale enterprise (SME) sector will be promoted through provision of credit to businesses capable of efficient operation within the reformed business environment. Institutional support and assistance in helping the government formulate SME policy are included. Cofinancing is anticipated from the EIB ($7 million) and has been received from the UNDP ($500,000). Total cost: $50.2 million.

Technical Assistance

ALGERIA: IBRD—$26 million. Implementation of economic-reform measures will be facilitated, and planning and management capabilities of government agencies involved in the reform process upgraded. Cofinancing ($1.3 million) is anticipated from the UNDP and the IMF. Total cost: $41 million.

CAMEROON: IBRD—$9 million. Priority activities at the core of the government's structural-adjustment program in policy analysis and macroeconomic management, as well as in reform of the civil service and the parapublic sector, will be financed. Cofinancing ($4 million) is being sought from the Japan Grant Facility. Total cost: $14.5 million.

GABON: IBRD—$5 million. The government's adjustment program will be supported over a three-year period through a technical-assistance project that focuses on strengthening key ministries in critical areas during the adjustment period. Total cost: $6.3 million.

GUYANA: IDA—$3 million. Technical assistance will be provided to help the government design and implement policy reforms and improve its macroeconomic-management capacity. Total cost: $3.1 million.

KENYA: IDA—$6 million. Technical assistance will be provided in support of the implementation of restructuring plans for two industrial-sector development finance institutions (DFIs), and training will be provided to DFI staff. In addition, corporate restructuring plans for about two dozen potentially viable but nonperforming enterprises carried in DFI portfolios will be prepared. Total cost: $7.5 million.

KENYA: IDA—$5 million. The government's financial-sector reform program will be aided through a project designed to strengthen the capabilities of the central bank to manage financial and monetary developments. In addition, a College of Banking and Finance, which will provide training to banking professionals, will be established. Total cost: $5.9 million.

MAURITANIA: IDA—$10 million. Technical assistance will be provided to help the government implement its public-enterprise sector reforms. Total cost: $10.5 million.

MEXICO: IBRD—$22 million. Provision of technical assistance will help develop a regulatory capability at the Secretariat of Communications and Transport, which is critical to the overall success of the privatization of TELMEX, the country's telephone company, and governmental efforts to develop competition in the sector.

MOZAMBIQUE: IDA—$21 million. The implementation of the country's economic-recovery program will be aided through a project that provides institutional support to the Ministry of Finance and the Bank of Mozambique. Total cost: $23 million.

TRINIDAD AND TOBAGO: IBRD—$4 million. Technical assistance will be provided to help carry out studies and increase institutional capacity to ensure the effective design and implementation of the government's structural-adjustment program, design and prepare the necessary complement of social programs, and prepare possible future Bank operations. Total cost: $5.2 million.

VENEZUELA: IBRD—$30 million. Expertise and funding will be provided to carry out preinvestment work to prepare a program of projects that may be suitable for Bank financing during the next five years. Institution-building assistance to sectoral and core government agencies, as well as assistance in implementing a public-enterprise reform program, is included. Total cost: $41 million.

Telecommunications

INDONESIA: IBRD—$350 million. A third telecommunications project seeks to accelerate expansion and modernization of telecommunications facilities in the country and to increase the institutional capacity of PERMUTEL, the public telecommunications corporation. Cofinancing is expected from the KfW ($169.6 million), the OECF ($28.9 million), and the UNDP ($2 million). Total cost: $1,150.5 million.

LAO PEOPLE'S DEMOCRATIC REPUBLIC: IDA—$24.5 million. Priority investments, particularly the first phase of a nationwide digital telephone network, will be carried out, and international telecommunications services improved. Institution-building assistance is included. Cofinancing is anticipated from Japan ($11.7 million) and the UNDP ($1.2 million). Total cost: $41.4 million.

NIGERIA: IBRD—$225 million. A first telecommunications project aims at alleviating a major infrastructure constraint to the sustainability of economic development and adjustment in Nigeria through upgrading the country's standard of telecommunications. Institution-building assistance is included. Cofinancing in the amount of $110 million is being sought. Total cost: $483.5 million.

PAPUA NEW GUINEA: IBRD—$17.2 million. A third telecommunications project seeks to expand access to service in urban and rural areas, reduce the operating costs of the Post and Telecommunications Corporation, and improve its service to all subscribers. Suppliers' credits ($16.4 million) are anticipated. Total cost: $76 million.

Transportation

BRAZIL: IBRD—$310 million. A slice of the five-year road-investment and road-rehabilitation program of the National Feeder Roads Department (DNER) will be financed, appropriate environmental guidelines for the highway sector formulated, and compliance with them strengthened. Institution-building assistance to the DNER is included. Total cost: $759 million.

BURUNDI: IDA—$43.2 million. A four-year road-upgrading, road-rehabilitation, and road-maintenance program will be financed, as will institutional support for the General Directorates for Roads and for Transport. Cofinancing is expected from the AfDB ($6.8 million), the AGCD ($5 million), the GTZ ($1.8 million), the FAC ($1.4 million), and Italy, Japan, and/or the OPEC Fund for International Development (aggregating $7 million). Total cost: $90.8 million.

CENTRAL AFRICAN REPUBLIC: IDA—$62 million. A transport-sector project seeks to establish an efficient system of allocating resources to investments in priority sectors, increase institutional capacity, enhance operational capacity by expanding participation of the private sector and local communities in road works, and initiate a long-term program of transport-related environmental protection. Cofinancing is anticipated from the FAC and the CCCE ($16.7 million), the JICA ($15.1 million), the KfW and the GTZ ($6.9 million), the UNDP ($2.8 million), and the EEC ($1.8 million). Other donors, including the AfDB and the WFP, have declared their intention to participate in the financing, as well. Total cost: $138.7 million.

CHILE: IBRD—$224 million. A second road-sector project will continue support for the government's careful financial management through increasingly efficient execution of its road-investment and road-maintenance program. The project also seeks to improve an already effectively functioning road-maintenance and road-management organization. Cofinancing is expected from the Eximbank of Japan ($150 million) and the IDB ($85 million). Total cost: $907 million.

COLOMBIA: IBRD—$55 million. The 1990–93 investment and maintenance program of the National Agency for Feeder Roads (FNCV), designed to address rural-roads priorities and consolidate and further develop effective road management, will be supported. Institution-building assistance to the FNCV is included. Total cost: $157.1 million.

COSTA RICA: IBRD—$60 million. In order to assist the government's efforts to promote exports through increased efficiency in the transport sector, the project will concentrate on institutional strengthening and the promotion of sound investment policies. Total cost: $96.8 million.

INDONESIA: IBRD—$350 million. The government's road-transport reform program, designed to achieve greater benefits from road expenditures, improve road-use policies, strengthen the Ministry of Communications, and increase policy coordination, will be supported through a project that includes technical assistance, training, and studies, as well as the funds needed for the implementation of specific subprojects in the sector's expenditure plan. Cofinancing is anticipated from the OECF ($197.2 million), the AsDB ($60 million), and the Eximbank of Japan ($51.4 million). Total cost: $2,414.7 million.

MALAWI: IDA—$28.8 million. The maintenance, rehabilitation, and construction works of the Ministry of Finance over a four-year period in three major areas—roads, water supply, and public buildings—will be financed. Institution-building and training activities are included. Cofinancing is expected from the ADF ($38.8 million), the EDF ($21.9 million), the KfW ($15.9 million), the ODA ($15.4 million), the JICA ($8.1 million), the UNCDF ($5 million), the UNDP ($3.4 million), USAID ($3.3 million), the GTZ ($2.9 million), and DANIDA ($1.5 million). Total cost: $157.7 million.

MALAYSIA: IBRD—$83.2 million. Through a program of road improvement and road rehabilitation, the government will be assisted in achieving its goal of having the existing highway network meet increasing transport demand, thus providing support to the productive sectors of the economy. Total cost: $239.2 million.

MALDIVES: IDA—$7.5 million. Through a project to upgrade Male airport, the revenue-generating capacity of the tourist industry will be maintained, and the basis provided for its continued growth. Cofinancing will be provided by the KFAED ($8.5 million), the IsDB ($3 million), and the OPEC Fund for International Development ($2 million). Total cost: $26.0 million.

MAURITIUS: IBRD—$30 million. A second highway project aims to strengthen and improve important road sections with high traffic intensity, improve the capacity of the Ministry of Works for road maintenance and traffic management, and establish effective vehicle-safety and environmental improvements. Total cost: $43.6 million.

MEXICO: IBRD—$380 million. Support for a program of deregulation in the trucking sector and a program of privatization and regulatory reform that will promote competition in the telecommunications sector forms part of a wider program of Bank support for the government's reform efforts that aim at resuming sustainable economic growth.

MOROCCO: IBRD—$79 million. A three-year slice of the country's road-rehabilitation and road-maintenance program will be financed, thereby substantially reducing expenditures on deferred maintenance and, ultimately, on reconstruction. Cofinancing is expected from the AfDB ($33 million). Total cost: $533.6 million.

MOZAMBIQUE: IDA—$40 million. Assistance will be provided to help upgrade the Beira transport corridor—stretching 300 kilometers from the Zimbabwe border to the port of Beira. Institutional assistance to the Caminhos de Ferro de Moçambique (Centro) will also be made available in order to restore its financial viability and its cost-effective transit functions. Cofinancing is expected from Canada ($17 million), Japan ($8 million), Spain ($3.5 million), and Portugal ($1 million). Total cost: $73.8 million.

PAKISTAN: IBRD—$184 million. With an emphasis on road and rail transport, a transport-sector project seeks to assist the government in implementing sectoral reforms to improve overall transport efficiency and meet future demand.

POLAND: IBRD—$153 million. The government's transport-sector restructuring program, which emphasizes increased cost recovery, improved efficiency, and increased market responsiveness, will be supported; investments in the country's railway system will be financed; and activities of the Highways Administration will be supported. Cofinancing ($20 million) is anticipated from the EIB. Total cost: $216.5 million.

RWANDA: IDA—$40 million. A transport-sector project focuses on road maintenance, implementation of a pilot project of rural-roads rehabilitation, and support for improved local and international access to the Lake Kivu area. Technical assistance and training are included. Cofinancing is expected from the EDF ($32.6 million), the SDC ($9.4 million), the KfW ($4.7 million), and the OPEC Fund for International Development ($4 million). Total cost: $148.9 million.

SUDAN: IDA—$82.2 million. Through rehabilitation of the Khartoum–Port Sudan road—the country's economic lifeline—further deterioration will be halted, and the need for greater investment in the future averted. In addition, load-control measures will be implemented, and technical assistance furnished to the Road and Bridges Public Corporation. Cofinancing ($16.1 million) is anticipated from the KfW. Total cost: $114.4 million.

TANZANIA: IDA—$180.4 million. The country's essential road network will be restored, and institutional capacity in the Ministry of Communications and Works will be strengthened. Cofinancing is expected from the EEC ($171 million), Italy ($91.7 million), DANIDA ($57 million), FINNIDA ($48.4 million), the ADF ($45.2 million), NORAD ($36.5 million), USAID ($32.7 million), the Federal Republic of Germany ($32 million), the DGIS ($18 million), the ODA ($13.6 million), the SFD ($11.8 million), the SDC ($10.8 million), Ireland ($4.8 million), and the UNDP ($2.9 million). Total cost: $871.1 million.

TANZANIA: IDA—$37 million. The physical, managerial, and operational capabilities of the

Tanzania Harbours Authority will be expanded to meet the traffic volume expected in the 1990s, a more reliable and cost-effective transport link with neighboring landlocked countries will be provided, and the profitability and commercial discipline of port operations improved. Cofinancing is expected from FINNIDA ($17.9 million), SIDA ($17.5 million), NORAD ($11.5 million), the Netherlands ($5.4 million), and DANIDA ($4.2 million). Total cost: $122.3 million.

THAILAND: IBRD—$50 million. The government's five-year (1987–91) program for national and provincial roads, as well as efforts to improve road-traffic safety, reduce vehicular emissions and noise pollution, and improve the efficiency of the road-transport industry, will be supported. Cofinancing is anticipated from the AsDB and the OECF. Total cost: $1,478.5 million.

WESTERN SAMOA: IDA—$14 million. Assistance will be provided the government in carrying out an emergency road-rehabilitation program to alleviate the severe disruption in the transportation sector caused by cyclone damage in February 1990. Cofinancing ($500,000) is anticipated from the AIDAB. Total cost: $16.3 million.

YUGOSLAVIA: IBRD—$292 million. A third highway-sector project seeks to sustain recent gains in road financing, systematize and expand road-maintenance operations, further improve selection of investments, strengthen organizational efficiency, improve the market orientation of the road-transport industry, and reduce air pollution by road vehicles. Cofinancing ($190 million) is expected from the EIB, while an additional $140 million is being sought. Total cost: $2,343 million.

Urban Development

BRAZIL: IBRD—$100 million. Infrastructure investments, as well as technical assistance, training, and equipment in support of institutional and human-resource development, will be financed through a project designed to enable municipalities in the state of Rio Grande do Sul to assume increased responsibilities under the new federal constitution. Total cost: $227 million.

BURKINA FASO: IDA—$22.2 million. The organizational, technical, and financial capacity of the local governments of Ouagadougou and Bobo-Dioulasso will be developed to permit them to assume full responsibility for the maintenance of urban infrastructure and the provision of urban services. In addition, infrastructure in the two cities will be upgraded, enabling effective, regular maintenance to be continued. Cofinancing ($5.5 million) is expected from Italy. Total cost: $38.5 million.

CHINA: IDA—$30 million. Some 175,000 people, most of them poor, are expected to benefit from a project that will reconstruct or rehabilitate housing, buildings, classrooms, rural health facilities, and village water supplies damaged during the October 1989 earthquake, whose epicenter was located in Yanbei prefecture of Shanxi province. School and health-center equipment will also be purchased, and assistance provided for earthquake prediction and disaster preparedness. Total cost: $45.3 million.

COTE D'IVOIRE: IBRD—$66 million. The government will be assisted in implementing its urban-sector reforms—related to alleviating the strain of urban development on national resources and facilitating the gradual shift of overall development to local authorities and the private sector—through a project that constitutes the first phase of a long-term program to strengthen the economic contribution of municipalities to their own development. Cofinancing ($700,000) is anticipated from the UNDP. Total cost: $93.1 million.

ETHIOPIA: IDA—$40.2 million. The development of provincial towns, which serve as market and service centers in areas of agricultural productivity, will be promoted through a project that includes sites-and-services construction, provision of municipal infrastructure, improvements to water-supply facilities, an employment-generation component (including credit lines and technical assistance to promote small businesses), and institutional support. Total cost: $52.9 million.

ETHIOPIA: IDA—$35 million. A second urban-development project for the Addis Ababa area is aimed at improving basic infrastructure and environmental conditions; supporting a core housing-development program, primarily for lower-income families; promoting opportunities for slum-dwelling women; providing institution-building assistance to urban service-delivery agencies; and promoting the adoption of sound cost-recovery policies and practices. Total cost: $46.7 million.

FIJI: IBRD—$16.2 million. About 6,000 low-income and moderate-income households are to benefit from a housing project that seeks to increase the supply of housing stock, improve housing and urbanization policies and standards appropriate to lower-income housing, and strengthen sector institutions. Cofinancing has been committed by the AsDB ($10.1 million), Japan ($1.1 million), and the UNDP ($300,000). Total cost: $51.3 million.

GHANA: IDA—$70 million. By strengthening the local-government and housing sectors and by improving vital urban infrastructure and services, the government's economic-recovery program will be supported, the urban economy and the financial system will be strengthened, the efficiency of land and housing markets increased, access by moderate-income households to affordable housing widened, and employment created. Cofinancing ($9.8 million) is being sought. Total cost: $100.4 million.

GUINEA: IDA—$57 million. The functioning of Conakry and secondary cities as centers of economic growth will be improved through a three-pronged approach of infrastructure upgrading, institutional strengthening, and local resource mobilization. The role of private and municipal developers in replicable land-development operations will also be strengthened. Cofinancing is expected from the CCCE ($14 million), the FAC ($1.5 million), and the UNDP ($1 million). Total cost: $81.7 million.

MEXICO: IBRD—$350 million. New or improved housing will be provided for about 250,000 families through a project that will finance a slice of the conventional lending program of FUNHAPO (Low-income Housing Fund) for starter homes, serviced lots, and home improvements. Institutional support is included. Total cost: $700 million.

MOROCCO: IBRD—$80.5 million. The scope and functioning of housing finance will be broadened and improved and land and housing supply rationalized through a project that provides a line of credit in support of low-cost and moderate-cost housing, as well as technical assistance designed to strengthen institutions involved in the housing sector. Total cost: $354.5 million.

NIGERIA: IBRD—$50 million. The efficient functioning of Ibadan and of the secondary towns in Oyo state as regional development and service centers will be promoted, and the state and local institutions responsible for urban management and services will be strengthened. In addition, help will be provided in mobilizing financial resources at the state and local levels. Cofinancing ($3.7 million) is expected from the Japan Grant Facility. Total cost: $68.8 million.

PHILIPPINES: IBRD—$40 million. A second municipal-development project seeks to assist local governments in Metro Manila and the surrounding provinces to provide basic municipal infrastructure, services, and facilities; improve their ability to plan, finance, and implement investments; and expand coverage of a long-term development fund to all local governments in the country. Total cost: $57.2 million.

SENEGAL: IDA—$20 million. A social-dimensions-of-adjustment program of labor-intensive public works, designed to counter growing unemployment resulting from the government's program of structural adjustment and aimed at improving the urban environment, will be supported. Cofinancing ($8.3 million) is anticipated from the AfDB. Total cost: $33.3 million.

YEMEN ARAB REPUBLIC: IDA—$15 million. Flood-control structures will be constructed in Taiz to protect private and public buildings and infrastructure, minimize disruptions to the local economy, and reduce the risks to human life. In addition, a project cost-recovery mechanism at the municipal level will be implemented, and implementation of a national municipal-resource mobilization policy will be promoted. Institution-building assistance is included. Total cost: $22.3 million.

YEMEN, PEOPLE'S DEMOCRATIC REPUBLIC OF: IDA—$10 million. The country's essential economic infrastructure, destroyed or damaged by the heavy rains and floods of March-April 1989, will be restored, and human deprivation and suffering reduced through restoration of social services and shelter. Technical assistance for a flood-preparedness and flood-mitigation study, as well as for consultants to assist in project implementation, is included. Cofinancing ($1 million) is expected from the UNDP. Total cost: $15.4 million.

Water Supply and Sewerage

COTE D'IVOIRE: IBRD—$80 million. The government's reform program, designed to restore the availability of basic rural water services, improve planning and sustainability of investments, improve control of costs and efficiency of pricing, strengthen the protection of water resources and of the environment, and restore the financing autonomy of the water-supply and sanitation sector, will be supported.

COTE D'IVOIRE: IBRD—$21.9 million. The deterioration in Abidjan's environment, caused by the dumping of urban wastes and industrial effluents into the Ebrie lagoon, will be reversed through the building of a floatable removal plant and of an outfall and diffuser to carry the wastewater into the ocean, the establishment of sound environmental legislation, pollution monitoring, and measures to ensure the sustainability of the sewerage system. Cofinancing ($18 million) is expected from the EIB. Total cost: $49.9 million.

CYPRUS: IBRD—$25 million. This first phase of a program to provide sewerage and drainage facilities in the greater Limassol area consists of construction of a central sewage-collection and sewage-treatment system, upgrading of the existing stormwater-drainage system, and technical assistance and training for the Sewerage Board of Limassol-Amathus. Cofinancing is anticipated from the CERF. Total cost: $69.1 million.

INDIA: IBRD—$10 million; IDA—$79.9 million. The amount of treated water supply available in nondrought years to Hyderabad city will increase by about 23 percent, and a systematic approach to the reduction of water-system leakage will be introduced. Institution-building assistance is included, as are the equitable resettlement and rehabilitation of an estimated 4,120 households whose dwellings will be submerged by the filling of the nearby Singur dam reservoir. Total cost: $140.6 million.

INDONESIA: IBRD—$190 million. A coordinated program of physical investments, technical assistance, and policies for urban water supply, wastewater disposal, and water-resource management will be developed and implemented for the greater Jakarta area. Cofinancing is anticipated from the OECF ($44.7 million) and the Netherlands ($3.4 million). Total cost: $348.6 million.

KENYA: IDA—$64.8 million. Nairobi's water supply will be augmented and secured through the expansion of source works, and the city's water-supply system expanded so as to meet expected demand through the early years of the next century. Cofinancing is expected from the OECF ($40 million), the AfDB and the ADF ($35.2 million), and the EIB ($18.6 million). Total cost: $263 million.

KOREA, REPUBLIC OF: IBRD—$34 million. The supply of water in the Kwangju metropolitan area, located in one of the country's poorest and least-developed regions, will be improved and expanded so as to serve about 96 percent of the population by the year 2001. Institution-building support is included. Total cost: $183.1 million.

MADAGASCAR: IDA—$30.5 million. The living conditions of the poorest people of Antananarivo and its suburbs are to be improved through provision of flood-protection works and the improvement and extension of existing irrigation, drainage, and sewerage systems. In addition, steps will be taken to increase local government revenues and improve land-use planning and investment programming. Cofinancing is anticipated from the CCCE ($21.5 million) and the FAC ($800,000). Total cost: $68.6 million.

PHILIPPINES: IBRD—$85 million. The government will be assisted in meeting the basic needs of the rural population through the provision of safe, adequate, and easily accessible water supplies, as well as adequate sanitation. Technical assistance and training are included. Total cost: $132.8 million.

PHILIPPINES: IBRD—$40 million. A water-supply project, which will maximize benefits from existing headwork investments at the Angat dam, has been designed to meet the expected water demand in the Metro Manila area until the year 2000. Institutional support is included. Cofinancing is anticipated from the AsDB ($130 million) and the OECF ($80 million). Total cost: $361.9 million.

POLAND: IBRD—$18 million. Technical assistance will be provided to help Poland strengthen its ability to analyze and design a series of policy, regulatory, institutional, and investment actions it plans to undertake to improve environmental quality. Total cost: $27.3 million.

ST. LUCIA: IBRD—$2.5 million; IDA—$5.2 million. The reliability and quality of long-term water supply will be ensured and service levels improved by providing adequate raw-water storage and treatment, as well as control of unaccounted-for water. Institution-building assistance is included. Cofinancing will be provided by CIDA ($19.3 million), the CDB ($7.3 million), and the OPEC Fund for International Development ($2 million). Total cost: $40.5 million.

TURKEY: IBRD—$173 million. Facilities will be constructed to enclose open flows of sewage, eliminate discharges of untreated sewage into the Ankara river, extend sewerage to about 850,000 unserved persons and improve the current facilities, and reduce flooding during heavy rainstorms. Technical assistance is included. Cofinancing ($91.9 million) is expected from the KfW. Total cost: $556.8 million.

UGANDA: IDA—$60 million. The first phase of the government's water-supply and sewerage-investment program for the country's seven major towns, which calls for expanding water-supply facilities and rehabilitating sewerage systems, will be supported. Institution-building assistance to the National Water and Sewerage Corporation is included. Cofinancing is anticipated from the EEC ($23.8 million), Italy ($14.5 million), Austria ($4.7 million), and the GTZ ($2.9 million). Total cost: $117.8 million.

YEMEN, PEOPLE'S DEMOCRATIC REPUBLIC OF: IDA—$12 million. An adequate quantity of potable water for about 53,000 people in Tarim and adjacent villages will be provided, thus eliminating current health hazards caused by the poor quality of water and intermittent water-supply service. Total cost: $15.2 million.

Table 7-1. Projects Approved for IBRD and IDA Assistance in Fiscal Year 1990, by Region
(amounts in millions of US dollars)

Region and country	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Africa						
Benin	—	—	1	2.5	1	2.5
Burkina Faso	—	—	1	22.2	1	22.2
Burundi	—	—	2	71.2	2	71.2
Cameroon	3	51.5	—	—	3	51.5
Central African Republic	—	—	3	126.0	3	126.0
Chad	—	—	1	13.4	1	13.4
Côte d'Ivoire	6	497.9	—	—	6	497.9
Djibouti	—	—	1	5.8	1	5.8
Ethiopia	—	—	2	75.2	2	75.2
Gabon	1	5.0	—	—	1	5.0
Gambia, The	—	—	2	21.6	2	21.6
Ghana	—	—	4	185.7	4	185.7
Guinea	—	—	5	175.0	5	175.0
Guinea-Bissau	—	—	1	23.6	1	23.6
Kenya	—	—	5	201.6	5	201.6
Lesotho	—	—	1	12.1	1	12.1
Madagascar	—	—	5	148.4	5	148.4
Malawi	—	—	3	140.4	3	140.4
Mali	—	—	1	53.0	1	53.0
Mauritania	—	—	3	75.0	3	75.0
Mauritius	1	30.0	—	—	1	30.0
Mozambique	—	—	4	143.1	4	143.1
Niger	—	—	1	19.9	1	19.9
Nigeria	6	533.1	1	120.0	7	653.1
Rwanda	—	—	2	44.4	2	44.4
São Tomé and Principe	—	—	1	9.8	1	9.8
Senegal	—	—	5	185.0	5	185.0
Somalia	—	—	2	54.6	2	54.6
Sudan	—	—	1	82.2	1	82.2
Tanzania	—	—	5	513.6	5	513.6
Togo	—	—	—	0.2	—	0.2
Uganda	—	—	3	214.5	3	214.5
Western Africa region	1	15.0	—	40.0	1	55.0
Zaire	—	—	1	5.9	1	5.9
Zimbabwe	1	14.5	—	—	1	14.5
Total	19	1,147.0	67	2,785.9	86	3,932.9
Asia						
Bangladesh	—	—	5	540.1	5	540.1
China	—	—	5	590.0	5	590.0
Fiji	1	16.2	—	—	1	16.2
India	10	1,108.0	1	832.4	11	1,940.4
Indonesia	9	1,632.8	—	—	9	1,632.8
Korea, Republic of	3	110.6	—	—	3	110.6
Lao People's Democratic Republic	—	—	2	44.7	2	44.7
Malaysia	2	154.2	—	—	2	154.2
Maldives	—	—	1	7.5	1	7.5

Region and country	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Asia *(continued)*						
Nepal	—	—	1	47.2	1	47.2
Papua New Guinea	2	67.2	—	—	2	67.2
Philippines	7	941.8	—	—	7	941.8
Sri Lanka	—	—	2	143.4	2	143.4
Thailand	2	144.0	—	—	2	144.0
Tonga	—	—	1	3.0	1	3.0
Western Samoa	—	—	1	14.0	1	14.0
Total	36	4,174.8	19	2,222.3	55	6,397.1
Europe, Middle East, and North Africa						
Algeria	4	457.5	—	—	4	457.5
Cyprus	1	25.0	—	—	1	25.0
Egypt, Arab Republic of	2	61.5	—	—	2	61.5
Hungary	3	366.0	—	—	3	366.0
Jordan	2	175.0	—	—	2	175.0
Morocco	5	482.5	—	—	5	482.5
Pakistan	4	617.5	2	208.3	6	825.8
Poland	5	781.0	—	—	5	781.0
Tunisia	2	147.0	—	—	2	147.0
Turkey	3	326.2	—	—	3	326.2
Yemen Arab Republic	—	—	2	30.0	2	30.0
Yemen, People's Democratic Republic of	—	—	3	37.5	3	37.5
Yugoslavia	2	692.0	—	—	2	692.0
Total	33	4,131.2	7	275.8	40	4,407.0
Latin America and the Caribbean						
Bolivia	—	—	4	100.2	4	100.2
Brazil	8	1,569.0	—	—	8	1,569.0
Caribbean region	1	20.0	—	12.0	1	32.0
Chile	2	354.0	—	—	2	354.0
Colombia	3	157.2	—	—	3	157.2
Costa Rica	1	60.0	—	—	1	60.0
Ecuador	1	50.0	—	—	1	50.0
Guyana	—	—	2	81.0	2	81.0
Haiti	—	—	2	39.6	2	39.6
Jamaica	2	55.0	—	—	2	55.0
Mexico	7	2,607.5	—	—	7	2,607.5
St. Lucia	1	2.5	—	5.2	1	7.7
Trinidad and Tobago	2	44.0	—	—	2	44.0
Uruguay	2	127.5	—	—	2	127.5
Venezuela	3	680.0	—	—	3	680.0
Total	33	5,726.7	8	238.0	41	5,964.7
Grand total	121	15,179.7	101	5,522.0	222	20,701.7

NOTE: Supplements are included in the amounts, but are not counted as separate lending operations. Joint IBRD/IDA operations are counted only once, as IBRD operations.

— Zero.

Table 7-2. Projects Approved for IBRD and IDA Assistance in Fiscal Year 1990, by Sector
(millions of US dollars)

Sector[a]	IBRD	IDA	Total
Agriculture and Rural Development			
Algeria—Area development	32.0	—	32.0
Bangladesh—Fishing	—	44.6	44.6
Bangladesh—Irrigation and drainage	—	53.9	53.9
Benin—Agricultural credit	—	2.5	2.5
Bolivia—Area development	—	35.0	35.0
Brazil—Area development	33.0	—	33.0
Brazil—Agricultural credit	117.0	—	117.0
Brazil—Irrigation and drainage	210.0	—	210.0
Brazil—Irrigation and drainage	100.0	—	100.0[b]
Brazil—Research and extension	47.0	—	47.0
Burundi—Agroindustry	—	28.0	28.0
Cameroon—Research and extension	21.0	—	21.0
Central African Republic—Forestry	—	19.0	19.0
China—Area development	—	60.0	60.0
China—Area development	—	150.0	150.0
China—Forestry	—	300.0	300.0
Colombia—Irrigation and drainage	78.2	—	78.2
Côte d'Ivoire—Area development	150.0	—	150.0
Côte d'Ivoire—Forestry	80.0	—	80.0
Egypt, Arab Republic of—Irrigation and drainage	31.0	—	31.0
Guinea—Area development	—	40.0	40.0
Guinea—Forestry	—	8.0	8.0
Hungary—Agriculture sector loan	100.0	—	100.0
India—Area development	7.0	55.0	62.0
India—Area development	13.0	75.0	88.0
India—Irrigation and drainage	15.0	150.0	165.0
Indonesia—Forestry	20.0	—	20.0
Jamaica—Agriculture sector loan	25.0	—	25.0
Kenya—Perennial crops	—	46.8	46.8
Lao People's Democratic Republic—Perennial crops	—	20.2	20.2
Madagascar—Agriculture sector loan	—	26.0	26.0
Madagascar—Research and extension	—	3.7	3.7
Malawi—Agriculture sector loan	—	70.0	70.0
Malaysia—Perennial crops	71.0	—	71.0
Mali—Agriculture sector loan	—	53.0	53.0
Mauritania—Agriculture sector loan	—	25.0	25.0
Mexico—Agroindustry	100.0	—	100.0
Mexico—Forestry	45.5	—	45.5
Morocco—Forestry	49.0	—	49.0
Nepal—Irrigation and drainage	—	47.2	47.2
Niger—Research and extension	—	19.9	19.9
Nigeria—Area development	14.0	—	14.0
Nigeria—Perennial crops	106.0	—	106.0
Pakistan—Agricultural credit	148.5	1.5	150.0
Pakistan—Research and extension	—	57.3	57.3
Philippines—Perennial crops	121.8	—	121.8
Poland—Agroindustry	100.0	—	100.0
Senegal—Research and extension	—	17.1	17.1

Sector[a]	IBRD	IDA	Total
Agriculture and Rural Development *(continued)*			
Senegal—Research and extension	—	18.5	18.5
Somalia—Irrigation and drainage	—	28.5	28.5
Tanzania—Agriculture sector loan	—	200.0	200.0
Tunisia—Research and extension	17.0	—	17.0
Turkey—Research and extension	63.0	—	63.0
Uruguay—Agricultural credit	65.0	—	65.0
Zaire—Research and extension	—	5.9	5.9
Zimbabwe—Forestry	14.5	—	14.5
Total	1,994.5	1,661.6	3,656.1
Development Finance Companies			
Bangladesh	—	175.0	175.0
Bolivia	—	9.1	9.1[b]
Caribbean region	20.0	12.0	32.0
Chile	130.0	—	130.0
Guinea-Bissau	—	23.6	23.6
Kenya	—	44.0	44.0[b]
Malawi	—	4.7	4.7[b]
Morocco	170.0	—	170.0
Philippines	65.0	—	65.0
Poland	260.0	—	260.0
Senegal	—	45.0	45.0
Tanzania	—	10.3	10.3[b]
Tonga	—	3.0	3.0
Venezuela	300.0	—	300.0
Total	945.0	326.7	1,271.7
Education			
Bangladesh	—	159.3	159.3
China	—	50.0	50.0
Djibouti	—	5.8	5.8
Egypt, Arab Republic of	30.5	—	30.5
Gambia, The	—	14.6	14.6
Ghana	—	50.0	50.0
Guinea	—	20.0	20.0
India	25.0	235.0	260.0
Indonesia	154.2	—	154.2
Indonesia	36.1	—	36.1
Indonesia	117.5	—	117.5
Korea, Republic of	45.0	—	45.0
Korea, Republic of	31.6	—	31.6
Madagascar	—	39.0	39.0
Malawi	—	36.9	36.9
Nigeria	—	120.0	120.0
Pakistan	—	112.5	112.5
Somalia	—	26.1	26.1
Sri Lanka	—	49.0	49.0
Tanzania	—	38.3	38.3
Turkey	90.2	—	90.2
Total	530.1	956.5	1,486.6

(continued)

Table 7-2 (continued)

Sector[a]	IBRD	IDA	Total
Energy			
Oil, gas, and coal			
Indonesia	86.0	—	86.0
Total	86.0	—	86.0
Power			
Bangladesh	—	105.0	105.0
Bangladesh	—	2.3	2.3[b]
Brazil	385.0	—	385.0
Côte d'Ivoire	100.0	—	100.0
Ghana	—	40.0	40.0
Ghana	—	20.0	20.0
India	98.0	—	98.0
India	485.0	—	485.0
Indonesia	329.0	—	329.0
Mexico	450.0	—	450.0
Nigeria	70.0	—	70.0
Pakistan	123.0	37.0	160.0
Pakistan	162.0	—	162.0
Philippines	390.0	—	390.0
Poland	250.0	—	250.0
Thailand	94.0	—	94.0
Uruguay	62.5	—	62.5
Yemen, People's Democratic Republic of	—	15.5	15.5
Total	2,998.5	219.8	3,218.3
Industry			
Algeria—Industry sector loan	99.5	—	99.5
Hungary—Industry sector loan	66.0	—	66.0
India—Industry sector loan	145.0	55.0	200.0
India—Industry sector loan	300.0	—	300.0
Jordan—Mining, other extractive	25.0	—	25.0
Mozambique—Industry sector loan	—	50.1	50.1
Western Africa region—Industry sector loan	15.0	40.0	55.0
Total	650.5	145.1	795.6
Nonproject			
Algeria	300.0	—	300.0
Central African Republic	—	45.0	45.0
Ghana	—	5.7	5.7[b]
Guyana	—	74.6	74.6
Guyana	—	3.4	3.4[b]
Hungary	200.0	—	200.0
Jordan	150.0	—	150.0
Mexico	1,260.0	—	1,260.0
Papua New Guinea	50.0	—	50.0
Philippines	200.0	—	200.0
São Tomé and Principe	—	9.8	9.8
Senegal	—	80.0	80.0
Senegal	—	4.4	4.4[b]
Sri Lanka	—	90.0	90.0
Sri Lanka	—	4.4	4.4[b]

Sector[a]	IBRD	IDA	Total
Nonproject *(continued)*			
Togo	—	0.2	0.2[b]
Trinidad and Tobago	40.0	—	40.0
Uganda	—	125.0	125.0
Uganda	—	1.5	1.5[b]
Yugoslavia	400.0	—	400.0
Total	2,600.0	444.0	3,044.0
Population, Health, and Nutrition			
Bolivia	—	20.0	20.0
Bolivia	—	20.0	20.0
Brazil	267.0	—	267.0
Cameroon	21.5	—	21.5
Chad	—	13.4	13.4
Colombia	24.0	—	24.0
Gambia, The	—	7.0	7.0
Haiti	—	28.2	28.2
India	—	95.8	95.8
India	10.0	86.7	96.7
Jamaica	30.0	—	30.0
Kenya	—	35.0	35.0
Lesotho	—	12.1	12.1
Morocco	104.0	—	104.0
Nigeria	68.1	—	68.1
Tanzania	—	47.6	47.6
Uganda	—	28.0	28.0
Yemen Arab Republic	—	15.0	15.0
Total	524.6	408.8	933.4
Public-sector Management			
Madagascar	—	1.2	1.2[b]
Mauritania	—	40.0	40.0
Rwanda	—	4.4	4.4
Tunisia	130.0	—	130.0
Venezuela	350.0	—	350.0
Total	480.0	45.6	525.6
Small-scale Enterprises			
Bolivia	—	16.1	16.1
Ecuador	50.0	—	50.0
Guinea	—	50.0	50.0
Haiti	—	11.4	11.4
Madagascar	—	48.0	48.0
Mozambique	—	32.0	32.0
Total	50.0	157.5	207.5
Technical Assistance			
Algeria	26.0	—	26.0
Cameroon	9.0	—	9.0
Gabon	5.0	—	5.0
Guyana	—	3.0	3.0
Kenya	—	5.0	5.0

(continued)

Table 7-2 (continued)

Sector[a]	IBRD	IDA	Total
Technical Assistance *(continued)*			
Kenya	—	6.0	6.0
Mauritania	—	10.0	10.0
Mexico	22.0	—	22.0
Mozambique	—	21.0	21.0
Trinidad and Tobago	4.0	—	4.0
Venezuela	30.0	—	30.0
Total	96.0	45.0	141.0
Telecommunications			
Indonesia	350.0	—	350.0
Lao People's Democratic Republic	—	24.5	24.5
Nigeria	225.0	—	225.0
Papua New Guinea	17.2	—	17.2
Total	592.2	24.5	616.7
Transportation			
Brazil—Highways	310.0	—	310.0
Burundi—Transportation sector loan	—	43.2	43.2
Central African Republic—Transportation sector loan	—	62.0	62.0
Chile—Highways	224.0	—	224.0
Colombia—Highways	55.0	—	55.0
Costa Rica—Transportation sector loan	60.0	—	60.0
Indonesia—Highways	350.0	—	350.0
Malawi—Highways	—	28.8	28.8
Malaysia—Highways	83.2	—	83.2
Maldives—Airlines and airports	—	7.5	7.5
Mauritius—Highways	30.0	—	30.0
Mexico—Highways	380.0	—	380.0
Morocco—Highways	79.0	—	79.0
Mozambique—Railways	—	40.0	40.0
Pakistan—Transportation sector loan	184.0	—	184.0
Poland—Highways	153.0	—	153.0
Rwanda—Highways	—	40.0	40.0
Sudan—Highways	—	82.2	82.2
Tanzania—Highways	—	180.4	180.4
Tanzania—Ports and waterways	—	37.0	37.0
Thailand—Highways	50.0	—	50.0
Western Samoa—Transportation sector loan	—	14.0	14.0
Yugoslavia—Highways	292.0	—	292.0
Total	2,250.2	535.1	2,785.3
Urban Development			
Brazil	100.0	—	100.0
Burkina Faso	—	22.2	22.2
China	—	30.0	30.0
Côte d'Ivoire	66.0	—	66.0
Ethiopia	—	35.0	35.0
Ethiopia	—	40.2	40.2
Fiji	16.2	—	16.2
Ghana	—	70.0	70.0
Guinea	—	57.0	57.0
Mexico	350.0	—	350.0

Sector[a]	IBRD	IDA	Total
Urban Development *(continued)*			
Morocco	80.5	—	80.5
Nigeria	50.0	—	50.0
Philippines	40.0	—	40.0
Senegal	—	20.0	20.0
Yemen Arab Republic	—	15.0	15.0
Yemen, People's Democratic Republic of	—	10.0	10.0
Total	702.7	299.4	1,002.1
Water Supply and Sewerage			
Côte d'Ivoire	80.0	—	80.0
Côte d'Ivoire	21.9	—	21.9
Cyprus	25.0	—	25.0
India	10.0	79.9	89.9
Indonesia	190.0	—	190.0
Kenya	—	64.8	64.8
Korea, Republic of	34.0	—	34.0
Madagascar	—	30.5	30.5
Philippines	85.0	—	85.0
Philippines	40.0	—	40.0
Poland	18.0	—	18.0
St. Lucia	2.5	5.2	7.7
Turkey	173.0	—	173.0
Uganda	—	60.0	60.0
Yemen, People's Democratic Republic of	—	12.0	12.0
Total	679.4	252.4	931.8
Grand total	15,179.7	5,522.0	20,701.7

NOTE: For additional details, see Tables 7–3 and 7–4.

—Zero.

a. Many projects include activity in more than one sector or subsector.

b. Supplementary financing to a previous loan, not counted as a separate operation.

Table 7-3. Statement of IBRD Loans Approved during Fiscal Year 1990

Borrower or guarantor and purpose	Date of approval	Maturities	Principal amount (US$ millions)
Algeria			
Economic reform support loan	Aug. 31, 1989	1995/2004	300.0
Technical assistance project	Mar. 6, 1990	1995/2005	26.0
Industrial restructuring demonstration project	May 31, 1990	1995/2005	5.0
Agricultural research and pilot extension project	June 5, 1990	1996/2005	32.0
Algeria (Guarantor)			
Industrial restructuring demonstration project—Entreprise nationale de produits métalliques utilitaires	May 31, 1990	1995/2005	12.7
Industrial restructuring demonstration project—Entreprise nationale d'organisation et d'information	May 31, 1990	1995/2005	5.0
Industrial restructuring demonstration project—Entreprise nationale de production de boulonnerie, coutellerie et robinetterie	May 31, 1990	1995/2005	29.2
Industrial restructuring demonstration project—Entreprise nationale d'emballages métalliques	May 31, 1990	1995/2005	47.6
Brazil			
Third agricultural research project	Oct. 24, 1989	1995/2004	47.0
Second northeast basic health services project	Nov. 30, 1989	1995/2004	267.0
Highways management and rehabilitation project	Feb. 13, 1990	1995/2005	310.0
Northeast irrigation I project	Feb. 20, 1990	1995/2005	210.0
National environmental project	Feb. 27, 1990	1995/2005	117.0
Brazil (Guarantor)			
Municipal development project—State of Rio Grande do Sul	Oct. 24, 1989	1995/2004	100.0
Land management II project—State of Santa Catarina	Jan. 30, 1990	1995/2005	33.0
Itaparica resettlement and irrigation project—Centrais Elétricas Brasileiras S.A.	Feb. 20, 1990	1993/2003	100.0
Electricity transmission and conversion project—Centrais Elétricas Brasileiras S.A.	June 14, 1990	1995/2005	385.0
Cameroon			
Economic management project	July 11, 1989	1994/2006	9.0
National agricultural extension and training project	Mar. 29, 1990	1995/2010	21.0
Social dimensions of adjustment project	May 24, 1990	1995/2010	21.5
Caribbean region			
Fifth Caribbean Development Bank project—Caribbean Development Bank	May 22, 1990	1995/2007	20.0
Chile			
Second road sector project	Sept. 14, 1989	1995/2006	224.0
Financial markets loan	Dec. 14, 1989	1995/2007	130.0
Colombia			
Small-scale irrigation project	Aug. 1, 1989	1995/2006	78.2
Community child care and nutrition project	May 22, 1990	1996/2007	24.0
Colombia (Guarantor)			
Second rural roads sector project—Fondo Nacional de Caminos Vecinales	Jan. 16, 1990	1995/2006	55.0
Costa Rica			
Transport sector project	May 24, 1990	1995/2007	60.0

Borrower or guarantor and purpose	Date of approval	Maturities	Principal amount (US$ millions)
Côte d'Ivoire			
Agricultural sector adjustment loan	Oct. 24, 1989	1995/2009	150.0
Municipal development project	Oct. 24, 1989	1995/2009	66.0
Energy sector adjustment program	Dec. 21, 1989	1995/2009	100.0
Abidjan environmental protection project	Jan. 9, 1990	1995/2009	21.9
Forestry sector project	Apr. 3, 1990	1995/2010	80.0
Water supply and sanitation sector adjustment program	June 28, 1990	1995/2010	80.0
Cyprus (Guarantor)			
Sewerage and drainage project—Sewerage Board of Limassol-Amathus	June 7, 1990	1996/2005	25.0
Ecuador			
Fourth small-scale enterprise project	Feb. 1, 1990	1995/2007	50.0
Egypt, Arab Republic of			
Engineering and technical education project	Dec. 5, 1989	1995/2009	30.5
Pumping stations rehabilitation project II	May 15, 1990	1995/2010	31.0
Fiji			
Housing project	Apr. 17, 1990	1995/2007	16.2
Gabon			
Technical assistance project	Aug. 3, 1989	1994/2004	5.0
Hungary (Guarantor)			
Financial system modernization project—National Bank of Hungary	Apr. 26, 1990	1995/2005	66.0
Structural adjustment loan—National Bank of Hungary	June 20, 1990	1995/2005	200.0
Integrated agricultural export project—National Bank of Hungary	June 20, 1990	1995/2005	100.0
India			
Industrial technology development project	Sept. 12, 1989	1995/2009	145.0
Punjab irrigation and drainage project	Dec. 14, 1989	1995/2010	15.0
Integrated watershed development (hills) project	Mar. 6, 1990	1995/2010	13.0
Hyderabad water supply and sanitation project	Mar. 27, 1990	1995/2010	10.0
Technician education project	May 1, 1990	1995/2010	25.0
Integrated watershed development (plains) project	May 15, 1990	1996/2010	7.0
Cement industry restructuring project	May 15, 1990	1996/2010	300.0
Seventh population project	May 17, 1990	1996/2010	10.0
Northern region transmission project	June 26, 1990	1996/2010	485.0
India (Guarantor)			
Private power utilities project—Tata Electric Companies	June 26, 1990	1996/2010	98.0
Indonesia			
Public works institutional development and training project	July 25, 1989	1995/2009	36.1
Highway sector project	Nov. 14, 1989	1995/2009	350.0
Professional human resource development project	Nov. 28, 1989	1995/2009	117.5
Second secondary education and management project	Jan. 25, 1990	1995/2010	154.2
Rural electrification project	Mar. 22, 1990	1995/2010	329.0
Third telecommunications project	Mar. 27, 1990	1995/2010	350.0
Gas utilization project	May 31, 1990	1996/2010	86.0
Second Jabotabek urban development project	June 5, 1990	1996/2010	190.0
Second forestry institutions and conservation project	June 28, 1990	1996/2010	20.0

(continued)

Table 7-3 (continued)

Borrower or guarantor and purpose	Date of approval	Maturities	Principal amount (US$ millions)
Jamaica			
Social sectors development project	July 11, 1989	1995/2006	30.0
Agricultural sector adjustment loan	Mar. 6, 1990	1995/2007	25.0
Jordan			
Industry and trade policy adjustment loan	Dec. 14, 1989	1995/2007	150.0
Jordan (Guarantor)			
Integrated phosphate project—Jordan Phosphate Mines Company, Ltd	Feb. 20, 1990	1995/2006	25.0
Korea, Republic of			
Juam regional water supply project	Mar. 20, 1990	1995/2005	34.0
Universities science and technology research project	May 22, 1990	1995/2005	45.0
Second technology advancement project	May 22, 1990	1995/2005	31.6
Malaysia			
Rubber Industry Smallholders Development Authority project	Dec. 12, 1989	1995/2007	71.0
Highway rehabilitation and improvement project	Dec. 14, 1989	1995/2007	83.2
Mauritius			
Second highways project	Nov. 7, 1989	1995/2007	30.0
Mexico (Guarantor)			
Forestry development project—Nacional Financiera, S.N.C.	Aug. 29, 1989	1995/2006	45.5
Second agricultural marketing project—Nacional Financiera, S.N.C.	Dec. 12, 1989	1995/2007	100.0
Second low-income housing project—Banco Nacional de Obras y Servicios Públicos, S.N.C.	Dec. 12, 1989	1995/2007	350.0
Interest support loan—Banco Nacional de Comercio Exterior, S.N.C.	Jan. 30, 1990	1995/2007	1,260.0
Transmission and distribution project—Nacional Financiera, S.N.C.	Apr. 17, 1990	1995/2007	450.0
Telecommunications technical assistance project—Banco Nacional de Obras y Servicios Públicos, S.N.C.	May 29, 1990	1996/2007	22.0
Road transport and telecommunications sector adjustment—Banco Nacional de Obras y Servicios Públicos, S.N.C.	May 29, 1990	1996/2007	380.0
Morocco			
Second housing finance project	Sept. 14, 1989	1995/2009	3.0
Second forestry development project	Jan. 9, 1990	1995/2010	49.0
Highway sector project	Feb. 8, 1990	1995/2010	79.0
Health sector investment project	Feb. 20, 1990	1995/2010	104.0
Morocco (Guarantor)			
Second housing finance project—Crédit immobilier et hôtelier	Sept. 14, 1989	1995/2009	77.5
Industrial finance project—Banque centrale populaire	Dec. 5, 1989	1995/2009	12.0
Industrial finance project—Banque marocaine du commerce extérieur	Dec. 5, 1989	1995/2009	40.0
Industrial finance project—Banque commerciale du Maroc	Dec. 5, 1989	1995/2009	25.0

Borrower or guarantor and purpose	Date of approval	Maturities	Principal amount (US$ millions)
Morocco (Guarantor) *(continued)*			
Industrial finance project—Banque marocaine pour le commerce et l'industrie	Dec. 5, 1989	1995/2009	12.0
Industrial finance project—Banque nationale pour le développement économique	Dec. 5, 1989	1995/2009	50.0
Industrial finance project—Crédit du Maroc	Dec. 5, 1989	1995/2009	5.0
Industrial finance project—Société générale marocaine de banques	Dec. 5, 1989	1995/2009	9.0
Industrial finance project—Wafabank	Dec. 5, 1989	1995/2009	17.0
Nigeria			
Tree crops project	Oct. 17, 1989	1997/2011	106.0
Essential drugs project	Oct. 17, 1989	1995/2009	68.1
National seed and quarantine project	Mar. 29, 1990	1995/2010	14.0
Oyo State urban project	June 26, 1990	1996/2010	50.0
Nigeria (Guarantor)			
Power system maintenance and rehabilitation project—National Electric Power Authority	Aug. 29, 1989	1995/2009	70.0
First telecommunications project—Nigerian Telecommunications Limited	June 26, 1990	1996/2010	225.0
Pakistan			
Rural electrification project	Dec. 18, 1989	1995/2009	123.0
Agricultural credit project	June 12, 1990	1995/2010	148.5
Transport sector project	June 28, 1990	1995/2010	184.0
Pakistan (Guarantor)			
Transmission extension and reinforcement project—Water and Power Development Authority	Dec. 18, 1989	1995/2009	162.0
Papua New Guinea			
Third telecommunications project	Jan. 4, 1990	1995/2010	17.2
Structural adjustment loan	June 5, 1990	1996/2010	50.0
Philippines			
Second municipal development project	Dec. 14, 1989	1995/2010	40.0
Debt management program	Dec. 21, 1989	1995/2010	200.0
Energy sector project	Feb. 1, 1990	1995/2010	40.0
Small coconut farms development project	May 24, 1990	1996/2010	121.8
First water supply, sewerage, and sanitation sector project	June 28, 1990	1996/2010	85.0
Philippines (Guarantor)			
Angat water supply optimization project—Metropolitan Waterworks and Sewerage System	Oct. 5, 1989	1995/2009	40.0
Industrial investment credit project—Development Bank of the Philippines	Oct. 5, 1989	1995/2009	65.0
Energy sector project—National Power Corporation	Feb. 1, 1990	1995/2010	200.0
Energy sector project—Philippine National Oil Company	Feb. 1, 1990	1995/2010	150.0
Poland			
Environment management project	Apr. 24, 1990	1996/2007	18.0
First transport project (general)	May 1, 1990	1996/2007	8.0

(continued)

Table 7-3 (continued)

Borrower or guarantor and purpose	Date of approval	Maturities	Principal amount (US$ millions)
Poland (Guarantor)			
Agroindustries export development project—National Bank of Poland	Feb. 6, 1990	1995/2007	100.0
Industrial export development project—National Bank of Poland	Feb. 6, 1990	1995/2007	260.0
First transport project (railways)—Polish State Railways	May 1, 1990	1996/2007	145.0
Energy resource development—Polish Oil and Gas Company	June 5, 1990	1996/2007	250.0
St. Lucia			
Water supply project	Mar. 29, 1990	1995/2007	2.5
Thailand			
Third highway sector project	June 7, 1990	1996/2010	50.0
Thailand (Guarantor)			
Second power system development project—Electricity Generating Authority of Thailand	Dec. 12, 1989	1995/2010	94.0
Trinidad and Tobago			
Technical assistance project	Jan. 4, 1990	1995/2004	4.0
Structural adjustment loan	Jan. 4, 1990	1995/2004	40.0
Tunisia			
Public enterprise reform loan	July 11, 1989	1995/2006	130.0
Agricultural research and extension project	June 5, 1990	1995/2007	17.0
Turkey			
Second agricultural extension and applied research project	Mar. 13, 1990	1995/2007	63.0
National education development project	Apr. 26, 1990	1995/2007	90.2
Turkey (Guarantor)			
Ankara sewerage project—Ankara Water Supply and Sewerage Administration	Dec. 21, 1989	1995/2007	173.0
Uruguay			
Second agricultural development project	Oct. 31, 1989	1995/2004	65.0
Uruguay (Guarantor)			
Power modernization project—Administración Nacional de Usinas y Transmisiones Eléctricas	June 7, 1990	1995/2005	62.5
Venezuela			
Public enterprise reform loan	June 12, 1990	1995/2005	350.0
Financial sector adjustment loan	June 12, 1990	1995/2005	300.0
Technical assistance project for preinvestment and institutional development	June 12, 1990	1996/2005	30.0
Western Africa region			
Third regional development project	Feb. 1, 1990	1995/2009	15.0
Yugoslavia (Guarantor)			
Second structural adjustment loan—National Bank of Yugoslavia	Apr. 12, 1990	1995/2005	400.0
Third highway sector project—Road Organization of Bosnia-Herzegovina	June 20, 1990	1995/2005	55.0
Third highway sector project—Road Organization of Croatia	June 20, 1990	1995/2005	75.0

Borrower or guarantor and purpose	Date of approval	Maturities	Principal amount (US$ millions)
Yugoslavia (Guarantor) *(continued)*			
Third highway sector project—Road Organization of Macedonia	June 20, 1990	1995/2005	22.0
Third highway sector project—Road Organization of Serbia	June 20, 1990	1995/2005	55.0
Third highway sector project—Road Organization of Slovenia	June 20, 1990	1995/2005	60.0
Third highway sector project—Road Organization of Vojvodina	June 20, 1990	1995/2005	25.0
Zimbabwe			
Forest resources management and development project	Mar. 22, 1990	1995/2010	14.5
Total			15,179.7
International Finance Corporation (total amount for fiscal 1990)	—[a]	—[b]	176.5
Grand total			15,356.2

NOTE: All loans approved in fiscal year 1990 are at variable interest rates.

a. Various loans approved throughout the fiscal year.

b. Maturities vary for individual loans.

Table 7-4. Statement of IDA Credits Approved during Fiscal Year 1990

Country and purpose	Date of approval	Maturities	Principal amount (millions) SDR	US$ equivalent
Bangladesh				
Energy sector adjustment credit (supplemental credit)	Oct. 12, 1989	1999/2028	1.8	2.3
Bangladesh Water Development Board systems rehabilitation project	Mar. 6, 1990	2000/2030	40.8	53.9
General education project	Mar. 29, 1990	2000/2030	120.6	159.3
Third rural electrification project	May 1, 1990	2000/2030	79.6	105.0
Third fisheries project	May 29, 1990	2000/2030	34.6	44.6
Financial sector adjustment credit	June 5, 1990	2000/2030	132.7	175.0
Benin				
Rural savings and loan rehabilitation project	Jan. 30, 1990	2000/2029	2.0	2.5
Bolivia				
Financial sector adjustment credit (supplemental credit)	Oct. 12, 1989	1998/2028	7.3	9.1
Integrated health development project	Feb. 8, 1990	2000/2029	15.7	20.0
Eastern lowlands: natural resource management and agricultural production project	Mar. 29, 1990	2000/2030	26.5	35.0
Social investment fund project	April 24, 1990	2000/2030	15.1	20.0
Private enterprise development project	May 17, 1990	2000/2030	12.5	16.1
Burkina Faso				
Second urban project	Oct. 24, 1989	2000/2029	18.0	22.2
Burundi				
Transport sector project	Mar. 20, 1990	2000/2030	32.7	43.2
Coffee sector project	April 10, 1990	2000/2029	21.3	28.0
Caribbean Development Bank				
Fifth Caribbean Development Bank project	May 22, 1990	2000/2030	9.1	12.0
Central African Republic				
Transport sector project	April 24, 1990	2000/2030	46.6	62.0
Natural resource management project	May 22, 1990	2000/2030	14.5	19.0
Third structural adjustment program	June 21, 1990	2000/2030	34.5	45.0
Chad				
Social development action project	June 14, 1990	2000/2030	10.4	13.4
China				
North China earthquake reconstruction project	Feb. 8, 1990	2000/2025	23.4	30.0
Jiangxi agricultural development project	Feb. 27, 1990	2000/2024	46.2	60.0
Vocational and technical education project	Mar. 27, 1990	2000/2024	38.5	50.0
National afforestation project	May 29, 1990	2000/2025	230.0	300.0
Hebei agricultural development project	June 14, 1990	2000/2025	116.1	150.0
Djibouti				
Manpower and education development project	Dec. 21, 1989	2000/2029	4.6	5.8

Country and purpose	Date of approval	Maturities	Principal amount (millions) SDR	US$ equivalent
Ethiopia				
Market towns development project	Mar. 13, 1990	2000/2029	31.4	40.2
Second Addis Ababa urban development project	June 20, 1990	2000/2030	27.1	35.0
Gambia, The				
Women in development project............	May 24, 1990	2000/2030	5.4	7.0
Education sector project..................	May 24, 1990	2000/2030	11.3	14.6
Ghana				
Electricity Corporation of Ghana fifth power project	Aug. 29, 1989	1999/2029	30.3	40.0
Second structural adjustment credit (supplemental credit)	Oct. 12, 1989	1999/2029	4.6	5.7
Volta River Authority sixth power project ..	Mar. 27, 1990	2000/2029	15.2	20.0
Second education sector adjustment credit..	May 24, 1990	2000/2030	37.9	50.0
Urban II project	June 14, 1990	2000/2030	53.7	70.0
Guinea				
Forestry and fisheries management project .	Oct. 24, 1989	2000/2029	6.3	8.0
National rural infrastructure project........	Mar. 20, 1990	2000/2029	31.3	40.0
Second urban project......................	Mar. 27, 1990	2000/2029	43.0	57.0
Private sector promotion program	May 31, 1990	2000/2030	38.7	50.0
Education sector adjustment credit	June 12, 1990	2000/2030	15.4	20.0
Guinea-Bissau				
Infrastructure rehabilitation project	Dec. 14, 1989	2000/2029	18.5	23.6
Guyana				
Third technical assistance project..........	June 28, 1990	2000/2030	2.3	3.0
Second structural adjustment credit........	June 28, 1990	2000/2030	57.2	74.6
Second structural adjustment credit (supplemental credit)	June 28, 1990	2000/2030	2.6	3.4
Haiti				
Industrial restructuring and development project................................	Dec. 5, 1989	2000/2029	9.1	11.4
First health project	Jan. 16, 1990	2000/2030	22.2	28.2
India				
Industrial technology development project ..	Sept. 12, 1989	1999/2024	44.2	55.0
Punjab irrigation and drainage project	Dec. 14, 1989	2000/2024	117.7	150.0
Integrated watershed development (hills) project................................	Mar. 6, 1990	2000/2024	56.8	75.0
Hyderabad water supply and sanitation project................................	Mar. 27, 1990	2000/2025	63.9	79.9
Technician education project..............	May 1, 1990	2000/2024	178.2	235.0
Integrated watershed development (plains) project................................	May 15, 1990	2000/2025	42.6	55.0
Seventh population project................	May 17, 1990	2000/2025	67.1	86.7
Second Tamil Nadu nutrition project.......	June 14, 1990	2000/2025	73.5	95.8

(continued)

Table 7-4 (continued)

Country and purpose	Date of approval	Maturities	Principal amount (millions) SDR	US$ equivalent
Kenya				
Financial sector technical assistance project	July 11, 1989	1999/2024	3.9	5.0
Third Nairobi water supply project	July 25, 1989	1999/2024	49.1	64.8
Second coffee improvement project	Sept. 12, 1989	2000/2029	36.5	46.8
Financial sector adjustment credit (supplemental credit)	Oct. 12, 1989	1999/2024	35.3	44.0
Fourth population project	Mar. 27, 1990	2000/2030	26.3	35.0
Financial parastatals technical assistance project	May 31, 1990	2000/2030	4.7	6.0
Lao People's Democratic Republic				
Upland agriculture development project	Dec. 21, 1989	2000/2029	15.9	20.2
Second telecommunications project	Mar. 13, 1990	2000/2029	19.1	24.5
Lesotho				
Second population, health, and nutrition project	July 11, 1989	2000/2029	9.4	12.1
Madagascar				
Public sector adjustment credit (supplemental credit)	Oct. 12, 1989	1998/2028	0.9	1.2
Education sector reinforcement project	Feb. 13, 1990	2000/2030	30.4	39.0
Financial sector and private enterprise development project	Mar. 20, 1990	2000/2030	36.4	48.0
Antananarivo Plain development project	Mar. 29, 1990	2000/2030	23.0	30.5
Environment program	April 17, 1990	2000/2030	19.8	26.0
Agricultural extension pilot project	May 31, 1990	2000/2030	2.8	3.7
Malawi				
Industry and trade adjustment credit (supplemental credit)	Oct. 12, 1989	1998/2028	3.8	4.7
Infrastructure project	Nov. 7, 1989	2000/2029	22.3	28.8
Second education sector credit	Dec. 21, 1989	2000/2029	29.5	36.9
Agricultural sector adjustment program	April 3, 1990	2000/2030	52.6	70.0
Maldives				
Male airport upgrading project	May 29, 1990	2000/2030	5.9	7.5
Mali				
Agricultural sector adjustment/investment project	June 21, 1990	2000/2030	40.7	53.0
Mauritania				
Agricultural sector adjustment/investment project	Feb. 13, 1990	2000/2030	19.4	25.0
Public enterprise sector institutional development and technical assistance project	June 26, 1990	2000/2030	7.7	10.0
Public enterprise sector adjustment program	June 26, 1990	2000/2030	30.7	40.0
Mozambique				
Beira transport corridor project	Sept. 14, 1989	2000/2029	31.0	40.0
Economic and financial management technical assistance project	Oct. 17, 1989	2000/2029	16.5	21.0

Country and purpose	Date of approval	Maturities	Principal amount (millions) SDR	US$ equivalent
Mozambique *(continued)*				
Industrial enterprise restructuring project . . .	Dec. 21, 1989	2000/2029	40.0	50.1
Small and medium enterprise development project	Dec. 21, 1989	2000/2029	25.1	32.0
Nepal				
Bhairawa Lumbini groundwater irrigation III project	May 29, 1990	2000/2030	36.6	47.2
Niger				
National agricultural research project	April 10, 1990	2000/2030	15.0	19.9
Nigeria				
Federal universities development sector adjustment operation	May 24, 1990	2000/2025	93.5	120.0
Pakistan				
Rural electrification project	Dec. 18, 1989	2000/2024	29.1	37.0
Sindh primary education development program	Mar. 13, 1990	2000/2024	85.2	112.5
Agricultural credit project.	June 12, 1990	2000/2025	1.2	1.5
Agricultural research II project	June 12, 1990	2000/2025	44.4	57.3
Rwanda				
Public enterprise reform project	Mar. 27, 1990	2000/2030	3.4	4.4
Transport sector project	May 22, 1990	2000/2030	31.1	40.0
São Tomé and Principe				
Second structural adjustment credit	June 26, 1990	2000/2030	7.5	9.8
Senegal				
Public works and employment project.	Dec. 14, 1989	2000/2029	16.1	20.0
Financial sector adjustment program	Dec. 18, 1989	2000/2029	35.3	45.0
Fourth structural adjustment program	Feb. 8, 1990	2000/2029	62.4	80.0
Second agricultural research project	Mar. 22, 1990	2000/2030	14.0	18.5
Agricultural services project	Mar. 22, 1990	2000/2030	13.0	17.1
Fourth structural adjustment program (supplemental credit)	May 18, 1990	2000/2029	3.5	4.4
Somalia				
Farahaane irrigation rehabilitation project . .	Sept. 12, 1989	2000/2029	21.2	28.5
Education rehabilitation project	Mar. 27, 1990	2000/2030	19.7	26.1
Sri Lanka				
General education project.	Dec. 12, 1989	2000/2029	38.5	49.0
Economic restructuring credit	May 1, 1990	2000/2030	68.3	90.0
Economic restructuring credit (supplemental credit)	June 26, 1990	2000/2030	3.5	4.4
St. Lucia				
Water supply project	Mar. 29, 1990	2000/2025	4.0	5.2
Sudan				
Khartoum–Port Sudan Road rehabilitation project.	Dec. 5, 1989	2000/2029	65.7	82.2

(continued)

Table 7-4 (continued)

Country and purpose	Date of approval	Maturities	Principal amount (millions) SDR	US$ equivalent
Tanzania				
Industrial and trade adjustment credit (supplemental credit)	Oct. 12, 1989	1999/2028	8.3	10.3
Port modernization project II	Feb. 27, 1990	2000/2029	28.9	37.0
Health and nutrition project	Mar. 6, 1990	2000/2029	36.1	47.6
Agricultural adjustment program	Mar. 29, 1990	2000/2029	150.4	200.0
Education planning and rehabilitation project	May 22, 1990	2000/2030	29.0	38.3
Integrated roads project	May 31, 1990	2000/2030	139.9	180.4
Togo				
Third structural adjustment credit (supplemental credit)	Oct. 12, 1989	1998/2027	0.2	0.2
Tonga				
Second Tonga Development Bank project	Jan. 4, 1990	2000/2029	2.4	3.0
Uganda				
Economic recovery program (supplemental credit)	Oct. 12, 1989	1997/2027	1.2	1.5
Alleviation of poverty and the social costs of adjustment project	Feb. 1, 1990	2000/2029	22.0	28.0
Second economic recovery credit	Feb. 1, 1990	2000/2029	98.1	125.0
Second water supply project	April 12, 1990	2000/2030	45.1	60.0
Western Africa region				
Third regional development project	Feb. 1, 1990	2000/2029	32.0	40.0
Western Samoa				
Emergency road rehabilitation project	May 17, 1990	2000/2030	10.9	14.0
Yemen Arab Republic				
Health sector development project	May 31, 1990	2000/2030	11.7	15.0
Taiz flood disaster prevention and municipal development project	June 14, 1990	2000/2030	11.7	15.0
Yemen, People's Democratic Republic of				
Emergency flood reconstruction project	Dec. 12, 1989	2000/2029	7.9	10.0
Third power project	June 21, 1990	2000/2030	11.9	15.5
Tarim water supply project	Jun. 28, 1990	2000/2030	9.2	12.0
Zaire				
Pilot extension project	Feb. 27, 1990	2000/2029	4.6	5.9
Total			4,255.0	5,522.0

NOTE: Starting with the sixth replenishment of IDA, credits are expressed in special drawing rights (SDRs). The US-dollar equivalent of the original principal amount of credits denominated in SDRs is shown at the rate approved by the executive board. All credits approved in fiscal 1990 have a service charge of 0.75 percent on the unwithdrawn balance.

***Table 7-5.* Trends in Lending, IBRD and IDA, Fiscal Years 1988–90**
(millions of US dollars)

	1988			1989			1990		
Sector	IBRD	IDA	Total	IBRD	IDA	Total	IBRD	IDA	Total
Agriculture and Rural Development	2,932.1	1,561.8	4,493.9	2,066.1	1,423.9	3,490.0	1,994.5	1,661.6	3,656.1
Development Finance Companies	1,490.0	292.5	1,782.5	2,500.0	378.7	2,878.7	945.0	326.7	1,271.7
Education	654.9	209.1	864.0	514.6	449.1	963.7	530.1	956.5	1,486.6
Energy									
Oil, gas, and coal	325.1	63.0	388.1	549.5	31.2	580.7	86.0	—	86.0
Power	1,908.0	98.9	2,006.9	2,858.5	424.4	3,282.9	2,998.5	219.8	3,218.3
Industry	2,062.7	161.9	2,224.6	1,858.0	124.5	1,982.5	650.5	145.1	795.6
Nonproject	1,020.0	405.0	1,425.0	1,892.0	471.5	2,363.5	2,600.0	444.0	3,044.0
Population, Health, and Nutrition	109.0	195.9	304.9	326.5	223.5	550.0	524.6	408.8	933.4
Public-sector Management	—	165.0	165.0	500.0	—	500.0	480.0	45.6	525.6
Small-scale Enterprises	493.0	20.0	513.0	585.0	—	585.0	50.0	157.5	207.5
Technical Assistance	15.2	80.5	95.7	64.0	154.3	218.3	96.0	45.0	141.0
Telecommunications	36.0	—	36.0	53.1	107.9	161.0	592.2	24.5	616.7
Transportation	2,117.2	525.3	2,642.5	1,137.7	693.1	1,830.8	2,250.2	535.1	2,785.3
Urban Development	1,108.5	634.8	1,743.3	959.0	229.5	1,188.5	702.7	299.4	1,002.1
Water Supply and Sewerage	490.3	45.0	535.3	569.2	222.0	791.2	679.4	252.4	931.8
Total	14,762.0	4,458.7	19,220.7	16,433.2	4,933.6	21,366.8	15,179.7	5,522.0	20,701.7

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

***Table 7-6.* Trends in Lending, IBRD and IDA, Fiscal Years 1988–90**
(percentage)

	1988			1989			1990		
Sector	IBRD	IDA	Total	IBRD	IDA	Total	IBRD	IDA	Total
Agriculture and Rural Development	19.9	35.0	23.4	12.6	28.9	16.3	13.1	30.1	17.7
Development Finance Companies	10.1	6.6	9.3	15.2	7.7	13.5	6.2	5.9	6.1
Education	4.4	4.7	4.5	3.1	9.1	4.5	3.5	17.3	7.2
Energy									
Oil, gas, and coal	2.2	1.4	2.0	3.3	0.6	2.7	0.6	0.0	0.4
Power	12.9	2.2	10.4	17.4	8.6	15.4	19.8	4.0	15.5
Industry	14.0	3.6	11.6	11.3	2.5	9.3	4.3	2.6	3.8
Nonproject	6.9	9.1	7.4	11.5	9.6	11.1	17.1	8.0	14.7
Population, Health, and Nutrition	0.7	4.4	1.6	2.0	4.5	2.6	3.5	7.4	4.5
Public-sector Management	0.0	3.7	0.9	3.0	0.0	2.3	3.2	0.8	2.5
Small-scale Enterprises	3.3	0.4	2.7	3.6	0.0	2.7	0.3	2.9	1.0
Technical Assistance	0.1	1.8	0.5	0.4	3.1	1.0	0.6	0.8	0.7
Telecommunications	0.2	0.0	0.2	0.3	2.2	0.8	3.9	0.4	3.0
Transportation	14.3	11.8	13.7	6.9	14.0	8.6	14.8	9.7	13.5
Urban Development	7.5	14.2	9.1	5.8	4.7	5.6	4.6	5.4	4.8
Water Supply and Sewerage	3.3	1.0	2.8	3.5	4.5	3.7	4.5	4.6	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

***Table 7-7.* IBRD and IDA Cumulative Lending Operations, by Major Purpose and Region, June 30, 1990**
(millions of US dollars)

	IBRD loans to borrowers, by region[a]				
Purpose[b]	Africa	Asia	Europe, Middle East, and North Africa	Latin America and the Caribbean	Total
Agriculture and Rural Development					
Agricultural credit	319.8	1,287.9	2,798.8	2,627.4	7,033.9
Agriculture sector loan	14.6	427.3	1,332.0	2,107.1	3,881.0
Agroindustry	30.0	325.2	1,149.7	1,226.9	2,731.8
Area development	1,628.6	1,659.9	996.5	2,960.4	7,245.4
Fisheries	0.0	106.7	48.0	16.2	170.9
Forestry	349.5	78.0	317.5	116.0	861.0
Irrigation and drainage	110.2	3,815.7	2,676.8	2,215.5	8,818.2
Livestock	170.7	318.0	236.0	1,042.0	1,766.7
Perennial crops	634.5	1,410.8	108.0	123.0	2,276.3
Research and extension	85.9	448.4	207.4	585.0	1,326.7
Total	3,343.8	9,877.9	9,870.7	13,019.5	36,111.9
Development Finance Companies	1,059.0	5,227.8	6,128.7	6,481.1	18,896.6
Education	392.1	2,929.4	2,120.5	1,212.7	6,654.7
Energy					
Oil, gas, and coal	167.2	4,364.8	1,630.8	1,122.2	7,285.0
Power	1,782.1	14,272.7	6,243.2	11,239.7	33,537.7
Total	1,949.3	18,637.5	7,874.0	12,361.9	40,822.7
Industry					
Engineering	27.7	10.0	11.0	9.5	58.2
Fertilizer and other chemicals	0.0	1,701.1	776.4	848.5	3,326.0
Industry sector loan	15.6	2,221.1	2,066.5	1,359.5	5,662.7
Iron and steel	20.0	189.0	512.8	1,067.0	1,788.8
Mining, other extractive	533.5	0.0	237.2	547.5	1,318.2
Paper and pulp	48.4	105.5	263.3	20.0	437.2
Textiles	63.0	157.4	307.3	0.0	527.7
Tourism sector loan	54.5	25.0	96.6	187.5	363.6
Total	762.7	4,409.1	4,271.1	4,039.5	13,482.4
Nonproject	1,943.6	3,579.3	4,775.9[c]	4,835.6	15,134.4
Population, Health, and Nutrition	194.4	444.8	263.2	799.8	1,702.2
Public-sector Management	0.0	0.0	130.0	850.0	980.0
Small-scale Enterprises	440.7	1,291.5	808.0	1,985.6	4,525.8
Technical Assistance	138.8	23.0	57.8	229.3	448.9
Telecommunications	510.2	1,348.2	821.8	508.3	3,188.5
Transportation					
Airlines and airports	59.0	14.8	7.0	218.5	299.3
Highways	1,802.9	4,871.7	3,340.3	5,714.3	15,729.2
Pipelines	0.0	0.0	94.5	23.3	117.8
Ports and waterways	285.9	1,722.5	1,492.6	523.7	4,024.7
Railways	694.9	3,013.8	1,483.9	1,938.5	7,131.1
Transportation sector loan	61.6	377.2	556.0	188.6	1,183.4
Total	2,904.3	10,000.0	6,974.3	8,606.9	28,485.5
Urban Development	921.3	2,708.7	731.3	3,489.1	7,850.4
Water Supply and Sewerage	803.8	1,585.4	3,064.8	2,923.7	8,377.7
Grand total	15,364.0	62,062.6	47,892.1	61,343.0	186,661.7

a. Except for the total amount shown in footnote d, no account is taken of cancellations subsequent to original commitment. IBRD loans to the IFC are excluded.

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

IDA credits to borrowers, by region[a]					
Africa	Asia	Europe, Middle East, and North Africa	Latin America and the Caribbean	Total	Total IBRD and IDA
369.1	2,154.3	305.5	23.5	2,852.4	9,886.3
611.7	327.7	40.0	1.4	980.8	4,861.8
361.4	676.9	138.0	15.0	1,191.3	3,923.1
1,602.1	1,685.9	200.6	86.1	3,574.7	10,820.1
46.9	192.3	54.1	0.0	293.3	464.2
338.7	1,010.0	1.7	12.8	1,363.2	2,224.2
855.6	5,174.0	1,214.2	18.5	7,262.3	16,080.5
416.4	331.2	49.5	67.5	864.6	2,631.3
472.4	491.5	15.0	3.2	982.1	3,258.4
413.0	735.1	159.2	0.0	1,307.3	2,634.0
5,487.3	12,778.9	2,177.8	228.0	20,672.0	56,783.9
1,142.4	575.1	273.7	129.6	2,120.8	21,017.4
1,779.3	1,955.2	711.1	73.6	4,519.2	11,173.9
334.5	368.7	111.0	33.0	847.2	8,132.2
975.1	3,635.3	393.6	189.7	5,193.7	38,731.4
1,309.6	4,004.0	504.6	222.7	6,040.9	46,863.6
16.7	0.0	0.0	0.0	16.7	74.9
35.0	884.0	76.4	0.0	995.4	4,321.4
302.7	91.4	29.5	0.0	423.6	6,086.3
40.0	0.0	0.0	0.0	40.0	1,828.8
20.9	16.0	0.0	49.5	86.4	1,404.6
50.0	0.0	0.0	0.0	50.0	487.2
20.0	104.7	7.0	0.0	131.7	659.4
18.0	20.2	48.5	0.0	86.7	450.3
503.3	1,116.3	161.4	49.5	1,830.5	15,312.9
2,294.9	3,063.5	395.0	245.1	5,998.5	21,132.9
504.3	1,003.8	95.2	68.2	1,671.5	3,373.7
302.0	0.0	0.0	0.0	302.0	1,282.0
228.7	236.5	88.8	27.5	581.5	5,107.3
670.9	155.2	44.6	27.2	897.9	1,346.8
339.3	812.3	142.7	0.0	1,294.3	4,482.8
14.0	7.5	2.5	0.0	24.0	323.3
2,601.1	1,042.0	282.3	167.3	4,092.7	19,821.9
0.0	0.0	0.0	0.0	0.0	117.8
413.9	327.7	44.7	16.0	802.3	4,827.0
511.6	1,124.2	138.5	45.0	1,819.3	8,950.4
327.2	348.5	0.0	0.0	675.7	1,859.1
3,867.8	2,849.9	468.0	228.3	7,414.0	35,899.5
782.6	1,356.3	251.3	127.0	2,517.2	10,367.6
675.5	1,205.5	436.9	43.8	2,361.7	10,739.4
19,887.9	31,112.5	5,751.1	1,470.5	58,222.0	244,883.7[d]

c. Includes $497 million in European reconstruction loans made before 1952.

d. Cancellations amount to $12,934.43 million for the IBRD and $2,007.99 million for IDA, totaling $14,942.42 million.

***Table 7-8.* IBRD and IDA Cumulative Lending Operations, by Borrower or Guarantor, June 30, 1990**
(amounts in millions of US dollars)

	IBRD loans		IDA credits		Total	
Borrower or guarantor	Number	Amount	Number	Amount	Number	Amount
Afghanistan	—	—	20	230.1	20	230.1
Algeria	43	3,534.5	—	—	43	3,534.5
Argentina	40	5,120.8	—	—	40	5,120.8
Australia	7	417.7	—	—	7	417.7
Austria	9	106.4	—	—	9	106.4
Bahamas, The	5	42.8	—	—	5	42.8
Bangladesh	1	46.1	126	5,248.6	127	5,294.7
Barbados	9	74.2	—	—	9	74.2
Belgium	4	76.0	—	—	4	76.0
Belize	4	26.2	—	—	4	26.2
Benin	—	—	29	363.1	29	363.1
Bhutan	—	—	5	22.8	5	22.8
Bolivia	14	299.3	30	555.4	44	854.7
Botswana	19	265.8	6	15.8	25	281.6
Brazil	185	17,981.6	—	—	185	17,981.6
Burkina Faso	—	1.9	31	397.6	31	399.5
Burundi	1	4.8	38	542.1	39	546.9
Cameroon	43	1,271.4	15	253.0	58	1,524.4
Cape Verde	—	—	4	20.1	4	20.1
Caribbean Region	3	63.0	2	32.0	5	95.0
Central African Republic	—	—	20	343.3	20	343.3
Chad	—	—	23	320.9	23	320.9
Chile	44	2,668.7	—	19.0	44	2,687.7
China	50	5,280.2	33	3,927.3	83	9,207.5
Colombia	125	6,533.6	—	19.5	125	6,553.1
Comoros	—	—	8	40.5	8	40.5
Congo, People's Republic of the	9	200.9	8	74.6	17	275.5
Costa Rica	33	676.9	—	5.5	33	682.4
Côte d'Ivoire	58	2,535.7	1	7.5	59	2,543.2
Cyprus	28	356.8	—	—	28	356.8
Denmark	3	85.0	—	—	3	85.0
Djibouti	—	—	7	40.4	7	40.4
Dominica	—	—	3	11.0	3	11.0
Dominican Republic	19	472.9	3	22.0	22	494.9
East African Community	10	244.8	—	—	10	244.8
Eastern and Southern Africa Region	—	—	1	45.0	1	45.0
Ecuador	45	1,367.9	5	36.9	50	1,404.8
Egypt, Arab Republic of	50	3,122.8	26	981.2	76	4,104.0
El Salvador	19	281.1	2	25.6	21	306.7
Equatorial Guinea	—	—	6	30.8	6	30.8
Ethiopia	12	108.6	47	1,264.8	59	1,373.4
Fiji	12	137.9	—	—	12	137.9
Finland	18	316.8	—	—	18	316.8
France	1	250.0	—	—	1	250.0
Gabon	9	154.3	—	—	9	154.3

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Gambia, The	—	—	20	134.3	20	134.3
Ghana	9	207.0	51	1,448.7	60	1,655.7
Greece	17	490.8	—	—	17	490.8
Grenada	—	—	1	5.0	1	5.0
Guatemala	21	585.1	—	—	21	585.1
Guinea	3	75.2	36	737.1	39	812.3
Guinea-Bissau	—	—	15	152.8	15	152.8
Guyana	12	80.0	7	135.3	19	215.3
Haiti	1	2.6	28	403.0	29	405.6
Honduras	32	627.3	5	83.2	37	710.5
Hungary	22	2,342.9	—	—	22	2,342.9
Iceland	10	47.1	—	—	10	47.1
India	134	18,319.2	178	16,955.7	312	35,274.9
Indonesia	147	14,829.4	46	931.8	193	15,761.2
Iran, Islamic Republic of	33	1,210.7	—	—	33	1,210.7
Iraq	6	156.2	—	—	6	156.2
Ireland	8	152.5	—	—	8	152.5
Israel	11	284.5	—	—	11	284.5
Italy	8	399.6	—	—	8	399.6
Jamaica	50	936.4	—	—	50	936.4
Japan	31	862.9	—	—	31	862.9
Jordan	31	1,018.4	15	85.3	46	1,103.7
Kenya	46	1,200.0	49	1,397.4	95	2,597.4
Korea, Republic of	92	7,154.0	6	110.8	98	7,264.8
Lao People's Democratic Republic	—	—	13	195.2	13	195.2
Lebanon	4	116.6	—	—	4	116.6
Lesotho	—	—	19	157.2	19	157.2
Liberia	21	156.0	14	114.5	35	270.5
Luxembourg	1	12.0	—	—	1	12.0
Madagascar	5	32.9	50	998.9	55	1,031.8
Malawi	9	124.1	46	858.5	55	982.6
Malaysia	77	2,784.6	—	—	77	2,784.6
Maldives	—	—	4	23.9	4	23.9
Mali	—	1.9	39	622.6	39	624.5
Malta	1	7.5	—	—	1	7.5
Mauritania	3	146.0	26	241.9	29	387.9
Mauritius	21	283.7	4	20.2	25	303.9
Mexico	123	17,363.6	—	—	123	17,363.6
Morocco	89	5,177.7	3	50.8	92	5,228.5
Mozambique	—	—	12	493.0	12	493.0
Myanmar	3	33.4	30	804.0	33	837.4
Nepal	—	—	56	1,058.3	56	1,058.3
Netherlands	8	244.0	—	—	8	244.0
New Zealand	6	126.8	—	—	6	126.8
Nicaragua	27	233.6	4	60.0	31	293.6

(continued)

Table 7-8 (continued)

Borrower or guarantor	IBRD loans Number	IBRD loans Amount	IDA credits Number	IDA credits Amount	Total Number	Total Amount
Niger	—	—	32	450.5	32	450.5
Nigeria	79	5,594.2	4	256.4	83	5,850.6
Norway	6	145.0	—	—	6	145.0
Oman	11	157.1	—	—	11	157.1
Pakistan	71	4,175.1	82	3,237.0	153	7,412.1
Panama	31	696.3	—	—	31	696.3
Papua New Guinea	21	411.3	9	113.2	30	524.5
Paraguay	27	458.1	6	45.5	33	503.6
Peru	60	1,711.9	—	—	60	1,711.9
Philippines	114	6,751.1	3	122.2	117	6,873.3
Poland	5	781.0	—	—	5	781.0
Portugal	32	1,338.8	—	—	32	1,338.8
Romania	33	2,184.3	—	—	33	2,184.3
Rwanda	—	—	36	426.6	36	426.6
São Tomé and Principe	—	—	5	31.7	5	31.7
Senegal	19	164.9	49	832.7	68	997.6
Seychelles	1	6.2	—	—	1	6.2
Sierra Leone	4	18.7	12	116.1	16	134.8
Singapore	14	181.3	—	—	14	181.3
Solomon Islands	—	—	5	17.0	5	17.0
Somalia	—	—	39	492.1	39	492.1
South Africa	11	241.8	—	—	11	241.8
Spain	12	478.7	—	—	12	478.7
Sri Lanka	12	210.7	50	1,323.8	62	1,534.5
St. Lucia	1	2.5	—	5.2	1	7.7
St. Vincent and the Grenadines	1	1.4	1	6.4	2	7.8
Sudan	8	166.0	47	1,336.9	55	1,502.9
Swaziland	11	75.8	2	7.8	13	83.6
Syrian Arab Republic	17	613.2	3	47.3	20	660.5
Tanzania	18	318.2	69	1,769.2	87	2,087.4
Thailand	93	4,186.6	6	125.1	99	4,311.7
Togo	1	20.0	30	416.1	31	436.1
Tonga	—	—	2	5.0	2	5.0
Trinidad and Tobago	15	168.8	—	—	15	168.8
Tunisia	82	2,530.2	5	74.6	87	2,604.8
Turkey	100	10,165.2	10	178.5	110	10,343.7
Uganda	1	8.4	37	1,090.6	38	1,099.0
Uruguay	33	1,048.1	—	—	33	1,048.1
Vanuatu	—	—	3	12.0	3	12.0
Venezuela	18	1,818.3	—	—	18	1,818.3
Viet Nam	—	—	1	60.0	1	60.0
Western Africa Region	2	21.1	3	92.5	5	113.6
Western Samoa	—	—	8	40.5	8	40.5
Yemen Arab Republic	—	—	55	588.0	55	588.0
Yemen, People's Democratic Republic of	—	—	35	278.3	35	278.3

Borrower or guarantor	IBRD loans		IDA credits		Total	
	Number	Amount	Number	Amount	Number	Amount
Yugoslavia	89	5,814.7	—	—	89	5,814.7
Zaire	7	330.0	54	1,061.1	61	1,391.1
Zambia	28	679.1	19	317.1	47	996.2
Zimbabwe	20	704.6	3	53.9	23	758.5
Other[a]	14	329.4	4	15.3	18	344.7
Total	3,176	186,661.7	2,005	58,222.0	5,181	244,883.7

NOTE: Joint IBRD/IDA operations are counted only once, as IBRD operations. When more than one loan is made for a single project, the operation is counted only once. Details may not add to totals because of rounding.

a. Represents IBRD loans and IDA credits made at a time when the authorities on Taiwan represented China in the World Bank (prior to May 15, 1980).

Financial Statements of the International Bank for Reconstruction and Development

Balance Sheets

June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	1990	1989
Assets		
DUE FROM BANKS		
Unrestricted currencies (including interest-bearing demand deposits $71,028—1990, $104,104—1989)	$ 115,747	$ 225,156
Currencies subject to restrictions—Note A	609,009	565,761
	724,756	790,917
INVESTMENTS—Note B		
Obligations of governments and other official entities	8,543,644	9,025,129
Time deposits and other obligations of banks and financial institutions	8,302,080	10,403,750
	16,845,724	19,428,879
CASH COLLATERAL INVESTED—Note B	4,522,818	2,753,843
NONNEGOTIABLE, NONINTEREST-BEARING DEMAND OBLIGATIONS ON ACCOUNT OF SUBSCRIBED CAPITAL (subject to restrictions—Note A)	1,595,818	1,476,858
AMOUNTS REQUIRED TO MAINTAIN VALUE OF CURRENCY HOLDINGS—Note A		
Amounts due	704,546	659,263
Amounts deferred	268,781	474,650
	973,327	1,133,913
RECEIVABLES—OTHER		
Net receivable from currency swaps—Note D	432,150	274,828
Receivable from investment securities sold	1,690,338	1,090,826
Accrued income on loans	2,155,651	1,925,347
Accrued interest on investments	186,373	166,262
	4,464,512	3,457,263
LOANS OUTSTANDING (see Summary Statement of Loans and Note C)		
Total loans	138,269,781	127,918,200
Less loans approved but not yet effective	10,202,300	14,971,500
Less undisbursed balance of effective loans	39,015,047	35,004,855
	89,052,434	77,941,845
OTHER ASSETS		
Land and buildings (less accumulated depreciation $33,135—1990, $34,907—1989)	279,835	273,618
Unamortized issuance costs of borrowings	613,356	553,390
Miscellaneous	340,645	392,352
	1,233,836	1,219,360
	$119,413,225	$108,202,878

	1990	1989
Liabilities, Capital and Reserves		
BORROWINGS (see Summary Statements of Borrowings)		
Short-term	$ 5,277,320	$ 5,164,369
Medium- and long-term	81,218,793	75,084,639
	86,496,113	80,249,008
PAYABLE FOR CASH COLLATERAL RECEIVED	4,522,818	2,753,843
AMOUNTS REQUIRED TO MAINTAIN VALUE OF CURRENCY HOLDINGS—Note A		
Amounts due	75,050	64,541
Amounts deferred	453,038	349,697
	528,088	414,238
OTHER LIABILITIES		
Accrued charges on borrowings	2,654,482	2,382,285
Net payable for currency swaps—Note D	1,612,739	1,256,811
Payable for investment securities purchased	1,407,224	1,384,084
Due to International Development Association and Debt Reduction Facility for IDA-Only Countries—Note G	946,502	716,626
Accounts payable and other liabilities	482,085	631,969
	7,103,031	6,371,775
ACCUMULATED PROVISION FOR LOAN LOSSES—Note C	1,250,000	800,000
CAPITAL AND RESERVES		
Capital stock (see Statement of Subscriptions to Capital Stock and Voting Power and Note A)		
Authorized capital (1,420,500 shares—1990 and 1989)		
Subscribed capital (1,038,357 shares—1990, 958.827 shares—1989)	125,262,197	115,668,095
Less uncalled portion of subscriptions	116,342,274	107,076,245
	8,919,923	8,591,850
Payments on account of pending subscriptions (see Statement of Subscriptions to Capital Stock and Voting Power)	59,311	60,097
Special reserve—Note E	292,538	292,538
General reserve (see Statements of Changes in General Reserve)		
Accumulated net income	9,694,218	8,700,331
Cumulative translation adjustments	(498,675)	(1,124,689)
	9,195,543	7,575,642
Accumulated net income—unallocated (see Statements of Accumulated Net Income—Unallocated)	1,045,860	1,093,887
	$119,413,225	$108,202,878

See Notes to Financial Statements.

Statements of Income

For the fiscal years ended June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	1990	1989
Income		
Income from loans:		
Interest	$6,627,871	$6,393,934
Commitment charges	139,223	271,695
Income from investments—Note B	1,491,928	1,586,002
Other income	58,117	22,260
Total income	8,317,139	8,273,891
Expenses		
Borrowing expenses:		
Interest on borrowings—Note D	6,077,627	6,139,655
Amortization of issuance cost and other borrowing costs	152,003	155,996
Administrative expenses—Notes F and H	494,119	462,382
Provision for loan losses—Note C	357,416	357,607
Other expenses	10,599	4,117
Total expenses	7,091,764	7,119,757
Operating Income	1,225,375	1,154,134
Contributions to special programs—Note F	74,015	60,247
Cumulative effect of change in accounting principle—Note I	105,500	—
Net Income	$1,045,860	$1,093,887

Statements of Accumulated Net Income—Unallocated

For the fiscal years ended June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	1990	1989
Accumulated net income—unallocated at beginning of fiscal year	$1,093,887	$1,004,230
Allocation to general reserve—Note E	(993,887)	(1,004,230)
Transfer to Debt Reduction Facility for IDA-Only Countries—Note G	(100,000)	—
Net income for fiscal year	1,045,860	1,093,887
Accumulated net income—unallocated at end of fiscal year	$1,045,860	$1,093,887

Statements of Changes in General Reserve

For the fiscal years ended June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	1990	1989
Accumulated Net Income		
Balance at beginning of fiscal year	$8,700,331	$7,696,101
Allocation from accumulated net income—unallocated	993,887	1,004,230
	9,694,218	8,700,331
Cumulative Translation Adjustments		
Balance at beginning of fiscal year	(1,124,689)	(463,758)
Translation adjustments for fiscal year	626,014	(660,931)
	(498,675)	(1,124,689)
Balance at End of Fiscal Year	$9,195,543	$7,575,642

See Notes to Financial Statements.

Statements of Cash Flows

For the fiscal years ended June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	1990	1989
Cash flows from lending and development activities:		
Loan disbursements	$(14 048 450)	$(11 461 [illegible])
Loan principal repayments	7 539 618	[illegible]
Loan principal prepayments	596,501	2 670 454
Sales of loans	—	[illegible]
Transfer to Special Facility for Sub-Saharan Africa—Note C	—	(150 000)
Net cash used in lending and development activities	(5 910 131)	[illegible]
Cash flows from financing activities:		
Medium- and long-term borrowings:		
New issues	12 596 197	11 707 590
Retirements	(10 669 610)	(11 652 [illegible])
Net cash flow from short-term borrowings	(104 399)	[illegible]
Net cash flow from currency swaps	(436 549)	(191 135)
Net cash flow from capital transactions	216 561	[illegible]
Net cash provided by financing activities	1 601 496	[illegible]
Cash flows from operating activities:		
Net income	1 045 260	[illegible]
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	391 625	[illegible]
Provision for loan losses	357 416	[illegible]
Changes in assets and liabilities:		
Increase in accrued income on loans and investments	(75 049)	(57 646)
Decrease (increase) in miscellaneous assets	17 990	(61 257)
Increase in accrued charges on borrowings	115 586	[illegible]
(Decrease) increase in accounts payable and other liabilities	(176 184)	[illegible]
Net cash provided by operating activities	1 677,234	[illegible]
Effect of exchange rate changes on cash and liquid investments	515 209	(681 570)
Net decrease in cash and liquid investments	(2 116 192)	[illegible]
Cash and liquid investments at beginning of fiscal year	19 360 777	19 516 745
Cash and liquid investments at end of fiscal year	$ 17 244 565	$ 19 360 777
Composed of:		
Investments	$ 16 645 724	$ 19 [illegible]
Unrestricted currencies	115 747	[illegible]
Net receivable (payable) for investment securities sold/purchased	283 114	[illegible]
	$ 17 244,565	$ 19 360 777
Supplemental disclosure:		
Increase (decrease) resulting from exchange rate fluctuations:		
Loans outstanding	$ 5 200 458	$ (5 738 448)
Borrowings	4 034 129	(4 909 609)
Currency swaps	635,154	(635 185)

See Notes to Financial Statements.

Summary Statement of Loans

June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	June 30, 1990				
Borrower or guarantor[a]	Total loans	Loans approved but not yet effective[b]	Undisbursed loans[c]	Loans outstanding	Percentage of total loans outstanding
Algeria	$ 2,583,703	$ 220,500	$1,296,897	$1,066,306	1.20
Argentina[d]	3,483,410	—	1,172,630	2,310,780	2.59
Australia[a]	7,405	—	—	7,405	0.01
Bahamas, The	32,968	—	16,591	16,377	0.02
Bahamas, Barbados, Grenada, Guyana, Jamaica, Trinidad, Tobago, and United Kingdom[e]	49,974	20,000	—	29,974	0.03
Bangladesh	60,768	—	—	60,768	0.07
Barbados	47,593	—	13,294	34,299	0.04
Belize	26,975	—	11,606	15,369	0.02
Bolivia[d]	188,684	—	—	188,684	0.21
Botswana	182,894	—	32,972	149,922	0.17
Brazil	13,447,004	1,702,000	3,614,559	8,130,445	9.13
Cameroon	1,130,047	42,500	496,217	591,330	0.66
Chile	2,311,983	130,000	519,384	1,662,599	1.87
China	5,201,079	—	2,662,541	2,538,538	2.85
Colombia	4,821,504	237,200	851,344	3,732,960	4.19
Congo, People's Republic of the	161,402	—	6,199	155,203	0.17
Costa Rica	539,943	60,000	83,476	396,467	0.45
Côte d'Ivoire[f]	2,205,425	80,000	394,429	1,730,996	1.94
Côte d'Ivoire, Ghana, and Togo[g]	7,569	—	—	7,569	0.01
Côte d'Ivoire and Senegal[h]	19,933	15,000	566	4,367	*
Cyprus	133,143	25,000	77,608	30,535	0.03
Dominican Republic	348,490	—	135,483	213,007	0.24
Ecuador	995,465	50,000	193,772	751,693	0.84
Egypt, Arab Republic of	2,251,261	266,500	568,770	1,415,991	1.59
El Salvador	190,694	—	56,774	133,920	0.15
Ethiopia	28,264	—	—	28,264	0.03
Fiji	97,466	16,200	15,883	65,383	0.07
Gabon	93,889	—	35,152	58,737	0.07
Ghana	109,277	—	—	109,277	0.12
Greece	30,016	—	—	30,016	0.03
Guatemala	467,539	61,500	137,865	268,174	0.30
Guinea	31,362	—	—	31,362	0.04
Guyana	60,707	—	—	60,707	0.07
Honduras	533,040	25,000	48,038	460,002	0.52
Hungary	2,284,617	366,000	638,693	1,279,924	1.44
Iceland	9,577	—	—	9,577	0.01
India	15,122,547	948,000	7,127,539	7,047,008	7.91
Indonesia	13,102,537	975,000	3,341,440	8,786,097	9.87
Iran, Islamic Republic of	116,416	—	—	116,416	0.13
Iraq	45,854	—	—	45,854	0.05
Ireland	9,203	—	—	9,203	0.01
Jamaica	752,946	—	106,530	646,416	0.73
Japan	7,706	—	—	7,706	0.01
Jordan	795,110	25,000	286,082	484,028	0.54
Kenya[i]	865,068	—	12,147	852,921	0.96
Kenya, Tanzania, and Uganda[g]	2,291	—	—	2,291	*
Korea, Republic of	3,569,642	110,600	368,196	3,090,846	3.47
Lebanon	33,478	—	—	33,478	0.04
Liberia	132,859	—	—	132,859	0.15
Madagascar	26,418	—	—	26,418	0.03

Borrower or guarantor[a]	Total loans	Loans approved but not yet effective[b]	Undisbursed loans[c]	Loans outstanding	Percentage of total loans outstanding
	June 30, 1990				
Malawi	$ 92,550	$ —	$ 3,525	$ 89,025	0.10
Malaysia	1,629,133	—	723,817	905,316	1.02
Mauritania	55,099	—	—	55,099	0.06
Mauritius	210,555	30,000	12,365	168,190	0.19
Mexico	13,548,537	492,000	2,916,622	10,139,915	11.39
Morocco	4,128,237	232,000	1,094,767	2,801,470	3.15
Nicaragua	221,755	—	—	221,755	0.25
Nigeria	5,033,913	560,800	1,408,223	3,064,890	3.44
Oman	102,124	—	52,975	49,149	0.06
Pakistan	3,405,176	617,500	1,191,659	1,596,017	1.79
Panama	503,241	—	49,722	453,519	0.51
Papua New Guinea[a]	333,196	67,200	93,264	172,732	0.19
Paraguay	310,259	—	39,519	270,740	0.30
Peru	1,308,043	—	202,881	1,105,162	1.24
Philippines	5,205,713	206,800	1,399,356	3,599,557	4.04
Poland	780,962	421,000	339,956	20,006	0.02
Portugal	388,294	—	155,152	233,142	0.26
St. Lucia	2,500	2,500	—	—	—
St. Vincent and the Grenadines	1,400	—	1,400	—	—
Senegal	91,786	—	9	91,777	0.10
Seychelles	5,976	—	1,186	4,790	0.01
Sierra Leone	9,814	—	—	9,814	0.01
Singapore	11,381	—	—	11,381	0.01
Spain	4,311	—	—	4,311	*
Sri Lanka	80,250	—	101	80,149	0.09
Sudan	22,941	—	—	22,941	0.03
Swaziland	36,519	—	399	36,120	0.04
Syrian Arab Republic	442,576	—	—	442,576	0.50
Tanzania[i]	238,073	—	—	238,073	0.27
Thailand	2,604,483	50,000	370,766	2,183,717	2.45
Togo	636	—	—	636	*
Trinidad and Tobago	63,937	4,000	32,000	27,937	0.03
Tunisia	1,854,514	101,000	521,512	1,232,002	1.38
Turkey	8,687,222	338,200	2,507,548	5,841,474	6.56
Uganda[j]	33,812	—	—	33,812	0.04
Uruguay	728,283	62,500	345,510	320,273	0.36
Venezuela	1,440,218	680,000	354,974	405,244	0.46
Yugoslavia	3,435,965	830,000	360,343	2,245,622	2.52
Zaire	101,157	—	58,024	43,133	0.05
Zambia	510,233	—	4,418	505,815	0.57
Zimbabwe	621,969	130,800	138,568	352,601	0.40
Subtotal members**	137,043,885	10,202,300	38,703,234	88,138,351	
International Finance Corporation	1,221,106	—	311,813	909,293	1.02
Other[k]	4,790	—	—	4,790	0.01
Total—June 30, 1990**	$138,269,781	$10,202,300	$39,015,047	$89,052,434	100.00
Total—June 30, 1989	$127,918,200	$14,971,500	$35,004,855	$77,941,845	

* Less than 0.005 percent.

** May differ from the sum of individual figures shown because of rounding.

(continued)

Summary Statement of Loans *(continued)*

June 30, 1990 and June 30, 1989

NOTES

a. In some instances loans were made, with the guarantee of a member, in territories which at the time were included in that member's membership but which subsequently became independent and members of the IBRD. In order to avoid double counting, liabilities for these loans are shown under the name of the original member (whose guarantee continues unaffected). These loans are shown below together with an indication of the member under whose name they are listed.

GUARANTOR Borrower	US$ thousands 1990	 1989
AUSTRALIA		
Papua New Guinea	17,405	[illegible]

b. Loan agreements totaling $4,145,700,000 ($6,279,900,000—1989) have been signed, but the loans do not become effective and disbursements thereunder do not start until the borrowers and guarantors, if any, take certain actions and furnish certain documents to the IBRD. Loans totaling $6,056,600,000 ($8,691,600,000—1989) have been approved by the IBRD but the related agreements have not been signed.

c. Of the undisbursed balance, the IBRD has entered into irrevocable commitments to disburse $1,054,214,000 ($1,105,377,000—1989).

d. One loan with an outstanding balance equivalent to $1,939,000 ($2,879,000—1989) is shown under Bolivia (Guarantor) but is also guaranteed by Argentina.

e. Loans made to the Caribbean Development Bank for the benefit of the territories of the members listed (in the case of the United Kingdom, the territories are those of its Associated States and Dependencies in the Caribbean region). The members will be severally liable as guarantors to the extent of subloans made in their territories.

f. One loan with an outstanding balance equivalent to $10,438,000 ($10,346,000—1989) is shown under Côte d'Ivoire (Guarantor) but is also partially guaranteed by Burkina Faso.

g. Members are jointly and severally liable.

h. Loan made to the West African Development Bank for the benefit of the territories of the members listed. The members will be severally liable as guarantors to the extent of subloans made in their territories.

i. Includes portions of loans made to corporations of the East African Community.

j. Represents portions of loans made to corporations of the East African Community.

k. Represents loans made at a time when the authorities on Taiwan represented China in the IBRD (prior to May 15, 1980).

Summary of Currencies Repayable on Loans Outstanding

Currency	1990	1989	Currency	1990	1989
Australian dollars	$ 102,944	$ 99,335	Luxembourg francs	$ 69,108	$ 59,743
Austrian schillings	221,559	366,285	Malaysian ringgit	41,183	52,792
Belgian francs	320,759	375,659	Mexican pesos	229	343
Brazilian cruzeiros	10	467	Myanmar kyats	1,441	1,368
Canadian dollars	198,519	135,174	Netherlands guilders	5,474,004	5,140,838
Danish kroner	64,587	49,263	Norwegian kroner	66,848	54,864
Deutsche mark	19,832,796	14,667,035	Portuguese escudos	19,094	15,140
European currency units	534,209	479,904	Pounds sterling	306,034	280,310
Finnish markkaa	53,925	48,206	Rials Omani	628	639
French francs	394,181	263,158	Saudi Arabian riyals	93,050	128,797
Ghanaian cedis	4	5	Singapore dollars	4,339	8,297
Greek drachmas	743	572	South African rand	39,761	49,151
Icelandic kronur	1,169	1,019	Spanish pesetas	103,988	83,819
Indian rupees	24,581	34,644	Sudanese pounds	19	102
Iranian rials	15,751	29,805	Swedish kronor	92,838	73,174
Iraqi dinars	2,609	3,034	Swiss francs	15,490,459	15,651,985
Irish pounds	24,126	19,282	Tunisian dinars	128	415
Italian lire	255,796	203,306	United Arab Emirates dirhams	666	12,963
Japanese yen	23,170,309	23,581,776	United States dollars	21,723,059	15,546,397
Kuwaiti dinars	194,186	261,027	Venezuelan bolivares	11,048	9,151
Lebanese pounds	16	28			
Libyan dinars	101,722	96,033	Loans outstanding	$89,052,434	$77,941,645

Maturity Structure of Loans*

Period	June 30, 1990
July 1, 1990 to June 30, 1991	$ 8,973,965
July 1, 1991 to June 30, 1992	8,453,076
July 1, 1992 to June 30, 1993	8,948,274
July 1, 1993 to June 30, 1994	9,608,194
July 1, 1994 to June 30, 1995	10,175,465
July 1, 1995 to June 30, 2000	46,428,079
July 1, 2000 to June 30, 2005	26,678,284
July 1, 2005 to June 30, 2010	8,763,003
Undetermined**	39,141
Total	$128,067,481

* Includes undisbursed balance of effective loans.

** Represents cancellations and other adjustments which have not been allocated to specific maturities.

See Notes to Financial Statements.

Summary Statements of Borrowings

June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

Medium- and Long-term Borrowings and Currency Swaps

	Medium- and long-term borrowings			Currency swap agreements[a]			Net currency obligations	
	Principal outstanding[b]		Weighted average cost (%)	Payable (receivable)		Weighted average cost (return)%		
	June 30 1990	June 30 1989	June 30, 1990	June 30 1990	June 30 1989	June 30 1990	June 30 1990	June 30 1989
Australian dollars	$ [illegible]	$ [illegible]	[illegible]	$ [illegible]	$ [illegible]	[illegible]	$ [illegible]	$ [illegible]
Austrian schillings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian francs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian dollars	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish kroner	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutsche mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
European currency units	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finnish markkaa	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French francs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong dollars	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian lire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	47 424	[illegible]
Japanese yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kuwaiti dinars	[illegible]	[illegible]	[illegible]	—	—	—	[illegible]	[illegible]
Libyan dinars	[illegible]	[illegible]	[illegible]	—	—	—	[illegible]	[illegible]
Luxembourg francs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands guilders	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand dollars	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norwegian kroner	[illegible]	[illegible]	[illegible]	—	—	—	[illegible]	[illegible]
Pounds sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish pesetas	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swedish kronor	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7 376	[illegible]
Swiss francs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United States dollars	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Principal at face value	[illegible]	[illegible]	[illegible]					
Plus net unamortized discounts and premiums	[illegible]	[illegible]						
Total	[illegible]	[illegible]						

a. See Notes to Financial Statements—Note D.

b. Includes zero coupon borrowings which have been recorded at their discounted values. The aggregate face amounts and discounted values of these borrowings (in US dollar equivalents) are:

Currency	Aggregate face amount		Discounted value	
	June 30, 1990	June 30, 1989	June 30, 1990	June 30, 1989
Australian dollars	$ 11[illegible] 245 000	$ [illegible]	$ 94 126 000	$ [illegible]
Canadian dollars	170,852 000	[illegible]	96 551 000	[illegible]
Deutsche mark	1 [illegible] 000	[illegible]	[illegible] 621 000	[illegible]
Swiss francs	[illegible] 000	[illegible]	[illegible] 751 000	[illegible]
United States dollars	[illegible] 000	[illegible]	48[illegible] 951 000	[illegible]

c. Includes Canadian dollars 200,000,000 (US equivalent $167,518,000—1989) of variable interest rate borrowings.

d. Includes income and expense from interest rate swaps. The IBRD has entered into interest rate swap agreements with respect to notional principal amounts aggregating $3,424,800,000 ($2,076,400,000—1989), Swedish kronor 300,000,000 (US equivalent $49,751,000—1990, $45,059,000—1989), Japanese yen 5,000,000,000 (US equivalent $32,415,000—1990), and Deutsche mark 1,674,500,000 (US equivalent $1,006,552,000—1990). See Notes to Financial Statements—Note D.

e. Includes Italian lire 200,000,000,000 (US equivalent $162,679,000—1990) of variable interest rate borrowings.

f. Includes $288,720,000 ($853,550,000—1989) of variable rate borrowings and $174,652,000 ($177,408,000—1989) borrowed from the Interest Subsidy Fund. The Interest Subsidy Fund, which obtained its resources from voluntary contributions from member governments, was established to subsidize the interest payments to the IBRD on selected loans made to poorer developing countries.

g. The weighted average cost of medium- and long-term borrowings outstanding at June 30, 1990, after adjustment for swap activities, was 7.36%.

Maturity Structure of Medium- and Long-term Borrowings Outstanding

Period	June 30, 1990
July 1, 1990 to June 30, 1991	$ 6,733,917
July 1, 1991 to June 30, 1992	6,419,108
July 1, 1992 to June 30, 1993	7,581,998
July 1, 1993 to June 30, 1994	7,226,325
July 1, 1994 to June 30, 1995	9,481,582
July 1, 1995 to June 30, 2000	28,907,123
July 1, 2000 to June 30, 2005	4,745,709
July 1, 2005 to June 30, 2010	3,289,599
July 1, 2010 to June 30, 2015	1,104,974
Thereafter	5,641,922
Total	$81,132,257

Short-term Borrowings

	Principal outstanding		Weighted average cost June 30, 1990 (%)
	June 30, 1990	June 30, 1989	
Short-term Notes (US dollars)			
Principal outstanding at face value	$2,679,705	$2,568,160	
Less net unamortized discounts and premiums	29,427	40,304	
Subtotal	2,650,278	2,527,856	8.08
Central Bank Facility (US dollars)	2,599,970	2,599,820	8.41
Continuously Offered Payment-Rights (Swiss francs)	27,072	36,693	8.09
Total	$5,277,320	$5,164,369	8.24

See Notes to Financial Statements.

Statement of Subscriptions to Capital Stock and Voting Power

June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	June 30, 1990						
	Subscriptions					Voting power	
Member	Shares	Percentage of total	Total amounts	Amounts paid in (Note A)	Amounts subject to call (Note A)	Number of votes	Percentage of total
Afghanistan	300	0.03	$ 36,191	$ 3,619	$ 32,572	550	0.05
Algeria	5,192	0.50	626,337	52,390	573,947	5,442	0.51
Angola	2,676	0.26	322,819	17,464	305,355	2,926	0.27
Antigua and Barbuda[a]	292	0.03	35,225	445	34,780	542	0.05
Argentina	10,052	0.97	1,212,623	103,803	1,108,820	10,302	0.96
Australia	21,610	2.08	2,606.922	171,430	2,435,492	21,860	2.03
Austria	11,063	1.07	1,334,585	80,728	1,253,857	11,313	1.05
Bahamas, The	1,071	0.10	129,200	5,432	123,768	1,321	0.12
Bahrain	619	0.06	74,673	3,910	70,763	869	0.08
Bangladesh	2,724	0.26	328,610	26,234	302,376	2,974	0.28
Barbados	948	0.09	114,362	4,496	109,866	1,198	0.11
Belgium	24,986	2.41	3,014,186	201.317	2,812,869	25,236	2.34
Belize	329	0.03	39,689	837	38,852	579	0.05
Benin	487	0.05	58,749	2,514	56,235	737	0.07
Bhutan	269	0.03	32,451	202	32,249	519	0.05
Bolivia	1.002	0.10	120,876	7,968	112,908	1,252	0.12
Botswana	615	0.06	74,191	1,987	72,204	865	0.08
Brazil	14.000	1.35	1,688,890	145,528	1,543,362	14,250	1.32
Burkina Faso	487	0.05	58,749	2,514	56,235	737	0.07
Burundi	402	0.04	48,495	1,831	46,664	652	0.06
Cameroon[a]	857	0.08	103,384	6,575	96,809	1,107	0.10
Canada	31,543	3.04	3,805,190	286,974	3,518,216	31,793	2.95
Cape Verde	285	0.03	34,381	371	34,010	535	0.05
Central African Republic[a]	484	0.05	58,387	2,482	55,905	734	0.07
Chad	484	0.05	58,387	2,482	55,905	734	0.07
Chile	6,931	0.67	836,121	49,568	786,553	7,181	0.67
China[a]	34,971	3.37	4,218,727	299,479	3,919,248	35,221	3.27
Colombia	3,565	0.34	430,064	35,115	394,949	3,815	0.35
Comoros	282	0.03	34,019	339	33,680	532	0.05
Congo, People's Republic of the	520	0.05	62,730	2,868	59,862	770	0.07
Costa Rica[a]	131	0.01	15,803	1,580	14,223	381	0.04
Côte d'Ivoire	1,412	0.14	170,337	12,425	157,912	1,662	0.15
Cyprus	820	0.08	98,921	6,044	92,877	1,070	0.10
Denmark	10,251	0.99	1,236,629	74,610	1,162,019	10,501	0.98
Djibouti[a]	314	0.03	37,879	679	37,200	564	0.05
Dominica	283	0.03	34,140	350	33,790	533	0.05
Dominican Republic	1,174	0.11	141,625	9,793	131,832	1,424	0.13
Ecuador	1,555	0.15	187,587	13,822	173,765	1,805	0.17
Egypt, Arab Republic of[a]	3,989	0.38	481,213	39,627	441,586	4,239	0.39
El Salvador	141	0.01	17,010	1,701	15,309	391	0.04

	June 30, 1990						
	Subscriptions					Voting power	
Member	Shares	Percentage of total	Total amounts	Amounts paid in (Note A)	Amounts subject to call (Note A)	Number of votes	Percentage of total
Equatorial Guinea	401	0.04	$ 48,375	$ 1,601	$ 46,774	651	0.06
Ethiopia	549	0.05	66,229	3,170	63,059	799	0.07
Fiji	641	0.06	77,327	3,537	73,790	891	0.08
Finland	6,306	0.61	760,724	53,712	707,012	6,556	0.61
France	55,227	5.32	6,662,309	469,082	6,193,227	55,477	5.15
Gabon	554	0.05	66,832	3,556	63,276	804	0.07
Gambia, The	305	0.03	36,794	660	36,134	555	0.05
Germany, Federal Republic of	72,399	6.97	8,733,852	542,920	8,190,932	72,649	6.75
Ghana[a]	856	0.08	103,264	10,326	92,938	1,106	0.10
Greece	945	0.09	114,000	11,400	102,600	1,195	0.11
Grenada[a]	298	0.03	35,949	510	35,439	548	0.05
Guatemala	1,123	0.11	135,473	9,251	126,222	1,373	0.13
Guinea	725	0.07	87,460	5,037	82,423	975	0.09
Guinea-Bissau	303	0.03	36,552	562	35,990	553	0.05
Guyana[a]	594	0.06	71,657	3,651	68,006	844	0.08
Haiti	599	0.06	72,260	3,697	68,563	849	0.08
Honduras	360	0.03	43,429	1,324	42,105	610	0.06
Hungary	8,050	0.78	971,112	58,031	913,081	8,300	0.77
Iceland	1,258	0.12	151,759	6,832	144,927	1,508	0.14
India[a]	31,692	3.05	3,823,164	286,310	3,536,854	31,942	2.97
Indonesia	11,036	1.06	1,331,328	95,999	1,235,329	11,286	1.05
Iran, Islamic Republic of	13,293	1.28	1,603,601	138,221	1,465,380	13,543	1.26
Iraq	2,808	0.27	338,743	27,093	311,650	3,058	0.28
Ireland	5,271	0.51	635,867	37,077	598,790	5,521	0.51
Israel	2,666	0.26	321,613	25,664	295,949	2,916	0.27
Italy	25,140	2.42	3,032,764	263,705	2,769,059	25,390	2.36
Jamaica[a]	1,824	0.18	220,038	14,057	205,981	2,074	0.19
Japan	93,770	9.03	11,311,943	703,451	10,608,492	94,020	8.74
Jordan	1,388	0.13	167,441	7,811	159,630	1,638	0.15
Kampuchea, Democratic	214	0.02	25,816	2,582	23,234	464	0.04
Kenya	2,461	0.24	296,883	15,900	280,983	2,711	0.25
Kiribati	261	0.03	31,486	133	31,353	511	0.05
Korea, Republic of	9,372	0.90	1,130,591	67,899	1,062,692	9,622	0.89
Kuwait	7,453	0.72	899,093	76,341	822,752	7,703	0.72
Lao People's Democratic Republic	100	0.01	12,064	1,206	10,858	350	0.03
Lebanon	340	0.03	41,016	1,086	39,930	590	0.05
Lesotho	372	0.04	44,876	1,294	43,582	622	0.06
Liberia	463	0.04	55,854	2,570	53,284	713	0.07
Libya	4,400	0.42	530,794	44,508	486,286	4,650	0.43
Luxembourg	1,217	0.12	146,813	8,224	138,589	1,467	0.14

(continued)

Statement of Subscriptions to Capital Stock and Voting Power *(continued)*

June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	June 30, 1990						
	Subscriptions					Voting power	
Member	Shares	Percentage of total	Total amounts	Amounts paid in (Note A)	Amounts subject to call (Note A)	Number of votes	Percentage of total
Madagascar	798	0.08	$ 96,267	$ 5,812	$ 90,455	1,048	0.10
Malawi	614	0.06	74,070	3,860	70,210	864	0.08
Malaysia	8,244	0.79	994,515	59,491	935,024	8,494	0.79
Maldives	263	0.03	31,727	137	31,590	513	0.05
Mali[a]	652	0.06	78,654	4,263	74,391	902	0.08
Malta	653	0.06	78,775	3,922	74,853	903	0.08
Mauritania[a]	505	0.05	60,921	2,704	58,217	755	0.07
Mauritius	697	0.07	84,083	4,739	79,344	947	0.09
Mexico	10,553	1.02	1,273,061	109,120	1,163,941	10,803	1.00
Morocco	2,791	0.27	336,692	26,939	309,753	3,041	0.28
Mozambique	522	0.05	62,971	3,281	59,690	772	0.07
Myanmar	1,756	0.17	211,835	13,443	198,392	2,006	0.19
Nepal	543	0.05	65,505	3,106	62,399	793	0.07
Netherlands	35,503	3.42	4,282,904	264,798	4,018,105	35,753	3.32
New Zealand	4,696	0.45	566,502	42,708	523,794	4,946	0.46
Nicaragua	341	0.03	41,137	1,098	40,039	591	0.05
Niger[a]	478	0.05	57,664	2,419	55,245	728	0.07
Nigeria	7,102	0.68	856,750	72,610	784,140	7,352	0.68
Norway[a]	8,287	0.80	999,702	66,443	933,259	8,537	0.79
Oman	876	0.08	105,676	6,626	99,050	1,126	0.10
Pakistan[a]	6,061	0.58	731,169	55,893	675,276	6,311	0.59
Panama	216	0.02	26,057	2,606	23,451	466	0.04
Papua New Guinea	726	0.07	87,581	5,049	82,532	976	0.09
Paraguay	690	0.07	83,238	4,661	78,577	940	0.09
Peru	2,992	0.29	360,940	29,050	331,890	3,242	0.30
Philippines	3,841	0.37	463,359	38,029	425,330	4,091	0.38
Poland	6,122	0.59	738,527	62,275	676,252	6,372	0.59
Portugal	5,460	0.53	658,667	38,503	620,164	5,710	0.53
Qatar	1,096	0.11	132,216	8,965	123,251	1,346	0.13
Romania	2,251	0.22	271,549	24,139	247,410	2,501	0.23
Rwanda	587	0.06	70,813	3,574	67,239	837	0.08
St. Kitts and Nevis	275	0.03	33,175	302	32,873	525	0.05
St. Lucia	552	0.05	66,591	1,512	65,079	802	0.07
St. Vincent and the Grenadines	278	0.03	33,537	297	33,240	528	0.05
São Tomé and Principe	278	0.03	33,537	297	33,240	528	0.05
Saudi Arabia	25,140	2.42	3,032,764	263,830	2,768,934	25,390	2.36
Senegal[a]	1,163	0.11	140,299	9,681	130,618	1,413	0.13
Seychelles	263	0.03	31,727	154	31,573	513	0.05
Sierra Leone	403	0.04	48,616	1,841	46,775	653	0.06
Singapore	320	0.03	38,603	3,860	34,743	570	0.05
Solomon Islands	288	0.03	34,743	403	34,340	538	0.05
Somalia	552	0.05	66,591	3,322	63,269	802	0.07
South Africa	13,462	1.30	1,623,988	98,821	1,525,167	13,712	1.27
Spain	16,758	1.61	2,021,601	150,543	1,871,058	17,008	1.58
Sri Lanka	2,812	0.27	339,226	22,489	316,737	3,062	0.28

Member	June 30, 1990						
	Subscriptions					Voting power	
	Shares	Percentage of total	Total amounts	Amounts paid in (Note A)	Amounts subject to call (Note A)	Number of votes	Percentage of total
Sudan	850	0.08	$ 102,540	$ 7,238	$ 95,302	1,100	0.10
Suriname	412	0.04	49,702	1,954	47,748	662	0.06
Swaziland	440	0.04	53,079	2,015	51,064	690	0.06
Sweden	14,974	1.44	1,806,388	110,202	1,696,186	15,224	1.41
Syrian Arab Republic	1,236	0.12	149,105	10,458	138,647	1,486	0.14
Tanzania[a]	727	0.07	87,702	7,942	79,760	977	0.09
Thailand	3,563	0.34	429,823	35,114	394,709	3,813	0.35
Togo	620	0.06	74,794	3,924	70,870	870	0.08
Tonga	277	0.03	33,416	287	33,129	527	0.05
Trinidad and Tobago	1,495	0.14	180,349	13,406	166,943	1,745	0.16
Tunisia	719	0.07	86,737	5,658	81,079	969	0.09
Turkey	7,379	0.71	890,166	52,947	837,219	7,629	0.71
Uganda	617	0.06	74,432	4,376	70,056	867	0.08
United Arab Emirates	2,385	0.23	287,714	22,643	265,071	2,635	0.24
United Kingdom	69,397	6.68	8,371,707	539,526	7,832,181	69,647	6.47
United States	162,523	15.65	19,605,962	1,627,623	17,978,339	162,773	15.12
Uruguay	1,578	0.15	190,362	14,084	176,278	1,828	0.17
Vanuatu[a]	329	0.03	39,689	838	38,851	579	0.05
Venezuela	11,427	1.10	1,378,496	118,452	1,260,044	11,677	1.08
Viet Nam	543	0.05	65,505	6,550	58,955	793	0.07
Western Samoa	298	0.03	35,949	510	35,439	548	0.05
Yemen Arab Republic[b]	573	0.06	69,124	3,420	65,704	823	0.08
Yemen, People's Democratic Republic of[b]	918	0.09	110,743	7,084	103,659	1,168	0.11
Yugoslavia[a]	4,381	0.42	528,502	46,463	482,039	4,631	0.43
Zaire[a]	2,643	0.25	318,838	25,379	293,459	2,893	0.27
Zambia[a]	1,577	0.15	190,241	15,556	174,685	1,827	0.17
Zimbabwe	1,866	0.18	225,105	17,136	207,969	2,116	0.20
Total—June 30, 1990*	1,038,357	100.00	$125,262,197	$8,919,923	$116,342,274	1,076,357	100.00
Total—June 30, 1989	958,827		$115,668,095	$8,591,850	$107,076,245	996,577	

a. Amounts aggregating the equivalent of $59,311,400 have been received from members on account of increases in subscriptions which are in the process of completion: Antigua and Barbuda $57,000; Cameroon $2,000; Central African Republic $1,352,000; China $31,997,000; Costa Rica $532,000; Djibouti $4,000; Arab Republic of Egypt $9,450,000; Ghana $47,000; Grenada $759,000; Guyana $955,000; India $1,000; Jamaica $2,456,000; Mali $400; Mauritania $31,000; Niger $196,000; Norway $614,000; Pakistan $8,685,000; Senegal $130,000; Tanzania $107,000; Vanuatu $93,000; Yugoslavia $1,809,000; Zaire $15,000; and Zambia $19,000.

b. See Notes to Financial Statements—Note A for the merger of the Yemen Arab Republic and the People's Democratic Republic of Yemen.

* May differ from sum of individual figures shown because of rounding.

See Notes to Financial Statements.

Notes to Financial Statements

June 30, 1990 and June 30, 1989

Summary of Significant Accounting and Related Policies

The IBRD's principal financial statements are prepared in conformity with the accounting principles generally accepted in the United States and with International Accounting Standards.

Translation of Currencies

The IBRD's principal financial statements are expressed in terms of US dollars solely for the purpose of summarizing the IBRD's financial position and the results of its operations for the convenience of its members and other interested parties.

The IBRD is an international organization which conducts its operations in the currencies of all of its members and Switzerland The IBRD's resources are derived from its capital, borrowings, and accumulated earnings in those various currencies. The IBRD has a number of general policies aimed at minimizing exchange-rate risk in a multicurrency environment. The IBRD matches its borrowing obligations in any one currency with assets in the same currency, as prescribed by its Articles of Agreement, primarily by holding or lending the proceeds of its borrowings in the same currencies in which they are borrowed The currencies of borrowed funds include funds which have been swapped into other currencies. In addition, the IBRD periodically undertakes currency conversions to more closely match the currencies underlying its reserves with those of the outstanding loans. With respect to its other resources, the IBRD does not convert one currency into another except for small amounts required to meet certain obligations and operational needs.

Assets and liabilities are translated at market rates of exchange at the end of the period. Income and expenses are translated at the market rate at the dates on which they are recognized or an average of the market rates of exchange in effect during each month. Translation adjustments, with the exception of those relating to capital subscriptions described in Note A, are charged or credited to the General Reserve

Valuation of Capital Stock

In the Articles of Agreement, the capital stock of the IBRD is expressed in terms of "US dollars of the weight and fineness in effect on July 1, 1944" (1944 dollars). Following the abolition of gold as a common denominator of the monetary system and the repeal of the provision of the US law defining the par value of the US dollar in terms of gold, the pre-existing basis for translating 1944 dollars into current dollars or into any other currency disappeared. On October 14, 1986, the Executive Directors of the IBRD decided, effective June 30, 1987 until such time as the relevant provisions of the Articles of Agreement are amended, to interpret the words "US dollars of the weight and fineness in effect on July 1, 1944" in Article II, Section 2(a) of the Articles of Agreement of the IBRD to mean the Special Drawing Right (SDR) introduced by the International Monetary Fund as the SDR was valued in terms of US dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being $1.20635 for one SDR.

Loans

All of the IBRD's loans are made to or guaranteed by members, with the exception of loans to the International Finance Corporation. The principal amounts of loans are repayable in the currencies lent. For loans negotiated since July 1980 (and for portions of certain earlier loans), the repayment obligations of borrowers in various currencies are determined on the basis of a currency pooling system, which is designed to equalize exchange-rate risks among borrowers. Interest on loans is accrued in the currencies lent.

Incremental direct costs associated with originating loans are expensed as incurred as such amounts are considered immaterial.

The IBRD does not reschedule interest or principal payments on its loans or participate in debt rescheduling agreements. It is the policy of the IBRD to place in nonaccrual status all loans made to or guaranteed by a member of the IBRD if principal, interest, or other charges with respect to any such loan are overdue by more than six months, unless IBRD management determines that the overdue amount will be collected in the immediate future. Interest and other charges on nonaccruing loans are included in income only to the extent that payments have actually been received by the IBRD. The IBRD begins to make provisions for losses on loans made to or guaranteed by a member of the IBRD when the loans are placed in nonaccrual status. The Accumulated Provision for Loan Losses is periodically adjusted based on a review of the prevailing circumstances. Any such provisions are recorded as a reduction of income and will be used to meet actual losses on such loans. Should such losses occur in amounts in excess of accumulated provisions (and of the amount of the Special Reserve), the excess would be included in the determination of net income.

Investments

Investment securities are recorded at cost or amortized cost. Gains or losses on sales of investments, measured by the difference between proceeds of sales and cost (on a last-in, first-out basis), are recorded as an element of income from investments. From time to time, the IBRD enters into forward contracts for the sale or purchase of investment securities; these transactions are recorded at the time of commitment. Financial futures and options are valued at market, with both realized and unrealized gains and losses included in income from investments.

Due to the nature of the investments held by the IBRD and its policies governing the level and use of such investments, the IBRD classifies the investment portfolio as an element of liquidity in the Statements of Cash Flows.

Disposition of Income and General Reserve

The IBRD has not declared or paid any dividends to its members. Commencing in 1950, a portion or all of the accumulated net income has been allocated to the General Reserve.

From net income of fiscal years 1964 to 1987, the IBRD transferred to the International Development Association the portion of each year's income that was not needed for allocation to reserves or otherwise required to be retained in the IBRD's business and accordingly could have been prudently distributed as dividends. The IBRD made similar transfers to the Special Facility for Sub-Saharan Africa and the Debt Reduction Facility for IDA-Only Countries, which are administered by the International Development Association, out of fiscal years 1985 and 1989 net income, respectively. These transfers were recorded as a charge to Accumulated Net Income—Unallocated. No such transfers were made from net income for the fiscal year ended June 30, 1988.

Reclassifications

Certain reclassifications of prior-year information have been made to conform with the current year's presentation.

Note A—Capital Stock, Restricted Currencies, and Maintenance of Value

Capital Stock: At June 30, 1990, the IBRD's capital comprised 1,420,500 (1,420,500—1989) authorized shares, of which 1,038,357 (958,827—1989) shares had been subscribed. Each share has a par value of 100,000 1974 SDRs, valued at the rate of $1.20635 per 1974 SDR. Of the subscribed capital, $8,919,923,000 ($8,591,850,000—1989) has been paid in, and the remaining $116,342,274,000 ($107,076,245,000—1989) is subject to call only when required to meet the obligations of the IBRD created by borrowing or guaranteeing loans. As to $100,209,757,000 ($92,534,476,000—1989) the restriction on calls is imposed by the Articles of Agreement and as to $16,132,517,000 ($14,541,769,000—1989) by resolutions of the Board of Governors.

On May 22, 1990, the Yemen Arab Republic and the People's Democratic Republic of Yemen merged in a single state, the Republic of Yemen. Effective July 13, 1990, the Republic of Yemen is substituted for the Yemen Arab Republic and the People's Democratic Republic of Yemen in the IBRD's records as being a single member. As of that date, capital subscriptions and voting power were adjusted to reflect the merger. The Republic of Yemen has a subscription of 1,241 shares of capital stock of the IBRD, with a voting power of 1,491 votes.

Restricted Currencies: The portion of capital subscriptions paid in to the IBRD is divided into two parts: (1) $891,992,000 ($859,185,000—1989) initially paid in gold or US dollars and (2) $8,027,931,000 ($7,732,665,000—1989) paid in cash or noninterest-bearing demand obligations denominated either in the currencies of the respective members or in US dollars. Of this second portion, an amount of $506,033,000 ($513,570,000—1989) was subsequently repurchased by members with US dollars. The amounts mentioned in (1) above which are paid in gold or US dollars and the amounts subsequently repurchased with US dollars are freely usable by the IBRD in any of its operations. The remaining amounts paid in the currencies of the members or in US dollar denominated notes, referred to as restricted currencies, are usable by the IBRD in its lending operations only with the consent of the respective members. The equivalent of $4,804,826,000 ($4,362,213,000—1989) has been used for lending purposes, with such consent.

Maintenance of Value: Article II, Section 9 of the Articles of Agreement provides for maintenance of value, as of the time of subscription, of such restricted currencies, requiring (1) the member to make additional payments to the IBRD in the event that the par value of its currency is reduced or the foreign exchange value of its currency has, in the opinion of the IBRD, depreciated to a significant extent in its territories and (2) the IBRD to reimburse the member in the event that the par value of its currency is increased.

Since currencies no longer have par values, maintenance of value amounts are determined by measuring the foreign exchange value of a member's currency against the standard of value of IBRD capital based on the 1974 SDR. Members are required to make payments to the IBRD if their currencies depreciate significantly relative to the standard of value. Furthermore, the Executive Directors decided to adopt a policy of reimbursing members whose currencies appreciate significantly in terms of the standard of value.

With respect to restricted currencies out on loan, maintenance of value obligations become effective only as such currencies are recovered by the IBRD. The maintenance of value amounts relating to restricted currencies out on loan are included in Amounts Required to Maintain Value of Currency Holdings—Amounts Deferred.

Note B—Investments and Cash Collateral Invested

The market value of investment securities and invested cash collateral received on loaned securities was $21,355,142,000 ($22,220,084,000—1989), compared with a cost or amortized cost of $21,368,542,000 ($22,182,722,000—1989). Obligations of the United States Government and other official entities having a cost or amortized cost of $292,538,000 ($292,538,000—1989) and a market value of $296,976,000 ($302,211,000—1989), set aside in respect of the Special Reserve, as described in Note E, are included under this heading. The currency composition of the investment portfolio is as follows:

	US$ thousands	
	June 30	
Currency	1990	1989
Deutsche mark	$ 2,014,254	$ 899,298
Japanese yen. .	2,479,723	2,964,601
Pounds sterling	1,560,060	2,226,680
United States dollar.	8,952,012	9,881,609
Other currencies	1,839,675	3,456,691
Total	$16,845,724	$19,428,879

As part of its overall portfolio management strategy, the IBRD is party to financial instruments with off-balance-sheet risk, including futures, forward contracts, covered forward contracts, options, and short sales. Futures and forward contracts are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specified price or yield. At June 30, 1990, the total contract value of these futures contracts was $3,403,220,000. The IBRD has minimal exposure to credit loss on futures contracts due to potential nonperformance of counterparties since changes in the market value of futures contracts on any given business day are settled in cash on the following business day. The total contract value of forward contracts at June 30, 1990 was $761,000,000 and the IBRD's exposure to credit loss in the event of nonperformance by counterparties was $405,000.

Covered forwards are agreements in which cash in one currency is converted into a different currency and, simultaneously, a forward exchange agreement is executed with either the same or different counterparty providing for a schedule of future exchanges of the two currencies in order to recover the currency converted. At June 30, 1990 there were no outstanding covered forward agreements.

Options are contracts that allow the holder of the option to purchase or sell a financial instrument at a specified price and within a specified period of time from the seller of the option. As a seller of options, the IBRD receives a premium at the outset and then bears the risk of an unfavorable change in the price of the financial instrument underlying the option. At June 30, 1990 there were no outstanding options sold.

Short sales are sales of securities not held in the IBRD's portfolio at the time of the sale. The IBRD must then purchase the security at a later date and bears the risk that the market value of the security will move adversely between the time of the sale and the time the security must be delivered. The total contract amount of short sales at June 30, 1990 was $146,592,000.

For both on- and off-balance-sheet securities, the IBRD limits trading to a list of authorized dealers and counterparties. Strict credit limits have been established for each counterparty by type of instrument and maturity category.

Income from investments includes a net loss of $108,174,000 ($95,781,000—1989) resulting from sales of investments. The annualized rate of return on the average investments held during the fiscal year ended June 30, 1990, including net losses from sales of investments, was 8.37% (8.20%—1989).

Note C—Loans, Cofinancing, and Guarantees

Loans: At June 30, 1990, principal installments of $225,000 and interest and other charges of $197,000 payable to the IBRD on loans other than those referred to in the following paragraph were overdue by more than three months. The aggregate principal amount outstanding on these loans was $5,158,000. The aggregate principal amount outstanding on all loans to any

(continued)

Notes to Financial Statements *(continued)*

June 30, 1990 and June 30, 1989

borrowers, other than those referred to in the following paragraph, with any one loan overdue by more than three months was $213,007,000

At June 30, 1990, the loans made to or guaranteed by certain member countries with an aggregate principal balance outstanding of $2,871,500,000 ($3,193,392,000—1989), of which $932,165,000 ($626,092,000—1989) was overdue, were in nonaccrual status. As of such date, overdue interest and other charges in respect of these loans totaled $824,835,000 ($683,721,000—1989). If these loans had not been in nonaccrual status, income from loans for the fiscal year ended June 30, 1990, net of cash collected of $10,200,000, would have been $248,406,000 ($262,670,000—1989) higher. A summary of borrowers in nonaccrual status follows:

	US$ thousands			
	June 30, 1990			
Borrower	Principal *outstanding*	Principal and charges *overdue*	Fiscal year 1990 income not *accrued*	Nonaccrual *since*
Liberia . .	$ 132,859	$ 88,840	$ 12,045	June 1987
Nicaragua. . .	221,755	189,690	19,584	December 1984
Panama	453,519	203,210	33,294	May 1988
Peru.	1,105,162	760,360	111,174	August 1987
Sierra Leone .	9,814	6,280	715	August 1987
Syrian Arab Republic .	442,576	252,620	33,708	February 1987
Zambia	505,815	256,000	37,886	August 1987
	$2,871,500	$1,757,000	$248,406	

In June 1990, two borrowers paid off all of their arrears and therefore came out of nonaccrual status. As a result, income from loans was increased by $123,600,000 for the fiscal year ended June 30,1990. In addition, three borrowers in nonaccrual status made partial payments in fiscal year 1990.

On July 2, 1990, loans made to or guaranteed by Guatemala were placed in nonaccrual status. The aggregate principal balance outstanding on these loans at June 30, 1990 was $268,174,000, of which $15,757,000 was overdue. As of June 30, 1990, overdue interest and other charges in respect of these loans totaled $11,008,000. Income previously accrued but not yet received as of June 30, 1990, amounting to $14,594,000, was excluded from income from loans for the fiscal year ended June 30, 1990.

An analysis of the changes to the accumulated provision for losses on loans made to or guaranteed by all member countries in nonaccrual status appears below:

	US$ thousands	
	June 30	
	1990	1989
Balance, beginning of fiscal year . .	$ 800,000	$500,000
Provision for loan losses	357,416	357,607
Translation adjustments	92,584	(57,607)
Balance, end of fiscal year	$1,250,000	$800,000

Cofinancing and Guarantees: The IBRD has entered into agreements for loans syndicated by other financial institutions either by a direct participation in, or a partial guarantee of, loans for the benefit of member countries. The IBRD's direct participations in syndicated loans are included in reported loan balances. Guarantees of $934,741,000 as of June 30, 1990 ($932,863,000—1989) are not included in reported loan balances. None of these guarantees were subject to call at June 30, 1990.

The IBRD has partially guaranteed the timely payment of interest amounts on certain loans that have been sold. At June 30, 1990 these guarantees, approximating $13,478,000 ($15,241,000—1989), were subject to call.

Statutory Lending Limit: Under the Articles, the total amount outstanding of guarantees, participations in loans, and direct loans made by the IBRD may not be increased to an amount exceeding 100% of the sum of subscribed capital, reserves, and surplus. The IBRD's Executive Directors have issued guidelines pursuant to which all guarantees issued by the IBRD will be counted towards this limit at the time they first become callable, irrespective of the likelihood of an actual call. As of June 30, 1990, the total amount of callable guarantees and disbursed and outstanding participations in loans and direct loans was approximately $89,065,912,000 or 65% (62%—1989) of the sum of subscribed capital, reserves and surplus.

Note D—Borrowings and Swaps

The IBRD has entered into currency swaps in which proceeds of a borrowing are converted into a different currency and, simultaneously, a forward exchange agreement is executed providing for a schedule of future exchanges of the two currencies in order to recover the currency converted. The combination of a borrowing and a currency swap produces the financial equivalent of substituting a borrowing in the currency obtained in the initial conversion for the original borrowing. The IBRD also undertakes interest rate swaps, which transform a fixed-rate payment obligation in a particular currency into a floating-rate obligation in that currency and vice-versa. The average cost of borrowings outstanding, including short-term borrowings, during the fiscal year ended June 30, 1990 was 7.37% (7.38%—1989), reflecting a reduction in interest expense of $337,770,000 ($305,462,000—1989) as a result of swaps.

At June 30, 1990, the IBRD had gross receivables from currency swaps at a book value of $13,060,831,000 and gross payables from currency swaps at a book value of $14,241,419,000. In addition, the IBRD had interest rate swap contracts covering a notional principal amount of $4,513,518,000 on June 30, 1990.

The IBRD is exposed to credit loss in the event of nonperformance by its counterparties in an aggregate amount of $636,390,000 for outstanding currency swaps, and $28,445,000 for outstanding interest rate swaps, representing the estimated cost of replacing, at current market rates, all those outstanding swaps for which the IBRD would incur a loss in replacing the contracts.

The IBRD follows strict guidelines regarding the counterparties with whom it will enter into swap agreements and establishes strict credit limits for each of those counterparties. The IBRD does not anticipate nonperformance by any of its counterparties.

The IBRD also enters into deferred rate setting agreements in conjunction with some of its bond issues. These agreements allow the IBRD, through the use of a financial intermediary, to fix the effective interest cost on the issues in several tranches over a specified period of time after the issue date of the respective bond. The potential credit loss to the IBRD from nonperformance of the financial intermediary is limited to any accrued, but unsettled, profits. Periodic mark-to-market settlements on these agreements limit this risk, however. At June 30, 1990, the effective interest rate had been fixed on all tranches of the deferred rate setting agreements and the IBRD had no exposure to credit loss on the agreements.

Note E—Reserves and Net Income

In June 1990, the Executive Directors approved the allocation of $750,000,000 of the net income earned in the fiscal year ended June 30, 1990 to the General Reserve, effective July 1990.

The Special Reserve consists of loan commissions set aside pursuant to Article IV, Section 6, of the Articles of Agreement which are to be held in liquid assets. These assets may be used only for the purpose of meeting liabilities of the IBRD on its borrowings and guarantees in the event of defaults on loans made, participated in, or guaranteed by the IBRD. The

Special Reserve assets comprise obligations of the United States Government and its instrumentalities and are included under the heading Investments. The allocation of such commissions to the Special Reserve was discontinued, in 1964, with respect to subsequent loans and no further additions are being made to it.

Note F—Expenses

Administrative expenses are net of the management fee of $354,380,000 ($259,000,000—1989) charged to the International Development Association and of the service and support fees of $7,186,000 ($3,501,000—1989) charged to the International Finance Corporation and $450,000 ($415,000—1989) to the Multilateral Investment Guarantee Agency. Contributions to special programs represent grants for agricultural research, the control of onchocerciasis, and other developmental activities.

Note G—Transfers to the International Development Association, the Special Facility for Sub-Saharan Africa, and the Debt Reduction Facility for IDA-Only Countries

The IBRD has authorized transfers by way of grants to the International Development Association totaling $2,640,582,000 ($2,510,706,000—1989) from net income for the fiscal years ended June 30, 1964 through June 30, 1987. Of these transfers, $846,502,000 remained payable at June 30, 1990 ($716,626,000—1989).

During the fiscal year ended June 30, 1986 the IBRD authorized a transfer by way of a grant to the Special Facility for Sub-Saharan Africa of $150,000,000 from net income for the fiscal year ended June 30, 1985. These funds were paid to the Special Facility for Sub-Saharan Africa in the fiscal year ended June 30, 1989.

In September 1989, the IBRD authorized a transfer by way of a grant to the Debt Reduction Facility for IDA-Only Countries of $100,000,000 from net income for the fiscal year ended June 30, 1989. These funds remained payable at June 30, 1990.

Note H—Staff Retirement Plan

The IBRD has a defined benefit retirement plan covering substantially all of its staff. The Plan also covers the staff of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). Under the Plan, benefits are based on years of contributory service and the highest three-year average of pensionable remuneration as defined in the Plan, with the staff contributing a fixed percentage of pensionable remuneration, and the IBRD contributing the remainder of the actuarially determined cost of future Plan benefits. The IBRD uses the aggregate method for determining its contribution to the Plan. The amount of that contribution approximates the net periodic pension cost as detailed below. All contributions to the Plan and all other assets and income held for the purposes of the Plan are held by the IBRD separately from the other assets and income of the IBRD, IFC and MIGA and can be used only for the benefit of the participants in the Plan and their beneficiaries, until all liabilities to them have been paid or provided for. Plan assets consist primarily of equity and fixed income securities, with smaller holdings of cash, real estate and other investments.

Net periodic pension cost for the fiscal years ended June 30, 1990 and June 30, 1989 consisted of the following components:

	US$ thousands	
	1990	1989
Service cost—benefits earned during the period	[illegible]	[illegible]
Interest cost on projected benefit obligation	[illegible]	[illegible]
Actual return on plan assets	[illegible]	[illegible]
Net amortization and deferral	[illegible]	[illegible]
Net periodic pension cost	[illegible]	[illegible]

The portion of this cost that relates to the IBRD and is included in Administrative Expenses for the fiscal year ended June 30, 1990 is $36,004,000 ($21,496,000—1989). The balance has been charged to the International Development Association.

The following table sets forth the Plan's funded status at June 30, 1990 and June 30, 1989:

	US$ thousands	
	1990	1989
Actuarial present value of benefit obligations		
Accumulated benefit obligation		
Vested	[illegible]	[illegible]
Nonvested	[illegible]	[illegible]
Subtotal	[illegible]	[illegible]
Effect of projected compensation levels	[illegible]	[illegible]
Projected benefit obligation	[illegible]	[illegible]
Plan assets at fair value	[illegible]	[illegible]
Plan assets in excess of projected benefit obligation	[illegible]	[illegible]
Remaining unrecognized net asset	[illegible]	[illegible]
Unrecognized net (gain) loss	[illegible]	[illegible]
Prepaid pension cost	[illegible]	[illegible]

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 7.812% (7.562%—1989). The effect of projected compensation levels was calculated based on a scale that provides for a decreasing rate of salary increase depending on age, beginning with 13% at age 20 and decreasing to 7.6% at age 64. The expected long-term rate of return on assets was 9% (10%—1989).

Note I—Non-Pension Retirement Benefits

The IBRD provides certain health care and life insurance benefits to retirees. All staff who are enrolled in the insurance programs while in active service and who meet certain requirements are eligible for benefits when they reach early or normal retirement age while working for the IBRD.

In prior years, the cost of retiree health care and life insurance benefits, net of retiree contributions, was recognized in expense on a cash basis. During the current fiscal year, however, the IBRD changed to the method of accruing the cost of these benefits as they are earned by staff. The IBRD believes the accrual method is preferable to the method used previously since it is consistent with the accrual basis used in accounting for other liabilities.

Under the new method, the estimated cost for post-retirement health care and life insurance is accrued on an actuarially determined basis. Such costs are funded as accrued through contributions to a Retired Staff Benefits Plan (RSBP), which also covers the staff of the IFC and MIGA. All contributions to the RSBP and all other assets and income held for the purposes of the RSBP are held by the IBRD separately from the other assets and income of the IBRD, IFC, and MIGA and can be used only for the benefits of the participants in the RSBP and their beneficiaries, until all liabilities to them have been paid or provided for. The initial contribution to the RSBP on behalf of IBRD staff amounted to $158,880,000. Of this amount, $105,500,000 has been charged to the IBRD and the remaining $53,380,000 has been charged to IDA.

Had the new method of accounting been applied retroactively, net income would have been $1,143,140,000 and $1,086,407,000 for fiscal years 1990 and 1989, respectively.

Report of Independent Accountants

Price Waterhouse
(International Firm)

The Hague
London
New York

Tokyo
Washington

Price Waterhouse

July 30, 1990

President and Board of Governors
International Bank for Reconstruction
and Development

In our opinion, the financial statements appearing on pages 184 through 201 of this Report present fairly, in all material respects, in terms of United States dollars, the financial position of the International Bank for Reconstruction and Development at June 30, 1990 and 1989, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States and with International Accounting Standards. These financial statements are the responsibility of management of the International Bank for Reconstruction and Development; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note I to the financial statements, the International Bank for Reconstruction and Development changed its method of accounting for non-pension retirement benefits during the year ended June 30, 1990.

Price Waterhouse
(International Firm)

Financial Statements of the International Development Association, the Special Fund Administered by IDA, the Special Facility for Sub-Saharan Africa Administered by IDA, and the Debt Reduction Facility for IDA-Only Countries Administered by IDA

Statements of Commitment Resources

For the fiscal years ended June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

Changes in Commitment Resources	IDA		Special Fund		African Facility		Debt Reduction Facility
	1990	1989	1990	1989	1990	1989	1990
COMMITMENT AUTHORITY[a]							
Current period transactions.							
Subscriptions and contributions	$4,519,994	$5,002,403					
Reflows available for advance commitments and annual allocations	791,656	751,772					
Transfers from IBRD—Note G	—	—					$100,000
Total current period transactions	5,311,650	5,754,175					100,000
Less development credits approved	5,521,950	4,932,590				$ 27,900	
Effect of current period transactions on resources available for commitment	(210,300)	821,585				(27,900)	100,000
Translation adjustments affecting commitment authority	(288,897)	107,468				(9,516)	
(Decrease) increase in commitment authority	(499,197)	929,053				(37,416)	100,000
Commitment authority, beginning of fiscal year	750,727	(178,326)				37,416	—
Commitment authority, end of fiscal year	$ 251,530	$ 750,727				$ —	$100,000
CHANGES TO FULLY COMMITTED REPLENISHMENTS							
Current period allocations.							
Cancellations of development credits	$ 211,608	$ 207,869	$ 15	$148,492	$ 37	$ 192	
Grant participation in development credits	63	2,973					
Income from investments	221,439	135,283	9,265	6,793	14,327	14,352	
Income from operations	(67,910)	12,492					
Total current period allocations	365,200	358,617	9,280	155,285	14,364	14,544	
Supplemental development credits approved[b]					(26,800)		
Translation adjustments on resources under fully committed replenishments	(21,642)	(140,365)	33,306	(14,893)	1,657	14,958	
Increase (decrease) in resources under fully committed replenishments	343,558	218,252	42,586	140,392	(10,779)	29,502	
Surplus in resources under fully committed replenishments, beginning of fiscal year	601,021	382,769	172,335	31,943	29,502		
Surplus in resources under fully committed replenishments, end of fiscal year	$ 944,579	$ 601,021	$214,921	$172,335	$ 18,723	$ 29,502	
COMMITMENT RESOURCES							
Commitment authority, end of fiscal year	$ 251,530	$ 750,727				$ —	$100,000
Surplus in resources under fully committed replenishments, end of fiscal year	944,579	601,021	$214,921	$172,335	$ 18,723	29,502	
Total commitment resources	$1,196,109	$1,351,748	$214,921	$172,335	$ 18,723	$ 29,502	$100,000

a. IDA reviews periodically the resource position under fully committed replenishments and, if necessary, allocates portions of the resources that become available for commitment during the fiscal year to those replenishments. For IDA, these allocations include income from operations from January 1, 1985 to July 31, 1989 that fully covered the cumulative losses from operations incurred during the fiscal year from July 1, 1979 to December 31, 1984.

The Executive Directors have reviewed IDA's resource position under fully committed replenishments and approved a scheme whereby IDA can annually increase commitment authority by making advance commitments against the reflows that IDA is projected to receive in future years.

b. On July 17, 1989, since all of the African Facility's commitments and encashments had been made, the Executive Directors decided that the African Facility could rebalance its currency positions to match its obligations with its resources and that the surplus resulting from currency conversion be committed in the form of supplemental development credits to outstanding African Facility Development Credits on a fast-disbursing basis

Composition of Commitment Resources

	IDA		Special Fund		African Facility		Debt Reduction Facility
	1990	1989	1990	1989	1990	1989	1990
Liquid funds	$ 1,827,217	$ 1,444,458	$100,041	$ 59,850	$112,957	$172,170	
Cash not immediately available for disbursement—Note B	7,867	10,484					
Receivables on account of subscriptions and contributions	16,324,085	19,446,967	264,797	283,689	10	9	
Subscriptions and contributions not yet available for commitment	(4,150)	(4,321,215)					
Receivables from International Bank for Reconstruction and Development—Note G	846,502	716,626					$100,000
Other assets	179,640	146,508	56	268	421	814	
Reflows available for advance commitments and annual allocations	1,589,932	751,772					
Of which amounts received	(401,883)	(184,636)					
	1,188,049	567,136					
Less undisbursed credits, accounts payable and other liabilities	19,173,101	16,659,216	149,973	171,472	94,665	143,491	
Total commitment resources	$ 1,196,109	$ 1,351,748	$214,921	$172,335	$ 18,723	$ 29,502	$100,000

See Notes to Financial Statements

Statements of Changes in Liquid Funds

For the fiscal years ended June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	IDA		Special Fund		African Facility		Debt Reduction Facility
	1990	1989	1990	1989	1990	1989	1990
SOURCES OF LIQUID FUNDS							
Operations:							
Income from development credits—Notes D and H	$ 286,470	$ 271,492					
Less management fee to IBRD—Note H	354,380	259,000					
Income from development credits less management fee .	(67,910)	12,492					
Income from investments—Note H	227,006	140,242	$ 9,265	$ 6,793	$ 14,327	$ 14,352	
Less amortization of subscription advances ..	5,567	4,959					
Non-cash items	(26,361)	23,988	267	(26)	1,246	(576)	
Liquid funds from operations	127,168	171,763	9,532	6,767	15,573	13,776	
Drawdown of subscriptions and contributions	3,678,957	3,509,751	54,302	30,034	—	264,817	
Grant participations in development credits	63	2,973					
Repayments of development credits	217,247	184,636					
Total sources of liquid funds	4,023,435	3,869,123	63,834	36,801	15,573	278,593	
USES OF LIQUID FUNDS							
Development credit disbursements	3,813,916	3,559,206	31,358	37,670	85,333	209,612	
Total uses of liquid funds ..	3,813,916	3,559,206	31,358	37,670	85,333	209,612	
Effect of current fiscal year transactions on liquid funds	209,519	309,917	32,476	(869)	(69,760)	68,981	
TRANSLATION ADJUSTMENTS	162,892	(58,567)	6,775	(2,342)	9,569	(2,333)	
Of which translation adjustments on non-liquid funds	(10,348)	40,094	(940)	1,687	(978)	2,309	
Translation adjustments on liquid funds	173,240	(98,661)	7,715	(4,029)	10,547	(4,642)	
Increase (decrease) in liquid funds	382,759	211,256	40,191	(4,898)	(59,213)	64,339	
Liquid funds, beginning of fiscal year	1,444,458	1,233,202	59,850	64,748	172,170	107,831	
Liquid funds, end of fiscal year	$1,827,217	$1,444,458	$100,041	$59,850	$112,957	$172,170	

See Notes to Financial Statements.

Statements of Condition

June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	IDA		Special Fund		African Facility		Debt Reduction Facility
Assets	1990	1989	1990	1989	1990	1989	1990
Unrestricted assets							
LIQUID FUNDS							
Cash available for disbursement							
Noninterest-bearing demand deposits	$ 31,271	$ 80,949	$ 281	$ 715	$ 851	$ 3,074	
Interest-bearing demand deposits	5,622	48,246	1,255	4,384	35	432	
Investments—Note A:							
Obligations of governments and other official entities	571,423	683,134	13,975	—	—	17,092	
Obligations of banks and financial institutions	1,248,695	631,523	84,530	54,751	112,071	151,572	
Receivable for investment securities sold	12,873	12,490					
Payable for investment securities purchased	(42,667)	(11,884)					
	1,827,217	1,444,458	100,041	59,850	112,957	172,170	
CASH NOT IMMEDIATELY AVAILABLE FOR DISBURSEMENT—Note B	7,867	10,484					
CASH COLLATERAL INVESTED	—	118,337					
RECEIVABLES ON ACCOUNT OF SUBSCRIPTIONS AND CONTRIBUTIONS							
Nonnegotiable, noninterest-bearing demand obligations	15,452,403	14,724,701	264,797	283,689	10	9	
Subscriptions and contributions—Note F:							
Amounts due	42,289	131,287					
Amounts not yet due	829,393	4,590,979					
	16,324,085	19,446,967	264,797	283,689	10	9	
RECEIVABLES FROM INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT—Note G	846,502	716,626					$100,000
DEVELOPMENT CREDITS OUTSTANDING (see Summary Statement of Development Credits and Note D)							
Total development credits	59,135,394	51,900,844					
Less undisbursed balance	19,083,318	16,556,580					
	40,052,076	35,344,264					
SPECIAL FUND CREDITS OUTSTANDING (see Summary Statement of Development Credits and Note D)							
Total development credits	470,225	442,848					
Less undisbursed balance	149,973	171,472					
	320,252	271,376					
AFRICAN FACILITY CREDITS OUTSTANDING (see Summary Statement of Development Credits and Note D)							
Total development credits	1,267,476	1,167,496					
Less undisbursed balance	93,581	143,446					
	1,173,895	1,024,050					
OTHER ASSETS							
Accrued charges on development credits	91,559	82,255					
Accrued interest on investments	40,243	19,682	56	245	421	814	
Miscellaneous—primarily advances for project preparation facilities	47,838	44,571	—	23			
	179,640	146,508	56	268	421	814	
Total unrestricted assets	60,731,534	58,523,070	364,894	343,807	113,388	172,993	100,000
Restricted assets on account of subscriptions—Note C	270,840	265,713					
Total assets	$61,002,374	$58,788,783	$364,894	$343,807	$113,388	$172,993	$100,000

Sources of Assets	IDA 1990	IDA 1989	Special Fund 1990	Special Fund 1989	African Facility 1990	African Facility 1989	Debt Reduction Facility 1990
Unrestricted sources							
ACCOUNTS PAYABLE AND OTHER LIABILITIES (for IDA this includes payable to IBRD for management fee of $85,722—1990, $96,765—1989)	$ 89,783	$ 102,636	$ —	$ —	$ 1,084	$ 45	
PAYABLE FOR CASH COLLATERAL RECEIVED	—	118,337					
SUBSCRIPTIONS AND CONTRIBUTIONS (see Statement of Voting Power and Subscriptions and Contributions and Note F)	54,357,560	53,795,836					
CONTRIBUTIONS TO SPECIAL FUND (see Statement of Voting Power, and Subscriptions and Contributions)							
Total			601,771	565,372			
Disbursed	285,865	254,507	(285,865)	(254,507)			
Undisbursed			315,906	310,865			
CONTRIBUTIONS TO AFRICAN FACILITY (see Statement of Voting Power and Subscriptions and Contributions)							
Total					1,022,730	1,021,733	
Disbursed	1,022,720	1,040,791			(1,022,720)	(1,021,723)	
Undisbursed					10	10	
CONTRIBUTION BY SWITZERLAND—Note E	51,173	51,173					
TRANSFERS FROM INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT—Note G	2,560,677	2,430,801					$100,000
TRANSFERS FROM INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT TO AFRICAN FACILITY—Note G							
Total					150,000	150,000	
Disbursed	103,404	—			(103,404)	(19,068)	
Undisbursed					46,596	130,932	
ACCUMULATED SURPLUS (DEFICIT)	312,678	(3,254)	48,988	32,942	65,698	42,006	
CUMULATIVE TRANSLATION ADJUSTMENTS ON DISBURSED AND OUTSTANDING DEVELOPMENT CREDITS:							
IDA	1,865,516	732,115					
Special Fund	34,387	16,869					
African Facility	47,771	(16,741)					
	1,947,674	732,243					
Total unrestricted sources	60,731,534	58,523,070	364,894	343,807	113,388	172,993	100,000
Restricted subscriptions—Note C	270,840	265,713					
Total sources of assets	$61,002,374	$58,788,783	$ 364,894	$ 343,807	$ 113,388	$ 172,993	$100,000

See Notes to Financial Statements.

Summary Statement of Development Credits

June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	June 30, 1990								
	IDA		Special Fund		African Facility		Total		
Borrower or guarantor	Total credits	Credits outstanding	Total credits	Credits outstanding	Total credits	Credits outstanding	Total credits[a]	Credits outstanding	Percentage of credits outstanding
Afghanistan	$ 77,716	$ 77,716	$ —	$ —	$ —	$ —	$ 77,716	$ 77,716	0 19
Bangladesh	5,371,799	3,748,092	27,403	5,490	—	—	5,399,202	3,753,582	9 03
Benin	376,747	261,789	10,984	10,977	—	—	387,731	272,766	0.66
Bhutan	28,463	14,389	—	—	—	—	28,463	14,389	0 03
Bolivia	557,208	347,052	—	—	—	—	557,208	347,052	0 84
Botswana	13,747	13,747	—	—	—	—	13,747	13,747	0 03
Burkina Faso	388,691	263,814	—	—	—	—	388,691	263,814	0 63
Burundi	578,813	337,040	—	—	18,931	18,931	597,744	355,971	0 86
Cameroon	237,856	237,856	—	—	—	—	237,856	237,856	0 57
Cape Verde	20,652	12,388	—	—	—	—	20,652	12,388	0 03
Central African Republic	358,234	187,957	—	—	18,534	18,534	376,768	206,491	0.50
Chad	295,869	144,133	—	—	27,138	12,179	323,007	156,312	0.38
Chile	14,512	14,512	—	—	—	—	14,512	14,512	0 03
China	4,260,028	2,501,070	75,194	73,429	—	—	4,335,222	2,574,499	6 20
Colombia	14,833	14,833	—	—	—	—	14,833	14,833	0.04
Comoros	45,441	35,240	—	—	—	—	45,441	35,240	0 08
Congo, People's Republic of the	73,776	73,776	—	—	—	—	73,776	73,776	0.18
Costa Rica	3,544	3,544	—	—	—	—	3,544	3,544	0.01
Côte d'Ivoire	6,975	6,975	—	—	—	—	6,975	6,975	0 02
Djibouti	47,192	26,789	—	—	—	—	47,192	26,789	0 06
Dominica	12,021	9,382	—	—	—	—	12,021	9,382	0.02
Dominican Republic	20,334	20,334	—	—	—	—	20,334	20,334	0.05
Ecuador	32,095	32,095	—	—	—	—	32,095	32,095	0.08
Egypt, Arab Republic of	924,734	908,092	—	—	—	—	924,734	908,092	2.19
El Salvador	23,574	23,574	—	—	—	—	23,574	23,574	0.06
Equatorial Guinea	35,214	29,337	—	—	4,766	4,766	39,980	34,103	0.08
Ethiopia	1,325,975	760,678	—	—	—	—	1,325,975	760,678	1 83
Gambia, The	144,963	79,741	—	—	12,974	12,974	157,937	92,715	0 22
Ghana	1,514,160	876,674	44,862	44,862	177,757	176,358	1,736,779	1,097,894	2.64
Grenada	6,619	4,639	—	—	—	—	6,619	4,639	0 01
Guinea	759,519	323,124	—	—	20,652	20,652	780,171	343,776	0.83
Guinea-Bissau	164,054	112,777	5,163	5,160	11,253	11,176	180,470	129,113	0.31
Guyana	130,714	34,844	—	—	—	—	130,714	34,844	0.08
Haiti	399,655	302,123	15,886	6,162	—	—	415,541	308,285	0 74
Honduras	77,623	77,623	—	—	—	—	77,623	77,623	0.19
India	17,334,343	12,696,732	85,932	12,718	—	—	17,420,275	12,709,450	30 59
Indonesia	848,812	848,812	—	—	—	—	848,812	848,812	2 04
Jordan	77,710	77,710	—	—	—	—	77,710	77,710	0 19
Kenya	1,303,825	906,788	50,041	16,503	56,131	56,131	1,409,997	979,422	2 36
Korea, Republic of	99,105	99,105	—	—	—	—	99,105	99,105	0.24
Lao People's Democratic Republic	202,556	105,688	—	—	—	—	202,556	105,688	0 25
Lesotho	157,945	103,968	—	—	—	—	157,945	103,968	0 25
Liberia	103,866	100,989	—	—	—	—	103,866	100,989	0.24
Madagascar	984,169	570,869	36,935	36,566	135,163	96,589	1,156,267	704,024	1 69
Malawi	881,325	610,767	17,343	16,225	60,499	60,499	959,167	687,491	1 65
Maldives	24,564	9,195	—	—	—	—	24,564	9,195	0 02
Mali	659,944	439,120	14,112	12,687	9,399	815	683,455	452,622	1 09
Mauritania	256,665	145,528	—	—	28,330	28,330	284,995	173,858	0.42
Mauritius	18,882	18,882	—	—	—	—	18,882	18,882	0 05
Morocco	39,526	39,526	—	—	—	—	39,526	39,526	0 10

	June 30, 1990								
	IDA		Special Fund		African Facility		Total		
Borrower or guarantor	Total credits	Credits outstanding	Total credits	Credits outstanding	Total credits	Credits outstanding	Total credits[a]	Credits outstanding	Percentage of credits outstanding
Mozambique	$ 516,562	$ 182,442	$ —	$ —	$ 19,196	$ 15,238	$ 535,758	$ 197,680	0.48
Myanmar	850,292	668,394	—	—	—	—	850,292	668,394	1.61
Nepal	1,118,751	613,043	—	—	—	—	1,118,751	613,043	1.48
Nicaragua	59,998	59,997	—	—	—	—	59,998	59,997	0.14
Niger	457,100	338,065	—	—	86,050	84,907	543,150	422,972	1.02
Nigeria	252,358	29,290	—	—	—	—	252,358	29,290	0.07
Pakistan	3,277,662	1,968,979	—	—	—	—	3,277,662	1,968,979	4.74
Papua New Guinea	112,528	112,528	—	—	—	—	112,528	112,528	0.27
Paraguay	41,738	41,738	—	—	—	—	41,738	41,738	0.10
Philippines	101,799	101,799	—	—	—	—	101,799	101,799	0.25
Rwanda	473,737	294,999	—	—	29,786	19,196	503,523	314,195	0.76
St. Lucia	5,295	—	—	—	—	—	5,295	—	—
St. Vincent and the Grenadines	2,383	669	5,295	4,811	—	—	7,678	5,480	0.01
São Tomé and Principe	34,287	17,514	—	—	3,045	2,818	37,332	20,332	0.05
Senegal	842,469	553,184	23,432	23,396	94,518	94,518	960,419	671,098	1.62
Sierra Leone	127,503	77,893	—	—	—	—	127,503	77,893	0.19
Solomon Islands	19,383	14,800	—	—	—	—	19,383	14,800	0.04
Somalia	511,388	353,699	—	—	37,994	37,994	549,382	391,693	0.94
Sri Lanka	1,273,724	764,980	—	—	—	—	1,273,724	764,980	1.84
Sudan	1,312,586	923,644	12,698	12,698	—	—	1,325,284	936,342	2.25
Swaziland	6,873	6,873	—	—	—	—	6,873	6,873	0.02
Syrian Arab Republic	45,466	45,466	—	—	—	—	45,466	45,466	0.11
Tanzania	1,756,539	1,042,155	—	—	76,386	76,386	1,832,925	1,118,541	2.69
Thailand	109,338	109,338	—	—	—	—	109,338	109,338	0.26
Togo	445,026	318,629	24,425	24,425	13,371	13,371	482,822	356,425	0.86
Tonga	5,295	2,048	—	—	—	—	5,295	2,048	*
Tunisia	60,152	60,152	—	—	—	—	60,152	60,152	0.14
Turkey	159,484	159,484	—	—	—	—	159,484	159,484	0.38
Uganda	1,179,693	766,542	—	—	38,126	36,371	1,217,819	802,913	1.93
Vanuatu	12,382	3,211	—	—	—	—	12,382	3,211	0.01
Viet Nam	58,802	58,802	—	—	—	—	58,802	58,802	0.14
Western Samoa	39,999	14,593	—	—	—	—	39,999	14,593	0.04
Yemen Arab Republic[b]	583,937	366,846	—	—	—	—	583,937	366,846	0.88
Yemen, People's Dem. Rep. of[b]	285,691	188,608	13,106	10,020	—	—	298,797	198,628	0.48
Zaire	1,146,705	814,228	—	—	219,096	206,781	1,365,801	1,021,009	2.46
Zambia	342,725	182,567	7,414	4,123	68,381	68,381	418,520	255,071	0.61
Zimbabwe	63,137	62,674	—	—	—	—	63,137	62,674	0.15
Subtotal members	59,029,374	40,011,301	470,225	320,252	1,267,476	1,173,895	60,767,075	41,505,448	

(continued)

Summary Statement of Development Credits *(continued)*

June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	June 30, 1990								
	IDA		Special Fund		African Facility		Total		
Borrower or guarantor	Total credits	Credits outstanding	Total credits	Credits outstanding	Total credits	Credits outstanding	Total credits[a]	Credits outstanding	Percentage of credits outstanding
Regional development banks:									
West African Development Bank[c]	$ 62,361	$ 15,515	$ —	$ —	$ —	$ —	$ 62,361	$ 15,515	0.04
Caribbean Development Bank[d]	33,454	15,055	—	—	—	—	33,454	15,055	0.04
Subtotal regional development banks	95,815	30,570	—	—	—	—	95,815	30,570	
Other[e]	10,205	10,205	—	—	—	—	10,205	10,205	0.02
Total—June 30, 1990	$59,135,394	$40,052,076	$470,225	$320,252	$1,267,476	$1,173,895	$60,873,095	$41,546,223	100.00
Total—June 30, 1989	$51,900,844	$35,344,264	$442,848	$271,376	$1,167,496	$1,024,050	$53,511,188	$36,639,690	

* Less than 0.005 percent

a. Of the undisbursed balance at June 30, 1990, IDA has entered into irrevocable commitments to disburse $296,095,000 ($162,913,000—1989).

b. See Notes to Financial Statements—Note C for the merger of the Yemen Arab Republic and the People's Democratic Republic of Yemen.

c. These development credits are for the benefit of Benin, Burkina Faso, Côte d'Ivoire, Niger, Senegal, and Togo.

d. These development credits are for the benefit of Grenada and territories of the United Kingdom (Associated States and Dependencies) in the Caribbean region.

e. Represents development credits made at a time when the authorities on Taiwan represented China in IDA (prior to May 15, 1980).

Maturity Structure of Development Credits*

	June 30, 1990			
Period	IDA	Special Fund	African Facility	Total
July 1, 1990 to June 30, 1991	$ 286,217	$ —	$ —	$ 286,217
July 1, 1991 to June 30, 1992	323,755	—	—	323,755
July 1, 1992 to June 30, 1993	374,035	80	—	374,115
July 1, 1993 to June 30, 1994	440,244	1,742	—	441,986
July 1, 1994 to June 30, 1995	504,054	4,847	—	508,901
July 1, 1995 to June 30, 2000	3,850,063	24,233	47,026	3,921,322
July 1, 2000 to June 30, 2005	6,683,576	36,854	63,374	6,783,804
July 1, 2005 to June 30, 2010	8,658,792	70,315	157,426	8,886,533
July 1, 2010 to June 30, 2015	10,014,537	70,315	190,121	10,274,973
July 1, 2015 to June 30, 2020	9,794,535	70,315	190,121	10,054,971
July 1, 2020 to June 30, 2025	8,938,273	70,315	190,121	9,198,709
July 1, 2025 to June 30, 2030	6,354,710	70,315	190,122	6,615,147
July 1, 2030 to June 30, 2035	2,647,292	50,894	190,122	2,888,308
July 1, 2035 to June 30, 2040	265,311	—	49,043	314,354
Total	$59,135,394	$470,225	$1,267,476	$60,873,095

* Includes undisbursed balance.

See Notes to Financial Statements.

Statement of Voting Power, and Subscriptions and Contributions

June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	June 30, 1990				
	IDA				
Member[a]	Number of votes	Percentage of total[b]	Subscriptions and contributions	Special Fund contributions	African Facility contributions
Part I Members					
Australia	95,118	1.38	$ 1,015,467	$ —	$ —
Austria	43,146	0 63	417,317	—	16,587
Belgium	81,027	1.17	877,422	48,531	8,030
Canada	219,916	3.19	2,558,371	162,246	78,249
Denmark	64,146	0 93	632,550	34,040	23,058
Finland	39,593	0 57	360,053	—	17,580
France	267,428	3 87	3,216,711	147,931	226,571
Germany, Federal Republic of	478,598	6.93	6,343,617	—	—
Iceland	15,211	0.22	6,763	—	—
Ireland	19,041	0.28	61,778	—	2,184
Italy	193,939	2.81	2,112,110	91,805	228,116
Japan	664,752	9 63	10,472,119	—	—
Kuwait	62,317	0.90	599,428	—	—
Luxembourg	16,144	0.23	28,178	—	—
Netherlands	146,491	2 12	1,960,550	—	164,555
New Zealand	18,915	0 27	56,048	—	—
Norway	63,147	0.91	592,589	40,011	38,399
South Africa	20,119	0 29	57,077	—	—
Sweden	142,160	2.06	1,473,666	77,207	68,683
United Arab Emirates	15,942	0.23	5,582	—	—
United Kingdom	392,447	5.68	4,639,987	—	—
United States	1,189,128	17.22	14,764,907	—	136,580
Subtotal	4,248,725	61.52	52,252,290	601,771	1,008,592
Part II Members					
Afghanistan	13,557	0 20	1,341	—	—
Algeria	18,481	0 27	5,149	—	—
Angola	45,662	0 66	8,589	—	—
Argentina	81,053	1 17	49,092	—	—
Bangladesh	41,020	0 59	7,028	—	—
Belize	1,788	0.03	243	—	—
Benin	4,800	0 07	625	—	—
Bhutan	3,559	0 05	61	—	—
Bolivia	13,748	0.20	1,328	—	—
Botswana	14,852	0.21	211	—	—
Brazil	117,865	1.71	63,422	—	—
Burkina Faso	9,720	0.14	649	—	—
Burundi	12,667	0 18	980	—	—
Cameroon	13,854	0.20	1,318	—	—
Cape Verde	516	0 01	96	—	—
Central African Republic	10,920	0 16	656	—	—
Chad	6,790	0 10	649	—	—
Chile	31,782	0.46	4,503	—	—
China	138,951	2.01	39,168	—	—
Colombia	34,350	0.50	22,483	—	—
Comoros	8,854	0.13	105	—	—
Congo, People's Republic of the	6,685	0 10	641	—	—
Costa Rica	7,844	0 11	254	—	—
Côte d'Ivoire	7,771	0 11	1,293	—	—
Cyprus	17,897	0.26	1,024	—	—

(continued)

Statement of Voting Power, and Subscriptions and Contributions *(continued)*

June 30, 1990 and June 30, 1989
Expressed in thousands of US dollars

	June 30, 1990				
	IDA				
Member[a]	Number of votes	Percentage of total[b]	Subscriptions and contributions	Special Fund contributions	African Facility contributions
Part II Members (continued)					
Djibouti	532	0.01	$ 193	$ —	$ —
Dominica	6,213	0.09	100	—	—
Dominican Republic	15,726	0 23	579	—	—
Ecuador	13,709	0 20	817	—	—
Egypt, Arab Republic of	28,424	0.41	6,433	—	—
El Salvador	6,244	0 09	403	—	—
Equatorial Guinea	1,967	0.03	401	—	—
Ethiopia	16,607	0 24	705	—	—
Fiji	2,130	0 03	701	—	—
Gabon	2,093	0 03	627	—	—
Gambia, The	10,644	0.15	339	—	—
Ghana	15,362	0.22	2,961	—	—
Greece	28,503	0 41	12,855	—	—
Grenada	14,496	0 21	123	—	—
Guatemala	12,713	0.18	509	—	—
Guinea	17,221	0 25	1,308	—	—
Guinea-Bissau	528	0 01	169	—	—
Guyana	17,891	0 26	1,021	—	—
Haiti	14,143	0.20	1,016	—	—
Honduras	12,290	0 18	403	—	—
Hungary	52,409	0 76	17,118	—	—
India	219,269	3 17	53,651	—	—
Indonesia	69,651	1 01	14,347	—	—
Iran, Islamic Republic of	15,455	0 22	5,853	—	—
Iraq	9,407	0 14	992	—	—
Israel	9,386	0 14	2,401	—	—
Jordan	15,388	0 22	391	—	—
Kampuchea, Democratic	7 826	0 11	1,284	—	—
Kenya	20,688	0 30	2,174	—	—
Kiribati	512	0 01	72	—	—
Korea, Republic of	23,402	0 34	35,944	—	—
Lao People's Democratic Republic	11,723	0 17	627	—	—
Lebanon	8,562	0 12	564	—	—
Lesotho	10,487	0 15	204	—	—
Liberia	13,867	0 20	1,016	—	—
Libya	7 771	0 11	1,303	—	—
Madagascar	702	0 01	1,218	—	—
Malawi	17,897	0 26	991	—	—
Malaysia	26,693	0 39	3,396	—	—
Maldives	14,248	0 21	39	—	—
Mali	16,507	0 24	1,191	—	—
Mauritania	6,685	0.10	636	—	—
Mauritius	18,428	0 27	1,163	—	—
Mexico	41,391	0 60	46,673	—	—
Morocco	31,782	0 46	4,669	—	—
Mozambique	774	0 01	1,653	—	—
Myanmar	24,230	0 35	2,746	—	—
Nepal	16,420	0.24	652	—	—
Nicaragua	10,896	0 16	387	—	—
Niger	16,541	0 24	663	—	—

	June 30, 1990				
	IDA				
Member[a]	Number of votes	Percentage of total[b]	Subscriptions and contributions	Special Fund contributions	African Facility contributions
[illegible]	4,057	0.06	$ 4,211	$ —	$ —
[illegible]	15,588	0.23	430	—	—
Pakistan	63,432	0.92	13,356	—	—
Panama	5,657	0.08	26	—	—
Papua New Guinea	13,050	0.19	1,125	—	—
Paraguay	11,419	0.17	384	—	—
Peru	854	0.01	2,135	—	—
Philippines	16,583	0.24	6,476	—	—
Poland	169,036	2.45	40,031	—	—
Rwanda	12,667	0.18	1,014	—	—
St. Kitts and Nevis	526	0.01	158	—	—
St. Lucia	13,593	0.20	203	—	—
St. Vincent and the Grenadines	514	0.01	84	—	—
São Tomé and Principe	514	0.01	84	—	—
Saudi Arabia	226,623	3.28	1,593,214	—	—
Senegal	17,830	0.26	2,225	—	—
Sierra Leone	12,667	0.18	953	—	—
Solomon Islands	518	0.01	109	—	—
Somalia	10,506	0.15	953	—	—
Spain	89,935	1.30	189,222	—	14,138
Sri Lanka	29,246	0.42	3,920	—	—
Sudan	13,884	0.20	1,289	—	—
Swaziland	11,073	0.16	408	—	—
Syrian Arab Republic	7,651	0.11	1,202	—	—
Tanzania	16,021	0.23	2,111	—	—
Thailand	29,246	0.42	4,073	—	—
Togo	17,143	0.25	1,029	—	—
Tonga	11,380	0.17	91	—	—
Trinidad and Tobago	770	0.01	1,629	—	—
Tunisia	2,793	0.04	1,893	—	—
Turkey	44,051	0.64	18,162	—	—
Uganda	16,021	0.23	2,106	—	—
Vanuatu	4,994	0.07	235	—	—
Viet Nam	8,889	0.13	1,893	—	—
Western Samoa	8,768	0.13	115	—	—
Yemen Arab Republic[c]	14,753	0.21	557	—	—
Yemen, People's Democratic Republic of[c]	15,576	0.23	1,582	—	—
Yugoslavia	44,264	0.64	18,704	—	—
Zaire	12,164	0.18	3,785	—	—
Zambia	19,730	0.29	3,374	—	—
Zimbabwe	1,324	0.02	4,970	—	—
Subtotal	2,656,729	38.48	2,376,110	—	14,138
Total—June 30, 1990	6,905,454	100.00	$54,628,400	$601,771	$1,022,730
Total—June 30, 1989	6,461,746		$54,061,549	$565,372	$1,021,733

a. See Notes to Financial Statements—Note C for an explanation of the two categories of membership

b. Total may differ from the sum of individual percentages shown due to rounding

c. See Notes to Financial Statements—Note C for the merger of the Yemen Arab Republic and the People's Democratic Republic of Yemen.

See Notes to Financial Statements.

Notes to Financial Statements

June 30, 1990 and June 30, 1989

Summary of Significant Accounting and Related Policies

Organization and Operations

IDA: IDA was established on September 24, 1960 to promote economic development, increase productivity, and raise the standard of living of its developing country members.

Special Fund: On October 26, 1982, IDA established the Special Fund constituted by funds to be contributed by members of IDA and administered by IDA to supplement the regular resources available for lending by IDA. The arrangements governing the Special Fund may be amended or terminated by IDA's Executive Directors subject to the agreement of a qualified majority of the contributors to the Special Fund. The resources of the Special Fund are kept separate from the resources of IDA

African Facility: On May 21, 1985, IDA established the Special Facility for Sub-Saharan Africa (the African Facility) constituted by funds to be contributed by the International Bank for Reconstruction and Development (IBRD) and other donors to provide financing for countries of the Sub-Saharan region. The African Facility is administered by IDA. The resources of the African Facility are kept separate from the resources of IDA.

On July 27, 1989, the Executive Directors decided to terminate the African Facility as of June 30, 1990. The decision allows IDA as administrator of the Facility to convert its currency assets to match its SDR-denominated development credit commitments. All African Facility credits were substantially disbursed as of June 30, 1990 and, effective that date, all remaining assets and liabilities of the African Facility, in excess of the undisbursed amount of credits approved, were transferred to IDA

Debt Reduction Facility: On September 28, 1989, IDA established the Debt Reduction Facility for IDA-Only Countries (the Debt Reduction Facility) constituted by funds to be contributed by the IBRD to facilitate commercial debt reduction for IDA-only countries. The Debt Reduction Facility is administered by IDA The resources of the Debt Reduction Facility are kept separate from the resources of IDA.

Translation of Currencies

IDA: IDA is an international organization which conducts its operations in the currencies of all of its members and Switzerland. Assets and liabilities are translated at market rates of exchange at the end of the accounting period Income is generally translated at an average of the market rates of exchange in effect during each month Subscriptions and contributions are translated in the manner described below Translation adjustments relating to the revaluation of development credits denominated in Special Drawing Rights (SDRs) are charged or credited to Cumulative Translation Adjustments on Disbursed and Outstanding Development Credits. Other translation adjustments are charged or credited to the Accumulated Surplus (Deficit).

Special Fund and African Facility: Assets of the Special Fund and the African Facility are translated at market rates of exchange at the end of the period. Contributions are translated in the manner described below

Debt Reduction Facility: The resources and grants of the Debt Reduction Facility are denominated in US dollars.

Valuation of Subscriptions and Contributions

IDA: The subscriptions and contributions provided through the third replenishment are expressed in terms of "US dollars of the weight and fineness in effect on January 1, 1960" (1960 dollars) Following the abolition of gold as a common denominator of the monetary system and the repeal of the provision of the United States law defining the par value of the US dollar in terms of gold, the pre-existing basis for translating 1960 dollars into current dollars or any other currency disappeared On June 30, 1987, the Executive Directors of IDA decided, with effect on that date and until such time as the relevant provisions of the Articles of Agreement are amended, to interpret the words "US dollars of the weight and fineness in effect on January 1, 1960" in Article II, Section 2(b) of the Articles of Agreement of IDA to mean the Special Drawing Right (SDR) introduced by the International Monetary Fund, as the SDR was valued in terms of United States dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being equal to $1 20635 for one SDR (the 1974 SDR), and also decided to apply the same standard of value to amounts expressed in 1960 dollars in the relevant resolutions of the Board of Governors

The subscriptions and contributions provided through the third replenishment are expressed on the basis of the 1974 SDR. Prior to the decision of the Executive Directors, IDA had valued these subscriptions and contributions on the basis of the SDR at the current market value of the SDR

The subscriptions and contributions provided under the fourth replenishment and thereafter are expressed in members' currencies or SDRs and are payable in members' currencies. Prior to July 1, 1986, amounts receivable and amounts received but not yet disbursed were translated at market rates of exchange at the end of the accounting period Amounts which had been disbursed or converted into other currencies were translated at market rates of exchange on dates of disbursement or conversion Beginning July 1, 1986, amounts received but not yet disbursed, as well as amounts disbursed or converted into other currencies, are translated at market rates of exchange on the dates they were made available for disbursement in cash to IDA.

Special Fund and African Facility: Prior to April 1, 1989, amounts receivable and amounts received but not yet disbursed were translated at market rates of exchange at the end of the accounting period. Amounts which had been disbursed or converted into other currencies were translated at market rates of exchange on dates of disbursement or conversion Beginning April 1, 1989, amounts received but not yet disbursed, as well as amounts disbursed or converted into other currencies, are translated at market rates of exchange on the dates they were made available for disbursement in cash to the Special Fund and the African Facility

Development Credits

All development credits are made to member governments or to the government of a territory of a member (except for development credits which have been made to regional development banks for the benefit of members or territories of members of IDA) It is IDA's policy to place in nonaccrual status all development credits made to a member government or to the government of a territory of a member if principal or charges with respect to any such credit are overdue by more than six months, unless IDA management determines that the overdue amount will be collected in the immediate future. In addition, if loans by IBRD to a member government are placed in nonaccrual status, all credits to that member government will also be placed in nonaccrual status by IDA Charges on nonaccruing credits are included in income only to the extent that payments have actually been received by IDA. IDA has not suffered any losses on development credit receivables and has established no provision for credit losses because no losses are anticipated

IDA: The repayment obligations of IDA's development credits funded from resources through the fifth replenishment are expressed in the development credit agreements in terms of 1960 dollars Pending resolution of the valuation issue, as an interim measure, payments were accepted at the rate of $1.20635 per 1960 dollar. On June 30, 1987, the Executive Directors decided to value such credits at that rate on a permanent basis. Development credits funded from resources provided under the sixth replenishment and thereafter are denominated in SDRs; the principal amounts disbursed under such credits are to be repaid in amounts equivalent to the value in terms of SDRs of currencies disbursed

Special Fund: Special Fund credits are denominated in SDRs The principal amounts disbursed under such credits are to be repaid in amounts equivalent to the value in terms of SDRs of currencies disbursed.

Special Fund credits are made on the same terms as regular IDA credits except that the proceeds of Special Fund credits may be used only to finance expenditures for goods or services from (a) Part II members of IDA; (b) Part I members contributing to the Special Fund, and (c) Part I members contributing to the regular resources of IDA through IDA's FY84 Account who have notified IDA that such contributions are to be treated in the same manner as contributions to the Special Fund for purposes of any future adjustment of the voting rights of the members of IDA

African Facility African Facility credits are denominated in SDRs The principal amounts disbursed under such credits are to be repaid in amounts equivalent to the value in terms of SDRs of currencies disbursed

African Facility credits are made to member countries of IDA in Sub-Saharan Africa which are eligible for development credits of IDA and have undertaken or are committed to undertake medium-term programs of policy reform and stabilization measures acceptable to IDA. Proceeds of African Facility credits equivalent to the amount contributed by the IBRD are used in the same manner as the regular resources of IDA The remaining proceeds are used only to finance expenditures for goods produced or services supplied from (a) Part II members of IDA, (b) Part I members contributing to the African Facility; and (c) countries which maintain special joint financing arrangements with IDA

Debt Reduction Facility Grants

All Debt Reduction Facility grants are made to member governments for the purpose of assisting in clearly identified debt reduction operations All IDA-only countries with a heavy debt burden are eligible to receive grants Debt Reduction Facility grants are decided on a case-by-case basis, taking into account the existence of a medium-term adjustment program and a strategy for debt management acceptable to IDA Debt Reduction Facility resources are available until September 28, 1992, unless this period is extended Any funds not disbursed within that period will revert to IDA and be available for use in its general operations

Investments

Investment securities are recorded at cost or amortized cost which approximates market Gains or losses on sales of investments, measured by the difference between proceeds of sales and cost (on a last-in, first-out basis), are recorded as an element of income from investments

Reclassifications

Certain reclassifications of prior year information have been made to conform with the current year's presentation

Note A—Investments

At June 30, 1990 and 1989, the currency composition of the investment portfolios is as shown in Table A below

Note B—Cash Not Immediately Available for Disbursement

Under the Articles of Agreement and the arrangements governing replenishments, IDA must take appropriate steps to ensure that, over a reasonable period of time, the resources provided by donors for lending by IDA are used on an approximately pro rata basis Donors sometimes contribute cash substantially ahead of their pro rata share. Unless otherwise agreed, IDA does not disburse these funds ahead of donors' pro rata shares. Cash Not Immediately Available for Disbursement represents the difference between the cash contributed and the amount available for disbursements on a pro rata basis

Note C—Restricted Assets and Subscriptions

For the purposes of its financial resources, the membership of IDA is divided into two categories (1) Part I members, which make payments of subscriptions and contributions provided to IDA in convertible currencies which may be freely used or exchanged by IDA in its operations; (2) Part II members, which make payments of 10 percent of their initial subscriptions in freely convertible currencies and the remaining 90 percent of their initial subscriptions, and all additional subscriptions and contributions, in their own currencies or in freely convertible currencies IDA's Articles of Agreement and subsequent replenishment agreements provide that the currency of any Part II member paid in by it may not be used by IDA for projects financed by IDA and located outside the territories of the member except by agreement between the member and IDA

On May 22, 1990, the Yemen Arab Republic and the People's Democratic Republic of Yemen merged in a single state, the Republic of Yemen Ef-

***Table A.* Currency Composition of Investments**

	IDA		Special Fund		African Facility	
Currency	1990	1989	1990	1989	1990	1989
Australian dollars	$ 241,362 000	$ 161,893,000	$ —	$ —	$ –	$ —
Canadian dollars	297,088,000	78,447,000	35 779 000	—	—	—
Deutsche mark	—	4,539,000	·	—	26 206,000	—
French francs	—	8,079,000	—	—	16 729 000	104,000
Italian lire	150,116,000	73,565,000	43,052 000	25,108,000	—	14,323,000
Japanese yen	—	2,647,000	—	—	18 685,000	—
Netherland guilders	132 950,000	124,367,000	—	—	—	—
Norwegian kroner	—	63,859,000	86,000	17,224,000	—	25,923,000
Pounds sterling	986,698,000	428,134,000	19,588 000	—	12,615,000	—
Spanish pesetas	—	—	—	—	—	15,837,000
Swedish kronor	—	104,471,000	—	10,949,000	—	433,000
United States dollars	—	249,349,000	—	—	37,836,000	102,446,000
Other currencies	11,904,000	15,307,000	—	1,470,000	—	9,598,000
	$1,820 118,000	$1,314,657,000	$98 505,000	$54,751,000	$112,071,000	$168,664,000

(continued)

Notes to Financial Statements *(continued)*

June 30, 1990 and June 30, 1989

fective July 13, 1990, the Republic of Yemen is substituted for the Yemen Arab Republic and the People's Democratic Republic of Yemen in IDA's records as being a single member. As of that date, capital subscriptions and contributions and voting power were adjusted to reflect the merger. The Republic of Yemen has subscriptions and contributions of $2,139,000, with a voting power of 20,029 votes. As of that date, all development credits previously made to or guaranteed by the Yemen Arab Republic or the People's Democratic Republic of Yemen were accepted as obligations of the Republic of Yemen

Note D—Development Credits

Special Fund and African Facility Development Credits Outstanding are included in the Statements of Condition of IDA since principal repayments on these credits shall become part of the general resources of IDA, unless otherwise provided in a decision of IDA's Executive Directors to terminate administration of the Special Fund by IDA and when the African Facility is terminated as of June 30, 1990, respectively.

At June 30, 1990, no development credits, other than those referred to below, were overdue by more than three months.

At June 30, 1990, the development credits made to or guaranteed by certain member countries with an aggregate principal balance outstanding of $539,416,000 ($676,590,000—1989) of which $7,435,000 ($6,256,000—1989) was overdue, were in nonaccrual status As of such date, overdue charges in respect of these credits totaled $16,606,000 ($11,716,000—1989). If these credits had not been in nonaccrual status, income from credits for the fiscal year ended June 30, 1990 would have been $5,747,000 ($3,952,000—1989) higher A summary of borrowers in nonaccrual status follows:

	June 30, 1990			
	US$ thousands			
Borrower	Principal outstanding	Principal and charges overdue	Fiscal year 1990 income not accrued	Nonaccrual since
Liberia	$100,989	$ 4,042	$ 847	April 1988
Nicaragua	59,997	4,871	462	April 1988
Sierra Leone	77,893	3,562	658	April 1988
Syrian Arab Republic	45,466	4,104	341	April 1988
Zambia	255,071	7,462	3,439	April 1988
Total	$539,416	$24,041	$5,747	

In fiscal year 1990, three borrowers paid off all of their arrears and therefore came out of nonaccrual status As a result income from development credits was increased by $1,667,000 for the fiscal year ended June 30, 1990 In addition, one borrower in nonaccrual status made partial payments in fiscal year 1990

Note E—Contribution by Switzerland

IDA has received grant contributions in the amount of Swiss francs 181,480,000 from the Swiss Confederation, which is not a member of IDA The agreements between the Confederation and IDA provide for converting these grant contributions into subscriptions or contributions if Switzerland should become a member of IDA

Note F—Subscriptions and Contributions

Maintenance of Value: Article IV, Sections 2(a) and (b) of IDA's Articles of Agreement provide for maintenance of value payments on account of the local currency portion of the initial subscription whenever the par value of the member's currency or its foreign exchange value has, in the opinion of IDA, depreciated or appreciated to a significant extent within the members' territories, so long as and to the extent that such currency shall not have been initially disbursed or exchanged for the currency of another member. The provisions of Article IV, Sections 2(a) and (b) have by agreement been extended to cover additional subscriptions and contributions of IDA through the third replenishment but are not applicable to those of the fourth and subsequent replenishments.

The Executive Directors decided on June 30, 1987, that settlements of maintenance of value obligations, which would result from the resolution of the valuation issue on the basis of the 1974 SDR, would be deferred until the Executive Directors decide to resume such settlements.

Eighth Replenishment: At June 30, 1990, the amount of subscriptions and contributions from the eighth replenishment totaled the equivalent of $13,742,000,000, at current exchange rates, of which $251,530,000 was uncommitted and will be carried over to the IDA ninth replenishment.

Ninth Replenishment: On May 8, 1990, the Board of Governors of IDA adopted a resolution authorizing the ninth replenishment of IDA resources. The amount of the replenishment, including supplementary contributions provided by certain members and resources from Switzerland, is equivalent to approximately SDR11,679,000,000 (at the exchange rates determined pursuant to a formula agreed among contributing members). The ninth replenishment, on effectiveness, is intended to provide IDA with resources to fund credits that will be committed during the period July 1, 1990 to June 30, 1993

Subscriptions and Contributions Not Yet Due. At June 30, 1990 and 1989, the composition of unrestricted subscriptions and contributions not yet due will become due as follows:

Fiscal years	1990	1989
1990	$ —	$2,833,802,000
1991	696,924,000	646,457,000
1992	99,341,000	93,438,000
Undetermined	33,128,000	1,017,282,000
Total	$829,393,000	$4,590,979,000

Note G—Transfers from The International Bank for Reconstruction and Development (IBRD)

IDA. The IBRD has authorized transfers by way of grants to IDA totaling $2,640,582,000 ($2,510,706,000—1989) from net income of the IBRD for the fiscal years ended June 30, 1964 through June 30, 1987. Of the total amount, $79,905,000 ($79,905,000—1989) has been disbursed for grants for agricultural research, the control of onchocerciasis, and other developmental activities. Of the balance of $2,560,677,000 ($2,430,801,000—1989) available for general purposes of IDA, $1,714,175,000 ($1,714,175,000—1989) has been received and $846,502,000 ($716,626,000—1989) is reflected as a receivable from the IBRD

African Facility: The IBRD authorized a transfer to the African Facility of $150,000,000 from net income of the IBRD for the fiscal year ended

June 30, 1985 These funds were paid to the African Facility in the fiscal year ended June 30, 1989.

Debt Reduction Facility: The IBRD authorized a transfer to the Debt Reduction Facility of $100,000,000 from net income for the fiscal year ended June 30, 1989 These funds are reflected as a receivable from the IBRD.

Note H—Income and Expenses

IDA: IDA pays a management fee to the IBRD representing its share of the administrative expenses incurred by the IBRD. During fiscal year 1990, the IBRD changed its method of accounting for non-pension retirement benefits Under the new method, the estimated cost for post-retirement health and life insurance is accrued on an actuarially determined basis Such costs are funded by the IBRD as accrued through contributions to a Retired Staff Benefit Plan (RSBP), which also covers the staff of the IFC and IDA. IDA's allocated share of the RSBP of $53,380,000 is included in its management fee to the IBRD in fiscal year 1990.

Special Fund and African Facility: The service and commitment charges payable by borrowers under Special Fund and African Facility development credits are paid directly to IDA to compensate it for services as administrator of the Special Fund and the African Facility. Income from investments of the Special Fund and the African Facility becomes part of the resources of the Special Fund and the African Facility, respectively.

Debt Reduction Facility. Income from investments of the Debt Reduction Facility becomes part of the resources of the Debt Reduction Facility

Report of Independent Accountants

Price Waterhouse
(International Firm)

The Hague
London
New York

Tokyo
Washington

Price Waterhouse

July 30, 1990

President and Board of Governors
International Development Association, the
Special Fund Administered by the International
Development Association, the Special Facility
for Sub-Saharan Africa Administered by the
International Development Association and the
Debt Reduction Facility for IDA-Only Countries
Administered by the International Development Association

In our opinion, the financial statements appearing on pages 204 through 219 of this Report present fairly, in all material respects, in terms of United States dollars, the financial position of the International Development Association, the Special Fund Administered by the International Development Association, the Special Facility for Sub-Saharan Africa Administered by the International Development Association and the Debt Reduction Facility for IDA-Only Countries Administered by the International Development Association at June 30, 1990 and 1989, and the changes in their commitment resources and their liquid funds for the years then ended in conformity with generally accepted accounting principles in the United States and with International Accounting Standards. These financial statements are the responsibility of management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse
(International Firm)

IBRD/IDA Appendices

Governors and Alternates of the World Bank

Appendix 1

June 30, 1990

Member	Governor	Alternate
Afghanistan	Hamidullah Tarzi	Zalmai Ahmadi
Algeria	Ghazi Hidouci	Mohammed-Salah Belkahla
Angola	António Henriques da Silva	António da Silva Inácio
Antigua and Barbuda[a]	John E. St. Luce	Ludolph Brown
Argentina	Antonio Erman González	Javier González Fraga
Australia	P. J. Keating	Bob Dun
Austria	Ferdinand Lacina	Othmar Haushofer
Bahamas, The[a]	Sir Lynden O. Pindling	Ethelyn C. Isaacs
Bahrain[a]	Ibrahim Abdul Karim	Isa Abdulla Borshaid
Bangladesh	Mohammad Abdul Munim	Enam Ahmed Chaudhury
Barbados[a]	L. Erskine Sandiford	Winston A. Cox
Belgium	Philippe Maystadt	Alfons Verplaetse
Belize	Said W. Musa	Yvonne S. Hyde
Benin	Paul Dossou	Fatiou Adekounte
Bhutan	Dawa Tsering	Karma Dorjee
Bolivia	Enrique García Rodríguez	Raúl Boada Rodríguez
Botswana	F. G. Mogae	Baledzi Gaolathe
Brazil	Zélia Maria Cardoso de Mello	Ibrahim Eris
Burkina Faso	Pascal Zagre	Henri Bruno Bessin
Burundi	Gérard Niyibigira	Salvator Nkeshimana
Cameroon	Elizabeth Tankeu	Simon Ngann Yonn
Canada	Michael H. Wilson	Marcel Masse
Cape Verde	Arnaldo C. de Vasconcelos Franca	António Hilário Cruz
Central African Republic	Thierry Bingaba	Gregoire Zowaye
Chad	Ibni Oumar Mahamat Saleh	Ahmed Kerim Togoi
Chile	Alejandro Foxley Rioseco	José Pablo Arellano
China	Wang Bingqian	Chi Haibin
Colombia	Luis F. Alarcón-Mantilla	Francisco J. Ortega
Comoros	Mohamed Ali	Said Mohamed Mshangama
Congo, People's Republic of the	Pierre Moussa	Dieudonné Diabatantou
Costa Rica	Thelmo Vargas Madrigal	Jorge Guardia Quirós
Côte d'Ivoire	*Moise Koumoue Koffi*	*Léon Naka*
Cyprus	George Syrimis	Michael Erotokritos
Denmark	Uffe Ellemann-Jensen	Ole Loensmann Poulsen
Djibouti	Mohamed Djama Elabe	Ibrahim Kassim Chehem
Dominica	Mary Eugenia Charles	Gilbert Williams
Dominican Republic	Luis Toral Córdova	Manuel E. Gómez Pieterz
Ecuador	Jorge Gallardo Zavala	Edison Ortiz Durán
Egypt, Arab Republic of	Kamal El-Ganzoury	Maurice Makram-Allah
El Salvador	Mirna Liévano de Marqués	José Roberto Orellana Milla
Equatorial Guinea	Marcelino Nguema Onguene	Miguel Edjang Angue
Ethiopia	Tekola Dejene	Seyoum Alemayehu
Fiji	J. N. Kamikamica	Rigamoto Taito
Finland	Matti Louekoski	Osmo Sarmavuori
France	Jacques de Larosière	Jean-Claude Trichet
Gabon	Marcel Doupamby-Matoka	Richard Onouviet
Gambia, The	Saihou S. Sabally	Alieu M. Ngum
Germany, Federal Republic of	*Juergen Warnke*	Horst Koehler
Ghana	Kwesi Botchwey	Kwesi Bekoe Amissah-Arthur
Greece	George Souflias	George Papastamkos
Grenada	George Ignatius Brizan	Lauriston F. Wilson, Jr.
Guatemala	Juan Francisco Pinto Casasola	Oscar Pineda Robles

Member	Governor	Alternate
Guinea	Ibrahima Sylla	Kerfalla Yansane
Guinea-Bissau	Pedro A. Godinho Gomes	José Lima Barber
Guyana	Carl Greenidge	Winston Murray
Haiti	Violene Legagneur	Ludovic Pierre
Honduras	Benjamín Villanueva	Ricardo Maduro Joest
Hungary	Imre Tarafas	Istvan Major
Iceland	Jon Sigurdsson	Olafur R. Grimsson
India	Madhu Dandavate	Bimal Jalan
Indonesia	J. B. Sumarlin	Hasudungan Tampubolon
Iran, Islamic Republic of	Mohsen Noorbakhsh	Mehdi Navab
Iraq	Subhi Frankool	Hashim Ali Obaid
Ireland	Albert Reynolds	Sean P. Cromien
Israel	Michael Bruno	Yaacov Lifshitz
Italy	Carlo Azeglio Ciampi	Mario Sarcinelli
Jamaica[a]	Seymour Mullings	Omar Davies
Japan	Ryutaro Hashimoto	Yasushi Mieno
Jordan	Awni Masri	Mohammad H. Al-Saqqaf
Kampuchea, Democratic	(vacant)	(vacant)
Kenya	George Saitoti	Charles S. Mbindyo
Kiribati	Teatao Teannaki	Baraniko Baaro
Korea, Republic of	Yung-Euy Chung	Kun Kim
Kuwait	Ali Al-Khalifa Al-Sabah	Bader Meshari Al-Humaidhi
Lao People's Democratic Republic	Sisavath Sisane	Soulingong Nhouyvanisvong
Lebanon	Ali El-Khalil	Raja Himadeh
Lesotho	E. R. Sekhonyana	Tom Liphapang Tuoane
Liberia	Elijah E. Taylor	Mary B. Dennis
Libya	Mohamed El Madni Al-Bukhari	Bashir Ali Khallat
Luxembourg	Jean-Claude Juncker	Yves Mersch
Madagascar	Jean Robiarivony	Nirina Andriamanerasoa
Malawi	L. Chimango	Graham Chipande
Malaysia	Daim Zainuddin	Zain Azraai
Maldives	Fathulla Jameel	(vacant)
Mali	Diango Cissoko	Souleymane Dembele
Malta[a]	George Bonello Du Puis	Edgar Wadge
Mauritania	Moustapha Ould Abeiderrahmane	M'Rabih Rabou Ould Cheikh Bounena
Mauritius	Beergoonath Ghurburrun	Madhukarlall Baguant
Mexico	Pedro Aspe Armella	José Angel Gurría
Morocco	Mohamed Berrada	Mohammed Dairi
Mozambique	Abdul Magid Osman	Eneas da Conceição Comiche
Myanmar	D. O. Abel	Min Aung
Nepal	Devendra Raj Panday	Sashi Narayan Shah
Netherlands	W. Kok	J. P. Pronk
New Zealand	Graham C. Scott	Chris N. Pinfield
Nicaragua	Emilio Pereira	Francisco J. Mayorga
Niger	Almoustapha Soumaila	Abdou Insa
Nigeria	S. Olu Falae	Ahmadu Abubakar
Norway	Arne Skauge	Tom Vraalsen
Oman	Qais Abdul-Munim Al-Zawawi	Mohammed Bin Musa Al-Yousef
Pakistan	V. A. Jafarey	Khalid Mahmud Chima
Panama	Guillermo Ford B.	Luis H. Moreno
Papua New Guinea	Paul Pora	Morea Vele
Paraguay	Enzo Debernardi	Oscar Jacinto Obelar

(continued)

Governors and Alternates of the World Bank *(continued)*

Appendix 1

June 30, 1990

Member	Governor	Alternate
Peru	César Vásquez Bazán	(vacant)
Philippines	Jesus P. Estanislao	(vacant)
Poland	Wladyslaw Baka	Grzegorz Wojtowicz
Portugal	Luis Miguel Beleza	(vacant)
Qatar[a]	Abdul Aziz Khalifa Al-Thani	Madhat Abdul Latif Masoud
Romania[a]	Theodor Dumitru Stolojan	Gheorghe Popescu
Rwanda	Benoit Ntigulirwa	Emmanuel Ndahimana
St. Kitts and Nevis	Kennedy A. Simmonds	William V. Herbert
St. Lucia	John G. M. Compton	Bernard Lacorbiniere
St. Vincent and the Grenadines	James F. Mitchell	Henry A. Gaynes
São Tomé and Principe	Agapito Mendes Dias	Manuel de Nazareh Mendes
Saudi Arabia	Mohammad Abalkhail	Hamad Al-Sayari
Senegal	Moussa Toure	Abdoul Aziz Diop
Seychelles[a]	Danielle de St. Jorre	Bertrand Rassool
Sierra Leone	Thomas Taylor Morgan	Y. T. Sesay
Singapore[a]	Richard Hu Tsu Tau	Ngiam Tong Dow
Solomon Islands	Christopher C. Abe	Leonard Palmer Maenu'u
Somalia	Mohamud Ghelle Yusuf	Said Ahmed Yusuf
South Africa	C. L. Stals	J. A. Lombard
Spain	Carlos Solchaga	Mariano Rubio Jiménez
Sri Lanka	D. B. Wijetunga	R. Paskaralingam
Sudan	Abdul Rahim Mahmoud Hamdi	Mohamed Khair El Zubair
Suriname[a]	Subhas Ch. Mungra	R. W. Braam
Swaziland	Andreas Fakudze	Noreen N. Maphalala
Sweden	Allan Larsson	Lena Hjelm-Wallen
Syrian Arab Republic	Mohammed Khaled Mahayni	Adnan Al-Saty
Tanzania	K. A. Malima	Simon Mbilinyi
Thailand	Pramual Sabhavasu	Panas Simasathien
Togo	Barry Moussa Barque	Kwassi Klutse
Tonga	James Cecil Cocker	Selwyn Percy Jones
Trinidad and Tobago	Selby Wilson	William G. Demas
Tunisia	Mustapha Kamel Nabli	Abdellatif Saddem
Turkey	Namik Kemal Kilic	Mahfi Egilmez
Uganda	Joshua Mayanja Nkangi	Suleiman Kiggundu
United Arab Emirates	Hamdan bin Rashid Al Maktoum	Ahmed Humaid Al-Tayer
United Kingdom	Robin Leigh-Pemberton	Timothy Lankester
United States	Nicholas F. Brady	Richard T. McCormack
Uruguay[a]	Enrique Braga García	Conrado Hughes
Vanuatu	Sela Molisa	George Pakoa
Venezuela[a]	Miguel Rodríguez	Eduardo Quintero
Viet Nam	Cao Si Kiem	(vacant)
Western Samoa	Tuilaepa S. Malielegaoi	Kolone Va'ai
Yemen Arab Republic	Mohammed Saeed Al-Attar	Kaid Mohammed Al-Hirwi
Yemen, People's Democratic Republic of	Faraq Bin Ghanem	Abdulla Saeed Abaddan
Yugoslavia	Branimir Zekan	Boris Skapin
Zaire	Bombito Botomba Lompio	Mbonga Magalu Engwanda
Zambia	Gibson G. Chigaga	Lennard Nkhata
Zimbabwe	B. T. G. Chidzero	K. J. Moyana

a. Member of the IBRD only.

Executive Directors and Alternates of the World Bank and Their Voting Power

Appendix 2

June 30, 1990

Executive director	Alternate	Casting votes of	IBRD Total votes	IBRD % of total	IDA Total votes	IDA % of total
Appointed						
E. Patrick Coady	Mark T. Cox, IV	United States	162,773	15.37	1,189,128	17.41
Masaki Shiratori	Yukio Yoshimura	Japan	94,020	8.88	664,752	9.73
Gerhard Boehmer	Bernd Esdar	Federal Republic of Germany	72,649	6.86	478,598	7.01
Frank Cassell	Robert Graham-Harrison	United Kingdom	69,647	6.58	392,447	5.74
Jean-Pierre Landau	Stéphane Pallez	France	55,477	5.24	267,428	3.91
Elected						
Jacques de Groote (Belgium)	Bahar Sahin (Turkey)	Austria, Belgium, Hungary, Luxembourg, Turkey	53,945	5.09	236,777	3.47
Paul Arlman (Netherlands)	Cvitan Dujmović (Yugoslavia)	Cyprus, Israel, Netherlands, Romania,[a] Yugoslavia	46,871	4.42	218,038	3.19
Frank Potter (Canada)	Clarence Ellis (Guyana)	Antigua and Barbuda,[a] The Bahamas,[a] Barbados,[a] Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica,[a] St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines	46,808	4.42	293,978	4.30
Jorge Pinto (Mexico)	Edgar Ayales[b] (Costa Rica)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Spain, Venezuela[a]	43,300	4.09	186,970	2.74
Jonas H. Haralz (Iceland)	Jorunn Maehlum (Norway)	Denmark, Finland, Iceland, Norway, Sweden	42,326	4.00	324,257	4.75
Chang-Yuel Lim (Republic of Korea)	Robert G. Carling (Australia)	Australia, Kiribati, Korea (Republic of), New Zealand, Papua New Guinea, Solomon Islands, Vanuatu, Western Samoa	39,580	3.74	165,277	2.42
Cesare Caranza (Italy)	Fernando S. Carneiro (Portugal)	Greece, Italy, Malta,[a] Poland, Portugal[a]	39,570	3.74	391,478	5.73
J. S. Baijal (India)	M. Mustafizur Rahman (Bangladesh)	Bangladesh, Bhutan, India, Sri Lanka	38,497	3.63	293,094	4.29
Zhang Junyi (China)	Jin Liqun (China)	China	35,221	3.33	138,951	2.03
Fawzi Hamad Al-Sultan (Kuwait)	Mohamed W. Hosny (Arab Republic of Egypt)	Bahrain,[a] Egypt (Arab Republic of), Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Pakistan, Qatar,[a] Syrian Arab Republic, United Arab Emirates, Yemen Arab Republic	32,337	3.05	255,712	3.74

(continued)

Executive Directors and Alternates of the World Bank and Their Voting Power *(continued)*

Appendix 2

June 30, 1990

Executive director	Alternate	Casting votes of	IBRD Total votes	IBRD % of total	IDA Total votes	IDA % of total
Mourad Benachenhou (Algeria)	Salem Mohamed Omeish (Libya)	Afghanistan, Algeria, Ghana, Iran (Islamic Republic of), Libya, Morocco, Tunisia, Yemen (People's Democratic Republic of)	30,469	2.88	120,777	1.77
Vibul Aunsnunta (Thailand)	Le Van Chau (Viet Nam)	Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore,[a] Thailand, Tonga, Viet Nam	29,523	2.79	200,362	2.93
Eduardo Wiesner (Colombia)	Pedro Sampaio Malan (Brazil)	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Philippines, Suriname,[a] Trinidad and Tobago	28,641	2.70	213,146	3.12
J. S. A. Funna (Sierra Leone)	Jabez A. Langley (The Gambia)	Botswana, Burundi, Ethiopia, The Gambia, Guinea, Kenya, Lesotho, Liberia, Malawi, Mozambique, Nigeria, Seychelles,[a] Sierra Leone, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	25,623	2.42	230,481	3.37
Ibrahim A. Al-Assaf (Saudi Arabia)	Abdulaziz Al-Sehail (Saudi Arabia)	Saudi Arabia	25,390	2.40	226,623	3.32
Raymundo Morales (Peru)	Félix Alberto Camarasa (Argentina)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay[a]	24,745	2.34	138,856	2.03
André Milongo (People's Republic of the Congo)	Jean-Pierre Le Bouder (Central African Republic)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (People's Republic of the), Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Principe, Senegal, Somalia, Togo, Zaire	21,843	2.06	204,717	3.00

In addition to the executive directors and alternates shown in the foregoing list, the following also served after June 30, 1989:

Executive director	End of period of service
Mario Draghi (Italy)	January 16, 1990
Hélène Ploix (France)	October 1, 1989
Mohd. Ramli Wajib (Malaysia)	October 31, 1989
C. R. Krishnaswamy Rao Sahib (India)	July 31, 1989
Jobarah E. Suraisry (Saudi Arabia)	October 10, 1989

Alternate director	End of period of service
J. A. L. Faint (United Kingdom)	August 20, 1989
Rodrigo M. Guimarães (Portugal)	November 22, 1989
Veikko Kantola (Finland)	July 31, 1989
Michael von Harpe (Federal Republic of Germany)	September 1, 1989

NOTE: Angola (2,926 votes in IBRD and 45,662 votes in IDA), Democratic Kampuchea (464 votes in IBRD and 7,826 votes in IDA), and South Africa (13,712 votes in IBRD and 20,119 votes in IDA) did not participate in the 1988 regular election of executive directors.

a. Member of the IBRD only.

b. To be succeeded by Silvia Charpentier (Costa Rica) as of July 1, 1990.

Officers and Department Directors of the World Bank

Appendix 3

June 30, 1990

President	Barber B. Conable*
Senior Vice President, Operations	Moeen A. Qureshi**
Senior Vice President, Finance	Ernest Stern**
Senior Vice President, Policy, Research, and External Affairs	Wilfried P. Thalwitz**
Finance	
Vice President and Controller	Stephen D. Eccles
Vice President and Treasurer	Donald Roth
Vice President, Financial Policy and Risk Management	D. Joseph Wood
Operations	
Vice President, Latin America and the Caribbean Regional Office	S. Shahid Husain
Vice President, Africa Regional Office	Edward V. K. Jaycox
Vice President, Asia Regional Office	Attila Karaosmanoglu
Vice President, Cofinancing and Financial Advisory Services	Koji Kashiwaya
Vice President, Europe, Middle East, and North Africa Regional Office	Willi A. Wapenhans
Policy, Research, and External Affairs	
Vice President, Development Economics and Chief Economist	Stanley Fischer
Vice President, Sector Policy and Research	Visvanathan Rajagopalan
Operations Evaluation	
Director-General	Yves Rovani
Corporate Planning and Budgeting	
Vice President	Robert Picciotto
Legal	
Vice President and General Counsel	Ibrahim F. I. Shihata**
Secretary's	
Vice President and Secretary	Timothy T. Thahane**
Personnel and Administration	
Vice President	Bilsel Alisbah
Office of the President	
Director	Sven Sandstrom
Finance	
Director, Cash Management Department	Hywel M. Davies
Director, Financial Operations Department	Jessica P. Einhorn
Director, Loan and Trust Funds Department	James H. Jennings
Director, Resource Mobilization Department	Basil G. Kavalsky
Director, Tokyo Office	Nobuaki Kemmochi
Deputy Treasurer and Director, Treasury Operations	Caio K. Koch-Weser
Director, Investment Department	Jean-François Rischard
Director, Accounting Department	Michael E. Ruddy
Director, Risk Management and Financial Policy Department	(vacant)[a]
Operations	
Director, Operations Staff	David R. Bock
Director, Economic Advisory Staff	Vinod Dubey
Director, Central Operations Department	Ducksoo Lee[b]
Director, Cofinancing and Financial Advisory Services Department	(vacant)
Africa Regional Office	
Director, Country Department: Burkina Faso, Cape Verde, Chad, The Gambia, Mali, Mauritania, Niger, Senegal	Michael J. Gillette[c]
Director, Country Department: Burundi, Comoros, Djibouti, Madagascar, Rwanda, Seychelles, Zaire	Paul Isenman[d]
Director, Country Department: Ethiopia, Kenya, Mauritius, Somalia, Sudan, Uganda	Callisto E. Madavo
Director, Country Department: Benin, Cameroon, Central African Republic, People's Republic of the Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Guinea, Togo	Ismail M. Serageldin[e]

(continued)

Officers and Department Directors of the World Bank *(continued)*

Appendix 3

June 30, 1990

Director, Country Department: Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, Zimbabwe	(vacant)[f]
Director, Country Department: Ghana, Guinea-Bissau, Liberia, Nigeria, São Tomé and Principe, Sierra Leone	(vacant)[g]
Director, Technical Department	Hans Wyss[h]

Asia Regional Office

Director, Country Department: Bangladesh, Bhutan, Nepal, Sri Lanka	Shinji Asanuma
Director, Country Department: China	Shahid Javed Burki
Director, Country Department: Fiji, Indonesia, Kiribati, Maldives, Papua New Guinea, Solomon Islands, Tonga, Vanuatu, Western Samoa	Russell J. Cheetham
Director, Country Department: Democratic Kampuchea, Republic of Korea, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Thailand, Viet Nam	Gautam S. Kaji
Director, Country Department: India	Heinz Vergin
Director, Technical Department	(vacant)[i]

Europe, Middle East, and North Africa Regional Office

Director, Country Department: Algeria, Libya, Malta, Morocco, Tunisia	Kemal Dervis
Director, Country Department: Pakistan, Turkey	Hans-Eberhard Köpp[j]
Director, Country Department: Cyprus, Hungary, Poland, Portugal, Romania, Yugoslavia	Eugenio F. Lari
Director, Country Department: Afghanistan, Bahrain, Arab Republic of Egypt, Islamic Republic of Iran, Iraq, Jordan, Kuwait, Lebanon, Qatar, Oman, Saudi Arabia, Syrian Arab Republic, United Arab Emirates, Yemen Arab Republic, People's Democratic Republic of Yemen	Everardus J. Stoutjesdijk[k]
Director, Technical Department	Abderraouf Bouhaouala

Latin America and the Caribbean Regional Office

Director, Country Department: Argentina, Chile, Ecuador, Paraguay, Peru, Uruguay	Pieter P. Bottelier
Director, Country Department: Brazil	Armeane M. Choksi
Director, Country Department: Antigua and Barbuda, The Bahamas, Barbados, Belize, Bolivia, Colombia, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Venezuela	Ping-Cheung Loh
Director, Country Department: Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama	Rainer B. Steckhan
Director, Technical Department	(vacant)[l]

Policy, Research, and External Affairs

Director, External Affairs Department	Francisco J. Aguirre-Sacasa[m]
Director, Geneva Office	Jean Baneth
Director, Industry and Energy Department	Anthony A. Churchill
Director, Publications Department	James K. Feather
Director, Economic Development Institute	Amnon Golan
Director, Population and Human Resources Department	Ann O. Hamilton
Director, European Office	Olivier Lafourcade
Director, Country Economics Department	Johannes F. Linn
Director, Agriculture and Rural Development Department	Michel J. Petit
Director, Environment Department	Kenneth Piddington
Director, Infrastructure and Urban Development Department	Louis Y. Pouliquen
Director, International Economics Department	D. C. Rao
Director, Strategic Planning and Review Department	Alexander Shakow[n]
Executive Secretary, Consultative Group on International Agricultural Research	Alexander von der Osten-Sacken

Operations Evaluation

Director, Operations Evaluation Department	Ram Kumar Chopra[o]

Corporate Planning and Budgeting

Auditor General, Internal Auditing Department	Allan D. Legg

Legal

Associate General Counsel, Legal Department	Hugh N. Scott

Personnel and Administration	
Director, Personnel Operations Department	Alberto de Capitani
Director, Information, Technology, and Facilities Department	Harinder S. Kohli
Director, General Services Department	Richard B. Lynn
Director, Health Services Department	C. Nordanlycke-Yoo (acting)[p]
Director, Personnel Policy Department	Everardo C. Wessels

* Chairman, President's Council.

** Member, President's Council.

a. Everardus J. Stoutjesdijk appointed to position as of July 1, 1990

b To be succeeded by Hans Wyss as of July 1, 1990.

c. To be succeeded by Katherine Marshall as of July 1, 1990.

d. To be succeeded by Francisco J. Aguirre-Sacasa as of July 1, 1990.

e. To be succeeded by Michael J. Gillette as of July 1, 1990.

f. Stephen M. Denning appointed to position as of July 1, 1990.

g. Edwin R. Lim appointed to position as of July 1, 1990.

h. To be succeeded by Ismail M. Serageldin as of July 1, 1990.

i. Daniel G. Ritchie appointed to position as of July 1, 1990.

j. To be succeeded by Michael H. Wiehen as of July 1, 1990.

k. To be succeeded by Ram Kumar Chopra as of July 1, 1990.

l Edilberto L. Segura appointed to position as of July 1, 1990.

m To be succeeded by Alexander Shakow as of July 1, 1990.

n As of July 1, 1990, a portion of this department will be incorporated into the External Affairs Department; another portion will become the Policy and Review Department, with Paul Isenman as director.

o. To be succeeded by Hans-Eberhard Köpp as of July 1, 1990.

p. To be succeeded by Dr. Bernhard H. Liese as of July 1, 1990

Offices of the World Bank

Appendix 4

June 30, 1990

Headquarters: 1818 H Street, N.W., Washington, D.C. 20433, U.S.A.

New York Office	G. David Loos Special Representative to the United Nations	The World Bank Mission to the United Nations/New York Office 747 Third Avenue (26th Floor) New York, N.Y. 10017, U.S.A.
European Office	Olivier Lafourcade Director	The World Bank 66, avenue d'Iéna 75116 Paris, France
Geneva Office	Jean Baneth Director	The World Bank ITC Building 54, rue de Montbrillant Geneva, Switzerland (mailing address: P.O. Box 104, 1211 Geneva 20 CIC, Switzerland)
Tokyo Office	Nobuaki Kemmochi Director	The World Bank Kokusai Building (Room 916) 1-1 Marunouchi 3-chome Chiyoda-ku, Tokyo 100, Japan
Regional Mission in Eastern Africa	Peter Eigen Director	The World Bank Reinsurance Plaza (5th and 6th Floors) Taifa Road Nairobi, Kenya (mailing address: P.O. Box 30577)
Regional Mission in Western Africa	Elkyn A. Chaparro Chief	The World Bank Corner of Booker Washington and Jacques AKA Streets Cocody, Abidjan 01 Côte d'Ivoire (mailing address: B.P. 1850)
Regional Mission in Thailand	Philippe E. Annez Chief	The World Bank Udom Vidhya Building (5th Floor) 956 Rama IV Road, Sala Daeng Bangkok 10500, Thailand
Argentina	Myrna L. Alexander Resident Representative	Banco Mundial Bartolome Mitre 797 – Piso 8 Buenos Aires, Argentina
Bangladesh	Christopher Willoughby Chief	Resident Mission The World Bank 3A Paribagh Dhaka 1000, Bangladesh (mailing address: G.P.O. Box 97)
Benin	Eduardo Locatelli Resident Representative	The World Bank Zone Résidentielle de la Radio Cotonou, Benin (mailing address: B.P. 03-2112)
Bolivia	Fernando Mendoza Resident Representative	Banco Mundial Edificio BISA, Piso 9 16 de Julio 1628 La Paz, Bolivia (mailing address: Casilla 8692)

Brazil	George Papadopoulos Resident Representative	Banco Mundial Setor Comercial Sul, Quadra 1, Bloco H Edifício Morro Vermelho—8 Andar Brasília, DF 70.300, Brazil
Brazil	George Papadopoulos Representative	Banco Mundial c/o Furnas Centrais Elétricas, S.A. Rua Real Grandeza, 219 Bloco C, Nono Andar Rio de Janeiro, RJ 2400 Brazil
Brazil	Edward B. Rice Head of Field Office	Banco Mundial, S/127 Edifício SUDENE Cidade Universitária 50.000 Recife PE. Brazil
Burkina Faso	Claude R. Delapierre Resident Representative	The World Bank Immeuble BICIA (3ème étage) Ouagadougou, Burkina Faso (mailing address: B.P. 622)
Burundi	Maurice H. Gervais Resident Representative	The World Bank 45, avenue de la Poste Bujumbura, Burundi (mailing address: B.P. 2637)
Cameroon	Raymond Rabeharisoa Resident Representative	The World Bank Immeuble Kennedy Avenue Kennedy Yaoundé, Cameroon (mailing address: B.P. 1128)
Central African Republic	Jean-Paul Dailly Resident Representative	The World Bank Rue des Missions Bangui, C.A.R. (mailing address: B.P. 819)
Chad	Horst M. Scheffold Resident Representative	The World Bank P.O. Box 146 N'djamena, Chad
China	Edwin R. Lim Chief	The World Bank Building 5 2 Fu Cheng Lu Beijing, China 100830
Colombia	P. Hari Prasad Resident Representative	Banco Mundial Carrera 10, No. 86-21, Piso 3 Bogotá D.E., Colombia (mailing address: Apartado Aereo 10229)
Congo, People's Republic of the	(vacant)	The World Bank Avenue Amilcar Cabral Immeuble Arc (5ème étage) Brazzaville, Congo (mailing address: B.P. 14536)

(continued)

Offices of the World Bank *(continued)*

Appendix 4

June 30, 1990

Ethiopia	T. James Goering Resident Representative	The World Bank I.B.T.E. New Telecommunications Building (1st Floor) Churchill Road Addis Ababa, Ethiopia (mailing address: P.O. Box 5515)
Ghana	Silvio Capoluongo Resident Representative	The World Bank 69 Eighth Avenue Extension Northridge Residential Area Accra, Ghana (mailing address: P.O. Box M27)
Guinea	Michael Wilson Resident Representative	The World Bank Centre Tertiaire Corniche Sud Conakry 1, Guinea
Guinea-Bissau	Yves J. Tencalla Resident Representative	Banco Mundial Apartado 78 1041, Guinea-Bissau
India	Jochen Kraske Chief	Resident Mission The World Bank 55 Lodi Estate New Delhi 110003, India (mailing address: P.O. Box 416, New Delhi 110001)
Indonesia	Attila Sönmez Director	The World Bank Jalan Rasuna Said, Kav. B-10 (Suite 301) Kuningan, Jakarta 12940, Indonesia (mailing address: P.O. Box 324/JKT)
Madagascar	Jose A. Bronfman Resident Representative	Banque mondiale 1, rue Patrice Lumumba Antananarivo 101, Madagascar (mailing address: Banque mondiale, B.P. 4140)
Malawi	John M. Malone Resident Representative	The World Bank Development House Capital City Lilongwe 3, Malawi (mailing address: P.O. Box 30557)
Mali	Monique P. Garrity Resident Representative	The World Bank Immeuble Sogefih Quartier du Fleuve Avenue Moussa Travele Bamako, Mali (mailing address: B.P. 1864)
Mauritania	Sunil Mathrani Resident Representative	The World Bank Villa No. 30, Ilot A Quartier Socofim Nouakchott, Mauritania (mailing address: B.P. 667)

Mexico	Marko Voljc Resident Representative	Banco Mundial Nacional Financiera, S.N.C. Isabel La Católica No. 51 Primer Piso Colonia Centro 06006 México City. D.F. México
Mozambique	Nils O. Tcheyan Resident Representative	The World Bank Av. 25 de Setembro, 1218 2-Andar Maputo, Mozambique
Nepal	Nigel Roberts Resident Representative	The World Bank Jyoti Bhawan, Kantipath Kathmandu, Nepal (mailing address: P.O. Box 798)
Niger	Whitney P. Foster Resident Representative	The World Bank Immeuble BDRN Niamey, Niger (mailing address: Banque mondiale, B.P. 12402)
Nigeria	Tariq Husain Resident Representative	The World Bank 1st Floor Plot PC-10 Engineering Close, off Idowu Taylor Street Victoria Island Lagos, Nigeria (mailing address: P.O. Box 127)
Pakistan	Luis de Azcárate Chief	The World Bank 20 A Shahrah-e-Jamhuriat Islamabad, Pakistan (mailing address: P.O. Box 1025)
Philippines	Rolando R. Arrivillaga Resident Representative	The World Bank Central Bank of the Philippines Multi-storey Building, Room 200 Roxas Boulevard Manila, Philippines
Poland	Ian M. Hume Resident Representative	Resident Mission The World Bank INTRACO 1 17th Floor 2 Stawski Street 00-193 Warsaw, Poland
Rwanda	Emmanuel Akpa Resident Representative	The World Bank Blvd. de la Révolution BRD Building Kigali, Rwanda (mailing address: P.O. Box 609)
Saudi Arabia	John R. Bowlin Director	Resident Mission The World Bank Riyadh, Saudi Arabia (mailing address: P.O. Box 5900, Riyadh, Saudi Arabia 11432)

(continued)

Offices of the World Bank *(continued)* Appendix 4

June 30, 1990

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